

BURSA MALAYSIA SECURITIES BERHAD

PRACTICE NOTE NO 7/2001

CLASSIFICATION OF APPLICANTS OR LISTED ISSUERS

<u>Details</u>	<u>Cross References</u>
Effective date: 1 June 2001	Paragraph 8.11 Paragraph 7.0 of Practice Note 21, Paragraph 10.0 of Practice Note 24
Revision date: 3 August 2009	

~~Issued in relation to paragraphs 2.13, 3.18, 4A.32, 4A.38 and 8.03 of the Listing Requirements;~~

And

~~Pursuant to paragraph 2.08 of the Listing Requirements.~~

1.0 Introduction

- 1.1 The Exchange ~~has prescribed a list of sectors for~~ classifies all applicants seeking admission on the Official List of the Exchange as well as listed issuers ~~into homogeneous group ("Sectors") of a similar industry based on the applicants' or listed issuers' core business. (hereinafter referred to as "the Sectors").~~ The primary purpose of the Sectors is to group together entities which are of a similar type, i.e. have similar core businesses or are technologically innovative.
- 1.2 Pursuant to ~~these~~ Bursa Malaysia Securities Berhad Main Market Listing Requirements, ("**Listing Requirements**"), an applicant is required to propose its classification into any one of the Sectors ~~(hereinafter referred to as "Classification")~~ and a listed issuer is also required to make a proposal to the Exchange whenever a change to its Classification becomes necessary.
- 1.3 The Classification proposed by an applicant or a listed issuer ~~shall be~~ subject to the approval of the Exchange. The Exchange reserves the right to classify an applicant or listed issuer into a sector which in the opinion of the Exchange is more appropriate for the applicant or listed issuer.
- 1.4 This Practice Note sets out the following:-
- (a) ~~that the Sectors will be~~ that are prescribed by the Exchange;

Practice Note 7
Classification of Applicants or Listed Issuers

- (b) ~~the criteria to be applied by an applicant or listed issuer in determining and proposing its~~ the Classification; and
- (c) the manner in which an applicant or listed issuer is to inform or notify the Exchange of its proposed Classification or proposal for change in Classification, as the case may be.

2.0 Definition

- 2.1 For the purpose of this Practice Note, unless the context otherwise requires, “**core business**” ~~shall mean~~ means the activity representing business which provides the principal line of business source of operating revenue or after-tax profits to an applicant or listed issuer and which comprises the principal activities of the applicant or listed issuer, and its subsidiary companies.

3.0 Sectors prescribed by the Exchange

- 3.1 The Exchange will prescribe the Sectors for ~~the entities listed on the Official List~~ listed issuers from time to time. The list of Sectors can be obtained from the Exchange's official website ~~upon request~~.
- 3.2 The Exchange reserves the right to vary the list of Sectors or the criteria ~~set out below for when~~ determining the Classification ~~at any time it deems fit, in which of a listed issuer and in that event, where necessary, a listed issuer would be notified and may be required to review~~ of its new Classification accordingly.

4.0 ~~Criteria to determine the Classification into Sectors other than the Technology Sector~~

- 4.1 ~~To determine its Classification into any one of the Sectors other than the Technology sector, an applicant or a listed issuer must comply with the following steps.~~
- 4.2 ~~An applicant or a listed issuer must examine the amount of contribution made by its various business activities in terms of the following on a consolidated basis (hereinafter referred to as “the quantitative criteria”):-~~
- ~~(a) profit;~~
 - ~~(b) turnover/revenue; and/or~~
 - ~~(c) assets employed.~~
- 4.3 ~~Any determination of Classification should generally be based on the following:-~~
- ~~(a) in respect of the applicant, segmental reporting of the quantitative criteria to be computed based on the accounts (pro forma or actual) contained in the prospectus of the applicant; or~~
 - ~~(b) in respect of the listed issuer, segmental reporting of the quantitative criteria based on the audited annual accounts of the listed issuer for the last 2~~

Practice Note 7
Classification of Applicants or Listed Issuers

~~consecutive financial years, unless otherwise specified in paragraph 4.7 below.~~

- ~~4.4 — The business activity that contributes the most in terms of **all** the quantitative criteria for the last 2 consecutive financial years would *prima facie*, be the core business of the applicant or listed issuer and determine the appropriate Sector for its Classification.~~
- ~~4.5 — In relation to an applicant, where the figures in respect of the quantitative criteria do not clearly show the core business of the applicant, the applicant must take into account other relevant factors, including its own corporate objectives and plans.~~
- ~~4.6 — In relation to a listed issuer, where the figures in respect of the quantitative criteria do not clearly show a change to its core business a listed issuer must also take into account its own corporate objectives and plans. Other relevant factors that should be considered include:-~~
- ~~(a) — general economic conditions; and/or~~
- ~~(b) — historical earnings trend.~~
- ~~4.7 — Notwithstanding paragraph 4.4 above, where there is a significant change in the business direction or policy of a listed company as defined under Chapter 1 of the Listing Requirements, the listed issuer may upon completion of the relevant corporate exercise, immediately notify the Exchange of proposal for change in its Classification in accordance with the provisions herein.~~
- ~~4.8 — Notwithstanding paragraphs 4.4 and 4.7 above, where the current Classification does not accurately reflect its core business, the listed issuer shall submit to the Exchange a proposal for a change in accordance with the provisions herein.~~

