CONSULTATION PAPER NO. 3/2010

PROPOSED AMENDMENTS TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS RELATING TO ENHANCED DISCLOSURE OBLIGATIONS, CORPORATE GOVERNANCE AND OTHER OBLIGATIONS

Date of Issue: 15 July 2010

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 Attachment 1.

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

- **Name : Tan Ai Chia/ Rowena Ooi Lyn See/ Thuang Kah See**
- **E-mail : Tan_Ac@bursamalaysia.com/ Rowena@bursamalaysia.com/ thuangkahsee@bursamalaysia.com**
- **Direct Line : 603-2034 7089/ 7515/ 7094**

Additional copies of this document may be made without seeking permission from Bursa Securities or downloaded from its website at www.bursamalaysia.com

Confidentiality: Your responses may be made public by the Bursa Securities. If you do not want all or part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only if you request that the information remain confidential.

TABLE OF CONTENTS

A. INTRODUCTION

This Consultation Paper is to seek public feedback on various proposed amendments to Bursa Malaysia Securities Berhad ("**the Exchange**") Main Market and ACE Market Listing Requirements (collectively "**LR**").

The LR was reviewed last year, where the primary objective was to enhance the fundraising framework pursuant to the merger of the then Main and Second Boards to the current "Main Market", as well as the repositioning of the MESDAQ Market to the ACE Market. In line with our aim of enhancing market quality, our review this time is mainly focused on providing greater guidance and clarity to the market in the key areas of disclosure and corporate governance. Some of the proposed amendments in this Consultation Paper also seek to codify in the LR the existing practices of listed issuers.

The proposed amendments are also aimed at promoting efficiency in the Malaysian capital market. This review is done as part of the Exchange's on-going efforts to enhance the regulatory framework for listed issuers and ensuring the competitiveness and attractiveness of the Exchange as a listing and investment destination. Maintenance of market integrity remains the Exchange's key focus in formulating the proposed amendments and in so doing we strive to strike a careful balance between enhancing market regulation and promoting business efficacy. In coming up with our proposals, we have taken into account industry feedback, our findings and observations arising from our supervision and monitoring activities and stakeholder engagements and international standards.

B. KEY PROPOSED AMENDMENTS

The key proposed amendments are as set out below.

1. **Enhancement to the continuing disclosure requirements of a listed issuer** –

   (a) enhancing the continuous disclosure obligations of listed issuers by requiring, among others, the following:

      (i) announcement on change of CFO and independent adviser;
      (ii) announcement on reasons for termination/resignation of CEO, CFO, directors, external auditors and independent adviser;
      (iii) disclosure of the grounds in support of the appointment of a director;
      (iv) disclosure of pledging/charging of shares by major shareholders;
      (v) announcement on foreclosure over a listed issuer's assets; and
      (vi) disclosure of revenue or profit estimate, forecast or projection in circular, if the information is given to the Exchange.

   (b) enhancing the financial reporting disclosure obligations of listed issuers by requiring, among others, the following:

      (i) additional information to be included in the income statement and cashflow statement;
      (ii) disclosure of the management discussion and analysis on a voluntary basis;
      (iii) disclosure of financial highlights and financial indicators in annual report; and
      (vii) disclosure of outstanding debts due and owing to a listed issuer by its related party in a Recurrent Related Party Transaction.

2. **Enhancement to the corporate governance standards of a listed issuer**

(a) requiring listed issuer to ensure that each of its directors, chief executive or chief financial officer has the character, experience, integrity, competence and time to effectively discharge his role as a director, chief executive or chief financial officer, as the case may be, of the listed issuer;

(b) prescribing the criteria which a listed corporation must consider in appointing an external auditor;

(c) where a member of the listed corporation is an authorized nominee, disallowing the listed corporation from imposing any limit to the number of proxies which an authorized nominee may appoint for each securities account it holds;

(d) disallowing any restriction on appointment of proxy in the articles of association;

(e) requiring a listed corporation to announce details of voting results in respect of each resolution carried immediately after the general meeting; and

(f) requiring a listed corporation to include the specific date of the Record of Depositors for purposes of determining whether a depositor should be regarded as a member entitled to attend, speak and vote at the general meeting.

3. **Enhancement to the share scheme for employees involving a new issuance of shares ("Share Issuance Scheme") and requiring disclosure of a scheme involving the grant of a listed issuer's existing shares to its employees ("Share Grant Scheme")**

(a) removing the 50% restriction on the total number of shares which can be allocated to directors and senior management under a Share Issuance Scheme;

(b) requiring any allocation of options or shares to directors and senior management pursuant to a Share Issuance Scheme to be approved mainly by non-executive directors. A director must not participate in the deliberation or discussion of his own allocation;

(c) allowing an implementation of more than 1 Share Issuance Scheme, provided that the aggregate number of shares available under all the schemes does not exceed 15% of the listed issuer's issued and paid-up capital (excluding treasury shares) at any one time;

(d) removing shareholder and option holder approval requirement for the termination of the Share Issuance Scheme;

(e) enhancing disclosure requirements in relation to a Share Issuance Scheme; and

(f) requiring disclosure of a Share Grant Scheme for greater transparency.

4. **Allowing listed issuers to issue any document which is required to be sent to its securities holders under the LR, via electronic means**, for example, by way of CD-ROM or e-mails, or by making it available on the listed issuer's website, if it is permitted under the laws.

5. **Facilitating listed issuers to pay dividends in shares to their shareholders through a scheme known as "Dividend Reinvestment Scheme".**

6. **Other amendments** including –

(a) allowing buy back of odd lot shares through direct business transaction or any other manner as may be approved by the Exchange; and

(b) clarifying the provision of financial assistance by a listed issuer to jointly-controlled entities.

(collectively "**Proposed Amendments**")

C. STRUCTURE OF THE CONSULTATION PAPER

The detailed rationale and proposals are provided in the "**Details of Proposals**" in Part 1 to Part 6 of this Consultation Paper.

The Proposed Amendments are provided in Annexure A to F.

The relevant Details of Proposals and Proposed Amendments are as set out in the Table below.

Part No.	Details of Proposal	Proposed Amendments (Annexure)
1.	Proposed Enhancements to the Continuing Disclosure Requirements	A
2.	Proposed Amendments in Relation to Enhanced Corporate Governance Standards of a Listed Issuer	B
3.	Proposed Amendments in Relation to Share Scheme for Employees	C
4.	Proposed Amendments Allowing Issuance of Documents to Securities Holders via Electronic Means	D
5.	Proposed Amendments in Relation to a Dividend Reinvestment Scheme	E
6.	Other Proposed Amendments	F

The Proposed Amendments are reflected in the following manner:

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

Comments on the Proposed Amendments to the LR can be given by filling up the template as attached in Attachment 1.

Note: As the proposals are open to comments and feedback from the public, the final amendments may be different from those stated in this Consultation Paper. The Proposed Amendments have also NOT been approved by the SC and as such are not the final amendments. The Exchange will submit the LR amendments to the SC for approval after receipt of comments on the amendments pursuant to this Consultation Paper and making the relevant changes, where appropriate, to the amendments.

D. DETAILS OF PROPOSALS

For the purpose of the "Details of the Proposals", unless the context otherwise requires, the following abbreviations/words have the meanings or definition given below:

ACE LR	:	Bursa Malaysia Securities Berhad ACE Market Listing Requirements
Articles	:	Articles of Association of a listed corporation
CA	:	Companies Act 1965
CEO	:	Chief Executive Officer
CFO	:	Chief Financial Officer
CMSA	:	Capital Markets and Services Act 2007
Exchange	:	Bursa Malaysia Securities Berhad
Foreign Corporation		Foreign corporation seeking for or with a primary listing on the Exchange under the Main and ACE LR
LR	:	Collectively "Main LR" and "ACE LR"
Main LR	:	Bursa Malaysia Securities Berhad Main Market Listing Requirements
SC	:	Securities Commission

Note:

(1) Unless otherwise defined in this "Details of Proposal", or unless the context otherwise requires, words or expressions defined in the LR, when used in this "Details of Proposals", have the same meanings as in the LR.

(2) Apart from the above, certain other terms and expressions have also been defined in the respective Parts. Such definitions only apply with respect to the respective Parts in which they are contained.

(3) A reference to a certain paragraph/Rule of the LR means the respective paragraph of the Main LR and Rule of the ACE LR.

PART 1 PROPOSED ENHANCEMENTS TO THE CONTINUING DISCLOSURE REQUIREMENTS

As part of the Exchange's continuous efforts to enhance disclosures by listed issuers and promote greater transparency, the Exchange had enhanced the information which a listed issuer is required to disclose in an announcement or circular in relation to a transaction as well as for the issuance of new securities. This was undertaken during the review of the LR in conjunction with the introduction of Main Market and ACE Market on 3 August 2009.

Following the disclosure enhancements made in 2009, the Exchange continued to review the LR disclosure framework. In this Consultation Paper, the Exchange proposes, among others, to focus on the continuous disclosure and periodic disclosure obligations of listed issuers with the aim of improving the quality and timeliness of such disclosures made by listed issuers to the market.

PROPOSAL 1.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Announcement on change of directors, chief executive ("**CEO**"), chief financial officer ("**CFO**"), external auditors and independent advisor	▪ Para. 9.19(12) ▪ Para. 9.19(14) ▪ New Para. 9.19(14A) ▪ Para. 9.19(15) ▪ New Para. 9.19(15A) ▪ New Part B(A) of Appendix 9A	▪ Rule 9.19(12) ▪ Rule 9.19(14) ▪ New Rule 9.19(14A) ▪ Rule 9.19(15) ▪ New Rule 9.19(15A) ▪ New Part B(A) of Appendix 9A

1. Currently, under paragraph/Rule 9.19 of the LR, a listed issuer must immediately announce to the Exchange of -

   (a) any change in the composition of its board of directors;

   (b) any change or proposed change in its CEO; or

   (c) any change in its company secretary or external auditors.

   An announcement in the change of a listed issuer's CFO is not required.

2. A CFO plays an important role in a listed issuer's financial matters and in ensuring the financial statements give a true and fair view of the state of affairs of the listed issuer. As such, we propose that a listed issuer announces immediately to the Exchange an appointment of its CFO.

3. We propose that the announcement regarding the appointment of a CFO includes the following information:

   (a) the name, age, nationality and qualification of the CFO;

   (b) the CFO's working experience;

   (c) any family relationship between the CFO and any director and/or major shareholder of the listed issuer;

(d) whether the CFO has any conflict of interests with the listed issuer or its subsidiaries; and

(e) the details of any interest in the securities of the listed issuer or its subsidiaries.

4. In a move to enhance transparency, we propose that a listed issuer must announce the **reasons** given for the resignation or termination of –

(a) a director, CEO and CFO; and

(b) an external auditor, where there are written representation/explanations for the same.

5. The disclosure proposed above is aimed at providing investors with information relating to the state of affairs within a listed issuer which then aids them in making informed investment decisions. Such disclosure would be particularly pertinent in instances where it arises from irregularities taking place in the listed issuer.

6. In addition, where an independent adviser has been appointed for a corporate proposal pursuant to the LR, we propose that the listed issuer announces any change in such independent adviser, together with the reasons for the termination or resignation. Apart from enhancing transparency in the engagement of an independent adviser by a listed issuer, it will serve to fortify the independence of the independent advisers.

Proposal 1.1 - Issue(s) for Consultation:

1. Do you agree with our proposal to require a listed issuer to announce any change in its CFO?

2. Is there any other information in relation to a change in the directors, CEO, CFO and external auditors, which you think should be announced?

