CONSULTATION PAPER

PROPOSED REVAMP OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

IN RELATION TO THE NEW MESDAQ MARKET

No. 2/2009

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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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CONSULTATION PAPER ON THE PROPOSED REVAMP OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE NEW MESDAQ MARKET

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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

As stated above, the current two boards on the Exchange will be combined to form a Unified Board for more established corporations. 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 for the Establishment of a Unified Board".

1.1.4 Proposed Regulatory Framework for New MESDAQ

The MESDAQ Market was first introduced to facilitate fund-raising in Malaysia for high-growth and technology-based companies. Based on market needs and jurisdictional studies, the New MESDAQ will be made accessible to local and foreign corporations from all business and economic sectors to raise funds.

The proposed changes are as follows:

(a) New MESDAQ to be a fund-raising platform accessible to both local and foreign corporations of all business and economic sectors;

(b) Save for debt securities issues, corporations seeking listing on New MESDAQ and subsequent proposals of New MESDAQ corporations would not require the SC's approval under Section 212 of the CMSA. Requirements for New MESDAQ proposals will be governed under the Listing Requirements of Bursa Malaysia (Listing Requirements);

(c) The SC retains its statutory responsibility on the registration of prospectuses to ensure that the standards of disclosures by New MESDAQ issuers are upheld; and

(d) The roles and responsibilities of the sponsors will be significantly enhanced to include the assessment on the quality and suitability of corporations seeking listing on the New MESDAQ. The new framework will empower sponsors with greater flexibility and certainty to advise prospective corporations on access to the capital market both at the time of listing and subsequently through further fund-raising exercises. We further acknowledge that corporations listed on the New MESDAQ would require a reasonable period of continuous guidance in complying with the ongoing obligations as a

listed corporation. Hence, we propose that the sponsor remains with the corporation for a minimum sponsorship period of three full financial years after admission.

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 revised regulatory framework, we have reviewed all relevant guidelines and regulations as well as the 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 MESDAQ Market. The proposed amendments to the Listing Requirements for the Main and Second Board are issued separately together with the Consultation Paper on "Proposed Revamp of the Listing Requirements of Bursa Malaysia Securities Berhad for the Establishment of a Unified Board".

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 MESDAQ Market in relation to –

(a) Admission to the New MESDAQ;

(b) Sponsors;

(c) Shareholding spread;

(d) Listing of foreign corporations;

(e) Transactions;

(f) Valuation on real estates;

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

(h) New issue of securities; and

(i) Other enhancements.

Details of the proposals are provided on pages 8 to 72.

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.

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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 definitions given below:

CMSA	:	Capital Markets and Services Act 2007
Commission	:	Securities Commission
Commission's Equity and Equity-Linked Guidelines for MESDAQ	:	The existing Commission's Guidelines on the Offering of Equity and Equity-Linked Securities for the MESDAQ Market
Exchange	:	Bursa Malaysia Securities Berhad
Fixed Period		The period of sponsorship as defined under paragraph 36 of this Consultation Paper
Guidance Note	:	Guidance Note issued by the Exchange in relation to the MMLR
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
New MESDAQ		The revamped MESDAQ Market as an alternative market for the listing of Malaysian or foreign corporations from all economic sectors
Official List	:	A list specifying all securities which have been admitted for listing on the MESDAQ Market and not removed
Public Document	:	Any document issued by a Sponsored Corporation to the public or its securities holders
Sponsor	:	Such persons who are registered on the Register of Sponsors for the MESDAQ Market
Sponsored Corporation	:	A listed corporation which is sponsored by a Sponsor during the Fixed Period
Unified Board	:	The unified board created for the listing of established corporations

3.1 Part 1 Admission

PROPOSAL 1.1

Description	Affected Provision(s)
Admission criteria of an applicant to the Official List	▪ **Rules 3.02, 3.04, 3.05, 3.06, 3.09, 3.10 and 3.14** ▪ **Chapter 5**

