CONSULTATION PAPER

PROPOSED REVAMP OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

FOR THE ESTABLISHMENT OF A UNIFIED BOARD

No. 1/2009

Date of Issue: 6 February 2009

Bursa Malaysia invites your written comments on the issues set out in this consultation paper by **27 February 2009** via:

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Respondents to this Consultation Paper are requested to use the reply format as stipulated in Appendix 2.

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TABLE OF CONTENTS

APPENDICES

1 INTRODUCTION

1.1 Unified Board and New MESDAQ

1.1.1 Preamble

In March 2008, the Prime Minister, Yang Amat Berhormat Dato' Seri Abdullah bin Haji Ahmad Badawi, announced at the Invest Malaysia 2008 Conference a number of measures aimed at enhancing the competitiveness and efficiency of the Malaysian equity market.

The measures comprise, amongst others, the following:

(a) Streamlining of the current two boards on Bursa Malaysia Securities Berhad (Bursa Malaysia) to a new board by combining the Main Board and Second Board to form a unified board (UB) for more established corporations;

(b) Expansion of the roles and objectives of the MESDAQ Market to facilitate growth corporations to raise funds from the capital market (New MESDAQ); and

(c) Adoption of a market-based regulatory approach for listing and fund-raising on the UB and New MESDAQ, premised on adequacy of disclosures and corporate conduct of the corporations and promoters.

1.1.2 Background

The current regulatory framework for issuance of securities in Malaysia requires applicants, other than those exempted under Schedule 5 of the Capital Markets & Services Act 2007 (CMSA), to obtain the prior approval from the Securities Commission (SC) under Section 212 of the CMSA.

Generally, the SC adopts the assessment and declaratory approaches in approving these proposals. Under the assessment approach, the SC would undertake a review on the suitability and viability of the corporate proposals. Applicants and principal advisers are also required to submit declarations that the corporate proposals comply with the relevant requirements of the SC and ensure that full and meaningful disclosures are made in public documents, while the SC would review the standards of disclosures made by the applicants in the public documents.

Corporate proposals by public listed companies would also require the approval of Bursa Malaysia for the listing and quotation of these securities.

In our concerted efforts to give effect to the policy announcement by the Prime Minister to enhance the competitiveness and efficiency of the Malaysian equity market, we have worked hand-in-hand with market practitioners in undertaking a broad-spectrum review of the existing regulatory framework.

A high level Industry Working Group (IWG) was established in May 2008 to obtain feedback and identify issues affecting the fund-raising regime in Malaysia as well as to assist the SC and Bursa Malaysia in reviewing the regulatory framework for listings and equity fund-raisings. Members of the IWG comprise practitioners and experts from a broad segment of the capital market. We have also held several focus group meetings with identified industry players to discuss the appropriate framework and requirements.

In addition, extensive benchmarking studies were conducted to ensure key proposed changes to the requirements are comparable with those of the regional markets.

With the above, we have identified four overriding principles as our basis to review and restructure the current regulatory framework:

(a) The UB will be a board for the listing of established corporations in terms of track record or size;

(b) The New MESDAQ will be an alternative market to act as a fund-raising platform for corporations from all business and economic sectors to raise capital, with the roles and responsibilities of sponsors expanded to include the assessment of quality and suitability of corporations seeking listing;

(c) Bursa Malaysia to be positioned as a preferred listing and fund-raising destination for both Malaysian and foreign corporations; and

(d) Shifting of our review approach from assessing suitability of proposals to ensuring that standards of disclosures in prospectuses and other public documents are upheld by the issuers, with focus on the areas of corporate governance, conflicts of interests and public interest.

1.1.3 Proposed Regulatory Framework for UB

The proposed framework for UB represents yet another milestone in the progress and development of our capital market.

The proposed UB regulatory framework will have the following key features:

(a) The SC will retain Section 212 of the CMSA for listings and back-door listings (BDLs)/reverse take-overs (RTOs), i.e. the entry of new corporations, new assets or new controlling shareholders into the market, or a major change in the board of directors of listed corporations. This permits the SC to continue its gate-keeping function at entry point to safeguard market interests;

(b) Upon corporations passing the "entry test" and being admitted to the official list of Bursa Malaysia, subsequent equity fund-raising proposals such as rights issues and placement exercises, disposal of assets and acquisition of assets that does not change the core businesses of listed corporations, would no longer require the approval of the SC under Section 212 of the CMSA;

(c) Going forward, our respective assessment of these proposals would focus on the following key areas:

  (i) Compliance with minimum requirements;

  (ii) Public interest;

  (iii) Corporate governance;

  (iv) Conflicts of interests; and

  (v) Adequacy of disclosures to enable investors to make informed investment decisions.

(d) SC's statutory responsibilities on the registration of prospectuses under Sections 232 and 237 of the CMSA will remain in order to ensure that standards of disclosures made by issuers are upheld; and

(e) Principal advisers will be responsible for assessing the quality and suitability of corporations seeking listing, particularly with regard to commercial viability and growth prospects of the corporations.

1.1.4 Proposed Regulatory Framework for New MESDAQ

As stated above, the regulatory framework for the MESDAQ Market will also be revamped to cater for corporations from all business sectors to raise capital with enhanced sponsors and roles and responsibilities. The details of the framework are as set out in a separate Consultation Paper on "Proposed Revamp of the Listing Requirements of Bursa Malaysia Securities Berhad in relation to the New MESDAQ Market".

1.2 Introduction of Regulatory Framework for Special Purpose Acquisition Companies (SPACs)

1.2.1 The SC intends to allow the listing of SPACs on Bursa Malaysia with a view to promoting private equity (PE) activities, spurring corporate transformation and encouraging mergers and acquisitions to enhance the depth, breadth and competitiveness of the Malaysian capital market.

1.2.2 A SPAC is basically a shell company that has no operations but goes public with the intention of merging with or acquiring operating companies or businesses with the proceeds of its initial public offering (IPO). It is observed that SPACs listed abroad are usually formed by a small group of professional managers with relevant PE, corporate finance and/or industry experience. A SPAC can be regarded as a pooled investment vehicle that allows public investors to invest in PE-type transactions which ordinarily are the domain of PE players and hedge funds. Essentially, investors would be relying on the management team's experience in a certain industry, and its ability to identify attractive acquisition targets and secure proprietary deals. Once a SPAC has merged with or acquired an existing operating company/business, it will focus on conducting business for profit.

1.2.3 It is observed that there is a growing number of SPACs going public in the United States and Europe. A number of SPACs have been listed on NYSE Alternext U.S. (formerly known as the American Stock Exchange or AMEX) and the Alternative Investment Market of the London Stock Exchange (AIM). Recently, a number of exchanges have opened their doors to SPAC listings, including the New York Stock Exchange, NASDAQ Stock Market LLC, NASDAQ OMX Stockholm and the Toronto Stock Exchange.

1.2.4 <u>Modus operandi of SPAC</u>

While the modus operandi and structure of SPACs are not uniform, the following market conventions[1] were observed:

(a) Following its formation by the management team, a SPAC will undertake a public offering of its shares, the proceeds of which are held in trust in an escrow/trust account pending a qualifying acquisition[2] and are invested exclusively in permitted investments such as short-term government securities.

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1 This encompasses rules of benchmarked exchanges and best practices voluntarily adopted by SPACs.

2 "qualifying acquisition" means the initial acquisition of assets or one or more businesses by a SPAC which meets the aggregate fair market value requirements that is self-imposed or prescribed by the relevant market regulator, and is in line with the business strategy/investment policy disclosed in its IPO prospectus.

A small portion of the proceeds may be set aside to fund the IPO expenses and for working capital purposes;

(b) After completing the IPO exercise, the management team will seek potential businesses or assets to form the qualifying acquisition that typically have an aggregate fair market value equal to at least 90% of the aggregate amount then on deposited in the trust account. The management team must then obtain approval for the qualifying acquisition from the majority of the public shareholders of the SPAC at a general meeting duly called for that purpose. Typically, the management team is not entitled to vote on the qualifying acquisition. Where multiple acquisitions are undertaken to satisfy the aggregate fair market value requirement, the acquisitions must be completed concurrently. Post acquisition, the management team is expected to create value for the SPAC shareholders by providing professional management to and instituting various value creation strategies for the acquired assets; and

(c) As a special feature of the SPAC, investors who vote against the qualifying acquisition that is subsequently completed may redeem their shares for a pro rata portion of the SPAC's escrowed funds. In addition, if a qualifying acquisition is not completed within the specified timeframe, the SPAC is required to liquidate and return liquidation proceeds to public investors.

1.2 Enhanced Efficiency and Greater Certainty

On the whole, the proposed regulatory framework above will enhance the market framework by providing greater certainty and efficiency in the listing process, particularly in the issuance of securities post-listing, as well as providing issuers with greater access to the capital market. The proposed regulatory framework also promotes greater transparency via enhanced disclosures.

With this, we are positive that Bursa Malaysia would gain a stronger footing in terms of competitiveness and attractiveness as a preferred listing and fund-raising destination for both Malaysian and foreign corporations.

2 SCOPE OF THE CONSULTATION PAPER

2.1 In line with the proposed regulatory framework, we have reviewed all relevant guidelines and regulations as well as the Listing Requirements of Bursa Malaysia (Listing Requirements).

2.2 For clarity and convenience of readers, as well as to facilitate our collation and review of feedback, this Consultation Paper deals with proposed amendments **specific** to only the Listing Requirements for the Main and Second Boards. The proposed amendments to the Listing Requirements for the MESDAQ Market are issued separately together with the Consultation Paper on "Proposed Revamp of the Listing Requirements of Bursa Malaysia Securities Berhad in relation to the New MESDAQ Market".

2.3 Both proposed amendments to the **Listing Requirements for the Main Board, Second Board and the MESDAQ Market** can be downloaded from Bursa Malaysia's website at http://www.bursamalaysia.com/website/bm/rules_and_regulations/public_consultation.html.

2.4 For proposed changes to the **Guidelines on the Equity and Equity-linked Securities**, kindly refer to the SC's website at http://www.sc.com.my/paper.asp?pageid=360.

2.5 This Consultation Paper proposes amendments to the Listing Requirements for the Main and Second Boards in relation to –

(a) Application for initial listing and transfer of listing;

(b) Shareholding spread;

(c) Listing of foreign corporations;

(d) Transactions;

(e) Valuation on real estates;

(f) Dealings in securities by directors and principal officers;

(g) New issue of securities; and

(h) Other enhancements.

Details of the proposals are provided on pages 8 to 55.

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.

3 DETAILS OF THE PROPOSALS

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

CMSA	:	Capital Markets and Services Act 2007
Commission	:	Securities Commission
Commission's Equity and Equity-Linked Guidelines	:	Commission's Guidelines on the Offering of Equity and Equity-Linked Securities
Commission's Equity and Equity-Linked Guidelines for MESDAQ	:	Commission's Guidelines on the Offering of Equity and Equity-Linked Securities for the MESDAQ Market
Exchange	:	Bursa Malaysia Securities Berhad
IPO	:	Initial public offerings
listed corporation	:	A corporation whose securities have been admitted to the Official List and not removed
listed issuer	:	Any listed corporation, other person or undertaking (including a trust), whose securities have been admitted to the Official List and not removed
LR	:	Listing Requirements of Bursa Malaysia Securities Berhad
MMLR		Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market
NDP	:	National Development Policy
Official List	:	A list specifying all securities which have been admitted for listing on the Unified Board and not removed.
PN	:	Practice Note issued by the Exchange in relation to the LR
Principal Adviser	:	Principal adviser as defined in the Commission's Guidelines on Principal Advisers
Unified Board		The unified board created for the listing of established corporations

3.1 Part 1 Application for Initial Listing and Transfer of Listing

PROPOSAL 1.1

Description	Affected Provision(s)
Enhanced initial listing process for initial listing	▪ **Paragraphs 3.07 and 4.17** ▪ **Appendices 3A, 4B and 4H**

1. Under the current initial listing process, an applicant is required to submit 2 types of applications to the Exchange, namely –

   (a) an initial listing application ("**ILA**") for an approval-in-principle for the admission of securities; and

   (b) a quotation application for quotation of securities on the Exchange ("**Quotation Application**").

2. Currently, the ILA may be submitted to the Exchange immediately after an applicant obtains the Commission's approval for the admission of new securities, but not later than 3 market days after the date of issuance of a prospectus ("**Issue Date**").