3. Do you agree with our proposal to require a listed issuer to announce any change in the appointment of an independent adviser for a corporate proposal, together with the reasons for the termination or resignation?

PROPOSAL 1.2

Description	Affected Provision(s)	
	Main LR	ACE LR
Disclosure of the grounds in support of the appointment of a director	▪ Appendix 9A, Part A, New Para. (g) ▪ Appendix 8A, New Para. (h)	▪ Appendix 9A, Part A, New Para. (g) ▪ Appendix 8A, New Para. (h)

7. Currently, under the LR, a listed issuer must include the following information in an immediate announcement relating to the appointment of a director and a statement accompanying notices of annual general meetings ("**AGM**") on individuals who are standing for election as directors:

(a) the name, age, nationality, qualification and whether the position is an executive or non-executive one and whether such director is an independent director.

(b) working experience and occupation.

(c) any other directorship of public companies.

(d) any family relationship with any director and/or major shareholder of the listed issuer.

(e) any conflict of interests that he has with the listed issuer.

(f) the details of any interest in the securities of the listed issuer or its subsidiaries.

8. In order to ensure that the listed issuer, when appointing a director, undertakes due assessment and consideration on the suitability, competency and qualification of the director, we propose that a listed issuer discloses in the announcement and the statement accompanying notices of AGM above, the grounds considered by the listed issuer in appointing or nominating the director for election.

9. This includes the reasons why the listed issuer is of the view that the director has the character, experience, integrity, competence and time to effectively discharge his role as a director of the listed issuer.

10. In the case of an appointment of an independent director, we propose that the listed issuer also sets out the reasons why the listed issuer considers the independent director as being "independent".

11. The above proposal also seeks to provide greater transparency to the market on the people behind the companies, i.e. the directing minds and wills of the companies.

12. We believe the above would help to improve the quality of directors being appointed to the board of a listed issuer.

Proposal 1.2 - Issue(s) for Consultation:

4. Do you agree with our proposal to require a listed issuer to disclose in its immediate announcement on an appointment of a director, and the statement accompanying notices of annual general meetings on individuals who are standing for election as directors, the grounds considered by the listed issuer in appointing or nominating the director for election, including -

   (a) the reasons why the listed issuer is of the view that the director has the character, experience, integrity, competence and time to effectively discharge his role as a director of the listed issuer; and

   (b) in the case of an appointment of an independent director, we propose the listed issuer also sets out the reasons why the listed issuer considers the independent director as being "independent"?

Enhancement of information provided under the periodic financial statements and annual reports.

13. Under the existing periodic reporting framework, listed issuers are required to issue, among others, the interim financial reports on a quarterly basis and annual reports that include annual audited financial statements together with the auditors' and directors' reports.

14. Currently, the notes to quarterly reports prepared by the listed issuers must include the information set out in Appendix 9B of the LR while the annual reports prepared must include the information set out in Appendix 9C.

15. In tandem with the development of the financial reporting standards in Malaysia as well as for purposes of greater clarity, the Exchange has undertaken a review of the information required in the quarterly reports and annual reports of listed issuers.

16. Pursuant to this review, the Exchange proposes to enhance or introduce information required to be included in the notes to quarterly report and the content of annual report.

17. The proposals are aimed at enhancing transparency and investor protection, as well as facilitating listed issuers' compliance with the LR. The key enhancements are discussed in the paragraphs below.

PROPOSAL 1.3

Description	Affected Provision(s)	
	Main LR	ACE LR
Enhancement to the disclosure on review of the performance of the corporation and its principal subsidiaries in the notes to quarterly report by requiring a detailed analysis	▪ Appendix 9B, Part A, Para. 1	▪ Appendix 9B, Para. 1

Analysis of the performance of the corporation and principal subsidiaries

18. Paragraph 1 of Appendix 9A presently requires a review of the performance of the corporation and its principal subsidiaries setting out material factors affecting the earnings and/or revenue of the corporation and the group for the current quarter and financial year-to-date, to be incorporated in the notes to quarterly report.

19. The Exchanges proposes to enhance the discussion and ensure that the information disclosed by listed issuer is of value add to investors. Hence, the Exchange now proposes to include a **detailed analysis** (as opposed to a review as currently required) of the performance of the corporation and its principal subsidiaries.

Proposal 1.3 - Issue(s) for Consultation:

5. Do you agree with the amendments proposed in the notes to quarterly report requiring disclosure of a detailed analysis (instead of a review as currently required) of the performance of the corporation and its principal subsidiaries? Please state your reasons.

PROPOSAL 1.4

Description	Affected Provision(s)	
	Main LR	ACE LR
Additional information to be disclosed in the income statement and cash flow statement	▪ Appendix 9B, Part A, New Para. 16 & 17	▪ Appendix 9B, New Para. 16 & 17

Income statement

20. The Exchange proposes to require that the income statement in the quarterly report of listed issuers includes the following items for the current quarter and financial year to date:

    (a) interest income;

    (b) other income including investment income;

    (c) interest expense;

    (d) depreciation and amortization;

    (e) provision for and write off of receivables;

    (f) provision for and write off of inventories;

    (g) gain or loss on disposal of quoted and unquoted investments or properties;

    (h) impairment of assets;

    (i) foreign exchange gain or loss;

    (j) gain or loss on derivatives; and

    (k) exceptional items (with details).

21. These amendments are proposed pursuant to feedback received and are also comparable to similar requirements in Singapore.

Cash flow statement

22. In addition to the requirements relating to income statements, the Exchange also proposes to enhance disclosure in cash flow statements in a quarterly report, to include details of the major components on each of the following activities:

    (a) the operating activities of the listed issuer;

    (b) the investing activities of the listed issuer; and

    (c) the financing activities of the listed issuer.

Proposal 1.4 - Issue(s) for Consultation:

6. Do you agree with the proposed additional information to be included in the income statements for the current quarter and financial year-to-date as set out in paragraph 20 above?

   Please state your reasons.

7. Do you agree with the proposal to include details of the major components on each of the activities set out in paragraph 22 above, in the cash flow statement?
   Please state your reasons.

8. Is the information required above appropriate and adequate? Is there any other information that should be included?

PROPOSAL 1.5

Description	Affected Provision(s)	
	Main LR	ACE LR
Disclosure of financial highlights and financial indicators in annual report	▪ Appendix 9C, Part A, New Para. 31	▪ Appendix 9C, New Para. 32

23. Financial statements can often times be complicated and confusing to an ordinary investor or shareholder who does not have or has minimal accounting knowledge. This may result in the investors or shareholders having difficulty in understanding the financial statement prepared by the listed issuer.

24. Hence, to facilitate easy reference and better understanding by investors of the listed issuers' financial statements, the Exchange proposes to introduce a new disclosure requirement in the annual report, on disclosure of the financial highlights of 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 the listed issuer was admitted to the Official List (if it is less than 5 years).

25. To aid listed issuers in complying with this requirement, the Exchange will also be providing guidance[1] as to the information or details pertaining to the financial highlights and financial indicators that a listed issuer should disclose in its annual report.

26. With this new requirement, shareholders will be presented with a simplified trend analysis of the listed issuer's financial statements.

Proposal 1.5 - Issue(s) for Consultation:

9. Do you agree with our proposal to introduce a new requirement on disclosure of the financial highlights of 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 the listed issuer is admitted to the Official List (if it is less than 5 years)? Please state your reasons.

[1] The guidance on the information/details to be disclosed will be set out in the CD Guide issued by the Exchange.

10.	In your opinion, is the information required appropriate and adequate? If not, what other information should be included?

PROPOSAL 1.6

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Additional disclosure of information in contents of circular to shareholders for shareholder mandate relating to Recurrent Related Party Transactions ("**RRPT**")	▪ Annexure PN12-A, New Paras. 16A and 16B	▪ Annexure GN8-A, New Paras. 16A and 16B

27. Currently, paragraph/Rule 10.09(2) of the LR provides that a listed issuer may seek shareholder mandate for RRPTs which are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public.

28. The LR also provides that the circular to shareholders for shareholder mandate must include information as may be prescribed by the Exchange.

29. In this regard, where a sum is due and owing to a listed issuer by its related party pursuant to a RRPT, the Exchange proposes to enhance the contents of circular to shareholders for shareholder mandate by requiring disclosure of the following additional information:

(a) a breakdown of the principal sum and interest for the total outstanding amount due under a RRPT which exceeded the credit term for the following periods as at the end of each financial year:

(i) a period of 1 year or less;
(ii) a period of more than 1 to 3 years;
(iii) a period of more than 3 to 5 years; and
(iv) a period of more than 5 years.

(b) any late payment charges imposed and where no late payment charges are imposed, to state the reasons;

(c) the course of action(s) taken or to be taken by the listed issuer to recover the outstanding amount due;

(d) where the RRPT involves an interested director, the interested director's declaration on his commitment to repay the listed issuer; and

(e) the listed issuer's board of directors' opinion on any outstanding amount long overdue including comments on its recoverability.

30. The above disclosures will enhance transparency and provide shareholders with information to enable them to make better informed decisions whether to approve the resolution on the RRPTs. Additionally, the proposed disclosures also serve to provide early alerts of any abuse in relation to the RRPTs.

Proposal 1.6 – Issue(s) for Consultation:

11. Do you agree with the disclosure of outstanding debts due and owing to a listed issuer by its related party in a Recurrent Related Party Transaction ("**RRPT**"), and the following information to be included in the circular for shareholder mandate relating to a RRPT?

    (a) a breakdown of the principal sum and interest for the total outstanding amount due under a RRPT which exceeded the credit term for the following periods as at the end of each financial year:

        (i) a period of 1 year or less;
        (ii) a period of more than 1 to 3 years;
        (iii) a period of more than 3 to 5 years; and
        (iv) a period of more than 5 years;

    (b) any late payment charges imposed and where no late payment charges are imposed, to state the reasons;

    (c) the course of action(s) taken or to be taken by the listed issuer to recover the outstanding amount due;

    (d) where the RRPT involves an interested director, the interested director's declaration on his commitment to repay the listed issuer; and

    (e) the listed issuer's board of directors' opinion on any outstanding amount long overdue including comments on its recoverability?

    Please state your reasons.

12. Is there any other information which you think a listed issuer should disclose in the circular for shareholder mandate in relation to a RRPT above? If yes, what are they and why?

PROPOSAL 1.7

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Disclosure on charging/pledging of shares by shareholders	▪ New Para. 9.19(17A) ▪ Appendix 9A, New Part M ▪ New Para. 7.32A	▪ New Rule 9.19(18A) ▪ Appendix 9A, New Part M ▪ New Rule 7.32A

31. A disposal of pledged shares of a listed issuer by the pledgee may result in a change in control of the listed issuer. Hence, it is important for the shareholders to be aware or kept informed of any material charge or pledging of shares in their listed issuers by a major shareholder.

32. As such, we propose for every listed corporation to include in its Articles, a requirement for a major shareholder who fulfills the following conditions, to notify the listed corporation in writing immediately when he has charged or pledged its interest, rights or titles in shares of the company giving a third party a present or future right to acquire or have the securities transferred to it or to its order:

(a) the aggregate number of shares pledged or charged is more than 33% of the listed issuer's issued and paid-up capital;

(b) the shareholder is the controlling shareholder and the total number of shares pledged or charged is at any time 50% or more of his shareholding interest; or

(c) the enforcement of such interests, rights or titles is reasonably expected to have a material effect on the price, value or market activity of any of the listed issuer's securities or the decision of a listed issuer's securities holder or investor in determining his choice of action.

33. We propose that a listed issuer immediately announces to the Exchange any notice received by the listed issuer relating to the above. This is to ensure that the necessary information is disclosed to the shareholders for them to make informed investment decisions.