1. Currently, an applicant seeking listing on the MESDAQ Market must obtain prior approval from the Commission.

2. It is proposed that save for debt securities issues, proposals for New MESDAQ corporations would not require the Commission's approval under section 212 of the CMSA. Requirements for New MESDAQ proposals are to be set out under the MMLR. This means the Commission will no longer approve the IPO applications for the New MESDAQ. Similar to the Unified Board, the Commission will retain its statutory responsibility on registration of prospectuses. This is to ensure investor protection and adequate information being provided to the investing public. Hence, the New MESDAQ will have a simpler and faster admission process whereby an applicant will only need to appoint a Sponsor to submit its prospectus to the Commission for registration and file an application to the Exchange for listing and quotation of the applicant's securities.

3. Currently, pursuant to the Commission's Equity and Equity-Linked Guidelines for MESDAQ, a listing applicant (which is either a high-growth or technology-based company) must meet certain minimum quantitative requirements such as issued and paid-up capital and operating history.

4. Moving forward, the Exchange proposes not to confine listing on the New MESDAQ to high-growth and technology-based companies only. Eligible companies from all business sectors will be allowed to raise funds from the capital market on the New MESDAQ.

5. Under the enhanced sponsorship framework, a Sponsor is responsible to assess the suitability of the applicant seeking admission to the Official List.

6. An applicant seeking admission to the New MESDAQ will not be required to meet any minimum operating track record, profit or share capital requirement.

7. However, an applicant must comply with the following:

   (a) it has sufficient working capital for its present requirements and for at least 12 months after listing;

   (b) it has continuity of substantially the same management at the level of executive directors and senior management for 3 full financial years prior to submitting its listing application to the Exchange or since its incorporation (if less than 3 full financial years), as the case may be;

   (c) its listing will not give rise to a chain listing situation, the details of which are set out in paragraph 8 below;

   (d) it has an independent business and not merely an investment holding company in other listed corporations;

   (e) if it is a property investment or property development corporation it must appoint an independent external valuer to conduct a valuation of all its real estate; and

(f) it meets the prescribed public shareholding spread requirement ,

(collectively referred to as "**Proposed Admission Criteria**").

8. Chain listing is a term used to describe a situation where a subsidiary or a holding company of a corporation already listed on the Unified Board or MESDAQ Market is seeking listing on its own. In such a situation, the following requirements must be met by the applicant:

(a) the applicant must be involved in a distinct and viable business of its own;

(b) the relationship between the applicant and all the other corporations within the holding company's group must not give rise to intra-group competition or conflict-of-interest situations;

(c) the applicant should demonstrate that it is independent from the already-listed corporation and other corporations within the group in terms of its operations, including purchases and sales of goods, management, management policies and finance;

(d) the already-listed corporation must have a separate autonomous business of its own, and will be able to sustain its listing in the future; and

(e) where a holding company of an already-listed corporation is seeking listing, the applicant must meet the requirements for listing without taking into account the contributions, in terms of revenue, profit or otherwise, from its already-listed subsidiary corporations.

9. Structured warrants can only be listed on the Unified Board and not on the New MESDAQ. In this regard, the Exchange will remove the existing Chapter 5 of the MMLR which is in relation to the listing of structured warrants on the MESDAQ market.

10. The Exchange also proposes not to allow listing of incubators and special purpose acquisition companies on the New MESDAQ. They can only be listed on the Unified Board.

11. The above enhancements are aimed at expanding the role of the New MESDAQ as a capital raising platform for companies from all business sectors, enhancing the sponsorship regime and the attractiveness of the New MESDAQ in terms of shortening time to market, simplifying the listing procedures and increasing greater business efficacy.

Proposal 1.1 - Issue(s) for consultation:

(a) Do you agree with the Proposed Admission Criteria?

(b) Do you agree that structured warrants should be listed on the Unified Board only and not on the New MESDAQ?

(c) Do you agree that incubators and special purpose acquisition companies should be listed on the Unified Board only and not on the New MESDAQ?

(d) Do you think the Proposed Admission Criteria should be applied for all types of issues or should we have specific criteria for different issuers?