5.0 — Criteria for determining the Classification into the Technology Sector

- ~~5.1 — For an applicant or a listed issuer to classify itself as belonging in the Technology Sector, it must fulfil the following criteria:-~~
- ~~(a) — its core business must be of a type readily recognisable as being involved in technological innovation. Currently, the Exchange has identified the following as falling under the aforesaid category:-~~
- ~~◆ — computer hardware and software;~~
- ~~◆ — electronics; or~~
- ~~◆ — telecommunications.~~
- ~~Such category may be expanded from time to time by the Exchange. The listed issuer must comply with paragraphs 4.2 to 4.8 above in the determination of its core business;~~
- ~~(b) — its business growth and success depend on its ability to develop technology, or on its ability to significantly innovate technology, resulting in incremental improvements in process and/or value added products and services. Where~~

Practice Note 7
Classification of Applicants or Listed Issuers

~~there are multiple products, the listed issuer's main products and services should be the result of its own technology or a result of the company's innovation on technology adopted. Mere use of high technology, which is imported or not its own, will not be sufficient;~~

- ~~(c) — its technology is new or emerging in Malaysia. Use of technology which has previously existed in Malaysia will not suffice unless the listed issuer has undertaken significant innovation on such technology;~~
- ~~(d) — it invests in Research and Development (R&D). Although there is no prescribed minimum amount spent for R&D, there must be an annual expenditure; and~~
- ~~(e) — it has a dedicated team of qualified personnel, undertaking the R&D. No minimum number of personnel is prescribed.~~

6.0 — Notification of proposed Classification

- ~~6.1 — An applicant must notify the Exchange of its proposed Classification at the time of filing the application for listing to the Exchange by submitting the duly completed Appendix PN7/2001-A together with segmental reporting of the quantitative criteria to be computed based on the accounts (pro forma or actual) contained in the prospectus of the applicant and such other relevant documentary evidence.~~
- ~~6.2 — A listed issuer must notify the Exchange of its proposal for change in Classification by submitting the duly completed Appendix PN7/2001-A together with segmental reporting of the quantitative criteria to be computed based on the annual audited accounts of the listed issuer for each of the last 2 consecutive financial years and such other relevant documentary evidence.~~

4.0 — Classification of listed issuers

- 4.1 — An applicant or a listed issuer must, when filing an application for listing to the Exchange, furnish the Exchange a proposal of its Classification by completing and submitting to the Exchange the Classification/Re-Classification Form (which is available on the Exchange's official website), together with supporting documents.
- 4.2 — In determining the Classification of the applicant or listed issuer into any one of the Sectors, an applicant or a listed issuer must examine the amount of contribution made by its various business activities for the past 2 years. A listed issuer will be classified into the Sector which most closely fits its source of revenue or if there are several sources of revenue, the business which consistently generates the highest revenue of the listed issuer. The Classification will also be determined based on either the immediate end use of the product or the industry processes used.
- 4.3 — Segmental reporting normally discloses revenue before tax, minority interests, extraordinary items and interest earned or incurred. Unless there is audited evidence that any of these items is specifically attributable to a class of business for which the revenue is disclosed, it will be disregarded in assessing the sources of revenue. Where any part of the listed issuer's business is to earn interest or incur interest, or interest expenses are central to its business, then such interest shall be taken into account in determining the listed issuer's business.

Practice Note 7
Classification of Applicants or Listed Issuers

4.4 The Exchange will seek to maintain stability in the Classification and will disregard what the Exchange considers to be temporary fluctuations in the fortunes of individual businesses.

7.05.0 Exchange's power to require additional information or instruct change in Classification

7.15.1 The Exchange may, at its discretion, require an applicant or a listed issuer to provide additional information to the Exchange ~~in relation to the notification made under paragraph 6.0 above.~~

7.25.2 The Exchange may, where the circumstances warrant the same but without assigning any reasons ~~therefor~~, classify an applicant or change the Classification of a listed issuer into a Sector which, in the opinion of the Exchange, is more appropriate for the applicant or listed issuer.

6.0 Changes to listed issuer's classification

6.1 Where there is a significant change in the business direction or policy in a listed issuer, the listed issuer must, upon completion of the relevant corporate exercise, immediately notify the Exchange of the proposal for change in its Classification by completing and submitting to the Exchange the Classification/Re-Classification Form (which is available on the Exchange's official website), together with supporting documents.