3. After the Exchange grants the approval-in-principle to the ILA and after Bursa Malaysia Depository Sdn Bhd ("**Depository**") confirms that the shares are ready for crediting ("**Depository's Clearance**"), an applicant will submit its Quotation Application together with the requisite document and/or confirmation to the Exchange on the same day. The Exchange will then proceed to list and quote the new securities in 2 clear market days. In total, it takes approximately 13 market days from the Issue Date to list and quote the new securities on the Exchange.

4. Under the proposed enhanced initial listing process, the Quotation Application will be merged with the ILA and thus only one application is required to be submitted to the Exchange for admission of securities ("**Consolidated Application**").

5. An applicant may submit the Consolidated Application to the Exchange immediately after the Commission's approval is obtained. All the requisite documents required under the Quotation Application will be procured upfront in the form of undertakings when the applicant submits its Consolidated Application. The listing and quotation of the new securities on the Exchange will take place on the next market day immediately after the securities have been credited into the securities holders' accounts.

6. With the dispensation of the Quotation Application, the initial listing process will be shortened by approximately 2.5 market days.

7. This proposed enhanced initial listing process is also applicable to the initial listing of a collective investment scheme such as a real estate investment trust, a closed-end fund, an exchange traded fund, and a foreign corporation seeking primary listing on the Exchange.

8. For the purpose of the Consolidated Application, the Exchange proposes to introduce the Consolidated Application in a new format ("**Proposed Listing Form**") to aid compliance by the applicant.

9. The Proposed Listing Form needs to be signed by both the applicant and its Principal Adviser.

10. In the Proposed Listing Form, an applicant will be required to provide information, on among others, the following:

- Name of the applicant;
- Types of corporate proposal, whether it is an IPO or a proposal resulting in a significant change in business direction or policy of the listed corporation ("**RTO Proposal**"), and details of the proposals;
- Number and types of securities applied for listing, par value and issue price (if any);
- For an IPO, the proforma public shareholdings spread, tentative listing date, top 3 preferences for the stock short name, and undertakings to comply with the relevant prerequisite requirements for the purpose of admission to the Official List under the LR;
- For a RTO Proposal, the applicant's confirmation on whether it is an Affected Company under PN17/2005, ranking of the new securities, conditionality of the proposals and issue price, proforma public shareholding spread, confirmation on the public shareholding spread, and undertakings to comply with the relevant prerequisite requirements for the purpose of the issuance of new securities pursuant to a RTO Proposal; and
- For a share scheme for employees as part of an IPO, confirmation by the applicant and the Principal Adviser on compliance with Part H, Chapter 6 of the LR.

11. Under the Proposed Listing Form for the initial listing of a real estate investment trust and an exchange traded fund, an applicant will be required to provide information on among others, the following:

- Name of the fund;
- Name of the management company;
- Number of units applied for listing;
- Proforma unit spread;
- Tentative listing date;
- 3 top preferences for the stock short name; and
- undertakings to comply with the relevant prerequisite requirements for the purpose of admission to the Official List under the LR.

Proposal 1.1 - Issue(s) for Consultation:

Do you think the information required under the Proposed Listing Form is clear?

PROPOSAL 1.2

Description	Affected Provision(s)
Transfer application	▪ **Appendix 3E**

12. Similar to admission of securities, the Exchange proposes to introduce a new format for the transfer application ("**Proposed Transfer Form**") of a listed corporation from the new MESDAQ market to the Unified Board.

13. Under the Proposed Transfer Form, a listed corporation will be required to provide information on among others, the following:

- Name of the corporation;
- Type of securities;
- Confirmation whether the Commission's approval has been obtained;
- Public shareholding spread;
- Tentative date of the transfer;

- The conditionality of the transfer; and
- Confirmation on compliance with the requirements relating to composition of the board of directors and audit committee.

14. The Proposed Transfer Form needs to be signed by both the listed corporation and its Principal Adviser.

Proposal 1.2 - Issue(s) for Consultation:

Do you think that the information required under the Proposed Transfer Form is clear?

[End of Part 1]

3.2 Part 2 Shareholding Spread

PROPOSAL 2.1

Description	Affected Provision(s)
Definition of "public"	▪ **Paragraph 1.01 - Definition of "public"**

15. Currently, the definition of "public" under Paragraph 1.01 LR excludes –

    (a) **directors** of a corporation and its subsidiaries or associated companies;

    (b) **substantial shareholders** of a corporation; and

    (c) **associates** of the directors or substantial shareholders.

16. However, where a substantial shareholder fulfills all the criteria set out below (collectively "**Flexibility**"), such shareholder may be considered as a "public" shareholder:

    (i) the substantial shareholder's interest, directly or indirectly, is not more than 15% of the total number of shares in the corporation;

    (ii) the substantial shareholder is not a promoter of the corporation; and

    (iii) the substantial shareholder is either a statutory institution who is managing funds belonging to contributors or investors who are members of the public or an entity established as a collective investment scheme such as closed end funds, unit trusts or investment funds (but excluding investment holding companies).

17. Currently, the definition of "public" may not be clear as to its application in the context of a collective investment scheme such as real estate investment trust.

18. The Exchange proposes the following:

    (a) **To consider directors of associated companies as part of the "public" shareholders**

    This proposal is made in view that the level of proximity of this group of persons with the applicant/listed issuer is remote.

    (b) **To remove the Flexibility**

    The Exchange takes the view that there should not be any distinction between a substantial shareholder which fulfills the Flexibility criteria and other types of substantial shareholders.

    Hence, the Exchange proposes that the Flexibility be removed. This is also comparable with other exchanges such as in Hong Kong, Singapore and the United Kingdom where no such Flexibility is granted.

    (c) **To replace the exclusion of "associates of" with "persons connected with" ("Substitution")**

    The Exchange is of the view that the categories of persons who should be excluded from being considered as part of "public" shareholders should be the same as the categories of persons who should fall within the ambit of "persons connected with a director or substantial shareholder". This is because the same underlying principle is

applicable in both instances, that persons in close proximity will be in a position to influence or be influenced by the director or substantial shareholder concerned. Thus, the Exchange proposes to substitute "associates" with "persons connected with a director or substantial shareholder" for the purpose of the definition of "public".

With the proposed Substitution, a partner of (i) a director, (ii) a substantial shareholder or (iii) a person connected with the director and substantial shareholder, will not be considered as a "public" shareholder.

Under the revised definition of "partner" in the LR in relation to a director, substantial shareholder or person connected with a director or substantial shareholder means such person who falls within any one of the following categories:

(i) a person with whom the director, substantial shareholder or person connected with a director or substantial shareholder is in or proposes to enter into partnership with. "Partnership" for this purpose is given the meaning in section 3 of the Partnership Act 1961; and

(ii) a person with whom the director, substantial shareholder or person connected with a director or substantial shareholder has entered or proposes to enter into a joint venture, whether incorporated or not.

(d) **To exclude certain persons from the scope of "public" in relation to a listed issuer which is a closed-end fund**

In relation to a closed-end fund, the Exchange proposes to adopt the same definition of "public" that is applicable to a corporation but in addition, the following persons will not be considered as public:-

(i) directors of Managers;

(ii) substantial shareholders of the Managers; and

(iii) persons connected with the directors or substantial shareholders of the Managers;

(collectively "**Related Party to Managers**")

In this context, "Managers" has the meaning given in the Commission's Guidelines for Public Offerings of Securities of Closed-End Funds, which is defined as a Designated Person (i.e. individual responsible for managing the investments of the closed-end fund as approved by the Commission under the Guidelines) and Fund Manager (i.e. such company incorporated in Malaysia responsible for managing the investments of the closed-end fund as approved by the Commission under the Guidelines) collectively.

(e) **To exclude certain persons from the scope of "public" in relation to a listed issuer which is a collective investment scheme**

In relation to a listed issuer which is a collective investment scheme, the Exchange proposes not to consider the following persons (collectively "**Excluded Persons**") as "public":

(i) directors of the management company;

(ii) substantial unit holders of a collective investment scheme;

(iii) trustee of a collective investment scheme; and

(iv) persons connected with the directors of the management company or substantial unit holders of a collective investment scheme.

(f) **To disallow compliance of public shareholding spread through artificial means**

The proposed amendments will also clarify that compliance of public shareholding spread through artificial means will not be permitted. This means, a "public" shareholder or unit holder will exclude a person who holds or acquires shares or units of a collective investment scheme through artificial means such as gifts, free shares or units given away or financial assistance or loans to acquire shares or units by or as a nominee of a director, substantial shareholder, director of the management company or substantial unit holder of the collective investment scheme. This amendment is aimed at enhancing liquidity in the shares that are traded on the Exchange and to avoid listed corporations from complying with the shareholding spread requirements in form only and not in substance.

Proposal 2.1 - Issue(s) for Consultation

(a) Do you agree with the Exchange's proposals to -

(i) consider directors of associated companies of applicant and listed issuers/issuers as "public" shareholders?

(ii) remove the Flexibility currently accorded to certain institutional shareholders who are substantial shareholders falling within the criteria prescribed and hence, to regard these shareholders as non-public shareholders?

(iii) consider a "partner" of a (i) director, (ii) substantial shareholder or (iii) person connected with the director and substantial shareholder, as a non-public shareholder?

(iv) adopt the new definition of public in relation to a closed-end fund which is similar to a corporation but in addition excluding the Related Party to Managers?

(v) disregard the "Excluded Persons" as non-public members in relation to a listed issuer which is a collective investment scheme?

(vi) disallow compliance with public shareholding spread through artificial means?

(b) Do you think the term "artificial means" and the examples given under the proposed definition of "public" are clear?

PROPOSAL 2.2

Description	Affected Provision(s)
Shareholding spread at initial listing	▪ **Paragraph 3.06** ▪ **Paragraph 4.06** ▪ **Paragraph 4.14**

19. Currently, an applicant corporation must ensure that at least 25% of the total number of shares for which listing is sought are held by at least 1,000 public shareholders holding not less than 100 shares.

20. The Exchange proposes the following:

(a) Depending on the size of the company/issuer (i.e. market capitalization), the public shareholding spread that is required to be complied with can be as low as 10% of the total number of shares for which listing is sought premised on the following:

Market capitalisation based on the number of shares and the issue/offer price upon listing	% of public shareholding spread
Above RM300 million but less than RM1 billion	At least 20%
RM1 billion or more but less than RM3 billion	At least 15%
RM3 billion and above	At least 10%

(b) Once an applicant avails itself to a lower shareholding spread requirement, it must comply with such requirement on a continuing basis;

(c) To reduce the number of public shareholders from the current "1000" to "500";

(d) To impose a disclosure requirement in the prospectus or introductory document by a company or issuer which avails itself to the lower percentage of public shareholding spread;

(e) To clarify in the LR that the above proposed shareholding spread also applies to a closed-end fund; and

(f) To apply the above proposed shareholding spread to a REIT.

21. The proposed amendments serve to provide flexibilities to a company to manage its public shareholding spread while ensuring that the objectives of the requirement are still attained.

Proposal 2.2 – Issue(s) for Consultation

Do you agree with the following:

(a) the proposed acceptance of lower percentage of public shareholding spread as low as 10% of total number of shares for which is listing is sought for companies/issuers at initial listing application?

(b) the availability of the proposed lower percentage of public shareholding spread premised on the proposed categorization of the size of companies/issuers based on market capitalization of above RM300 million, RM1 billion and RM3 billion, respectively? If not, what is your proposal and why?

(c) the requirement that once an applicant avails itself to a lower shareholding spread requirement, it must comply with such requirement on a continuing basis?

(d) the imposition of a disclosure requirement in the prospectus or introductory document by a company/issuer which avails itself to the lower percentage of public shareholding spread? In addition to the disclosure obligation of application of lower percentage of public shareholding spread, should the Exchange impose any other obligation?

(e) the reduction in the number of public shareholders requirement from the current "1000" to "500"?

(f) that the same proposed shareholding spread be applicable to a –

(i) closed-end fund; and
(ii) REIT.

PROPOSAL 2.3

Description	Affected Provision(s)
Shareholding spread as a continuing listing requirement	▪ **Paragraph 8.15**

22. Currently, under Paragraph 8.15, a listed issuer is required as a continuing listing obligation to maintain at least 25% of its total listed shares in the hands of a minimum of 1,000 public shareholders holding not less than 100 shares.