(e) Do you think minimum quantitative requirements in relation to operating track record, profit or share capital should be imposed on a listing applicant seeking admission to the New MESDAQ and be specifically set out in the revamped MMLR or should they be dictated by Sponsors?

Please state reason(s) for your comments.

PROPOSAL 1.2

Description	Affected Provision(s)
Enhanced initial listing process for initial listing	▪ **Rule 3.10** ▪ **Appendix 3A**

12. 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**").

13. 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**").

14. 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 documents and/or confirmations 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.

15. 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**").

16. 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.

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

18. This proposed enhanced initial listing process is also applicable to the initial listing of a foreign corporation seeking a primary listing on the Exchange.

19. 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.

20. The Proposed Listing Form needs to be signed by both the applicant and its Sponsor.

21. Under the Proposed Listing Form for the initial listing of securities, 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 shareholding 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;
- For a RTO Proposal, the applicant's confirmation on whether it is an Affected Company under Guidance Note 3, 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.

Proposal 1.2 - Issue(s) for consultation:

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

PROPOSAL 1.3

Description	Affected Provision(s)
Methods of offering of securities	▪ **Rules 3.15, 3.17, 3.19 to 3.21**

22. Currently, under the Commission's Equity and Equity-Linked Guidelines for MESDAQ:

(a) an offer for sale is not allowed;

(b) a principal adviser (i.e. the adviser responsible for making submissions to the Commission for proposals under the Commission's Equity and Equity-Linked Guidelines for MESDAQ) is required to undertake the role as the placement agent;

(c) the issue price of equity securities (other than warrants and convertible securities) offered for subscription, for which a listing is sought, must be at least RM0.50 each;

(d) underwriting arrangements must be in place before the offering of securities is made except where:

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

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

(iii) the offering is made via a book-building exercise;

(e) a moratorium is imposed on the disposal of the promoters' shareholdings in an applicant, where the promoters will not be allowed to sell, transfer or assign their shareholdings amounting to 45% of the nominal issued and paid-up ordinary share capital of the applicant at the date of admission for 1 year from the date of admission of the applicant to the MESDAQ Market. After the moratorium, the promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of their respective shareholdings under the moratorium.

23. The Exchange proposes the following:

(a) allow offer for sale for an applicant which has generated 1 full financial year of operating revenue based on its latest audited financial statements, provided that no

offer for sale may be made by a promoter if it will result in all promoters in aggregate, holding less than 45% of the enlarged issued and paid-up capital of the applicant at the date of admission to the Official List;

(b) a Sponsor must act as a placement agent (or joint placement agent, where applicable) for any placement of securities under an IPO as required currently;

(c) the requirement for minimum issue price of 50 sen be maintained;

(d) underwriting for an offering of securities is not mandatory but should be at the discretion of the applicant and its Sponsor; and

(e) with regard to moratorium, a moratorium will be imposed on the sale, transfer, assignment or disposal of shares held by promoters of an applicant as follows ("**the Moratorium**"):

(i) The Moratorium applies to the entire shareholdings of the promoters of an applicant for a period of 6 months from the date of admission to the Exchange. ("**Moratorium Period**"). For this purpose, "shareholdings" include any securities owned by promoters which are convertible or exercisable into ordinary shares of the applicant;

(b) In the case of an applicant which has generated 1 full financial year of operating revenue based on the latest audited financial statements issued before the expiry of the Moratorium Period, the promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of their respective shareholdings after the Moratorium Period; and

(c) Where an applicant has not generated 1 full financial year of operating revenue based on the latest audited financial statements issued before the expiry of the Moratorium Period, upon expiry of the Moratorium Period, the listed corporation must ensure that the promoters' aggregate shareholdings amounting to at least 45% of the enlarged issued and paid-up share capital of the listed corporation remain under Moratorium, assuming full conversion or exercise of convertible securities owned by the promoters, if any. The promoters may only sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of their respective shareholdings after the listed corporation has generated 1 full financial year of operating revenue based on the latest audited financial statements.