6.2 Where the Classification does not accurately reflect its current core business, the listed issuer must submit to the Exchange a proposal for a change by completing and submitting to the Exchange the Classification/Re-Classification Form (which is available on the Exchange's official website), together with supporting documents.

6.3 A listed issuer's Classification may also be reviewed by the Exchange either at its discretion, at the request of the listed issuer as per paragraphs 6.1 and 6.2 above, or of the advisers acting on its behalf.

8.0 Effective Date

8.1 This Practice Note takes effect on 1 June 2001.

~~Appendix PN7/2001-A~~

~~Name of applicant or listed issuer:~~

~~1. BOARD CLASSIFICATION~~

~~Please indicate the core business of the applicant or listed issuer and accordingly the Classification into the appropriate Sector by marking the appropriate box with a tick (✓)~~

CORE BUSINESS	(✓)	SECTORS	(✓)	SECTORS	(✓)	SECTORS	(✓)
<i>Manufacture of tangible goods</i>		Industrial Products		Consumer Products			
<i>Distribution and/or trading of goods</i>		Trading/ Services					
<i>Provision of services</i>		Trading/ Services		Finance		Hotel	
<i>Production of primary commodities</i>		Plantation		Mining			
<i>Construction</i>		Construction					
<i>Development of properties and real estates</i>		Property Development					
<i>Technologically innovative company</i>		Technology					

(✓)	OTHER SECTORS
	Infrastructure Project Companies
	Closed-end Funds
	Property Trusts

~~Please provide detailed justification for Classification or change in Classification, as the case may be.~~

~~2. PRODUCTS AND SERVICES~~

Describe briefly the main products and/or services

(a) Name of products : 1. _____

Practice Note 7
Classification of Applicants or Listed Issuers

2. _____
3. _____

(b) Usage of products : 1. _____
2. _____
3. _____

(c) Name of services : 1. _____
2. _____
3. _____

(d) Description of services : 1. _____
2. _____
3. _____

(e) Completeness of product/service
☐ Intermediate _____ ☐ Finished _____

(f) Main industries using the above products/services:
 1. _____
 = _____
 2. _____
 = _____
 3. _____
 = _____

3. RESEARCH & DEVELOPMENT (R & D)

(a) Does the applicant or listed issuer have a dedicated *R & D team?
☐ Yes _____ ☐ No _____

(b) The number of personnel in the *R & D team is _____

 * the qualified personnel's principal work must be to develop or introduce new or improved products or processes. This means their principal work should not be in sales or marketing.

(c) Amount spent on R & D for financial year end _____ is RM _____

(d) R & D is
☐ on project basis _____ ☐ on an on-going basis _____

(e) R & D for the year is on
☐ process improvement _____ ☐ innovation, resulting in new or _____ value-added products/services

(f) Describe or name the improvement in process or products/services, giving the following details:

Practice Note 7
Classification of Applicants or Listed Issuers

Year	New or value-added products / Services/ Process improvement	Awards	ISO accreditation	Patents

Practice Note 7
Classification of Applicants or Listed Issuers

- (g) ~~State whether the applicant or listed issuer is an Original Equipment Manufacturer (OEM) and/or Original Design Manufacturer (ODM).~~

~~☐ OEM ☐ ODM ☐ OEM & ODM~~

- (h) ~~State whether the listed issuer has on-going projects resulting from R & D activities. Provide particulars of projects which have already been announced.~~

~~_____~~
~~_____~~
~~_____~~
~~_____~~

4. TECHNOLOGY USED

- (a) ~~State the level of technology and the number of years it has been in existence.~~

~~_____~~
~~_____~~
~~_____~~
~~_____~~

- (b) ~~Describe the latest level of technology in use in any part of the world.~~

~~_____~~
~~_____~~
~~_____~~
~~_____~~
~~_____~~

- (c) ~~Describe how the technology used by the listed issuer compares with the latest technology used in other parts of the world.~~

~~_____~~
~~_____~~
~~_____~~
~~_____~~
~~_____~~

- (d) ~~Is the applicant or listed issuer the first to use this technology in its original form in Malaysia?~~

~~☐ Yes ☐ No~~

- (e) ~~Has the applicant or listed issuer carried out any significant innovation on the technology? If yes, describe the innovation.~~

~~_____~~
~~_____~~
~~_____~~
~~_____~~
~~_____~~

Practice Note 7
Classification of Applicants or Listed Issuers

- (f) ~~State whether significant innovation to technology used by the applicant or listed issuer resulted in new or improved manufacturing processes, and/or new or improved products.~~

☐ ~~Yes~~ ☐ ~~No~~

~~If yes, provide the necessary statistics to support this.~~