23. The Exchange proposes the following:

(a) Depending on the proposed size (i.e. average market capitalization based on daily closing price of the shares during the 12 month period) of the corporation/issuer, an application can be made to the Exchange for acceptance of a lower level of public shareholding spread which can be as low as 10% as follows:-

Average market capitalization based on the daily closing price of the listed issuer's shares during the 12 month period preceding the application to the Exchange	**% of public shareholding spread**
Above RM300 million but less than RM1 billion	At least 20%
RM1 billion or more but less than RM3 billion	At least 15%
RM3 billion and above	At least 10%

(b) The minimum 1000 number of public shareholder be removed as a continuing listing obligation. The proposed removal is made on the premise that the percentage of public shareholding spread will be sufficient and is in line with the requirements of other benchmarked jurisdictions.

Proposal 2.3 – Issue(s) for Consultation

(a) Do you agree with the following proposals:

(i) lower thresholds of acceptance of percentage of public shareholding spread (of no less than 20%, 15% and 10%) for the Unified Board companies based on the different levels of market capitalization? If not, what is your proposal and why?

(ii) removal of minimum number of public shareholders for the Unified Board as a continuing listing obligation?

(b) In addition to the disclosure obligation of application of lower percentage of public shareholding spread, should the Exchange impose any other obligation?

PROPOSAL 2.4

Description	Affected Provision(s)
Unit spread as a continuing listing requirement for a real estate investment trust ("REITs")	▪ **Paragraph 8.37A**

24. Currently, the application of Paragraph 8.15 of the LR to collective investment schemes may not be clear particularly due to the usage of terms such as "shareholders" and "share spread".

25. Hence, the Exchange proposes to introduce a new Paragraph 8.37A to the LR to clarify that a REIT must comply with the unit spread requirement as part of its continuing listing obligation. In this regard, the Proposal 2.3 above is applicable to a REIT.

Proposal 2.4 - Issue(s) for Consultation:

Is the proposed introduction of Paragraph 8.37A to the LR requiring REITs to comply with the unit spread requirement that is similar to other listed issuers (as set out in Proposal 2.3 above) appropriate?

PROPOSAL 2.5

Description	Affected Provision(s)
Suspension & de-listing of securities in a take-over offer for failing to comply with shareholding spread requirements	▪ **Paragraphs 16.02(2), 16.02(3), 16.09(1), 16.09(2), and 16.09(3)** ▪ **PN 19 - Paragraphs 1.0, 2.0, 3.0, 4.2, 5.0 and 6.0**

26. Currently in relation to certain take-over offers (where there are representations by the offeror that it has no intention to maintain listing status and has the intention to undertake compulsory acquisition) or corporate proposals (where there is no plan to regularise any contravention of the LR) resulting in the listed issuer's public shareholding spread being reduced to 10% or less, suspension will be imposed and de-listing procedures will be undertaken in relation to these listed issuers.

27. In this regard, it is proposed that for a take-over offer, an automatic suspension and de-listing will only be triggered where the listed issuer announces that more than 90% of its listed shares are held by the offeror and/or its associates and –

(a) notification pursuant to section 34A of the Securities Commission Act 1993 has been issued (giving the shareholders of the listed issuer/company another opportunity to accept the offer); and

(b) the offeror has represented in its offer document that it has no intention of maintaining the listing status of the company/issuer.

28. This will clarify that in such circumstances where the level of acceptances to the general offer has resulted in the offeror and its associates holding more than 90% of the listed shares ("90% Threshold"), the shareholders who have not accepted the offer will be given another opportunity to do so. Thus, shareholders will not be compelled to accept the offer at the outset (when the offer was first made by the offeror) for fear that the listed issuer may be de-listed as they know that pursuant to the proposed amendments shareholders will be given another opportunity to do so when the 90% Threshold is triggered by the offeror.

Proposal 2.5 – Issue(s) for Consultation

Do you agree with the Exchange's proposed approach in relation to a take-over offer that results in the public shareholding spread of less than 10% in a listed issuer as mentioned in paragraph 27 above?

[End of Part 2]

3.3 Part 3 Primary Listing of Foreign Corporation & Secondary Listing of Corporation

PROPOSAL 3.1

Description	Affected Provision(s)
Financial statements	▪ **Paragraph 4A.17**

29. Currently, a foreign corporation with a primary listing on the Exchange must ensure that any financial statements given to the Exchange for public release, if prepared in a currency other than Ringgit, be converted into Ringgit ("**Conversion Requirement**").

30. In order to reduce the compliance costs and obligations of a foreign corporation, the Exchange proposes to remove the Conversion Requirement. The Exchange believes the removal will not prejudice the investors' interest.

Proposal 3.1 - Issue(s) for Consultation

Do you agree with the proposed removal of the Conversion Requirement?

PROPOSAL 3.2

Description	Affected Provision(s)
Financial statements	▪ **Paragraph 4A.18**

31. Currently, the annual audited financial statements of a foreign corporation with a primary listing on the Exchange must be accompanied by a statutory declaration in the form required under section 169(16) of the Companies Act 1965 which is signed by the director or person primarily responsible for the financial management of the foreign corporation, as the case may be, who satisfies the requirements prescribed in Paragraph 9.27 of the LR.

32. Having considered the fact that a foreign corporation with a primary listing on the Exchange is not subjected to section 169(16) of the Companies Act 1965, the Exchange proposes to clarify in the revamped LR that instead of providing a statutory declaration in the form required under section 169(16) of the Companies Act 1965, a foreign corporation with a primary listing on the Exchange is required to submit its annual audited financial statements with a statutory declaration which is signed by the director or person primarily responsible for the financial management of the foreign corporation who fulfils the requisite requirements setting forth his opinion as to the correctness or otherwise of the annual audited financial statements . This is to ensure greater investor protection.

Proposal 3.2 - Issue(s) for Consultation

Do you agree with the Exchange's proposal to clarify that a foreign corporation seeking primary listing on the Exchange is subject to the requirement equivalent to that of section 169(16) of the Companies Act 1965? If not, please state your reasons.

PROPOSAL 3.3

Description	Affected Provision(s)
Listing and quotation of new issue of securities on the same day	▪ **Paragraphs 4A.19A, 4A.35(1) and 4A.43**

33. Currently, only a corporation having a secondary listing on the Exchange is required to ensure that all new issues of securities are admitted and quoted on the Exchange at the same time they are admitted and quoted on the other stock exchange(s) (Paragraph 4A.35(1) of the LR) ("**Admission Requirement**").

34. The Exchange now proposes to extend the Admission Requirement to a foreign corporation with a primary listing on the Exchange and cross listing on another stock exchange. However, given the time zone difference and operational issues, the Exchange would like to propose that admission and quotation of securities on both or all exchanges should take place on the same day, as far as reasonably practicable.

35. This means, a foreign corporation with a primary listing on the Exchange must ensure that as far as reasonably practicable, all new issue of securities are admitted and quoted on the Exchange on the same day as they are admitted and quoted on the other stock exchange(s). This is to ensure a fair playing field between investors on the Exchange and investors in the foreign exchange on which a foreign corporation is listed

Proposal 3.3 - Issue(s) for Consultation

Do you foresee any problem for the Exchange to require a foreign corporation with a primary listing on the Exchange to ensure that as far as reasonably practicable, all new issue of securities are admitted and quoted on the Exchange on the same day as they are admitted and quoted on the other stock exchange(s)?

[End of Part 3]

3.4 Part 4 Transactions

PROPOSAL 4.1

Description	Affected Provision(s)
New exclusion from the definition of 'transaction'	▪ **Paragraph 10.02**

36. Currently, for purposes of Part D of Chapter 10 of the LR (which is in relation to a non-related party transaction), an acquisition or disposal of assets and which transaction is of a revenue nature in the ordinary course of business of a listed issuer is exempted from the relevant disclosure and shareholder approval requirements ("**Exemption**").

37. However, the Exemption is not applicable to an acquisition or disposal of real estates by a listed issuer. The Exchange always expects such a listed issuer to comply with Part D of Chapter 10 of the LR, notwithstanding the nature of the transaction.

38. The Exchange now proposes to extend the Exemption to a listed issuer which acquires or disposes real estates for the purpose of its core business so long as the real estates are held as current assets of the listed issuer ("**Real Estate Transaction**").

Proposal 4.1 - Issue(s) for Consultation:

Do you agree with the Exchange's proposal to extend the Exemption to a Real Estate Transaction?

PROPOSAL 4.2

Description	Affected Provision(s)
New thresholds and obligations of a non-related party transaction	**Paragraph 10.04 to 10.07**

39. Currently, different obligations are imposed on the listed issuer when it undertakes a non-related party transaction depending on the threshold of the various percentage ratios that may be trigged by the transaction concerned as follows :

    (a) 5% or more – make an immediate announcement;

    (b) 15% or more – make an immediate announcement and send a copy of the announcements to its shareholders ("**15% Requirement**"); and

    (c) 25% or more – make an immediate announcement and obtain its shareholder approval.

40. The Exchange has received feedback from listed issuers and industry that the requirement to send a copy of the announcement to shareholders for information not later than 10 market days after the date of the announcement, does not add value to the shareholders. The information is easily available on the Exchange's or listed issuers' website. Further, by the time the shareholders receive a copy of the announcement, it may not be current or relevant anymore. Hence, the 15% Requirement should be removed.

41. The Exchange, having considered the industry's feedback, proposes to remove the 15% Requirement as the relevant information pertaining to the transaction is readily available on the Exchange's website.

Proposal 4.2 - Issue(s) for Consultation:

Do you agree with the proposed removal of the 15% Requirement?

PROPOSAL 4.3

Description	Affected Provision(s)
Removal of requirement for confirmation of independence	**Paragraph 10.08(4)**

42. Currently, where any one of the percentage ratios of a RPT is 25% or more, the listed issuer must appoint an independent adviser ("**IA**"), and the IA has the duty to confirm to the Exchange of its eligibility to act as an independent adviser within a period of 2 weeks after the announcement of the RPT ("**Independence Confirmation**").

43. "independent adviser or expert" is defined in the LR as an adviser or expert who is independent of the management and board of directors of the applicant or listed issuer which appoints it and free from any business or other relationship which could interfere with the exercise of independent judgment by such adviser or expert.

44. With or without the Independence Confirmation, an adviser has an onus to ensure its independence before accepting the appointment as an IA. In the event an IA is not independent within the definition of "independent adviser or expert", the Exchange may still take enforcement action against either the listed corporation or the adviser.

45. On the above grounds, the Exchange proposes to remove the requirement for the Independence Confirmation.

Proposal 4.3 - Issue(s) for Consultation:

Do you agree with the Exchange's proposal to remove the requirement for the Independence Confirmation for a RPT with any one of the percentage ratios of 25% or more?

PROPOSAL 4.4

Description	Affected Provision(s)
Additional transactions which are not required to comply with RPT requirements	▪ **Paragraphs 10.08(10)(g) and (q) (new)**

46. The definition of RPT under the LR is crafted broadly in the interest of investor protection with particular minority shareholders.

47. Hence, the Exchange has from time to time, upon applications made by the listed issuers, exempted certain transactions from the RPT requirements. Typically, these are transactions which do not give rise to any issue of conflict of interest on the part of the listed issuers.

48. In order to enhance business efficacy of the listed issuers, the Exchange proposes to incorporate additional transactions which are not required to comply with the RPT requirements.

49. The proposed exemptions are as follows:

(a) To expand the Exempted Transaction referred to under Paragraph 10.08(10)(g) of the LR, to provision and receipt of unit trust services. This means, provision and receipt of unit trust services which are done based on a non-negotiable fixed price or rate which

is published or publicly quoted; and where all material terms are applied consistently to all customers or classes of customers, do not need to comply with the RPT requirements; and

(b) A disposal by a listed issuer or any of its subsidiaries of an interest in an investee company where a related party is also a major shareholder or person connected with a major shareholder of the investee company (other than via the listed issuer) ("**Proposed Investee Company Exemption**"), provided that -

(i) the related party, person connected with the related party or both, are not a party, initiator or agent to the said disposal; and

(ii) the disposal is effected on the Exchange where the counterparty's identity is unknown to the listed issuer or its subsidiaries (as the case may be) at the time of the disposal.

In this context, "disposal" includes a disposal by a listed issuer or any of its subsidiaries of an interest in an investee company on a pro-rata basis or arising from an acceptance of a take-over offer, except that (ii) above is not applicable in such instances.