34. To ensure that salient information relating to the charge or pledging of shares is announced to the investors, we propose the announcement to include -

(a) the name of the major shareholder;

(b) the number and class of shares being charged or pledged;

(c) the percentage of the listed issuer's share capital it represents;

(d) the amount of the loans, debts, guarantees or obligations for which the charge or pledge is created; and

(e) any other details that are considered necessary for an understanding of the arrangements, including the chargee's or pledgee's identity.

Proposal 1.7 - Issue(s) for Consultation:

13. Do you agree with our proposal to require every major shareholder who fulfills the following conditions, to notify the listed corporation in writing immediately when he has charged or pledged his interest, rights or titles in shares of the company giving a third party a present or future right to acquire or have the securities transferred to it or to its order:

    (a) the aggregate number of shares pledged or charged is more than 33% of the listed issuer's issued and paid-up capital;

    (b) the shareholder is the controlling shareholder and the total number of shares pledged/charged is at any time 50% or more of his shareholding interest; or

    (c) the enforcement of such interests, rights or titles is reasonably expected to have a material effect on the price, value or market activity of any of the listed issuer's securities or the decision of a listed issuer's securities holder or investor in determining his choice of action?

14. Do you agree that it is appropriate to require a listed issuer to immediately announce any notice which it has received relating to any charge or pledge of a shareholder's interests, rights or titles in its shares of the listed issuer giving a third party a present or future right to acquire or have the securities transferred to it or to its order, where -

(a) the aggregate number of shares pledged/charged is more than 33% of the listed issuer's issued and paid-up capital;

(b) the shareholder is the controlling shareholder and the total number of shares pledged/charged is at any time 50% or more of his shareholding interest; or

(c) the enforcement of such interests, rights or titles is reasonably expected to have a material effect on the price, value or market activity of any of the listed issuer's securities or the decision of a listed issuer's securities holder or investor in determining his choice of action?

Please state reasons for your view.

PROPOSAL 1.8

Description	Affected Provision(s)	
	Main LR	ACE LR
Immediate announcement of foreclosure over a listed issuer's assets	▪ New Para. 9.19(50)	▪ New Rule 9.19(50)

35. In order to improve transparency, the Exchange proposes to incorporate a new requirement for immediate announcement to be made by a listed issuer in the event of foreclosure by a lender over a portion of the listed issuer's assets where the aggregate value of the assets or consideration represents 5% or more under any of the percentage ratios defined in Chapter 10 of the LR.

36. This new proposal ties in with the requirement for announcement to the Exchange by a listed issuer of any transaction where any one of the percentage ratios is 5% or more, as soon as possible after the terms of the transaction have been agreed, under paragraph/Rule 10.06 of the LR.

Proposal 1.8 - Issue(s) for Consultation:

15. Do you agree with the introduction of the new requirement for a listed issuer to immediately announce to the Exchange in the event of foreclosure by a lender over a portion of the listed issuer's assets where the aggregate value of the assets or consideration represents 5% or more under any of the percentage ratios defined in Chapter 10 of the LR? Please state your reasons.

16. In your view, is the information required above adequate? Is there any other information that should be included?

PROPOSAL 1.9

Description	Affected Provision(s)	
	Main LR	ACE LR
Listed issuer to disclose any revenue or profit estimate, forecast or projection in its circular	▪ New Para. 2.18A	▪ New Rule 2.18A

37. We propose to clarify that where a listed issuer provides a revenue or profit estimate, forecast or projection in any application, proposal, statement, information or document submitted to the Exchange pursuant to the LR, the listed issuer, its adviser and directors must ensure that the same information is also disclosed in the circular to its shareholders. In doing so, a listed issuer must be mindful of paragraph 9.32(1)(c)(iv) of the Main LR (Rule 9.31(1)(c)(iv) of the ACE LR), where the listed issuer must ensure that the revenue or profit estimate, forecast or projection is prepared carefully, with a reasonable factual basis and be stated realistically, with appropriate assumptions and qualification, so as to ensure that it is properly understood by shareholders. Further, the accounting bases and calculations of the estimate, forecast or projection and the assumptions made must be reviewed by the external auditors.

PROPOSAL 1.10

Description	Affected Provision(s)	
	Main LR	ACE LR
Enhancement to immediate announcement of termination or completion of corporate proposal	▪ Para. 9.19(47)(g) ▪ New Para. 9.19(47)(h)	▪ Rule 9.19(47)(g) ▪ New Rule 9.19(47)(h)

38. Currently, paragraph/Rule 9.19(47)(g) provides that a listed issuer must immediately announce to the Exchange any termination or completion of the corporate proposal entered into by the listed issuer.

39. The termination of a corporate proposal may have an adverse impact on a listed issuer. In view of this, the Exchange proposes to enhance the information disclosed for such termination so that investors will be better informed of the impact.

40. In this regard, the Exchange proposes that a listed issuer includes the following in its announcement relating to the termination of a corporate proposal:

(a) the detailed reasons for the termination;

(b) whether there is any legal recourse available to the parties involved, and details of such legal recourse (if any); and

(c) the financial impact (if any) to the listed issuer pursuant to the termination in terms of the effect on earnings per share and net asset per share.

Proposal 1.10 - Issue(s) for Consultation:

17. Do you agree with the proposed requirement for a listed issuer to immediately announce to the Exchange the following additional information relating to the termination of a corporate proposal:

(a) the detailed reasons for the termination;

(b) whether there is any legal recourse available to the parties involved, and details of such legal recourse (if any); and

(c) the financial impact (if any) to the listed issuer pursuant to the termination in terms of the effect on earnings per share and net asset per share?

Please state your reasons.

18. In your view, is the information required above appropriate and adequate? Is there any other information that should be included in the announcement above?

PROPOSAL 1.11

Description	Affected Provision(s)	
	Main LR	ACE LR
Tagging of Principal Adviser's name in public documents *[This proposal is only applicable to the Main Market listed issuer]*	▪ New Para. 2.21A	▪ N/A

41. Currently, under the market based approach, a Principal Adviser/Sponsor is responsible to undertake the suitability assessment of an applicant for listing on the Exchange.

42. In order to ensure that the quality of companies remains at all times a primary consideration for a Principal Adviser sponsoring an applicant for listing such that the company performs well post listing, we propose to require that –

(a) for 2 full financial years from the date of a listed issuer's admission to the Main Market, the listed issuer must state in all its Public Documents who its Principal Adviser was for its application for admission to the Exchange. In this regard, "**Public Documents**" will be defined as documents issued by the listed issuer to the public or to its securities holders pursuant to the Main LR; and

(b) the statement must be in print no smaller than the main text and positioned on the front page of the Public Documents.

43. We believe the above proposal will enhance the accountability of Principal Advisers in respect of companies which they brought for listing on the Main Market. This proposal is also comparable with the Singapore's requirements where an issuer is required to include the name of its sponsor in all its public announcements and information issued to shareholders for 2 years after listing.

Proposal 1.11 – Issue(s) for Consultation:

19. Do you agree with our proposal for a listed issuer of the Main Market, to include the name of the Principal Adviser who submitted its listing application in all its Public Documents, for 2 years from the date of its admission to the Main Market?

PROPOSAL 1.12

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Incorporating a statement on general mandate in the statement accompanying notice of AGM	▪ Appendix 8A, New Para. 2 ▪ Para. 6.03(3)	▪ Appendix 8A, New Para. 2 ▪ Rule 6.04(3)

44. Currently, paragraph 6.03(3) of the Main LR and Rule 6.04(3) of the ACE LR respectively provides that where a general mandate for the issue of securities is sought at a general meeting, a listed issuer must include in the statement accompanying the proposed resolution the following information:

(a) whether such mandate is new or a renewal;

(b) where such mandate is a renewal or has been sought for in the preceding year, to specify the following:

(i) the proceeds raised from the previous mandate, if any;

(ii) the details and status of the utilisation of proceeds; and

(c) the purpose and utilisation of proceeds from the general mandate sought.

45. To facilitate compliance with the above, the Exchange proposes to require listed issuers to include the information set out in paragraph 44 above in its statement accompanying notices of annual general meeting.

46. The Exchange has also noted that disclosure made by listed issuers on the purpose and utilisation of proceeds from general mandate sought is sometimes too general and does not provide sufficient information for shareholders to make an informed voting decision. Hence, to assist listed issuers, the Exchange proposes to provide some guidance and clarification in the CD Guide that such disclosure must provide a clear explanation on the purpose for which the general mandate is sought.[2]

PROPOSAL 1.13

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Clarification of disclosure obligations in relation to a Project/Contract Venture	New Practice Note 31 ▪ Para. 3.0 ▪ Annexure PN31-A	New Guidance Note 22 ▪ Para. 3.0 ▪ Annexure GN22-A

47. Previously the Exchange had issued a directive dated 4 August 2006 [Ref. No. WKY/JE(lk)/LD12/06] ("**Directive**") to all listed issuers requiring greater disclosure of any joint

[2] The proposed CD Guide in Consultation Paper No. 4/2010 provides, for example, that the board of the listed issuer 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 to finance the capital expenditure of its existing business operations or for working capital purposes.

venture or collaboration entered into by the listed issuers for purposes of bidding or securing a project or contract or any other arrangement of similar nature ("**Project/Contract Venture**").

48. The Exchange has undertaken a review of the disclosure made by listed issuers relating to a Project/Contract Venture. In this connection, the Exchange proposes to set out in paragraph 3.0(a) of the new Practice Note 30 and Guidance Note 21 of the LR, the requirement for a listed issuer to make an immediate announcement of the Project /Contract Venture, **if material**.

49. At the same time, the Exchange has taken the opportunity to review and revise the disclosure obligations set out in the Directive. Following our review, we propose to codify only the existing disclosure requirements which are still relevant and to remove those requirements which are redundant and no longer relevant. In this regard, we propose to maintain the requirement for the following information set out in the Directive, to be made in an immediate announcement of the Project/Contract Venture made by listed issuer :

(a) Identity of the parties in the Project/Contract Venture.

(b) Date on which terms of the Project/Contract Venture were agreed upon.

(c) Rationale for the Project/Contract Venture.

(d) The breakdown of the total capital and investment outlay in the Project/Contract Venture, together with the percentage of capital contribution by each party.

(e) The source(s) of funds for financing the investment in the Project/Contract Venture, and the breakdown.

(f) The terms of risk and reward sharing in the Project/Contract Venture.

(g) Prospects and risk factors involved in undertaking the Project/Contract Venture.

(h) A confirmation as to whether the Project/Contract Venture is subject to approval of shareholders and relevant government authorities.

(i) A confirmation as to whether the directors or major shareholders or persons connected with a director or major shareholder has any interest, direct or indirect in the Project/Contract Venture, and the nature and extent of their interests.

(j) The following information in respect of the project or contract which is to be secured as part of the Project/Contract Venture:

(i) material terms of the arrangement or agreement in relation to the project or contract;

(ii) the track record of the project or contract, i.e. the number of years in operation and revenue generated;

(iii) the current stage of development of the project or contract, i.e. conceptual, developmental etc.; and

(iv) the details of current level of operations or expected period of time for the project or contract to become operational.

50. At the same time, the Exchange proposes to remove the following disclosure requirements set out in the Directive :

(a) In respect of the Project/Contract Venture, disclosure of -

(i) the financial impact of the Project/Contract Venture on the listed issuer;

(ii) the salient terms and/or features of agreements entered into in relation to the Project/Contract Venture, if any, and the time and place where such documents may be inspected;

(iii) whether feasibility studies have been undertaken in respect of the Project/Contract Venture and the outcome of the same; and

(iv) the current stage of development or operations of the Project/Contract Venture including the expected period of time for the Project/Contract Venture to commence operations and the duration of the Project/Contract Venture.

