

GUIDANCE NOTE NO 1/2006

CLASSIFICATION OF APPLICANTS OR LISTED COMPANIES

Issued in relation to Rules 2.14, 3.20 and 8.03 of the Listing Requirements;

And

Pursuant to rule 2.09 of the Listing Requirements.

1.0 Introduction

- 1.1 The Exchange has prescribed a list of sectors for all applicants seeking admission on the Official List of the Exchange as well as listed companies (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 Requirements, an applicant is required to propose its classification into any one of the Sectors (hereinafter referred to as “Classification”) and a listed company 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 company shall be subject to the approval of the Exchange.
- 1.4 This Guidance Note sets out the following:-
 - (a) that the Sectors will be prescribed by the Exchange;
 - (b) the criteria to be applied by an applicant or listed company in determining and proposing its Classification; and
 - (c) the manner in which an applicant or listed company 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 Guidance Note, unless the context otherwise requires, “core business” shall mean the activity representing the principal line of business of the applicant or listed company.

3.0 Sectors prescribed by the Exchange

- 3.1 The Exchange will prescribe the Sectors for the entities listed on the Official List. The list of Sectors can be obtained from the Exchange upon request.
- 3.2 The Exchange reserves the right to vary the list of Sectors or the criteria set out below for determining the Classification at any time it deems fit, in which event, where necessary, a listed company would be notified and may be required to review its 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 company must comply with the following steps.

- 4.2 An applicant or a listed company 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 company, segmental reporting of the quantitative criteria based on the audited annual accounts of the listed company for the last 2 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 company 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 company, where the figures in respect of the quantitative criteria do not clearly show a change to its core business a listed company 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 in Chapter 1 of these Requirements), the listed company 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 company 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 company 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 company 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 there are multiple products, the listed company'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 company 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 GN 1/2006-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 company must notify the Exchange of its proposal for change in Classification by submitting the duly completed Appendix GN 1/2006-A together with segmental reporting of the quantitative criteria to be computed based on the annual audited accounts of the listed company for each of the last 2 consecutive financial years and such other relevant documentary evidence.

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

- 7.1 The Exchange, may at its discretion, require an applicant or a listed company to provide additional information to the Exchange in relation to the notification made under paragraph 6.0 above.
- 7.2 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 company to a Sector which, in the opinion of the Exchange, is more appropriate for the applicant or listed company.

8.0 Effective Date

- 8.1 This Guidance Note takes effect on 8 May 2006.

Appendix GN 1/2006-A

Name of applicant or listed company:

1. BOARD CLASSIFICATION

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

CORE BUSINESS	(✓)	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	
<i>Technologically innovative company</i>		Technology			

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. _____
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 company 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:

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

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

☐ OEM

☐ ODM

☐ OEM & ODM

(h) State whether the listed company 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 company compares with the latest technology used in other parts of the world.

d) Is the applicant or listed company the first to use this technology in its original form in Malaysia?

☐ Yes

☐ No

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

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

☐ Yes

☐ No

If yes, provide the necessary statistics to support this.