24. The proposed amendments are made in line with the objective of the New MESDAQ which is envisaged to be an alternative capital raising platform for companies. Further, the Exchange believes that the decision to undertake the role as an underwriter should rest with the Sponsor and the listing applicant, having considered other market driven factors.

Proposal 1.3 – Issue(s) for consultation:

(a) Do you agree that offer for sale by promoters be allowed only for applicants which have generated 1 full financial year of operating revenue based on its latest audited financial statements?

(b) Do you think the proposed method of offering framework is adequate to attract corporations to list on the New MESDAQ?

(c) What other flexibilities or changes to the MMLR on the methods of offering would you like the Exchange to consider, if any, and why?

(d) Do you think investors' interests are adequately safeguarded with the proposed Moratorium? Is the Moratorium Period reasonable and appropriate?

(e)	Is there a need to fix a minimum issue price? If so, should the minimum issue price be maintained at 50 sen? If not, what minimum issue price would you propose and why?

[End of Part 1]

3.2 Part 2 Sponsors

PROPOSAL 2.1

Description	Affected Provision(s)
Competency requirements to be eligible to act as Sponsors	▪ **Rule 4.03**

25. Given the enhanced role and obligation of Sponsors, the Exchange proposes that advisers must meet certain minimum competency requirements before they can be eligible to act as Sponsors. The competency requirements would ensure that we have quality Sponsors that have adequate manpower with the necessary competency and experience to perform their responsibilities. This is important given that Sponsors will be responsible for evaluating and deciding if a particular applicant is suitable to be listed under the New MESDAQ.

26. The proposed competency requirements which will be stipulated under the Commissions' guidelines are as follows:

(a) Sponsors must have at least 2 senior personnel (Qualified Senior Personnel) with the following competency and experience:

(i) 5 years' corporate finance experience prior to the application; and

(ii) in the immediate preceding 5 years prior to the application, have advised on at least 3 IPOs or reverse takeovers in Malaysia or a comparable jurisdiction; and

(b) have at least 2 other professionals (besides the two Qualified Senior Personnel) with 3 years' direct corporate finance experience and/or experience in conducting financial audit.

27. Notwithstanding the above competency requirements, Sponsors must be an eligible entity permitted by the Commission to submit corporate proposals e.g. investment banks, universal brokers and Islamic banks.

Proposal 2.1 – Issue(s) for consultation:

(a) Are the competency requirements which encompass both manpower and experience adequate to ensure that we have quality Sponsors which will undertake their roles and obligations to bring on board quality companies to the New MESDAQ?

(b) Should the competency requirements for the Sponsors be made the same as those for Principal Advisers for the Unified Board issuers? If so, why?

(Note: Under the Commission's Guidelines on Principal Advisers for Corporate Proposals, advisers who wish to act as Principal Advisers for specific corporate proposals are required to have 2 Qualified Senior Personnel and 6 other professionals)

PROPOSAL 2.2

Description	Affected Provision(s)
Sponsor to determine suitability for admission of an applicant	▪ **Rules 4.07, 4.08 and 4.18.** ▪ **New Guidance Note**

28. Currently, an applicant must first obtain the Commission's approval prior to its admission to the Official List. The Commission will assess the suitability of a listing applicant, including the viability of its business.

29. Under the New MESDAQ, a Sponsor is responsible to evaluate and decide if a particular applicant is suitable to be listed on the Official List. Neither the Commission nor the Exchange will assess the viability of an applicant's business, as this will be left to the Sponsors.

30. To guide the Sponsors, the Exchange proposes the following:

    (a) before sponsoring an applicant, a Sponsor must have a sound understanding and updated knowledge of the applicant, its business, operation, the industry it operates in and any other issues that might affect the business and industry of the applicant; and

    (b) in assessing the suitability of an applicant for listing, a Sponsor must make all reasonable due diligence enquiries and consider all relevant matters, including the following:

        (i) the viability and prospects of an applicant's business;

        (ii) the applicant's corporate governance record;

        (iii) the suitability, efficacy and past corporate conduct of the board of directors and key management;

        (iv) the nature and extent of conflict of interests or potential conflict of interests, if any;

        (v) whether the applicant has sufficient systems, procedures, policies, controls and resources to comply with the MMLR and that its directors understand their obligations under the MMLR;

        (vi) whether the applicant has adequate internal control and risk management systems; and

        (vii) that the admission of the applicant to the Official List does not undermine public interest.