(b) In respect of the project or contract, disclosure of the outcome of any feasibility studies undertaken with respect to the project or contract and the names of the consultants conducting the same, if any.

(c) In respect of updates on the status, the requirement for immediate announcement of the following when the Project/Contract Venture is aborted or ceased:

(i) the reasons or circumstances leading to the abortion or cessation of the Project/Contract Venture;

(ii) the date on which the abortion or cessation of the Project/Contract Venture is effective; and

(iii) the effect of the abortion or cessation of the Project/Contract Venture on the listed issuer, financially and legally.

51. The Exchange also proposes to maintain the existing obligation of the listed issuers to announce updates on the status of the Project/Contract Venture, at least once every quarter or upon the occurrence of a material event or development, whichever is the earlier. This obligation will cease when operations in relation to all the projects or contracts envisaged to be undertaken pursuant to the Project/Contract Venture have generated revenue, which is to be announced by the listed issuer.

Proposal 1.13 - Issue(s) for Consultation:

20. Is there any other information which should be included or removed when a listed issuer make an immediate announcement of the Project/Contract Venture as set out in this Proposal 1.13?

PROPOSAL 1.14

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Voluntary disclosure of management discussion & analysis ("**MD&A**") in annual report	▪ Appendix 9C, Part A, New Para. 7A	▪ Appendix 9C, New Para. 8A

52. Currently, a listed issuer is required to disclose in its annual report, the Chairman's statement representing the collective view of the board setting out a balance summary which includes a brief description of the industry trend and development, a discussion and analysis of the group's performance during the year, and the material factors underlying its results and financial position and the prospects of the listed issuer.

53. In our assessment of the practices of listed issuers, we found that there are several listed issuers that have provided the equivalent of the MD&A in their annual reports. However, this approach is not consistently applied by all listed issuers. Hence, we would like to encourage more listed issuers to adopt this practice.

54. To give investors and shareholders a better understanding of the listed issuer, the Exchange proposes that a listed issuer be 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 year. For this purpose, the Exchange will be providing guidance to listed issuers on the preparation of the MD&A[3].

55. The Exchange encourages listed issuers to make this statement on a voluntary basis. This voluntary approach is also consistent with the approach taken in Singapore.

Proposal 1.14 - Issue(s) for Consultation:

21. Do you agree with our proposal that a listed issuer be encouraged, but not obliged, to prepare and include a separate statement in its annual report containing the listed issuer's management discussion and analysis of its business operations and financial performance during the financial year? Please state your reasons.

[3] The guidance on the preparation of the management discussion and analysis will be set out in the CD Guide issued by the Exchange. The guidance will set 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[3] 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, position and condition conveyed in the financial statements;
(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.

PROPOSAL 1.15

Description	Affected Provision(s)	
	Main LR	ACE LR
Removal of requirements which are no longer relevant in the notes to quarterly report and annual report	▪ Appendix 9B, Part A, Paras. 7, 8 & 10 ▪ Appendix 9C, Part A, Para. 24	▪ Appendix 9B, Paras. 7, 8 & 10 ▪ Appendix 9C, Para. 25

56. Pursuant to this review, the Exchange proposes to remove some of the existing requirements in the notes to quarterly report and contents of annual report which may not be relevant anymore or do not add any value to the investors, as set out below:

Proposed deletion of information in the quarterly reports

57. We propose to delete the disclosure of amount of profit or losses on any sale of unquoted investments or properties in paragraph 7 of Appendix 9B in the LR. As this will form part of the disclosure in the proposed new requirement in relation to income statement set out in Proposal 1.4 above, the existing requirement is repetitious and redundant.

58. We propose to delete disclosure of details of purchase or disposal of quoted securities other than securities in existing subsidiaries and associated companies by all corporations such as the total purchase consideration and sale proceeds of quoted securities, the profit or loss arising from such purchase or sale, and the investment in quoted securities at cost, at carrying value or book value and at market value in paragraph 8 of Appendix 9B in the LR. Pursuant to paragraph/Rule 9.20 of the LR, a listed issuer is required to make an immediate announcement if it deals in quoted securities, which contains similar information. Further, under our Proposal 1.4 above, a listed issuer will be required to disclose any gain/loss on sale of quoted or unquoted investments in the income statement and details of investing activities of the listed issuer in the cash flow statement. As these 2 requirements contain similar information as currently set out in the existing paragraph 8 of Appendix 9B in the LR, we believe that paragraph 8 of Appendix 9B in the LR is repetitious and redundant.

59. We propose to delete disclosure of details on the group borrowings and debt securities such as a breakdown between secured and unsecured debt/borrowings, breakdown between short term and long term borrowings and breakdown of the debt/borrowings in the relevant currencies (where applicable), in paragraph 10 of Appendix 9B in the LR. As the information is also disclosed in the balance sheet of the quarterly report, this requirement is redundant.

Proposed deletion of information in the annual reports

60. We propose to delete the requirement for a statement regarding the revaluation policy on landed properties in paragraph 24 of Appendix 9C in the Main LR and paragraph 25 of Appendix 9C in the ACE LR respectively. As this disclosure is currently required under the approved accounting standards, the Exchange is of the view that this requirement is repetitious.

Proposal 1.15 - Issue(s) for Consultation:

22. Do you agree with the proposed deletions to the notes to quarterly report and annual report set out in Proposal 1.15 as follows:

(a) the amount of profit or losses on any sale of unquoted investments or properties, in the quarterly report;

(b) the details of purchase or disposal of quoted securities other than securities in existing subsidiaries and associated companies by all corporations such as the total purchase consideration and sale proceeds of quoted securities, the profit or loss arising from such purchase or sale, and the investment in quoted securities at cost, at carrying value or book value and at market value, in the quarterly report;

(c) the details on the group borrowings and debt securities such as a breakdown between secured and unsecured debt/borrowings, breakdown between short term and long term borrowings and breakdown of the debt/borrowings in the relevant currencies (where applicable), in the quarterly report; and

(d) the statement regarding the revaluation policy on landed properties.

Please state your reasons.

[End of Part]

PART 2 PROPOSED AMENDMENTS IN RELATION TO ENHANCED CORPORATE GOVERNANCE STANDARDS OF A LISTED ISSUER

Good corporate governance is key in maintaining market integrity. At the listed corporation's level, good corporate governance provides assurance that listed corporations are well run and that disclosures in announcements, quarterly reports and the annual reports, are accurate and reliable.

Good corporate governance facilitates the effective and efficient functioning of the capital market. Reliable disclosure and reporting helps investors to make better and informed investment decision. A robust corporate governance framework also helps to protect the rights of investors and shareholders.

In view of the above, the Exchange, as the front-line regulator has a main focus on corporate governance and has undertaken various initiatives to promote good corporate governance practices among its listed corporations. However, the Exchange is also mindful that the corporate governance framework that we put in place must be balanced to promote a dynamic capital market, and listed issuers should not be burdened with too much regulation.

As part of the Exchange's continuing efforts, we have identified and proposed amendments in the following areas and as discussed in greater detail below.

PROPOSAL 2.1

Description	Affected Provision(s)	
	Main LR	ACE LR
Qualification of directors, CEO and CFO	▪ Part E(A) - Para. 2.20A	▪ Part E(A) - Rule 2.20A

61. The board of directors in a listed issuer should be structured to enable the company to compete in a challenging business environment leading to enhancement of shareholder value.

62. Apart from the board, CEO and the CFO are key members of management of a listed issuer. The CEO implements the strategic plans approved by the board and is primarily responsible for the overall management of the company. On the other hand, the CFO plays an important role in overseeing financial matters of the company, and in ensuring that the financial statements give a true and fair view of the state of affairs of the listed issuer.

63. Shareholders place great reliance on the board, CEO and CFO to lead and manage the company in the best interests of the company.

64. Given the significance of their roles, it is important that the directors, CEO and CFO have the relevant attributes and competence to efficiently carry out their duties in a listed issuer.

65. Hence, we propose to require every listed issuer to ensure that each of its directors, CEO or CFO has the character, experience, integrity, competence and time to effectively discharge his role as a director, CEO or CFO, as the case may be, of the listed issuer. This merely clarifies the existing expectations of shareholders and the Exchange.

Proposal 2.1 - Issue(s) for Consultation:

23. What are your views on our proposal to impose as a requirement under the LR that a listed issuer must ensure that each of its directors, chief executive or chief financial officer has the character, experience, integrity, competence and time to effectively

discharge his role as a director, chief executive or chief financial officer, as the case may be, of the listed issuer?

PROPOSAL 2.2

Description	Affected Provision(s)	
	Main LR	ACE LR
Requirements relating to a listed corporation's external auditors	▪ Para. 1.01 ▪ Para. 15.21	▪ Rule 1.01 ▪ Rule 15.21

66. Apart from the CFO, the external auditor also plays an important role in ensuring that the financial statements give a true and fair view of the state of affairs of the listed issuer. Shareholders are entitled to rely on the auditors' report that is required to be issued together with the audited financial statements of the listed issuer under section 170 of the CA.

67. The external auditor's responsibility is to conduct the audit in accordance with approved standards on auditing and the auditor in performing the audit is to obtain reasonable assurance that the financial statements are free from material misstatements. The external auditor's role is therefore crucial in maintaining the integrity of our capital market as shareholders place great reliance on the financial statements released by listed issuers to evaluate their risk exposure and make informed investment decisions. It is also the responsibility of the board that the external auditors appointed by listed issuers are competent and have sufficient resources in conducting the audit.

68. Pursuant to the Securities Commission (Amendment) Act 2010 (Act A1369) ("**Amendment Act**") which came into effect on 1 April 2010, only auditors registered with the Audit Oversight Board ("**AOB**") under section 31O of the Securities Commission Act 1993 ("**Registered Auditor**"), may act as a listed corporation's auditor.

69. In line with the above, we propose to define "auditor" as a Registered Auditor in the LR. However, even if an external auditor is a Registered Auditor, in view of the crucial roles of an external auditor as mentioned above, listed corporations should still make an independent assessment and evaluation on the competency and appropriateness of the particular audit firm.

70. In this regard, we propose to require that the listed corporation considers the following in appointing an external auditor:-

(a) the adequacy of the resources and experience of the accounting firm;

(b) the persons assigned to the audit;

(c) the accounting firm's audit engagements;

(d) the size and complexity of the listed group being audited; and

(e) the number and experience of supervisory and professional staff assigned to the particular audit.

Proposal 2.2 - Issue(s) for Consultation:
24. Do you agree with the Exchange's proposal to require listed corporations to consider the criteria in paragraph 70 above when appointing its external auditors? If not, please state

your reasons. If so, is there any other criterion which you think a listed corporation should consider when appointing an external auditor?

PROPOSAL 2.3

Description	Affected Provision(s)	
	Main LR	**ACE LR**
No limit to the number of proxies where a member of the company is an authorized nominee	▪ Para. 7.21	▪ Rule 7.21

71. As part of the Exchange's efforts to promote shareholder engagement, we would like to promote shareholders' attendance at general meetings held by listed issuers, whether in person or by proxy. The rise in proxy voting activity at general meetings and the growing interest on the part of institutional investors, particularly the fund managers, to attend annual and extraordinary general meetings in person have prompted calls for the appointment of multiple proxies.

72. Currently, where shares in a listed corporation are held through an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, the authorized nominee is the registered member, and is entitled to attend and vote at a general meeting of the listed corporation.