(collectively "**Proposed Exemptions**")

50. The Proposed Exemptions are aimed at facilitating listed issuers' compliance with the LR.

Proposal 4.4 - Issue(s) for Consultation:

(a) Do you agree that the Proposed Exemptions are not required to comply with the RPT requirements? If not, please state your reasons.

(b) Do you think it is appropriate to subject the Proposed Investee Company Exemption as set out in paragraph 49(b) above to the following conditions:

(i) the related party, person connected with the related party or both, must not be a party, initiator or agent to the said disposal; and

(ii) the disposal is effected on the Exchange where the counterparty's identity is unknown to the listed issuer or its subsidiaries (as the case may be) at the time of the disposal?

Is condition (i) above i.e. "person connected with the related party or both" too wide?

PROPOSAL 4.5

Description	Affected Provision(s)
Basis of Valuation	▪ **Paragraph 10.02(h)(vi)** ▪ **Paragraph 10.03(7)(a)(i) and (b)(i)**

51. Currently, if a listed issuer acquires or disposes any equity interest in a company, the total assets ratio prescribed under Paragraph 10.02(h)(vi) will only be applicable if -

(a) the acquisition would result in -

(i) such equity interest being accounted for using the equity method; or

(ii) such company being included in consolidation; or

(b) prior to the disposal -

(i) such equity interest was accounted for using the equity method; or

(ii) such company was included in consolidation.

52. Based on industry feedback, the total assets percentage ratio prescribed under Paragraph 10.02(h)(vi) LR should be disapplied in relation to acquisitions or disposals of equity interest in a corporation by a listed issuer if such an equity interest would not be consolidated in the accounts of the listed issuer. This is because the total assets ratio derived may not be an accurate reflection of the materiality of that transaction vis-à-vis the listed issuer.

53. As such, the Exchange proposes to remove Paragraph 10.03(7)(a)(i) and (b)(i) LR, to disregard the total assets percentage ratio in relation to an acquisition or disposal of equity interest in a corporation by a listed issuer if such an equity interest would not be consolidated in the accounts of the listed issuer.

Proposal 4.5 - Issue(s) for Consultation:

Do you agree with the Exchange's proposal to remove Paragraphs 10.03(7)(a)(i) and (b)(i) of the LR so that the total assets percentage ratio will be disapplied in relation to an acquisition or disposal of equity interest in a corporation by listed issuer if such equity interest would not be consolidated in the accounts of the listed issuer?

PROPOSAL 4.6

Description	Affected Provision(s)
Enhanced disclosure requirements	▪ **Appendices 10A and 10B**

54. As part of the Exchange's efforts to enhance disclosures by listed issuers and promotes greater transparency, the Exchange undertook a review of the information which a listed issuer is currently required to disclose in an announcement and circular in relation to a transaction.

55. Through this review, the Exchange proposes to enhance or remove, as the case may be, the information required to be announced or included in an announcement and/or circular.

56. The key enhancements include requiring the following:

(a) **Announcement: General information for a transaction**

(i) the basis of arriving at the consideration, the justification for the consideration, and the manner in which the consideration will be satisfied;

(ii) for an acquisition and disposal where the consideration is to be satisfied in whole or in part by an issue of securities - the justification for the pricing of the securities; and

(iii) the highest percentage ratio application to the transaction;

(b) **Announcement: Additional information for specific transactions**

(i) for acquisitions or disposals of property or land or companies whose main investments or interests are in properties or land:

- Where the land acquired or disposed of is an estate or plantation, the production for the past 3 years (instead of the current "5 years" requirement);

(ii) for acquisitions/disposals of infrastructure project asset/business or companies involved in infrastructure projects:

- pertinent details of the concession/license;
- nature of relationship with the concession giver/licensor; and
- details of financing requirements and sources of funding;

(iii) for a transaction which will result in significant change in business direction or policy of a listed corporation:

- a summary of the key audited financial data of the assets or interests to be acquired for the past 3 financial years or since the date of incorporation or commencement of operations, whichever is later;
- the financial effects on proforma net assets (based on the latest audited financial statements) of the listed issuer on completion of the acquisition or restructuring exercise;
- for assets or interests which do not have any profitability track record (as in certain privatisation cases), the information must include, the total cost needed to put on-stream the operation of the assets or interests and the proportion to be assumed or guaranteed by the listed issuer, the expected date on which profit contribution will accrue to the listed issuer and the expected returns to be derived;
- if the transaction results in a change in the controlling shareholder of the listed issuer, a statement to that effect and certain incorporation particulars of the new shareholder; and
- a statement whether the intended transaction has departed from the Commission's Equity and Equity-Linked Guidelines.

(c) **Circular: General information for a transaction**

(i) the justification for the consideration;

(ii) the effect of a transaction on the share capital and substantial shareholders' shareholdings, net assets per share and gearing and earning per share;

(iii) for an acquisition or disposal where the consideration is to be satisfied in whole or in part by an issue of securities, the justification for the pricing of the securities;

(iv) for a disposal –

- the expected gain or loss to the group;
- the subject matter's contribution to the group's net profit based on the latest audited financial statement;
- details of the intended application of sale proceeds and breakdown, including the time frame for the full utilization of proceeds; and
- details of the purchaser.

(v) for the assets or interests to be acquired, a description and outlook of the industry where it operates, the prospects of the assets or interests, and a description of the future plans of the assets or interests and steps to be taken (including time frame and resources required to be committed) to realise such plans;

(vi) the risks in relation to the transaction, the assets or interests to be acquired (as well as the company whose securities are to be received as consideration for the disposal) and the overall industry where the assets or interests to be acquired operates, which had or could materially affect, directly or indirectly, the business, operating results and financial condition of the listed issuer and the mitigating factors;

(vii) the tentative timetable for the implementation of the proposal;

(viii) where the transaction is subject to the approval of shareholders and government authorities, the conditions imposed and the status of compliance;

(ix) the basis of directors' recommendation on the voting action shareholders should take;

(x) the changes in the share capital in the past 3 years (as opposed to "since incorporation" as it is currently required);

(xi) a detailed (as opposed to "brief" as it is currently required) history of the company or business since inception;

(xii) the details of material commitments and contingent liabilities incurred or known to be incurred by the acquiree company and impact on profits or net assets upon it becoming enforceable;

(xiii) financial information based on the audited financial statements for the past 3 years (as opposed to the current "5 years" requirement) or since incorporation, whichever is later;

(xiv) the commentary on past performance, which should include analysis and/or discussion of -

- significant and specific factors contributing to exceptional performance in any of the financial years under review and significant changes in the financial performance on a year-to-year basis, whether favourable or adverse;
- accounting policies adopted which are peculiar to the company/ business because of the nature of the business or the industry it involves in, as well as the effects of such policies on the determination of income or financial position; and
- any audit qualification for the financial statements in any of the financial years under review

(xv) details of material commitments and contingent liabilities incurred or known to be incurred by the listed issuer;

(xvi) if a conflict of interest exists or likely to exist in relation to an adviser's role as an adviser, full disclosure of the nature and extent of the conflict/potential conflict, the parties to the conflict and measures taken to resolve, eliminate or mitigate the conflict;

(d) **Circular: Additional information for specific transactions**

(i) In relation to acquisitions or disposals of properties or land or companies with interest in properties or land, if the land acquired or disposed of is an estate or plantation, the production and the profit contribution or revenue and expense account of the estate for the past 3 years (as opposed to the current "5 years" requirement);

(ii) In relation to acquisitions or disposals of construction companies - a confirmation on whether the project owner is a director, substantial shareholder of the acquiree company or persons connected with them in respect of current and past projects undertaken/ completed;

(iii) for an acquisitions/disposal of infrastructure project asset/business or companies involved in infrastructure projects:

- pertinent details of the concession/license;
- nature of relationship with the concession giver/licensor;
- details of any construction risk;
- dependence on concession giver/licensor; and
- details of financing requirements and sources of funding;

(iv) for a very substantial transaction:

- the proforma consolidated balance sheets together with the notes and the auditors' letter showing effects before and after the transaction;
- an accountant's report on the unlisted company to be acquired which must include the income statement in respect of each of the 3 financial years immediately preceding the last date to which the financial statements were made up; and the balance sheet for each of the past 3 financial years immediately preceding the last date to which the financial statements were made up;
- in the case of a disposal, a statement on the listed issuer's future activities and direction after the disposal of the asset.

(v) for a transaction which will result in significant change in business direction or policy of a listed corporation:

- the proforma consolidated balance sheets together with the notes and the auditors' letter showing effects before and after the transaction;
- a summary of the key audited financial data of the assets or interests to be acquired for the past 3 financial years or since the date of incorporation or commencement of operations, whichever is later;
- an accountant's report on the unlisted company to be acquired, which must include the income statement in respect of each of the 3 financial years immediately preceding the last date to which the financial statements were made up, and the balance sheet for each of the past 3 financial years immediately preceding the last date to which the financial statements were made up;
- for assets or interests to be acquired which do not have any profitability track record, the information must include, the total cost needed to put on-stream the operation of the assets or interests and the proportion to be assumed or guaranteed by the listed issuer, the expected date on which the profit contribution will accrue to the listed issuer and the expected returns to be derived, together with the appropriate assumptions used;

- qualitative assessment of each asset/ interest to be acquired;
- a thorough discussion and analysis of the business, financial conditions and prospects of the assets or interests to be acquired or where applicable, those of its group;
- if the transaction results in a change in the controlling shareholder of the listed issuer, the name, date and place of incorporation, names of directors and substantial shareholders and their respective shareholdings, common directorships and controlling shareholdings in other listed issuers, principal business etc. in respect of the new shareholder:
- the new shareholder's interest in all other companies or businesses, principal activities of such companies or nature of such businesses, which would give rise to a situation of conflict of interests with the business of the acquiree company. If a conflict of interests exists or likely to exist, to provide full disclosure of the nature and extent of the conflict of interests or potential conflict of interests, the parties to the conflict, and measures taken for resolving, eliminating, or mitigating the situations of conflict of interests;

(e) **Announcement: Additional information for a RPT**

(i) In the case of an acquisition, the original cost of investment to the vendor and the date of such investment;

(ii) In the case of a disposal, the original cost of investment to the listed issuer or its subsidiary and the date of such investment; and

(iii) The total amount transacted with the same related party for the preceding 12 months.

(f) **Circular: Additional information for a RPT**

(i) The total amount transacted with the same related party for the preceding 12 months.

The information set out in (a) to (f) above is collectively referred to as "**Enhanced Disclosure Information**".

57. At the same time, the Exchange proposes to remove some of the existing requirements in an announcement and/or circular which may not be relevant anymore or add value to the shareholders, such as follows ("**Proposed Deletion**"):

(a) **Announcement: General information for a transaction**

(i) In the case of an acquisition, the original cost of investment to the vendor and the date of such investment;

(b) **Announcement: Additional information for specific transactions**

(i) In relation to acquisitions or disposals of property or land or companies whose main investments or interest are in properties or land, if the land acquired or disposed of is an estate or plantation, the size, location, tenure (if leasehold, the expiry date of the lease), and a qualification of the market value of the plantation as appraised by the independent registered valuer, if applicable);

(ii) In relation to foreign acquisitions where any one of the percentage ratios is 25% or more –

- for depleting or specialised assets or businesses such as timber concessions and oil and gas businesses, information on the breakdown of assets or inventories, reserves, extraction rates and returns;
- where the acquisition is that of the securities of a foreign company, the dividend policy of the company;
- the effects on resultant foreign equity ownership of the listed issuer on completion of the proposed acquisition;
- the specific investment risks involved in the proposed acquisitions and the appropriate course of action that will be developed to reduce or manage the risks;

(c) **Circular: General information for a transaction**

(i) In the case of an acquisition, the original cost of investment to the vendor and the date of such investment;

(ii) In the case of a disposal where shares or other securities are intended to form part of the consideration - the principal activities and issued and paid-up capital of the company in which the securities are or will be held; and the names of the directors and substantial shareholders of the company in which the securities are or will be held;

(iii) Feasibility report in relation to the transaction;

(iv) The estimated time frame for completion of the transaction;

(v) Explanation for any material fluctuation in turnover or profits in any of the years;

(vi) A statement of all material litigation, claims or arbitration involving the listed issuer and any of its subsidiaries;

(vii) Requirements in relation to an information circular;

(d) **Circular: Additional information for specific transactions**

(i) In relation to foreign acquisitions where any one of the percentage ratios is 25% or more –

- where the acquisition is that of the securities of a foreign company, the dividend policy of the company;
- the effects on resultant foreign equity ownership of the listed issuer on completion of the proposed acquisition; and
- the specific investment risks involved in the proposed acquisitions and the appropriate course of action that will be developed to reduce or manage the risks.