31. Further, guidance on how a Sponsor may assess the suitability of an applicant is set out in a new Guidance Note including the matters that a Sponsor should consider. The key obligations of a Sponsor in the assessment of suitability as set out in the new Guidance Note include the following:

    (a) achieve a sound understanding and updated knowledge of the applicant, its business, operations, the industry it operates in and any other issues that might affect the business and industry of the applicant;

    (b) to determine the viability and prospects of the applicant's business consider, amongst others, whether-

        (i) the business is likely to succeed;

        (ii) the business has potential for profitable operations and wealth creation;

        (iii) the applicant has adequate resources to realise its potential;

(iv) the applicant has a sustainable position in the industry having regard to its competitiveness, availability of alternative products or services, government policies and incentives, and the economy; and

(v) the applicant has sufficient working capital available for its present requirements and for at least 12 months after listing;

(c) consider the applicant's corporate governance record;

(d) investigate and assess the suitability of each (proposed) director and consider the efficacy of the board of directors as a whole for the applicant's needs and where appropriate, a Sponsor must extend such investigations and assessment to each member of the key management when considering the efficacy of the key management as a whole for the applicant's needs and the promoters of the applicant;

(e) assess all aspects of the applicant's business to determine whether there is, or is likely to exist, any situation of conflict of interests, including conflicts in relation to the Sponsor's role as a Sponsor to the applicant. An applicant must resolve, eliminate or mitigate all conflicts of interests. The Sponsor must not submit any listing application to the Exchange if there is a conflict of interests which has not been satisfactorily addressed;

(f) be satisfied that the applicant has in place sufficient systems, procedures, policies, controls (including accounting and management systems) and resources which are adequate to comply with the MMLR and other relevant legal and regulatory requirement, and which are sufficient for the applicant's directors to make a proper assessment of the financial position and prospects of the applicant and its subsidiary companies, both before and after listing;

(g) be satisfied that the applicant 's directors understand their obligations under the MMLR;

(h) be satisfied that the applicant has adequate internal controls and risk management systems for compliance with applicable laws and regulations;

(i) consider whether the listing application by an applicant would undermine public interest;

(j) oversee the due diligence process, satisfy itself that the due diligence done is appropriate and suitable for the applicant and its listing application. A Sponsor must be satisfied that all material issues arising from the due diligence exercise are dealt with or otherwise do not affect the appropriateness and suitability of the applicant for listing; and

(k) consider and advise on the suitability and competence of other professionals and experts including the applicant's reporting accountants and ongoing auditors. A Sponsor must base its assessment at a minimum on reputation, track record, relevant experience and adequacy of resources.

32. The requirements in Chapter 4 of the revamped MMLR are similarly applicable to a listed corporation that undertakes a corporate proposal which will result in a significant change in the business direction or policy of a listed corporation (i.e. back door listing), as if it were an applicant seeking admission to the Official List.

33. It is proposed that under the New MESDAQ, Sponsors be empowered with greater flexibility and certainty to advise prospective corporations on accessing the capital market for growth. This will make the New MESDAQ as open as possible to a range of smaller but growing companies.

Proposal 2.2 – Issue(s) for consultation:

(a) Are the proposed suitability assessments set out in the MMLR and the new Guidance Note 15 for the Sponsors helpful and sufficient to ensure that only good quality companies are listed on the New MESDAQ, hence, investors' interest are protected?

(b) In your opinion, what other requirements would be useful to assist the Sponsors to carry out their responsibilities effectively? Is there any additional measure that should be included in the MMLR to ensure that only good quality companies are listed on the New MESDAQ?