73. In this regard, the existing requirement in paragraph/Rule 7.21 of the LR provides that where a member of the listed corporation is an authorized nominee, it may appoint at least 1 proxy in respect of each securities account it holds. This is intended to provide listed corporations with the option to allow for a greater number of proxies to be appointed in respect of each securities account held by authorized nominees.

74. This, however, has not been the prevalent practice among listed corporations. Generally, listed corporations have restricted the appointment of proxies to only 2 per securities account. As a result, some fund managers and institutional investors who hold shares through authorized nominees who want to personally attend and vote at general meetings may not be able to due to the limit to the number of proxies.

75. In this connection, the Exchange has conducted focus group consultation to solicit views from selected custodian bank and listed corporations on this issue. The general feedback received was that the number of proxies appointed by an authorized nominee for each securities account it holds should be increased.

76. To ensure that their clients (i.e. the beneficial owners) have the right to attend and be heard at general meetings, the custodian banks have advocated for the appointment of multiple proxies. This approach is in line with the position in Hong Kong.

77. The listed corporations, on the other hand, have suggested setting a cap to the number of proxies appointed. If multiple proxies are allowed to be appointed, listed corporations are concerned that they may be faced with administrative difficulties such as checking of proxy forms and computing number of votes within 48 hours prior to the general meeting[4]. Further, in their view, the number of attendees should be manageable for purposes of proper crowd control during the general meeting, the number of attendees must also be manageable.

[4] Paragraph 61 of Table A in the Fourth Schedule of the Companies Act 1965 provides that the proxy forms must be deposited with the company not less than 48 hours before the time for holding the general meeting. This effectively means that the proxy forms may be submitted to the company at the latest, 48 hours before the general meeting. Hence, if multiple proxies are allowed and most of the proxy forms are submitted 48 hours before the general meeting (which may be the case), then the listed corporation will be faced with having to go through a voluminous number of forms within the 48 hours.

78. Thus, taking into account both sets of views, the Exchange proposes that where a member of the listed corporation is an authorized nominee, as defined under the Securities Industry (Central Depositories) Act 1991, a listed corporation must not impose any limit to the number of proxies which the authorized nominee may appoint for each securities account it holds.

79. The Exchange believes that this proposal will better facilitate shareholders in exercising their voting rights. The Exchange takes cognizance of the concerns raised by the listed corporations, but we believe that the administrative issues raised are not insurmountable and can be addressed by listed corporations just like in other markets. Voting is a fundamental right of a shareholder. It is therefore imperative that where possible, all impediments which may inhibit a shareholder from exercising his voting rights be removed.

Proposal 2.3 - Issue(s) for Consultation:

25. Do you agree with the proposal that where a member of the listed corporation is an authorized nominee, as defined under the Securities Industry (Central Depositories) Act 1991, the listed corporation must not impose any limit to the number of proxies which the authorized nominee may appoint for each securities account it holds? Please state your reasons.

PROPOSAL 2.4

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Disallow restriction to qualification of proxy and according proxy rights to speak	▪ Para. 7.21A	▪ Rule 7.21A

80. Pursuant to section 149(1)(b) of the CA, unless otherwise provided in the Articles, a member is not entitled to appoint a person who is not a member as his proxy unless that person is –

(a) an advocate;

(b) an approved company auditor; or

(c) a person approved by the Registrar of Companies in a particular case.

81. To facilitate participation in meetings by members via proxies, we propose to disallow the above restrictions on a proxy's qualification in a listed corporation's Articles.

82. We also propose to accord such proxies same rights as members to speak at the meeting. This reaffirms the rights granted under the CA for members of a local company while according similar rights to members of a Foreign Corporation.

Proposal 2.4 - Issue(s) for Consultation:

26. Do you agree with our proposal to disallow a listed corporation's articles of association from imposing any restriction as to the qualification of the proxy?

PROPOSAL 2.5

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Immediate announcement of details of voting results	▪ Para. 9.19(7) ▪ Appendix 9A, New Part L	▪ Rule 9.19(7) ▪ Appendix 9A, New Part L

83. In tandem with the issue of voting by poll, recommendations have also been made by various stakeholders to require full announcement of voting results. They considered that such disclosure was necessary to help ensure a higher standard of corporate governance and greater transparency.

84. It is a current requirement in the LR that a listed corporation must announce all resolutions put to a general meeting and whether or not such resolutions were carried. The Exchange has noted that in practice, listed corporations typically provide a general announcement that all resolutions as set out in the notice of general meetings were passed by shareholders.

85. With the capital market in Malaysia becoming increasingly internationalized, transparency of voting processes and voting results has become more significant. Hence, the above disclosure, has in recent times, been deemed inadequate.

86. Further, various benchmarked jurisdictions like Hong Kong, Australia and United Kingdom have already codified the requirement for publication of voting results. In Australia for instance, the Corporations Act 2001 provides that listed companies must record in the minutes of their meetings, in respect of each resolution in the notice of meeting, the total number of proxy votes exercisable by all proxies validly appointed and, if the resolution is decided by a show of hands, the total number of proxy votes in respect of which the appointments specified that: (i) the proxy is to vote for the resolution; (ii) the proxy is to vote against the resolution; (iii) the proxy is to abstain on the resolution; and (iv) the proxy may vote at the proxy's discretion. If the resolution is decided on a poll, the company must, in addition to the details in (i) – (iv), record the total number of votes for, against or abstaining in its minutes.

87. In view of the above developments, the Exchange now proposes to require immediate announcement of the following details of the voting results for each resolution carried:

(a) Where the resolution is decided by show of hands, the listed corporation must immediately after the general meeting, announce the total number of proxies received in respect of each resolution in the notice of meeting and the total number of instructions for voting received in respect of each resolution where:

(i) the proxy is to vote for the resolution;
(ii) the proxy is to vote against the resolution;
(iii) the proxy is to abstain on the resolution; and
(iv) the proxy may vote at the proxy's discretion.

(b) Where the resolution is decided on poll, the listed corporation must immediately after the general meeting, announce:

(i) the total number of votes cast on the poll in favour of and against the resolution; and
(ii) the total number of shareholders who abstained from voting.

88. The Exchange believes that the proposed disclosure of proxy voting instructions is relevant even though they are not used in the show of hands vote, as such disclosure:

(a) ensures that shareholders have confidence in the conduct of a meeting by enabling them to monitor whether the chairman has fulfilled his or her duty in not calling for a poll;

(b) enables shareholders to assess their voting intentions compared with those of shareholders who have lodged proxies;

(c) assists custodian banks who lodge proxy votes to report back to their clients on the exercise of their voting rights, compared with overall voting trends; and

(d) is consistent with international recommendations/guidelines that shareholder voting at general meetings be as transparent as possible.

89. For greater shareholder engagement, a listed corporation is also encouraged to post the detailed voting results on its websites.

Proposal 2.5 - Issue(s) for Consultation:

27. Do you agree with our proposal to require a listed corporation to announce the following details of voting results in respect of each resolution carried, immediately after the general meeting where the resolution is decided by show of hands:

    (a) the total number of proxies received in respect of each resolution in the notice of meeting and the total number of instructions for voting received in respect of each resolution where -

        (i) the proxy is to vote for the resolution;
        (ii) the proxy is to vote against the resolution;
        (iii) the proxy is to abstain on the resolution; and
        (iv) the proxy may vote at the proxy's discretion?

    Please state your reasons.

28. Do you agree with our proposal to require a listed corporation to announce the following details of voting results in respect of each resolution carried, immediately after the general meeting where the resolution is decided by poll -

    (a) the total number of votes cast on the poll in favour of and against the resolution; and

    (b) the total number of shareholders who abstained from voting?

    Please state your views.

29. Do you have any other comments regarding the Exchange's proposal on the announcement of detailed voting results?

PROPOSAL 2.6

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Immediate announcement of the date of the Record of Depositors	▪ Para. 9.19(6)	▪ Rule 9.19(6)

90. During our focus group consultation, with the selected custodian banks, some had also suggested for a listed corporation to announce the date of the Record of Depositors before a general meeting for purposes of determining whether a depositor shall be regarded as a member entitled to attend, speak and vote at the general meeting, when it makes an announcement of its general meeting. The rationale for this is that it provides certainty in determining the members of the listed corporation who are entitled to attend and vote at the general meeting. It also aids in the preparation of the proxy forms by the custodian banks particularly when they are getting voting instructions from their clients (i.e. the beneficial owner).

91. Therefore, in order to provide greater clarity and facilitate exercise of voting rights by shareholders, the Exchange proposes that a listed corporation must include, in its immediate announcement to the Exchange of any general meeting, the date of the Record of Depositors which the listed corporation requires pursuant to paragraph/Rule 7.16(2) of the LR for purposes of determining whether a depositor shall be regarded as a member entitled to attend, speak and vote at the general meeting.

Proposal 2.6 - Issue(s) for Consultation:

30. Do you agree with our proposal to require listed corporation to include the specific date of the Record of Depositors which the listed corporation requires pursuant to paragraph/Rule 7.16(2) of the LR for purposes of determining whether a depositor shall be regarded as a member entitled to attend, speak and vote at the general meeting? Please state your reasons.

[End of Part]

PART 3 PROPOSED AMENDMENTS IN RELATION TO SHARE SCHEME FOR EMPLOYEES

A. INTRODUCTION

Currently, the LR regulates a share scheme for employees which involves a new issuance of shares to employees ("**Share Issuance Scheme**").[5]

We understand that besides a Share Issuance Scheme, listed issuers also implement schemes which do not involve a new issuance of shares, but instead involves the grant of a listed issuer's existing shares to its employees ("**Share Grant Scheme**"). Such acquisition is permitted by section 67(2)(b) of the CA[6].

We take cognizance that shares offered or granted to an employee under a Share Issuance Scheme or Share Grant Scheme (collectively "**Employee Share Scheme**") form part of the employee's remuneration package. They are mainly used as a means to motivate and promote loyalty of a listed issuer's employees, which may in turn, enhance productivity and create long term benefit to the listed issuer and shareholders.

To facilitate listed issuers in better implementing a scheme that will facilitate attracting and retaining talents, we propose to review the existing Share Issuance Scheme framework under the LR. In doing so, we are mindful not to compromise shareholders' interest. In this regard, we propose to enhance the disclosure requirements in respect of such Share Issuance Scheme.

On the other hand, the implementation of a Share Grant Scheme is currently not regulated under the LR. This is mainly because unlike a Share Issuance Scheme, a Share Grant Scheme does not involve any issuance of new shares. Thus, there is no issue of potential dilution of shareholders' interests. In light of this, it may not be appropriate to subject a Share Grant Scheme to requirements which are applicable to a Share Issuance Scheme.

However, we recognize the need for shareholders to be informed about a listed issuer's Share Grant Scheme, especially where the scheme involves acquisition of a listed issuer's shares by a third party (usually a trustee) from the open market.

---

[5] Where "share scheme for employees" is defined in paragraph/Rule 1.01 of the LR to mean a share scheme involving a new issue of shares to employees.

[6] Section 67(2)(b) of the CA reads -

67. Dealing by a company in its own shares, etc.

(1) Except as is otherwise expressly provided by this Act no company shall give, whether directly or indirectly and whether by means of a loan, guarantee or the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company or, where the company is a subsidiary, in its holding company or in any way purchase, deal in or lend money on its own shares.

(2) Nothing in subsection (1) shall prohibit -

(b) the provision by a company, in accordance with any scheme for the time being in force, of money for the purchase of or subscription for fully-paid shares in the company or its holding company, being a purchase or subscription by trustees of or for shares to be held by or for the benefit of employees of the company or a subsidiary of the company, including any director holding a salaried employment or office in the company or a subsidiary of the company; or

(c) the giving of financial assistance by a company to persons, other than directors, *bona fide* in the employment

Hence, we propose to require a listed issuer to disclose the implementation and termination (before its expiry) of a Share Grant Scheme.