Proposal 4.6 - Issue(s) for Consultation

(a) Do you agree with the proposed Enhanced Disclosure Information required by the

	Exchange?
(b)	Do you agree with the Proposed Deletion? If not, why?
(c)	Is there any other information which you would like a listed issuer to disclose in its listing application, announcement or circular? If yes, what are they and why?

[End of Part 4]

3.5 Part 5 Valuation of Real Estates

PROPOSAL 5.1

Description	Affected Provision(s)
Requirements on valuation of real estates	▪ **Paragraphs 6.16B, 6.26A and 6.26B** ▪ **Paragraphs 10.03A, 10.03B, 10.06(2) and 10.08(2)** ▪ **Appendix 6H**

58. Currently, under the LR, a listed issuer must submit a valuation report to the Commission when it makes a bonus issue of securities by capitalizing the reserves arising from revaluation of assets.

59. Consequential to the proposed amendments to the Commission's Equity and Equity-Linked Guidelines relating to the Unified Board, certain valuation reports required of a listed issuer will be submitted to the Exchange directly.

60. It is proposed that a listed issuer be required to submit to the Exchange a valuation report in respect of the following corporate proposals and transactions (collectively referred to as "**Valuation Requirements**"):

(a) when it makes a two-call rights issue and bonus issue of securities by capitalizing the reserves arising from the revaluation of assets; and

(b) when a listed issuer proposes to enter into the following transactions which involve an acquisition or disposal of any real estate or of a property investment corporation and a property development corporation:

(i) for a non-related party transaction, where any one of the percentage ratios is 25% or more; or

(ii) for a related party transaction, where any one of the percentage ratios is 5% or more.

(collectively "**Relevant Transactions**")

In this context, a "property investment corporation" will be defined as per the Commission's Equity and Equity-Linked Guidelines to mean a company whose core business is in -

(aa) the holding of investment properties for letting and retention as investments; and/or

(bb) the purchase of investment properties for subsequent sale.

Similarly, a "property development corporation" will be defined as per the Commission's Equity and Equity-Linked Guidelines to mean a corporation whose core business is in –

(cc) development or redevelopment of landed properties; and/or

(dd) landed properties with development potential;

and includes those rights to develop pursuant to a joint venture agreement, privatization agreement or some other forms of joint arrangement.

61. Where the Valuation Requirements are triggered, the following requirements apply:

(a) A listed issuer must comply with the following:

(i) in relation to a two-call rights issue and bonus issue of securities by capitalizing the reserves arising from the revaluation of assets, the listed issuer must submit 2 copies of the valuation report to the Exchange together with the valuer's undertaking to comply with the LR and the Commission's Guidelines on Asset Valuation in the form of Appendix 6H ("**Valuer's Undertaking**"), when the listed issuer submits its listing application for the new issue of securities;

(ii) where the Valuation Requirement arises pursuant to the Relevant Transaction, the listed issuer must submit 2 copies of the valuation report to the Exchange together with the Valuer's Undertaking, when the listed issuer submits to the Exchange the draft shareholder circular; and

(iii) the listed issuer must ensure that the valuation certificate for the valuation report is current and in any event, is not more than 6 months prior to the date of the circular ("**6 Months' Valuation**"). This is to ensure that the information given to the shareholders is current and relevant.

(collectively referred to as "**Valuation Conditions**")

(b) The Exchange has the right to get a second opinion on the valuation submitted by the listed issuer from a valuer appointed by the Exchange ("**Second Opinion Valuation**"), whenever the Exchange deems appropriate. The Second Opinion Valuation is at the expense of the listed issuer. Upon receipt of the Second Opinion Valuation, the Exchange may require the listed issuer to comply with any instruction, directive or conditions issued or imposed by the Exchange.

62. The Exchange will conduct a post-vetting on all the valuation reports submitted by the listed issuers to ensure compliance with the LR and the Commission's Guidelines on Asset Valuation. The Exchange will take enforcement action against the listed issuer and the valuer if the valuation report submitted to the Exchange is found not to be in compliance with the LR or the Commission's Guidelines on Asset Valuation.

Proposal 5.1 - Issue(s) for Consultation:

(a) Do you agree with the Valuation Requirements?

(b) Do you agree with the Valuation Conditions?

(c) Is the 6 Months' Valuation requirement appropriate in ensuring that information given to the shareholders is current and relevant? Are listed issuers able to comply with this requirement?

[End of Part 5]

3.6 Part 6 Dealings in Securities

PROPOSAL 6.1

Description	Affected Provision(s)
Definition of "closed period"	▪ **Paragraph 14.02(a)**

63. Currently, unless the procedures in Paragraph 14.08 of the LR ("**Dealing Procedures**") are adhered to, a director or principal officer of a listed issuer defined as an "affected person" under Chapter 14, must not deal in securities during the closed periods commencing from –

    (a) the time information is obtained, up to the date of announcement to the Exchange of a matter that involves price-sensitive information in relation to the securities concerned; and

    (b) one month prior to the targeted date of announcement to the Exchange of a listed issuer's quarterly results, up to the date of announcement of the quarterly results.

64. The Exchange has received feedback that some listed issuers have misinterpreted the provision to mean that so long as the Dealing Procedures are adhered to, an affected person may deal in securities even though he is in possession of price-sensitive information.

65. In view of the above feedback, the Exchange proposes to streamline the definition of "closed period" with the definition given under the MMLR by removing paragraph 63(a) above. This approach is consistent with other benchmarked jurisdictions such as Singapore and Hong Kong.

66. In addition, the Exchange proposes to clarify that where a listed issuer is a trust, a "closed period" means a period commencing 30 days before the targeted date of announcement up to the date of announcement of the fund's quarterly results or annual reports.

67. In proposing the above amendments, the Exchange has considered the feedback and proposal from certain parties to reduce the closed period of 30 days to 14 days before the targeted date of announcement up to the date of announcement of the quarter results of a listed issuer's or a fund, or a fund's annual reports, as the case may be ("**Proposed Shorter Closed Period**").

68. The Exchange is, however, of the view that the Proposed Shorter Closed Period may not be appropriate as an affected person would have received information relating to the quarterly results or annual report before the Proposed Shorter Closed Period.

69. The Exchange's proposal to retain the 30 days closed period is also comparable with the requirements in the London and Hong Kong Stock Exchanges.

Proposal 6.1 - Issue(s) for Consultation

(a) Do you agree that the Exchange should confine the closed period to the release of quarterly results only for listed issuers?

(b) Do you agree that the Exchange should maintain the current closed period of 30 days? If not, what is your proposal and why?

PROPOSAL 6.2

Description	Affected Provision(s)
Application of Chapter 14 Requirements	▪ **Paragraph 14.03**

70. Currently, an affected person must comply with the requirements set out in Chapter 14 of the LR ("**Chapter 14 Requirements**") when it deals in the securities of –

(a) the listed issuer; and
(b) other listed issuers,

if he is in possession of price-sensitive information in relation to such securities.

71. An affected person means a director and principal officer of the listed issuer who deals in the securities in the manner set out in paragraph 70 above.

72. The Exchange proposes to review the application of the requirements under Chapter 14 as follows:

(a) To expand the scope of the "affected person" to include the following persons:

(i) a director of a listed issuer's major subsidiary, or in the case of a listed issuer which is a trust, a director of the management company; and

(ii) a principal officer of a listed issuer's major subsidiary, or in the case of a listed issuer which is a trust (for e.g. a real estate investment trust), a principal officer of the management company.

(collectively "**Additional Affected Persons**")

(b) To clarify that compliance with the Chapter 14 Requirements is required when an affected person is dealing in "listed securities" as opposed to dealing in "securities".

73. The Additional Affected Persons are likely to be in possession of information relating to the quarterly result of a listed issuer or a fund, or a fund's annual reports, as the case may be, before the said information is announced or made available to the public. Therefore, the Additional Affected Persons should be required to comply with the Chapter 14 Requirements.

74. However, the Exchange proposes to exclude a director and principal officer of the management company of an exchange traded fund from complying with the Chapter 14 Requirements.

75. Consequential to the amendments relating to the Additional Affected Persons, the Exchange proposes to expand the definition of "principal officer" to include the following persons:

(a) the chief executive who is not a director, chief financial officer or any other employee of the listed issuer's major subsidiary (i.e. a subsidiary which contributes 70% or more of the profit before tax or total assets employed of the listed issuer on a consolidated basis) who has access or is privy to price-sensitive information in relation to the listed issuer; and

(b) in relation to a listed issuer which is a trust, the chief executive of the management company who is not a director, the chief financial officer or any other employee of the management company, who has access or is privy to price-sensitive information in relation to the trust.

(collectively "**Additional PO**")

76. Further, the Exchange proposes to clarify and reinforce in Chapter 14 of the UBLR that an affected person must not deal in the listed securities of his own listed issuer or of other listed

issuers so long as he is in possession of price-sensitive information relating to such listed securities.

Proposal 6.2 - Issue(s) for Consultation

Do you agree with the Exchange's proposals to –

(a) expand the scope of the "affected person" to include the "Additional Affected Persons" and thus requiring the latter to comply with the Chapter 14 Requirements when they deal in any listed securities?

(b) clarify that the application of the Chapter 14 Requirements is confined to dealing in "listed securities" as opposed to any "securities" of a listed issuer?

(c) exclude a director and principal officer of the management company of an exchange traded fund from complying with the Chapter 14 Requirements?

PROPOSAL 6.3

Description	Affected Provision(s)
Exemptions from Chapter 14 Requirements	▪ **Paragraph 14.06(a)**

77. Currently, an exercise of options or rights under an employee share or share option scheme, is exempted from the restrictions in Paragraphs 14.04 and 14.05 ("**Dealing Restrictions**").

78. Since an exercise of options or rights as stated above is exempted, it is only appropriate that an acceptance of the options or rights be exempted from the Dealing Restrictions as well.

79. Hence, the Exchange proposes to clarify in the LR that an acceptance of options or rights under an employee share or share option scheme, is exempted from the Dealing Restrictions.

Proposal 6.3 - Issue(s) for Consultation

(a) Do you agree with the Exchange's proposal to exempt an acceptance of options or rights under an employee share or share option scheme, from the Dealing Restrictions?

(b) Is there any other dealings which you think should be exempted from the Dealing Restrictions? If yes, what are they and why**?**

PROPOSAL 6.3

Description	Affected Provision(s)
Procedures for dealing in securities during closed periods	▪ **Paragraph 14.08**

80. Currently, any affected person who wishes to deal in securities of his own listed issuers or of other listed issuers during the closed periods, must comply with the Dealing Procedures.

81. The Exchange has received feedback that it may not be practical to require an affected person who deals in listed securities of other listed issuers to comply with the Dealing Procedures.

82. In the circumstances, the Exchange proposes to impose the Dealing Procedures only on an affected person who wishes to deal in listed securities of his own listed issuers during the closed period.

Proposal 6.3 - Issue(s) for Consultation

Do you agree with the Exchange's proposals to only impose the Dealing Procedures on an affected person who wishes to deal in listed securities of his own listed issuers during the closed period?

PROPOSAL 6.4

Description	Affected Provision(s)
Notice of dealing for dealings outside closed period	▪ **Paragraph 14.09**

83. Currently, where an affected person deals in the securities of his own listed issuer outside closed periods, the affected person must, within 14 days after the dealing has occurred, give notice of the dealing in writing to the company secretary of the affected company and the affected company must immediately announce such notice to the Exchange.

84. The Exchange proposes to shorten the notice period from 14 days to 3 market days after the dealing has occurred. The Exchange believes the 3 market days' timeline is sufficient for an affected person to provide the necessary notification. This proposal is made to ensure that shareholders or investors are informed of the dealing in a timely manner.

Proposal 6.4 – Issue(s) for Consultation

Is the proposed shortened notice period (from the current 14 days to 3 market days) sufficient for an affected person to lodge a notice of dealings outside closed period? If not, please state your reason(s) and your recommendation.