PROPOSAL 2.3

Description	Affected Provision(s)
Sponsorship term, termination of Sponsors, removal or replacement Sponsors and consequences for failing to retain a Sponsor during the required periods	▪ **Rules 3.29, 4.19, 4.20, and 4.21** ▪ **Rule 6.01A** ▪ **Rule 8.18A**

34. Currently, an applicant must secure and maintain the services of a Sponsor for at least 3 full financial years after admission. The applicant's IPO adviser must act as its Sponsor for at least 1 full financial year following the applicant's admission to the MESDAQ Market.

35. The Exchange proposes an enhanced sponsorship framework where the role of a Sponsor will be enhanced significantly. Given that the Sponsor as the party responsible for assessing the suitability of an applicant for listing will be the main gatekeeper for the New MESDAQ, the Exchange proposes to extend the mandatory period for the IPO Sponsor to remain as an applicant's Sponsor. Hence, the Exchange proposes that an applicant must maintain the same Sponsor who has advised and brought an applicant to be listed on the New MESDAQ for 3 full financial years immediately after listing ("**the said Period**").

36. In relation to a listed corporation which has yet to generate operating revenue during the said Period, the listed corporation must extend the services of the Sponsor to at least 1 full financial year after the applicant has generated operating revenue (the said Period and the period proposed in this paragraph 36 are collectively referred to as "**the Fixed Period**").

37. After the Fixed Period, if the listed corporation intends to undertake a corporate proposal, it must appoint an adviser (who is admitted to the Register of Sponsors) to advise and/or submit a listing application to the Exchange in relation to the corporate proposal ("**Adviser**"). However this requirement is not applicable to simpler corporate proposals such as share buy-backs and recurrent related party transactions.

38. Neither the Sponsor can resign nor its service be terminated by its Sponsored Corporation at any time during the Fixed Period except with the Exchange's approval. Such approval will only be granted in exceptional circumstances.

39. A listed corporation who fails to maintain its Sponsor during the Fixed Period will have the trading of its securities suspended. If the suspension continues for more than 3 months, the Exchange may de-list the listed corporation from the Official List.

40. Since the Sponsor is the party who, having conducted due diligence inquiries, takes the view that a listing applicant is suitable for listing, the Sponsor must be prepared to sponsor the corporation for the entire duration of the Fixed Period. Otherwise, the listed corporation may face the consequence of suspension and delisting. This is to ensure that there is continuity of guidance given to a listed corporation, to enhance the effectiveness of the sponsor driven market and to maintain the quality of the New MESDAQ.

Proposal 2.3 – Issue(s) for consultation:

Do you agree:

(a) that the minimum sponsorship period be maintained at 3 full financial years after admission?

(b) that a Sponsor who has advised and brought a listed corporation to be listed on the New MESDAQ be required to remain as the applicant's Sponsor for the entire sponsorship period of 3 years?

(c) that a listed corporation which has yet to generate operating revenue during the said Period must extend the services of its Sponsor to at least 1 full financial year after the applicant has generated operating revenue?

(d) that no termination or resignation of a Sponsor's services be allowed unless permitted by the Exchange?

(e) that a listed corporation which is unable to comply with the sponsorship requirement should face the risk of suspension and delisting?

Please state reason(s) for your views.

PROPOSAL 2.4

Description	Affected Provision(s)
Conflict of interest involving a Sponsor	▪ **Rule 4.09**

41. Currently, a Sponsor must take all reasonable steps to ascertain whether a conflict of interest exists or is likely to exist in relation to its role as a Sponsor to its Sponsored Corporation. Where a conflict of interest exists or is likely to exist, all possible steps must be taken to avoid or resolve such conflicts of interests. Full disclosure must be made to the board of directors of the Sponsored Corporation and in the Public Document (if prepared by the Sponsor on behalf of the Sponsored Corporation) of the nature and extent of the conflict of interests and the steps taken to address such conflicts.

42. Under the enhanced sponsorship framework, the obligations of a Sponsor vis-à-vis potential conflicts of interests that may arise have been reinforced.