PROPOSAL 3.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Definition of "Employee Share Scheme", "Share Issuance Scheme" and "Share Grant Scheme"	▪ Para. 1.01	▪ Rule 1.01

92. In line with our proposals briefly mentioned in Part A above, for the purpose of clarity, we propose to review the existing definition of "share scheme for employees" and introduce new terminologies.

93. Our proposals are as follows:

(a) to substitute the term "**share scheme for employees**" with "**Employee Share Scheme**" and define it to mean collectively "a Share Issuance Scheme and a Share Grant Scheme";

(b) to define **"Share Issuance Scheme**" to mean "a scheme involving a new issuance of shares to the employees"; and

(c) to define "**Share Grant Scheme**" to mean "a scheme involving the grant of a listed issuer's existing shares to employees".

B. SHARE ISSUANCE SCHEME

PROPOSAL 3.2

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Removing the 50% restriction on number of shares that may be allocated to directors and senior management	▪ Para. 6.37 ▪ Para. 8.16A ▪ Appendix 6B, Part A, New Para. 28(e) ▪ Appendix 9C, Part A, New Para. (26A)	▪ Rule 6.38 ▪ Rule 8.18A ▪ Appendix 6B, Part A, New Para.(29)(e) ▪ Appendix 9C, New Para. (27A)

94. Currently, the aggregate allocation to directors and senior management under a Share Issuance Scheme must not exceed 50% of the total number of shares to be issued under the Share Issuance Scheme. We propose to remove the 50% restriction.

95. The 50% restriction was once viewed as necessary to ensure a balanced distribution of the options granted under the Share Issuance Scheme between the directors and senior management, and the employees. This was due to the general perception that the directors and senior management may be in the position to influence the allocation of shares under the Share Issuance Scheme for their own benefit.

96. The above concern may no longer be relevant. Implementations of all Share Issuance Schemes are subject to the listed issuer's shareholder approval. The approval includes the maximum entitlement for each class or category of participants. Shareholder may vote against allotting

more than 50% of the Share Issuance Scheme to directors or senior management, if they are not satisfied with their performance.

97. Further, there is already a restriction under the LR that an allocation to a director who holds 20% or more of the issued and paid-up capital of the listed issuer, must not be more than 10% of the total number of shares to be issued under the Share Issuance Scheme. In addition, under the existing LR, any allotment of shares to directors must be specifically approved by shareholders.[7] These act as additional safeguards as to the maximum allocation that can be granted to a director.

98. As mentioned in Part A above, a Share Issuance Scheme is designed and established to reward and compensate employees who, in the view of the listed issuers and their shareholders, have made meaningful or significant contributions to the listed issuers. It is also to promote loyalty among the employees towards the listed issuers. Hence, it is more appropriate for the board of directors and shareholders to determine the allocation to their directors and senior management under a Share Issuance Scheme, instead of restricting the same to 50% through the LR.

99. It may also be worth noting that such allotment restriction does not exist in other jurisdictions like Singapore and Hong Kong. The proposed removal of the 50% restriction would bring our framework more in line with the other developed markets. It would also allow more flexibility to a listed issuer to structure its remuneration package for its directors and senior management in such a manner as to better achieve its objectives.

100. With the proposed removal of the 50% restriction, we propose to require that any allocation of options or shares to a listed issuer's directors and senior management pursuant to a Share Issuance Scheme to be approved mainly by non-executive directors. Further, a director must not participate in the deliberation or discussion of his own allocation. This is to promote better corporate governance practices among listed issuers in administering a Share Issuance Scheme.

101. For greater transparency, we also propose that the listed issuer discloses in its annual report, the names of directors who approved the allocation of options or shares to a listed issuer's directors and senior management pursuant to a Share Issuance Scheme.

102. In arriving at the above proposal, we have also considered the requirements in both Hong Kong and Singapore. Under the Hong Kong Listing Rules, each grant of options to a director, CEO or substantial shareholder of a listed issuer must be approved by independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options). In Singapore, the listing rules require a share/share options scheme to be administered by a committee of directors of the issuer.

103. In addition, a listed issuer will be required to disclose the aggregate maximum allocation to directors and senior management in percentage under the Share Issuance Scheme, in its circular to shareholders. We believe the proposed enhanced disclosure in the circular will promote greater transparency and adequately safeguard shareholders' interests.

Proposal 3.2 - Issue(s) for Consultation:

31. Do you agree with our proposal to remove the 50% restriction on the total number of shares which can be allocated to directors and senior management under a scheme involving new issuance of shares to a listed issuer's employees? If not, please provide your reasons.

[7] See paragraph 6.06 of the Main LR and Rule 6.07 of the ACE LR respectively.

32.	Do you agree with our proposal to clarify in the LR that any allocation of options or shares to the directors and senior management of a listed issuer pursuant to a Shares Issuance Scheme must be approved mainly by non-executive directors? If not, please provide your reasons.

PROPOSAL 3.3

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Allowing implementation of more than 1 Share Issuance Scheme subject to the 15% limit	▪ Para. 8.19 ▪ Appendix 6A, Part A, New Para. (18A) ▪ Appendix 6B, Part A, New Para. 28(f) ▪ Appendix 9C, Part A, New Para. (27)	▪ Rule 8.21 ▪ Appendix 6A, Part A, New Para. (18A) ▪ Appendix 6B, Part A, New Para. (29)(f) ▪ Appendix 9C, New Para. (28)

104. Currently, each listed issuer is allowed to implement only 1 Share Issuance Scheme at any time.

105. We propose to allow more than 1 Share Issuance Scheme provided that the aggregate number of shares available under all the Share Issuance Schemes does not exceed 15% of the listed issuer's issued and paid-up capital (excluding treasury shares) at any one time.

106. At times, listed issuers may wish to implement more than 1 Share Issuance Scheme to cater for different categories of employees and to award its employees in a different manner. This proposal will accord greater flexibility to a listed issuer to structure its remuneration package and facilitate implementation of Share Issuance Schemes.

107. We believe the proposal would not have any adverse impact on shareholders' interest. The shareholders always have the right to vote against any proposed Share Issuance Scheme. Further, regardless of how many Share Issuance Schemes the listed issuer implement, the aggregate number of shares available under all the Share Issuance Schemes is still restricted to 15% of the listed issuer's issued and paid-up capital (excluding treasury shares).

108. The proposal would also bring our requirements more in line with other developed markets like Singapore, Hong Kong, Australia and the United Kingdom, which do not have such a 1-Share Issuance Scheme restriction.

109. In this connection, where a listed issuer intends to implement a new Share Issuance Scheme resulting in it having more than 1 Employee Share Scheme, we propose that the listed issuer includes in the circular to its shareholders and its announcement to the Exchange, the following additional information:

(a) the number of Employee Share Schemes currently in existence;

(b) the following information in relation to options or shares granted to directors under all the existing schemes:

(i) aggregate options or shares granted since commencement of the scheme;

(ii) aggregate options exercised or shares vested since commencement of the scheme; and

(iii) aggregate options or shares outstanding; and

(c) for each existing scheme –

(i) brief details of each scheme including its expiry date, eligible grantees, maximum number or percentage of total shares issued or vested under the scheme, total number of shares granted, and total number of options exercised or shares vested; and

(ii) aggregate maximum allocation to directors and senior management in percentage, and the actual percentage granted to them.

This is to aid shareholders to make informed decisions when approving any new Share Issuance Scheme.

110. We also propose to enhance the disclosure in the listed issuer's annual report by requiring them to set out the following information in relation to an Employee Share Scheme, in the annual report:

(a) the number of schemes currently in existence during the financial year, and brief details of each scheme including -

(i) total number of options or shares granted;

(ii) total number of options exercised or shares vested; and

(iii) total options or shares outstanding;

(b) in regard to options or shares granted to the directors and chief executive:

(i) aggregate options or shares granted;

(ii) aggregate options exercised or shares vested; and

(iii) aggregate options or shares outstanding,

(c) in regard to options or shares granted to the directors and senior management –

(i) aggregate maximum allocation applicable to directors and senior management in percentage; and

(ii) the actual percentage granted to them,

during the financial year and since commencement of the scheme respectively.

Proposal 3.3 - Issue(s) for Consultation:

33. Do you agree with our proposal to allow an implementation of more than 1 Share Issuance Scheme, provided that the aggregate number of shares available under all the schemes does not exceed 15% of the listed issuer's issued and paid-up capital (excluding treasury shares) at any one time? If not, please provide your reasons.

PROPOSAL 3.4

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Removing requirement for shareholder and option holder approval requirement in relation to the termination of a Share Issuance Scheme	▪ Para. 8.18 ▪ Appendix 8B	▪ Rule 8.20 ▪ Appendix 8B

111. Currently, a listed issuer may not terminate a Share Issuance Scheme before its expiry unless among others, it obtains the prior approval of its shareholders and written consent of all the option holders who have yet to exercise their options ("**Termination Requirement**").

112. We believe that as long as the termination of a Share Issuance Scheme is done in accordance with the bylaws of the Share Issuance Scheme, and that the board of directors is of the view that the termination is in the best interests of the listed issuer, it may not be necessary for the Exchange to regulate the Termination Requirement under the LR. Further, a termination of a Share Issuance Scheme does not affect the rights of shareholders in any manner. Hence, it may not need to be subjected to a listed issuer's prior shareholder approval.

113. Thus, we propose to remove the Termination Requirement. This seeks to facilitate the termination process of a Share Issuance Scheme which may translate into saving in time, resources and costs by a listed issuer.

114. In place of the removal of the requirement for shareholder and option holder approval, we propose to enhance the disclosure in respect of the termination to ensure that shareholders and option holders are well informed of the termination.

115. In this regard, we propose to require a listed issuer to immediately announce to the Exchange the following when it terminates a Share Issuance Scheme before its expiry:

(a) the effective date of termination;

(b) the number of options exercised or shares vested; and

(c) the reasons for termination.

Proposal 3.4 - Issue(s) for Consultation:

34. Is there any cause for concern if the approvals by shareholders and option holders are not required for termination of a Share Issuance Scheme prior to its expiry?

PROPOSAL 3.5

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Other enhanced disclosure requirements in relation to a Share Issuance Scheme	*[Please refer to the proposed amendments in Annexure C for the relevant provisions]*	

116. As part of our continuous efforts to promote greater transparency, we propose to enhance the disclosure requirements in relation to a Share Issuance Scheme, as below.

(a) Contents of circular in relation to a new Share Issuance Scheme

We propose to require a listed issuer to include the following information in its circular to shareholders to implement a new Share Issuance Scheme:

(i) where the directors of the listed issuers have a direct or indirect interest in the scheme, the details of the said interest;

(ii) whether the allocation available will be staggered over the duration of the scheme, and -

(aa) if yes, the maximum allocation available for each financial year during the duration of the scheme;

(bb) if no, the reasons why not; and

(iii) whether there is any vesting period for the options or shares granted under the scheme.

The above information is important and necessary for shareholders to make an informed decision when voting on a resolution seeking shareholder approval to implement a new Share Issuance Scheme.

(b) Contents of announcement when granting options/shares under a Share Issuance Scheme

We propose to require a listed issuer to immediately announce to the Exchange any grant of options or shares under a Share Issuance Scheme. The listed issuer must announce the following on the date of the offer:

(i) date of grant;

(ii) exercise price of options granted, if applicable;

(iii) number of options or shares granted;

(iv) market price of its securities on the date of grant;

(v) number of options or shares granted to each director, if any; and

(vi) vesting period of the options or grant.