[End of Part 6]

3.7 Part 7 New Issues of Securities

PROPOSAL 7.1

Description	Affected Provision(s)
Enhanced additional listing process for secondary issuance of securities	▪ **Paragraphs 6.03A and 6.03B** ▪ **New Appendix 6G**

85. Under the current listing process for new issuance of securities, a listed issuer is required to submit 2 types of application to the Exchange, namely –

(a) an additional listing application ("**ALA**") for an approval-in-principle for the listing of new issue of securities; and

(b) a quotation application for quotation of securities on the Exchange ("**Quotation Application**").

86. Currently, the ALA may be submitted to the Exchange immediately after a listed issuer obtains the Commission's approval for the issuance of the new issue of securities. After the Exchange gives approval-in-principle, the listed issuer will procure shareholder approval, announce the books closing date ("**BCD**"), then issue and allot the new issue of securities.

87. Based on past practices, once Bursa Malaysia Depository Sdn Bhd ("**Depository**") confirms that the securities are ready for crediting ("**Depository's Clearance**"), a listed issuer usually takes approximately 3 market days to submit its Quotation Application together with the requisite document and/or confirmation to the Exchange. The Exchange will then proceed to list and quote the new securities in 2 market days. In total, it takes approximately 5 market days from the date of Depository Clearance to list and quote the securities.

88. Under the proposed enhanced additional listing process, the Quotation Application will be merged with the ALA and thus only one application needs to be submitted to the Exchange for listing of a new issue of securities ("**Consolidated Application**").

89. As the Exchange has assumed the function to approve the issuance of any new issue of securities, the Consolidated Application may be submitted to the Exchange immediately after the listed issuer obtains its board of directors' approval for the new issue of securities. All the requisite documents required under the Quotation Application will be procured upfront in the form of undertakings when the listed issuer submits its Consolidated Application. This proposal is similar to the listing process for securities arising from subdivision, bonus issue and share consolidation (commonly known as "**SPEEDS**") which has been successfully implemented by the Exchange since April 2007.

90. With the dispensation of the Quotation Application, the Depository will act as a central agent to credit the shares into the securities holders' account to facilitate the listing and quotation of the shares on the next market day.

91. The proposed enhanced additional listing process will shorten the time to market and is applicable to the listing of –

(a) a bonus issue of securities and any issue of convertible securities arising from adjustments due to the bonus issue ("**Bonus Issue**"); and

(b) additional securities where the additional securities will be listed and quoted as the existing listed securities of the same class ("**Additional Securities**") except where the issuance of Additional Securities is-

(i) conditional upon any other corporate proposal which involves -

(aa) issuance of additional securities which will not be listed and quoted as the existing listed securities of the same class; or

(bb) issuance of a new type of securities, or

(ii) attached with a new type of securities.

92. With the introduction of the enhanced additional listing process, there will be 3 sets of listing procedure for a new issue of securities under the LR, i.e. –

(a) Enhanced additional listing procedure in Paragraph 6.03A LR for the listing of a Bonus Issue;

(b) Enhanced additional listing procedure in Paragraph 6.03B for the listing of Additional Securities; and

(c) Existing additional listing procedure in Paragraph 6.03 for the listing of securities where the enhanced procedures in Paragraphs 6.03A and 6.03B do not apply.

93. To guide the listed issuers, the Exchange proposes to –

(a) amend the procedures in Paragraph 6.03A LR; and

(b) introduce a new Paragraph 6.03B LR,

to reflect the enhanced procedures for the listing of the Bonus Issue and Additional Securities.

94. To further facilitate the listed issuers' compliance and understanding on the application of each additional listing procedure, the Exchange also proposes to introduce Appendix 6G summarizing the application of the listing procedures.

Proposal 7.1 - Issue(s) for Consultation

(a) Do you think Paragraphs 6.03A and 6.03B of the LR set out clearly the circumstances in which the enhanced listing procedures will apply?

(b) Do you foresee any difficulty in complying with the enhanced additional listing procedures set out in Paragraphs 6.03A and 6.03B of the LR?

(c) Do you think the Appendix 6G proposed by the Exchange will aid listed issuers' understanding and compliance with the listing procedures? Can the Appendix 6G be further enhanced? If yes, what is your suggestion and why?

PROPOSAL 7.2

Description	Affected Provision(s)
Introduction of SPEEDS to processing and crediting of rights	▪ **Paragraphs 6.20 and 6.21** ▪ **Appendix 6E**

95. Currently, for a rights issue –

(a) after fixing the BCD to determine persons entitled to participate in the rights issues, a listed issuer must announce to the Exchange an abridged prospectus in respect of the rights issue within 2 market days before the trading of rights commences;

(b) the listed issuer will then issue the provisional allotment letter ("**PAL**") to the Depository and persons whose securities have been exempted from deposit with the Depository, within 3 market days after the BCD;

(c) the trading of rights will cease within 5 market days before the last date of acceptance; and

(d) the closing date for the receipt of applications for and acceptance of the new securities to be issued pursuant to a rights issue is at least 13 market days after the BCD.

96. The Exchange proposes to introduce the SPEEDS process to the processing and crediting of rights issues. The SPEEDS process entails the Depository assuming the share registrar's duties in processing the record of depositors and computing the entitlement of the securities holders This enables a faster listing and re-quotation of securities.

97. With the proposed SPEEDS process –

(a) after fixing the BCD, a listed issuer is required to announce to the Exchange the abridged prospectus in respect of the rights issue within 1 market day before the trading of rights commences;

(b) the listed issuer will then be required to issue the PAL to the Depository and persons whose securities have been exempted from deposit with the Depository, within 1 market day after the BCD;

(c) the trading of rights will cease within 5 market days before the last date of acceptance; and

(d) the closing date for the receipt of applications for and acceptance of the new securities to be issued pursuant to a rights issue is at least 11 market days after the BCD.

Proposal 7.2 - Issue(s) for Consultation

Do you foresee any issue in the SPEEDS process being applied to the rights issue?

PROPOSAL 7.3

Description	Affected Provision(s)
Higher general mandate for new issue of securities	▪ **Paragraph 6.10**

98. Currently, shareholder approval is required for the issue of shares or convertible securities. Shareholders can, via a resolution at a general meeting, give a general mandate to the directors of the listed issuer to issue shares or convertible securities provided that the nominal value of those shares or convertible securities, when aggregated with the nominal value of the same issued during the preceding 12 months, does not exceed 10% of the nominal value of the issued and paid-up capital of the listed issuer ("**10% Mandate**").

99. In order to enhance business efficacy, the Exchange proposes to review the 10% Mandate and allow shareholders to give a general mandate to the directors of the listed issuer to issue shares or convertible securities provided that the nominal value of the shares or convertible securities to be issued, when aggregated with the nominal value of the shares or convertible securities issued during the preceding 12 months, does not exceed –

(a) 20% of the nominal value of the issued and paid-up capital (excluding treasury shares) of the listed issuer in the case of an issue of securities on a non-pro rata basis to shareholders; or

(b) 50% of the nominal value of the issued and paid-up capital (excluding treasury shares) of the listed issuer in the case of an issue of securities on a pro rata basis to shareholders.

(collectively "**Proposed New Mandate**")

100. The Proposed New Mandate is on par with the requirements in Singapore.

101. Under this proposal, shareholders reserve their right not to approve the maximum threshold under the Proposed New Mandate if they have concerns. Shareholders must act wisely and prudently in approving the mandate for a new issue of securities, after taking into various factors such as the needs of the listed issuer, the corporate governance practices and past conduct of the listed issuer.

Proposal 7.3 - Issue(s) for Consultation

Do you agree with the Proposed New Mandate? If not, please state your reasons and proposal.

PROPOSAL 7.4

Description	Affected Provision(s)
Amendments pursuant to the revamped Commission's Equity and Equity-Linked Guidelines	▪ **Paragraphs 6.16A, 6.16B, 6.42, 6.42A, 6.47- 6.56**

The proposed amendments to the LR relating to the secondary issuance of securities are summarized as follows:

102. **Underwriting and undertaking to subscribe**

(a) Currently, under the Commission's Equity and Equity-Linked Guidelines, a listed issuer must put in place an underwriting arrangement for all rights issues of securities except for those securities for which –

(a) allocations have been made to Bumiputera investors to comply with the NDP requirements;

(b) certain shareholders or investors have given written irrevocable undertakings to subscribe; or

(c) the offering is made via a book-building exercise.

(b) Under the proposed Unified Board framework, an underwriting arrangement will no longer be made mandatory but at the discretion of a listed issuer and its Principal Adviser (as defined in the Commission's Guidelines on Principal Advisers for Corporate Proposal). Where it has been decided that no underwriting or only partial underwriting is required, the listed issuer must disclose the minimum level of subscription to achieve its funding objective together with the basis for its determination in the circular to shareholders.

(c) Where there is an under-subscription of securities and the minimum level of subscription is not achieved, the listed issuer must abort the listing of the rights issue and immediately return any consideration received for the purposes of subscription to all subscribers.

(d) If certain shareholders wish to irrevocably undertake to subscribe for the securities offered under the rights issue, the listed issuer must ensure that the shareholders have

sufficient financial resources to take up the securities. This must be verified by an acceptable independent party, such as the listed issuer's Principal Adviser, and the shareholders have considered the consequences of the rights issue with regard to the Malaysian Take-Overs and Mergers Code 1998, if applicable.

(e) Where underwriting is arranged for the securities offered under the rights issue, the Principal Adviser submitting the application for listing to the Exchange must be part of the syndicate of underwriters.

103. **Requirements in relation to two-call rights issues**

Currently, under the Commission's Equity and Equity-Linked Guidelines, a listed issuer undertaking a two-call rights issue by way of capitalisation of reserves arising from revaluation of assets must comply with the following:

(a) Where the reserves arose from the revaluation of land and buildings, at least 20% of the valuation amount of the assets must be retained in the revaluation reserves account after the capitalisation; and

(ii) Surplus arising from the revaluation of plant, machinery and equipment of the issuer or its subsidiary companies must not be capitalised.

The Exchange proposes to incorporate the same requirements as stated above in the revamped LR.

104. **Requirements in relation to a deed poll and trust deed in relation to issuance of convertible securities**

For the revamped LR, the Exchange proposes to incorporate similar requirements in relation to an issue of convertible securities under the Commission's Equity and Equity-Linked Guidelines. Some of the key amendments are as follows:

(a) prescribing that the number of new shares which would arise from all outstanding warrants, when exercised, must not exceed 50% of the issued and paid-up capital of the listed issuer (excluding treasury shares and before the exercise of the warrants) at all times;

(b) prescribing the minimum contents of the trust deed or deed poll as follows:

(i) the step-up or step-down pricing mechanism, if any, which must be incorporated in the exercise or conversion price;

(ii) the amount of step-up or step-down and the time frames for the exercise or conversion price adjustment; and

(iii) provisions for changes in the terms of the convertible securities during the tenure of the securities;

(c) the trust deed or deed poll must not include any provision for the extension or shortening of tenure of the convertible securities, changes to the number of shares received for the exercise or conversion of each convertible security, and changes to the pricing mechanism for the exercise or conversion price of the convertible security save for a few exceptions; and

(d) no alteration or adjustment can be made to the terms of the convertible securities during the tenure of the securities unless it is provided upfront in the trust deed or deed poll.

105. **Requirements in relation to issues of securities on a non-pro rata basis**

Requirements in relation to an issue of securities on a non-pro rata basis which are currently provided for under the Commission's Equity and Equity-Linked Guidelines, will be reflected in the revamped LR, such as the following:

(a) **Issue of new securities under a general mandate**

Unless otherwise specifically approved by its shareholders, where issuance of shares or convertible securities is made on a non-pro rata basis -

(i) shares must not be priced at more than 10% discount to the weighted average market price of the shares for the 5 market days immediately prior to the price-fixing date;

(ii) for issue of convertible securities, if the exercise or conversion price is fixed, such price must not be more than 10% discount to the weighted average market price of the underlying shares for the 5 market days immediately prior to the price-fixing date. On the other hand, if the exercise or conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10% of the weighted average market price of the underlying shares for the 5 market days immediately prior to exercise or conversion; and

(iii) the securities must not be placed to –

- the interested director, interested major shareholder, interested chief executive or interested person connected with a director, major shareholder or chief executive; and
- nominee companies, unless the names of the ultimate beneficiaries are disclosed.