It is important for the above information to be made known to the shareholders immediately as it will affect their investment decisions.

Proposal 3.5 - Issue(s) for Consultation:

35. Do you agree with the proposed disclosure requirements in relation to a Share Issuance Scheme, as set out in paragraph 116 above? If not, please provide your reasons.

36. Is there any other disclosure item which you think should be included for a Share Issuance Scheme?

C. SHARE GRANT SCHEME

PROPOSAL 3.6

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Disclosure in relation to a scheme involving the grant of a listed issuer's existing shares to its employees ("**Share Grant Scheme**")	*[Please refer to the proposed amendments in Annexure C for the relevant provisions]*	

117. As mentioned in Part A above, we propose to require a listed issuer to disclose any implementation and termination (before its expiry) of a Share Grant Scheme.

118. Due to the similarity of a Share Issuance Scheme and a Share Grant Scheme, as well as the reasons mentioned in Part A above, we propose to require substantially similar information for a Share Issuance Scheme to be disclosed for a Share Grant Scheme.

119. In this regard, we propose for a listed issuer to -

(a) **immediately announce any decision to implement a Share Grant Scheme.** In this regard -

(i) we propose that the listed issuer includes information similar to that required for an announcement of a decision to implement a Share Issuance Scheme. This includes the justification for embarking on a Share Grant Scheme, duration of a Share Grant Scheme, basis of determining the exercise price and eligibility etc.; and

(ii) if the listed issuer has **implemented more than 1 Employee Share Scheme**, we propose that the listed issuer immediately announces to the Exchange the information set out in paragraph 109 above;

(b) **immediately announce any termination of a Share Grant Scheme before its expiry**. In this regard, we propose the listed issuer to immediately announce to the Exchange the information set out in paragraph 115 above;

(c) **disclose in its annual report –**

(i) information set out in paragraph 110 above, including the total number and brief details of Share Grant Schemes (together with Share Issuance Schemes)

currently in existence during the financial year, shares granted to directors, CEO and senior managementGrant Scheme;

(ii) a breakdown of shares granted to and vested in non-executive directors pursuant to a Share Grant Scheme in respect of the financial year in a tabular form, setting out the name of director, amount of shares offered and amount of shares vested.

Proposal 3.6 - Issue(s) for Consultation:

37. Do you agree with our proposal to require a listed issuer to immediately disclose to the Exchange the information set out in paragraph 119 in relation to a scheme involving the grant of a listed issuer's existing shares to its employees?

[End of Part]

PART 4 PROPOSED AMENDMENTS ALLOWING ISSUANCE OF DOCUMENTS TO SECURITIES HOLDERS VIA ELECTRONIC MEANS

Currently, the LR allows a listed issuer to issue annual reports in CD-ROM. As part of the Exchange's effort to promote a paperless environment, as well as cost saving and greater efficiency, we propose to provide a listed issuer an option to issue **any document** which is required to be sent to its securities holders under the LR, via electronic means for example by way of CD-ROM or e-mails, or by making it available the listed issuer's website, if it is permitted under the laws.

In this regard, we do not propose to extend the above proposal to annual reports. This is because section 170(1) of the CA requires a copy of every financial statement to be sent to the shareholders. Issuance of the annual report by posting it on the listed issuers' website would be inconsistent with section 170(1) of the CA. As such, we will maintain the current paragraph/Rule 9.26 of the LR where listed issuers may issue the annual reports either in CD-ROM or printed copy.

The salient proposed amendments in relation to the above proposal are as set out below.

PROPOSAL 4.1

Description	Affected Provision(s)	
	Main LR	ACE LR
Circumstances where listed issuers may issue documents via electronic means	▪ Para 2.19A	▪ Rule 2.19A

120. Where a listed issuer chooses to issue a document to its securities holders via electronic means, we propose that the listed issuer sends to every securities holder an election notice providing them an option to either receive the document –

(a) in hard copies; or

(b) via electronic means.

This is to ensure that a securities holder is accorded with sufficient opportunity to elect whether to receive a document via electronic means or hard copy.

121. In this regard, to help reduce usage of paper and conserve the environment, we strongly encourage the securities holders to receive the documents via electronic means. We believe this is also the faster, more efficient and convenient method of communication between the listed issuer and securities holders.

122. In this connection, we propose that if the listed issuer does not receive any written response from the securities holders within 30 days from the date the listed issuer sends its election notice, the listed issuer may deem that the securities holders have consented to receive the document via electronic means. This would save the securities holders' time and trouble from having to make a positive confirmation/election to receive the document via electronic means.

123. To accord certainty to an election made by the securities holders, we propose for an election, once made by the securities holders under paragraph 120(a) or (b) above, to continue in force until it is varied or revoked by the holder. The holder may vary or revoke its election at any time.

124. A listed issuer may also continue to issue a document to its securities holders via electronic means who did not respond in writing to its election notice, until the holders make an election to receive the document in hard copies.

125. We recognize that although a securities holder may have elected to receive a document from a listed issuer via electronic means, there may be circumstances where the securities holder needs a hard copy of the document. These may include situations where the holders are not able to access the document via electronic means because of computer/internet breakdown, being outside of internet coverage etc.

126. In this regard, where requested by the securities holder, the listed issuer must ensure that a hard copy of the document is forwarded to the securities holder within 4 market days from the date of receipt of the request. This proposal is consistent with our requirements on annual report under paragraph/Rule 9.26 of the LR currently.

Proposal 4.1 - Issue(s) for Consultation:

38. Do you agree with our proposal to deem a securities holder to have consented to receive a document via electronic means if the holder fails to respond to a listed issuer's election notice within 30 days?

PROPOSAL 4.2

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Issuance of documents by posting on website	▪ Para. 2.19B	▪ Rule 2.19B

127. Pursuant to paragraph 9.20 of the Main LR (Rule 9.21 of the ACE LR), every listed issuer must have a website, and a listed issuer must publish on its website all announcements made to the Exchange pursuant to the LR.

128. Securities holders may now refer to their listed issuers' website for the relevant announcements anywhere, for example, at their own convenience from their house, workplace etc. Hence, if so elected by the securities holders, a listed issuer may use its website as an electronic means to "issue" any document to its securities holders.

129. Where a listed issuer is permitted to send its document to a securities holder by posting the same on its website, the listed issuer must notify the holder of -

(a) the publication of the document on the website;

(b) the address of the website;

(c) the place on the website where the document may be accessed; and

(d) the manner in which the document may be accessed.

This is to ensure that the securities holders are duly notified of the presence of the document on the listed issuer's website and the manner in which the document may be accessed.

130. To ensure a prompt delivery of the notification above to the securities holder, we propose to allow the listed issuer to send the notification to the securities holder electronically (including by e-mail or sms). This would be allowed only if the securities holder has provided to the listed issuer the relevant contact for an electronic notification.

131. For securities holders who do not provide any contact for an electronic notification, we propose to require the listed issuer to send them the notification in hard copies. This seeks to ensure that the necessary notification reaches the securities holder in due course.

132. To ensure that all securities holders receive the notification as soon as possible, we propose the listed issuer to issue the notification above to its holders not later than the date when the listed issuer posts the documents on its website.

Proposal 4.2 - Issue(s) for Consultation:

39. Do you have any concern in allowing the listed issuer to "issue" documents to its securities holders by posting the same on its website and notifying them of this, subject to the listed issuer complying with our proposed requirements on election notice?

40. Where a listed issuer chooses to "issue" documents to its securities holders by posting the same on the website and securities holders do not provide any contact for an electronic notification on the posting of the document on the website, should a notification be deemed sent to the holder when the listed issuer announces the documents to the Exchange, instead of requiring the listed issuer to send a hard copy notification which may take a longer time?

41. Do you think it is feasible for a listed issuer to issue the notification to its securities holders not later than the date (i.e. may be on the same day) when the listed issuer posts the documents on its website?

[End of Part]

PART 5 PROPOSED AMENDMENTS IN RELATION TO A DIVIDEND REINVESTMENT SCHEME

In addition to cash dividends, we propose to allow listed issuers to pay dividends in shares to their shareholders through a scheme known as "Dividend Reinvestment Scheme" ("**DRS**").

Under the proposed DRS framework, shareholders will be given the choice to either receive cash or reinvest the cash in the listed issuer through acquisition of additional shares. The listed issuers may allow shareholders to apply their choice to all or only part of their entitled dividends.

We believe both the listed issuers and its shareholders will benefit from having the choice to participate in a DRS.

For the shareholders, the option given pursuant to a DRS will provide the shareholders with greater flexibility in meeting their investment objectives.

For a listed issuer, if a shareholder elects to receive the dividend in shares, the cash which would otherwise be payable by way of a dividend will be retained to fund the continuing growth and expansion of the listed issuer. The retention of cash and the issue of shares under the proposed DRS may help to enlarge the listed issuer's share capital base and is expected to strengthen its working capital. It will also enhance liquidity of the listed issuer's shares on the Exchange.

The salient proposed amendments in relation to a DRS are as set out below.

PROPOSAL 5.1

Description	Affected Provision(s)	
	Main LR	ACE LR
Definition of a DRS	▪ Para. 1.01	▪ Rule 1.01

133. For greater clarification, we propose to define a DRS to mean a scheme which enables shareholders to elect to receive shares in lieu of the cash dividend, for all or part of their dividend entitlement.

Proposal 5.1 - Issue(s) for Consultation:

42. Do you agree with our proposal to allow listed issuers to implement a Dividend Reinvestment Scheme as an alternative to cash dividend payment to their shareholders? If not, please provide your reason and proposal.

PROPOSAL 5.2

Description	Affected Provision(s)	
	Main LR	ACE LR
Shareholder approval to implement a DRS	▪ Para. 6.45B	▪ Rule 6.46B

134. We propose to require a listed issuer to obtain shareholder approval if it intends to implement a DRS. Once approved by the shareholder, the listed issuer may implement a DRS without needing to get fresh shareholder approval each time it applies a DRS for a particular dividend.

135. A listed issuer must include the following in its circular to the shareholders:

(a) whether there will be any tax advantage if a shareholder elects to receive shares in lieu of cash, or an appropriate negative statement;

(b) whether a shareholder who elects to receive shares will receive odd lots; and

(c) a statement that a person receiving shares under the scheme may be required to comply with the Take-Overs and Mergers Code.

136. This is to ensure that the shareholders are duly informed of the features of a DRS and the consequences in opting for shares in lieu of cash under a DRS, when approving its implementation.

Proposal 5.2 - Issue(s) for Consultation:

43. Do you agree with our proposal to require the listed issuer to obtain shareholder approval for it to implement a Dividend Reinvestment Scheme?

44. Is there any other information which you think should be included in the circular of the listed issuer when it seeks its shareholder approval to implement a Dividend Reinvestment Scheme?

PROPOSAL 5.3

Description	Affected Provision(s)	
	Main LR	ACE LR
Eligibility and entitlement to participate in the DRS	▪ Para. 6.45C	▪ Rule 6.46C

137. Where a listed issuer intends to undertake a DRS, it must ensure that all its shareholders who are entitled to dividends are eligible to participate in a DRS.

138. However, the shareholders must be given the flexibility to decide whether to participate in a DRS or otherwise. In this connection, we propose that a listed issuer must offer the DRS to its shareholders only as an option and not in lieu of cash payment for their dividend entitlement.

139. Further, a listed issuer must allow its shareholders at least 14 days between the dispatch of the election notice and the deadline for returning the completed election notice to decide if they want to participate in the DRS.

140. The instruction in an election notice must be clear for the shareholders to make an informed decision. Hence, we propose that the listed issuer includes in the election notice the following statements:

(a) that the shareholders must elect positively in order to participate in a DRS, and to receive shares instead of cash for their dividend entitlement;

(b) that if no election is made, the listed issuer will automatically pay the dividends in cash to the shareholders concerned; and

(c) that the shareholders can choose to receive the entitlement partly in cash and partly in shares, or wholly in cash or shares.

141. For greater transparency, we propose that the listed issuer should include in the statement accompanying the election notice, the following information:

(a) a statement of the total number of shares that would be issued if all eligible shareholders were to elect to receive shares for their entire entitlement, and the percentage which that number represents of the issued and paid-up capital (excluding treasury shares) at the date of the books closing date; and

(b) that any fractional entitlements arising from the allotment of new shares pursuant to the scheme will be settled in cash.

Proposal 5.3 - Issue(s) for Consultation:

45. Is there any other information which you think should be included to the notice of election, or statement accompanying the election notice?

46. Do you agree with our proposal to mandate the listed issuer to settle in cash any fractional entitlements arising from the allotment of new shares pursuant to a Dividend Reinvestment Scheme?

PROPOSAL 5.4

Description	Affected Provision(s)	
	Main LR	ACE LR
Pricing of shares allotted pursuant to a DRS	▪ Para. 6.45D	▪ Rule 6.46D

142. To ensure that no substantial discount is given on the prices of shares allotted pursuant to a DRS, we propose to limit the price of shares allotted pursuant to a DRS to not more than 10% discount to the weighted average market price of the shares for the 5 market days immediately before the price-fixing date.

143. We also propose that the listed issuer announces the issue price of the shares in a DRS before or when it announces to the Exchange its intention to fix a books closing date for the dividend under paragraph/Rule 9.19(1) of the LR. This is to give the shareholders early notice about the issue price which will aid their decision whether to have the dividends paid to them in cash or in shares.

Proposal 5.4 - Issue(s) for Consultation:

47. Do you agree with our proposal to limit the price of shares allotted pursuant to a Dividend Reinvestment Scheme, to not more than 10% discount to the weighted average market price of the shares for the 5 market days immediately before the price-fixing date? If not, please provide your reason and proposal.

48. Do you agree with our proposal to require the listed issuer to announce the issue price of the shares before or when it announces to the Exchange its intention to fix a books closing date for the dividend payment under paragraph/Rule 9.19(1) of the LR?

PROPOSAL 5.5

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Announcement on applicability of the DRS	▪ Para. 9.19	▪ Rule 9.19

144. For greater transparency to the shareholders, where a listed issuer intends to apply a DRS to a dividend, we propose the listed issuer to also announce the following when it announces/declares a dividend:

(a) that a DRS is applicable to that dividend; and

(b) the percentage of the dividend which will be subjected to the DRS.

145. We also propose to clarify in paragraph/Rule 9.19(2) of the LR that the announcement on dividend should include the mode of distribution of dividend.

Proposal 5.5 - Issue(s) for Consultation:

49. Do you agree with our proposal for the listed issuer which intends to apply a Dividend Reinvestment Scheme to a dividend, to also announce the following when it announces/declares a dividend:

(a) whether the Dividend Reinvestment Scheme is applicable to that dividend; and

(b) the percentage of the dividend which will be subjected to the Dividend Reinvestment Scheme?

If not, please provide your reason and proposal.

[End of Part]

PART 6 OTHER PROPOSED AMENDMENTS

The Exchange also proposes to enhance the LR for greater clarity and certainty in other areas. The other miscellaneous proposed amendments are as set out below.

PROPOSAL 6.1

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Allowing buy back of odd lot shares through DBT or any other manner as may be approved by the Exchange	▪ New Para. 12.26 ▪ Para. 12.02 ▪ Para. 12.04	▪ New Rule 12.25 ▪ Rule 12.02 ▪ Rule 12.04

146. Currently, any purchase by a listed corporation of its own shares can only be effected on the market through the Automated Trading System of the Exchange ("**ATS**"). Purchase by a listed corporation of its own shares via a DBT or in any other manner entered outside the ATS, is prohibited[8].

147. In the course of the Exchange's engagement with listed corporations, the Exchange has received feedback that some listed corporations have a high number of odd lot shareholders. These listed corporations may have ended up with a high number of odd lot shareholders, through undertaking various corporate exercises over the years. The number of odd lot holders may have also increased (rather than decrease) through trading on the Odd Lots Board as the trading mechanism allows partial acceptances of odd lot shares. This compounds the problems faced by such listed corporations as they then have to bear the financial and administrative burden of maintaining a large base of odd lot shareholders who are generally passive holders with limited option to exit.

148. The Exchange, having considered the listed corporations' feedback, proposes to allow the buy back of odd lot shares through a Direct Business Transaction ("**DBT**")[9], or in any other manner as may be approved by the Exchange. This is to provide greater flexibility to listed corporations in executing the buy back of their odd lot shares.

149. The Exchange is also mindful of the application of section 67A of the CA which among others, allows a listed corporation to purchase its own shares if such purchase is made through the stock exchange on which the shares are quoted in accordance with the relevant rules of the stock exchange. In this connection, the Companies Commission of Malaysia has confirmed with the Exchange that the purchase of odd lot shares by listed corporations via a DBT is within the ambit of section 67A of the CA, subject to the prescribed requirements of DBT imposed by the Exchange, such as a notification of the DBT must be made to the Exchange and the settlement of the DBT must be made through Bursa Malaysia Securities Clearing Sdn Bhd.

150. A listed corporation undertaking a purchase of its odd lot shares through a DBT, or in any other manner approved by the Exchange, is still required to comply with all the requirements in Chapter 12 of the LR.

[8] The requirement in Chapter 12 that a purchase by a listed corporation of its own shares can only be effected on the market, is not applicable to a special purpose acquisition company listed on the Main Market. Paragraph 12.25 of the Main LR allows a special purpose acquisition company to purchase its own shares through a DBT.

[9] A DBT is a transaction entered into outside the Automated Trading System of the Exchange but reported through the , between a buyer and seller at an agreed price. The securities transacted via a DBT are cleared and settled through Bursa Malaysia Clearing Sdn Bhd.

Proposal 6.1 - Issue(s) for Consultation:

50. Do you agree with our proposal that a listed corporation is allowed to purchase its odd lot shares through a Direct Business Transaction ("**DBT**"), or in any other manner as may be approved by the Exchange? Please state your reasons.

PROPOSAL 6.2

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Clarification on distribution of income by a real estate investment trust ("**REIT**")	▪ Para. 8.34	▪ N/A

151. Currently, paragraph 9.19(2) of the Main LR requires a distribution by a listed issuer to be paid within 1 month from the books closing date ("**BCD**"). However, in relation to REITs, paragraph 8.34 allows a distribution to be made within 2 months after the BCD.

152. Paragraph 8.34 was introduced in conjunction with the requirement under the SC's Guidelines on Property Trusts Fund dated 3 January 2005 ("**Previous Guidelines**"), which required a REIT to distribute its income within 2 months from the BCD.

153. The current REITs Guidelines issued by the SC is silent on the requirement as to when a REIT must distribute its income.

154. In order to ensure parity in our regulation in respect of all listed issuers, we propose to delete paragraph 8.34 of the Main LR, which allows a distribution by REITs to be made within 2 months after the BCD. This means, like a distribution of income by any other listed issuers, a distribution of income by REITs must be made within 1 month after the BCD pursuant to paragraph 9.19(2) of the Main LR.

PROPOSAL 6.3

Description	Affected Provision(s)	
	Main LR	**ACE LR**
Allowing provision of financial assistance to jointly-controlled entities	▪ Para. 8.23(1)(iii)	▪ Rule 8.25(1)(iii)

155. Currently, under paragraph 8.23(1)(iii) of the Main LR and Rule 8.25(1)(iii) of the ACE LR, a listed issuer or its subsidiaries which are not listed on the Exchange may provide financial assistance to the subsidiaries or associated companies of the listed issuer, the listed issuer (in the case of the subsidiaries providing financial assistance) or its immediate holding company which is related.

156. The Exchange proposes to specifically allow the listed issuer or its unlisted subsidiaries to provide financial assistance to jointly-controlled entities such as joint venture companies, and treat these companies as though they are associated companies.

157. As the accounting treatment and the management influence in a jointly-controlled entity is similar to that of an associated company of a listed issuer, the Exchange believes that it is appropriate to extend the ambit of the requirement on provision of financial assistance to jointly-controlled entities.

158. In this regard, the Exchange proposes that "**jointly-controlled entities**" be given the meaning under the accounting standards issued and approved by the Malaysian Accounting Standards Board.

Proposal 6.3 – Issue(s) for Consultation:

51. Do you agree with our proposal to specifically allow a listed issuer or its unlisted subsidiaries, to provide financial assistance to jointly-controlled entities (as defined under "jointly-controlled entities" in the approved accounting standards)? Please state your reasons.

PROPOSAL 6.4

Description	Affected Provision(s)	
	Main LR	ACE LR
Other amendments for clarification and consistency purpose	*[Please refer to Annexure F & proposals below for the relevant provisions]*	

159. To accord greater clarity to the market and for consistency purpose, we propose the following:

(a) to clarify that a listed issuer, in its announcement of recommendation or declaration of dividend or distribution in paragraph/Rule 9.19(2) of the LR, must state so if a class of securities does not entitle its holders to dividend or distribution;

(b) to clarify in paragraph/Rule 9.19(5) of the LR that an immediate announcement of a re-organisation of the group structure of the listed issuer excludes a re-organisation between the listed issuer and its wholly-owned subsidiary, or between 2 of its wholly-owned subsidiaries;

(c) to clarify that when a listed issuer make an immediate announcement of the following events, it must include the reasons for the change:

(i) the change in financial year end; or

(ii) any change to the utilization of proceeds raised by the listed issuer from issuance of securities that deviates by 5% or more from the original utilization of proceeds;

(d) to clarify that in addition to the existing information, a listed corporation must include details on the percentage of the total number of shares purchased or held as treasury shares against the total issued and paid up capital of the listed corporation as at the date of purchase, in the announcement of any purchase of its own shares in Appendix 12C of the LR;

(e) to clarify that any breach of an undertaking given to the Exchange pursuant to the LR will be treated as a breach of the LR;

(f) to extend the definition of "transaction" for a non-related party transaction in Chapter 10 of the LR to include any of the following actions undertaken by a listed issuer:

(i) disposing of;

(ii) making or offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter into any agreement for or with a view to disposing of;

(iii) granting, accepting, acquiring, disposing of, exercising or discharging an option or any other right or obligation, present or future, conditional or unconditional, to acquire or dispose of,

a listed issuer's developmental rights, all or substantially all its rights, benefits, or control in an asset;

(g) to clarify that the disclosure on the basis of arriving at the consideration of a transaction in an announcement and circular, cannot be that it is on a "willing buyer willing seller" basis as that goes without saying;

(h) to clarify that the reference to a "chief financial officer" of a corporation means the person primarily responsible for the management of the financial affairs of the corporation (such as record keeping, financial planning and financial reporting), by whatever name called;

(i) to extend paragraph 9.19(17) of the Main LR to any notice relating to unit holding which a listed issuer has received. This is to ensure that a listed issuer which is a collective investment scheme announces any substantial unit holding notice that it receives; and

(j) other ancillary amendments as may be seen in Annexure F.

[End of Part]

ANNEXURE A – F PROPOSED AMENDMENTS

[Please see the Proposed Amendments enclosed with this Consultation Paper]

ATTACHMENT 1 TABLE OF COMMENT

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