(b) **Specific shareholder approval**

Where an issue of shares or other convertible securities departs from any of the applicable requirements stipulated in subparagraph (a) above, the listed issuer must obtain prior shareholder approval for the precise terms and conditions of the issue, in particular on –

(i) the persons (or class of persons in the case of a special issue of securities to Bumiputera investors to comply with the NDP requirements) to whom the securities will be issued ("**placees**");

(ii) the amount of securities to be placed to each placee (or class of placees in the case of a special issue of securities to Bumiputera investors to comply with the NDP requirements);

(iii) the issue, exercise or conversion prices of the securities or, in a situation where such prices are to be determined after the date of shareholder approval, the basis or formula of determining such prices; and

(iv) the purposes of the issue and utilisation of proceeds.

(c) **Placement agent**

The Principal Adviser must act as the placement agent for placements of securities.

(d) **Payment for securities**

The listed issuer must issue and allot securities as soon as possible after the price-fixing date. The listed issuer must ensure payments for the securities are made by the placees to the listed issuers within 5 market days from the price-fixing date (except in the case of a special issue to Bumiputera investors to comply with the NDP requirements, where a longer payment period may be allowed). For issues of securities under subparagraph (b) above, the price-fixing date will be taken as the date of shareholder approval, except in instances where the price is determined on a date subsequent to the shareholder approval.

(e) **Back-to-back placements**

A listed issuer may undertake a back-to-back placement involving –

(i) an existing shareholder selling down existing shares of the listed issuer to a placement agent for subsequent placement to placees; and

(ii) the listed issuer issuing new shares to the said existing shareholder to replace the shares sold earlier to the placement agent,

if the following conditions are fulfilled:

(aa) the listed issuer has an average daily market capitalisation of at least RM500 million in the 3 months ending on the last business day of the calendar month immediately preceding the date of the placement;

(bb) the listed issuer complies with the shareholding spread requirements under the LR; and

(cc) the existing shareholder involved in the back-to-back placement arrangement gives a declaration to the Exchange that he would not derive any financial benefit from such an arrangement, whether directly or indirectly.

(f) **Submission of placees' details and confirmation by the Principal Adviser prior to listing**

As soon as practicable after the issue and prior to the listing of the new issue of securities arising from the issue, the Principal Adviser must submit to the Exchange the following:

(i) the final list setting out the names, home or business addresses, identity card/passport/company registration numbers, occupations/principal activities and securities account numbers of all the placees and the ultimate beneficial owners of the securities issued (in the case where the placees are nominee companies or funds), and the amount and price of securities issued to each placee;

(ii) a confirmation from the Principal Adviser that to the best of its knowledge and belief, after having taken all reasonable steps and made all reasonable inquiries, the details set out in the final list of placees in subparagraph (i) above are accurate and the issue or placement exercise complies with the requirements stated in Chapter 6 of the LR.

(iii) the information on the ultimate beneficiaries of the securities as required in subparagraph (i) need not be submitted if the placees are -

(aa) statutory institutions managing funds belonging to contributors or investors who are members of the public;

(bb) unit trust funds or collective investment schemes approved by the Commission; and

(cc) collective investment schemes which are authorised, approved or registered investment schemes incorporated, constituted or domiciled in a jurisdiction other than Malaysia and regulated by the relevant regulatory authority in that jurisdiction, subject to the Principal Adviser confirming to the Exchange that such schemes have been duly authorised, approved or registered.

106. **Requirements in relation to implementation of proposals**

The Exchange proposes to reflect in the revamped LR, similar existing requirements in the Commission's Equity and Equity-Linked Guidelines for implementation of proposals, which are summarized as follows ("**Existing Implementation Requirements**"):

(a) **Implementation deadline**

A listed issuer must complete the implementation of a proposal relating to an issuance of securities ("**Issuance Proposal**") within the following timeframe computing from the date the listing application is approved by the Exchange:

(i) for cases which involve court proceedings - 12 months; and

(ii) for all other cases - 6 months.

If the listed issuer fails to complete the implementation of an Issuance Proposal within the prescribed periods above, the Exchange's approvals given for the Issuance Proposal will lapse. However, where the listed issuer has submitted a request for a review of the Exchange's decision, the time period to complete the implementation of an Issuance Proposal will commence from the date on which the Exchange's review decision is conveyed to the listed issuer.

(b) **Extension of implementation time**

(i) The listed issuer must state in the listing application if there is a likelihood that a listed issuer will be unable to complete the implementation of the Issuance Proposal within the prescribed period;

(ii) The Exchange may grant an extension of time with or without condition, in exceptional cases for a listed issuer to complete an Issuance Proposal. The extension application must be made through the listed issuer's Principal Adviser, no later than 14 days before the Exchange's approval for the listing application expires, and must be supported with a full explanation.

(c) **Post-implementation obligations**

A listed issuer must inform the Exchange the dates of completion for all approved Issuance Proposals which have been completely implemented.

Proposal 7.4 – Issue(s) for Consultation

(a) Do you agree that an underwriting arrangement should be made optional?

(b) Do you have any concern with the Exchange adopting the Existing Implementation Requirements?

PROPOSAL 7.5

Description	Affected Provision(s)
Enhanced disclosure requirements	▪ **Paragraph 6.06(4)** ▪ **Appendices 6A and 6B**

107. Under the revamped LR, the Exchange took the opportunity to review the information which a listed issuer is currently required to disclose in its listing applications, announcements and circulars.

108. Through this review, the Exchange proposes to remove certain information or documents which the Exchange no longer requires when it considers an additional listing application.

109. Among others, the following information or documents which are currently required to be furnished to the Exchange will no longer be required:

(a) The following documents in support of a listing application for convertible securities:

(i) A specimen copy of the certificate of the warrant or other convertible security;

(ii) Where an issue of warrants or other convertible securities arises from adjustments due to a bonus issue, the documents referred to in subparagraphs (1)(e)(iv)(bb) to (ff) and 1(e)(v) of Part B of Appendix 6A of the LR; and

(iii) Where an issue of warrants or other convertible securities arises from adjustments due to a subdivision or consolidation which is on a stand-alone basis or conditional upon a concurrent bonus issue, the documents referred to in subparagraph (11) of Part A and Part B of Appendix 13C of the LR; and

(b) In respect of acquisitions satisfied wholly or partly by an issue of new securities, Appendix 6D of the LR which is a confirmation by a listed issuer and its adviser on the compliance of the conditions precedent contained in the agreement of the transaction and that there is no variation to the original agreement which was not disclosed to the relevant authorities, shareholders and the Exchange.

110. On the other hand, the Exchange also proposes to enhance the existing disclosure requirements where appropriate. These enhancements are introduced consequential to other proposed amendments to the LR and after considering industry feedback. The proposals are aimed at enhancing disclosures, promoting greater transparency and investor protection, as well as facilitating listed issuers' compliance with the LR. The key enhancements include the following:

(a) **Enhanced listing application form for new issue of securities**

(i) A listing application form in a new format ("**Proposed Listing Form**") is proposed. This is to aid the compliance of the LR by a listed issuer;

(ii) The Proposed Listing Form needs to be signed by both the listed issuer and its Principal Adviser;

(iii) Under the Proposed Listing Form, a listed issuer will be required to provide information on among others, the following:

- Name of the listed issuer;
- Types of corporate proposal, whether it is an acquisition, rights issue, special issue, private placement, etc.;

- Percentage ratio (where applicable) of the corporate proposal;
- Confirmation by a listed issuer on any past conviction or charge of any offence under the securities laws, corporations laws or other laws involving fraud or dishonesty, and actions by the Exchange for breaching the LR and Rules of the Exchange;
- Confirmation on conflict of interest;
- Confirmation on whether the listed issuer is an Affected Listed Issuer under PN17/2005;
- Details of the proposals, including number and types of securities applied for listing, par value and issue price;
- Ranking of the new issue of securities;
- List setting out directorships and/or substantial shareholdings of the controlling shareholders in any other listed issuers in Malaysia for the past 3 years;
- Where the new issuance of securities is on a non-pro rata basis, list setting out the class of placees;
- For a share scheme for employees, confirmation on compliance with Part H Chapter 6 of the LR;
- For a bonus issue, confirmation on compliance with Paragraph 6.26A of the LR, the adequacy of reserves, the manner on how the bonus issue will be capitalized, the conditionality of a bonus issue proposal, and undertakings to comply with the relevant prerequisite requirements for the purpose of issuance of a bonus issue;
- Conditionality of the corporate proposal and/or issue price;
- The position of the listed issuer's public spread after the corporate proposal;
- For an issue of securities on a non-pro rata basis under a general mandate, confirmation on compliance with shareholder approval requirement; and
- Undertakings for corporate proposals which apply the procedure for the Additional Securities set out in Paragraph 6.03B of the LR as illustrated in Proposal 7.1 above.

(b) **Requiring the following additional information in an announcement for new issue of securities:**

(i) The justification for the pricing of the new issue of securities;

(ii) Where the proceeds from the new issue of securities are to be utilised for a new business to be acquired or undertaken, a description of the industry where the listed issuer's group of companies operates or will be operating;

(iii) The minimum level of subscription and the basis of determining the minimum level of subscription, where applicable;

(iv) The estimated time frame for completion of the new issue of securities;

(v) The justification for embarking on the new issuance of securities rather than other available options;

(vi) Relevant details of issue and placement of securities in stages over a period of time, including the rationale/justification;

(vii) Where the issuance of securities or proceeds are utilized for an acquisition of assets or interests which falls within the ambit of Chapter 10 and announcement is required pursuant to Chapter 10, the relevant information on the transaction as required under Appendix 10A of the LR;

(viii) Where a mandate for issue of securities is sought, a statement whether such mandate is a renewal and the details of the previous mandate; and

(ix) In relation to an issue of convertible securities, the step-up or step-down pricing mechanism (if any), the amount of step-up or step-down and time frames for the exercise or conversion price adjustment, and where applicable, all provisions for changes in the terms of the convertible securities during the tenure of the securities.

(c) **Requiring the following additional information in a circular for new issue of securities:**

(i) The justification for the pricing of the new issue of securities;

(ii) The justification for embarking on the new issuance of securities rather than other available options;

(iii) Where a mandate for issue of securities is sought, a statement with regards to:

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

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

- the proceeds raised from the previous mandate, if any;
- the details and status of the utilisation of proceeds;

(iv) Where the proposed utilisation of the gross proceeds is for –

- expansion/relocation of factory/office premises, the details on the location of the factory/building, total cost of construction, built-up area and production capacity before and after the expansion/relocation (where relevant); or

- investment purposes but the investment has not been identified, a statement to that effect;

(v) Where the proceeds from the new issue of securities are to be utilised for the listed issuer's group of companies' existing business, or a new business to be acquired or undertaken, a description and outlook of the industry where the listed issuer's group of companies operates or will be operating and the prospects of its business in light of the industry outlook;

(vi) The effects of the new issue of securities on any existing convertible securities;

(vii) A statement setting out all material commitments and contingent liabilities incurred or known to be incurred by the listed issuer;

(viii) Where applicable, the minimum level of subscription and the basis of determining the minimum level of subscription. If the minimum level is not achieved, to state its impact on the proposal and alternative plans (if any);

(ix) Where shareholders have irrevocably undertaken to subscribe for the securities and if applicable, excess application, confirmation by shareholders as verified by an independent party on their sufficiency of financial resources to take up the securities, and a statement as to the consequences of the subscription for the securities on the listed issuer and its shareholders with regard to the Malaysian Code on Take-Overs and Mergers 1998;

(x) The status of compliance where approvals are required for the new issue of securities;

(xi) Tentative timetable for the implementation of rights issue or bonus issue;

(xii) Relevant details of issue and placement of securities in stages over a period of time, including the rationale/justification;

(xiii) For a share scheme for employees, the performance targets, if any, that must be achieved before the options can be exercised or, if none, a negative statement to that effect; and the potential cost to the listed issuer arising from the grant of options under the share scheme for employees;

(xiv) In the case of issues of shares or convertible securities on a non-pro rata basis, particulars on the persons or class of persons for special issue to Bumiputera investors for NDP purpose, to whom the securities will be issued, and the amount of securities to be placed to each placee or class of placees;

(xv) Where the issuance of securities or proceeds are utilized for an acquisition of assets or interests which falls within the ambit of Chapter 10 and shareholder approval is required pursuant to Chapter 10, the relevant information on the transaction as required under Appendix 10B of the LR;

(xvi) Where a person is named in the circular as having advised the listed issuer or its directors, if a conflict of interests exists or likely to exist in relation to its role as an adviser or expert, full disclosure of the nature and extent of the conflict of interests or potential conflict of interests, the parties to the conflict; and measures taken for resolving, eliminating, or mitigating the conflict;

(xvii) In relation to an issue of convertible securities, the step-up or step-down pricing mechanism (if any), the amount of step-up or step-down and time frames for the exercise or conversion price adjustment, and where applicable, all provisions for changes in the terms of the convertible securities during the tenure of the securities;

(d) Requiring the **bylaws of a share scheme for employees** to set out the minimum period for which an option must be held before it can be exercised, if any;

(e) In relation to a listing application for the Additional Securities, requiring a listed issuer to announce the following immediately upon its receipt of confirmation from the Depository that the securities have been credited into the securities accounts of the respective holders:

(i) details of the corporate proposal;

(ii) total number of securities issued under each proposal and the issue price per share, if any;

(iii) date of listing and quotation; and

(iv) latest issued and paid-up capital of the listed issuer after the proposal indicating the number of shares (in unit and RM) and their par value, if any.

The information set out in (a) to (e) above are collectively referred to as "Enhanced Disclosure Information".

Proposal 7.5 - Issue(s) for Consultation

(a) Do you think the information required under the Proposed Listing Form is clear?

(c) Do you agree with the proposed Enhanced Disclosure Information required by the Exchange? If not, please state your reasons.

(d) Is there any other information which you would like a listed issuer to disclose in its listing application, announcement or circular? If yes, what are they and why?

[End of Part 7]

3.8 Part 8 Other Proposed Amendments

PROPOSAL 8.1

Description	Affected Provision(s)
Issuance of circulars in CD-ROM	▪ **Paragraph 8.13A**

111. Currently, the LR only permits issuance of annual report in CD-ROM.

112. To enhance the business efficacy of a listed issuer and to be more cost efficient, the Exchange proposes to allow a listed issuer to issue and circulate circulars to its securities holders by way of CD-ROM as well. However, this is subject to the following conditions which are similar to the conditions for issuing annual report in CD-ROM:

(a) the listed issuer must provide a printed copy of its circulars to its shareholder upon the shareholder's request, whether verbal or written;

(b) the listed issuer must designate a person to attend to the shareholders' requests as stated in subparagraph (a) above;

(c) the listed issuer must ensure that a hard copy of the circulars is forwarded to the shareholder requesting the same within 4 market days from the date of receipt of the request;

(d) the listed issuer must designate person(s) to answer queries from shareholders relating to the use of the CD-ROM;

(e) together with the CD-ROM circulars, the listed issuer must issue hard copies of the following documents to its shareholders:

(i) a note containing the following statement or information:-

(aa) the listed issuer will forward a hard copy of the circulars to the shareholder within 4 market days from the date of receipt of the verbal or written request; and

(bb) the listed issuer's web-site and e-mail address, name(s) of designated person(s) attending to shareholders' requests and queries and contact number(s); and

(ii) a request form to enable the shareholder to request for the circulars in hard copy, with the particulars of the listed issuer's facsimile number and mailing address.

Proposal 8.1 - Issue(s) for Consultation:

(a) Do you agree with the Exchange's proposal to allow circulars to be issued and circulated to securities holders in CD-ROM?

(b) Are the conditions imposed by the Exchange in paragraph 112 above appropriate and adequate to safeguard shareholders' interest?

PROPOSAL 8.2

Description	Examples of Affected Provision(s)
Specific exclusion of "treasury shares" from the issued and paid-up capital of a listed issuer	▪ **Paragraphs 6.10, 6.30A, 6.30B, 6.37A, 8.15, 8.17, and 8.18** ▪ **Appendix 9A – Part G** ▪ **Appendix 9C - Part A**

113. Pursuant to section 67A of the Companies Act 1965 ("**CA**"), a listed issuer with a share capital may, if so authorised by its articles of associations, purchase its own shares subject to fulfillment of certain conditions prescribed in the section.

114. Shares purchased by a listed issuer may, among others, be retained as treasury shares ("**treasury shares**").

115. Under section 67A of the CA, while the shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended and the treasury shares will not be taken into account in calculating the number or percentage of shares or of a class of shares in the company for any purposes including, for substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

116. Given the above, in order to provide greater clarity to the market and to aid compliance by the listed issuers, it is proposed that treasury shares be specifically excluded from references to "issued and paid-up capital", "paid-up capital", "listed shares", or for the calculation of public shareholding spread under the LR, where applicable ("**Proposed Clarification**").

Proposal 8.2 - Issue(s) for Consultation:

Is the Proposed Clarification appropriate and clear?

PROPOSAL 8.3

Description	Affected Provision(s)
Requirement for a listed issuer to have its own website	▪ **Paragraph 8.16B**

117. The Exchange is of the view that it is material for a listed issuer to have its own website as a means to enhance the transparency, profiling, and investor relations of a listed issuer. This view is also premised on the practices in other benchmarked jurisdictions where having a website is a mandatory requirement for listed issuers.

118. Hence, the Exchange proposes to –

(a) mandate a listed issuer to have its own website;

(b) require that a listed issuer publishes on its website all announcements concurrently or immediately after they are released by the Exchange on the Exchange's website. This is to ensure that the listed issuer does not release any announcement on its website before the same is released by the Exchange and the announcements are posted on a timely basis;

(c) require the listed issuer to ensure that all information posted on its website complies with the requirements in Paragraph 9.16 of the LR, i.e. the information must be factual, clear, unambiguous, accurate, succinct and contains sufficient information to enable investors to make informed investment decisions, is not false, misleading and/or deceptive etc.

119. On the other hand, to provide flexibility to the listed issuer, the Exchange does not propose to prescribe the minimum contents of a website but encourages the listed issuer to ensure that its website is current, informative and contains all information which may be relevant to the listed issuer's shareholders.

Proposal 8.3 - Issue(s) for Consultation:

(a) Do you agree with the Exchange's proposal to mandate a listed issuer to have its own website?

(b) Do you foresee any problem for the Exchange to require the listed issuer to publish on its own website, all announcements made to the Exchange, concurrently or immediately after the same are released on the Exchange's website?

(c) Do you think it is necessary for the Exchange to prescribe the minimum contents for a listed issuer's website? If yes, what kind of information do you think the website should have?

PROPOSAL 8.4

Description	Affected Provision(s)
Scope of "independent director"	▪ **PN6/2001**

120. Currently, where a major shareholder fulfills the following criteria, its nominee or representative ("**Said Nominee/Representative**") will be considered as an "independent director" pursuant to PN6/2001:

(a) the major shareholder's aggregate shareholding in an applicant, listed issuer or any related corporation of such applicant or listed issuer ("**said Corporation**"), directly or indirectly, is not more than 15% of the issued and paid-up capital of the said Corporation;

(b) the major shareholder is not deemed to be a promoter of the said Corporation; and

(c) the major shareholder is either:-

(i) a statutory institution who is managing funds belonging to contributors or investors who are members of the public; or

(ii) an entity established as a collective investment scheme, such as closed-end funds, unit trusts or investment funds (but excluding investment holding companies).

(collectively "**Flexibility**")

121. As proposed by the Exchange in Proposal 2.1 (in paragraph 18(b) above), a substantial shareholder who fulfills the criteria similar to the Flexibility criteria will not be considered as "public shareholder" under the LR. Accordingly, the Said Nominee/Representative should no longer be considered as an "independent director". As such, the Exchange proposes to remove the Flexibility and delete PN6/2001.This is also to enhance the corporate governance practices of listed issuers and directors.

Proposal 8.4 - Issue(s) for Consultation:

Do you agree with the Exchange's proposal to regard the Said Nominee/Representative as non-independent?

PROPOSAL 8.5

Description	Affected Provision(s)
Suspension of trading for failing to submit financial statements within time	▪ **Paragraph 9.26** ▪ **Appendix 9A - Parts I & J**

122. Currently, a listed issuer must issue and submit the following reports within the relevant timeframe ("**Relevant Timeframes**") below:

(a) Quarterly report - not later than 2 months after the end of each quarter of a financial year ("**Quarterly Reports**");

(b) Annual report - not later than 6 months from the close of the financial year of the listed issuer ("**Annual Reports**");

(c) Annual audited financial statement together with the auditors' and directors' reports - not later that 4 months from the close of the financial year of the listed issuer unless the annual report is issued within a period of 4 months from the close of the financial year of the listed issuer ("**Annual Audited Financial Statements**")

(collectively referred to as "**Financial Statements**")

123. At present, if the listed issuer fails to issue any Financial Statements within 3 months from the expiry of the Relevant Timeframes (the last day of this 3 months period is referred to as "**Suspension Deadline**"), the Exchange shall suspend trading in the securities of such listed issuer. The suspension takes effect on the market day following the expiry of the Suspension Deadline and will be uplifted on the market day following the issuance of the outstanding Financial Statements unless otherwise determined by the Exchange.

124. The Exchange is of the view that timely disclosure of Financial Statements is critical to the shareholders and investing public to make an informed investment decision.

125. In this regard, the Exchange proposes to enhance and expedite the suspension in trading of securities of a listed issuer which fails to issue the Financial Statement within the Relevant Timeframes. The proposals entail the following:

(a) To effect the suspension of trading of the listed issuer's securities on the next market day after the 5th market day from the expiry of the Relevant Timeframes;

(b) A listed issuer which becomes aware or has any reason to believe that it will not issue the Financial Statements within the Relevant Timeframes must immediately announce this to the Exchange or in any event not later than 3 market days prior to the expiry of the Relevant Timeframes.

(c) The listed issuer must include the following information in the above announcement:

(i) The reasons for failing to issue the outstanding Financial Statements within the Relevant Timeframe;

(ii) A statement that the suspension of trading will be effected on the next market day after the expiry of 5 market days from the Relevant Timeframe;

(iii) The date suspension of trading will be effected;

(iv) The tentative timeline in respect of the steps taken or proposed to be taken to issue the outstanding Financial Statements, and the status of compliance with such timeline; and

(v) The expected date of issuance of the outstanding Financial Statements.

Proposal 8.5 - Issue(s) for Consultation:

Do you agree with the Exchange's proposal to suspend trading of the listed issuer's securities on the next market day after the 5th market day from the expiry of the Relevant Timeframes if the listed issuer fails to issue the Financial Statement by the Relevant Timeframe?

PROPOSAL 8.6

Description	Affected Provision(s)
Trading halt imposed on material announcements released during trading hours, before 9.00 a.m., between 1.00 p.m. to 2.30 p.m. and after 6.30 p.m.	▪ **Practice Note No. 20/2007**

126. The current practice on trading halt is as follows:

(a) Where the material announcement is released during trading hours, the trading halt imposed will be for the remaining period of the morning or afternoon trading session, as the case may be; and

(b) Where the material announcement is released before 9.00 a.m., between 1.00 p.m. to 2.30 p.m. and after 6.30 p.m., the trading halt imposed will be for the whole morning or afternoon trading session, as the case may be.

127. While trading halts have proven to be an effective tool to facilitate dissemination of material information, it may impede the efficient functioning of a market and deprive investors of the opportunity to trade during the period of the trading halt.

128. In order to minimise market disruption arising from the prolonged trading halts and as real time information is readily available arising from technological advances, the Exchange is proposing to shorten the trading halt period for purposes of disseminating material announcements, from 1 trading session to 1 hour instead.

129. In this regard, the Exchange proposes to amend the requirement/practice on trading halt as follows:

(a) Where the material announcement is released during trading hours, the trading halt imposed will be for 1 hour or until the end of that trading session, whichever is earlier.

(b) Where the material announcement is released between 1.30 p.m. to 2.30 p.m., the trading halt imposed will be for 1 hour from 2.30 p.m.

(c) However, a trading halt will not be imposed where the material announcement is released during the window period from 12.30 p.m. to 1.30 p.m.

(d) Where the material announcement is released before the commencement of trading at 9.00 a.m., a trading halt will be imposed for 1 hour from 9.00 a.m.

(e) Where the material announcement is released after 11.00 a.m., then the trading halt will be until 12.30 p.m. Similarly, where the material announcement is released after 3.30 p.m., the trading halt will be until 5.00 p.m.

Proposal 8.6 - Issue(s) for Consultation:

Do you agree with the Exchange's proposal to shorten the period of trading halt from 1 trading session to 1 hour?

[End of Part 8]