43. The Exchange proposes that a Sponsor must:

(a) take all reasonable steps to ascertain whether a conflict of interests exists or is likely to exist in relation to its role as a Sponsor to the applicant. Where a conflict of interests exists or is likely to exist, all possible steps must be taken to avoid or resolve such conflicts of interests. A Sponsor must make full disclosure to the board of directors of the applicant and in the Public Document of the nature and extent of the conflict of interests and the steps taken to address such conflicts. Where a conflict of interests cannot be resolved satisfactorily, a Sponsor must not act for an applicant or listed corporation;

(b) have controls, procedures and other safeguards to maintain its independence and avoid conflict of interests;

(c) ensure that none of its directors, principal officers, employees, or persons connected with any such director, principal officer or employee hold the position of a director of an applicant or a Sponsored Corporation for whom it acts as a Sponsor;

(d) not sponsor an applicant or a listed corporation if it has 5% or more of the enlarged issued and paid-up share capital in the applicant or listed corporation. However, an asset management company licensed by the Commission or a venture capital company registered with the Commission operated by the Sponsor is not subject to this limit; and

(e) ensure that any director or employee of a Sponsor who is privy to confidential information regarding a Sponsored Corporation or other listed corporation does not use such information to trade for his own benefit or for the benefit of a person connected with such director or employee. For this purpose, a Sponsor may consider implementing policies, procedures and controls to monitor the trading activities of its directors and employees.

44. The conflict of interests requirements under the revamped MMLR are enhanced in view of the critical roles played by a Sponsor in its Sponsored Corporation. In order to perform its role effectively, a Sponsor must maintain its independence at all times. This is also important to ensure the success of the sponsorship regime under the New MESDAQ.

Proposal 2.4 – Issue(s) for consultation:

(a) Do you think the safeguards on conflict of interests in paragraph 43 above are adequate to cater for all situations of potential conflict of interests which may arise?

(b) In your opinion, what other safeguards should be added to manage a conflict of interest situation?

PROPOSAL 2.5

Description	Affected Provision(s)
Sponsors' role and obligations in respect of sponsorship	▪ **Rules 4.10, 4.11, 4.12, 4.13, 4.14, 4.15 and 4.16**

45. Currently, the roles and obligations of a Sponsor are set out in Parts E and F of Chapter 4 of the MMLR.

46. The Exchange proposes to merge these roles and obligations under the new Part D of Chapter 4 (Sponsor's Obligations) of the revamped MMLR. The following are some of the Sponsor's enhanced roles and obligations during the sponsorship period:

(a) guiding the Sponsored Corporations and its directors by maintaining regular contact with the Sponsored Corporation, to provide advice and guidance the Sponsored Corporation and its directors, including on the appointment of a suitable accounting firm and whether the trading of the Sponsored Corporation's securities should be halted or suspended;

(b) ensuring that before the end of the Fixed Period, the Sponsored Corporation has adequate systems, procedures, policies and resources to discharge its obligations under the MMLR;

(c) ensuring that it has at all times adequate systems, procedures, policies and resources to discharge its obligations under the MMLR;

(d) using due care and skill at all times when acting for any Sponsored Corporation, including when advising or guiding a Sponsored Corporation, maintaining regular contact with the Sponsored Corporation, seeking necessary assistance and consultation from other appropriately qualified and suitable professionals when

required; and not allowing its name to be associated with any application or documentation, unless the Sponsor is satisfied that, based on all available information and to the best of its knowledge and belief, the application or documentation constitutes a full and true disclosure of all material facts about a proposal;

(e) liaising with the Exchange on matters concerning the Sponsor's responsibilities and other matters which should be brought to the Exchange's attention. In this regard, a Sponsor must among others:

(i) notify the Exchange immediately when it believes or becomes aware that it or its Sponsored Corporation has breached or is likely to commit a breach of the MMLR;

(ii) notify the Exchange immediately if it reasonably believes that the trading of its Sponsored Corporation's securities should be halted or suspended, or that its Sponsored Corporation should be delisted;

(iii) notify the Exchange when it receives any written warning or disciplinary inquiry from any other regulatory authority;

(iv) notify the Exchange of any material adverse change in its financial or operating position; and

(v) provide the Exchange with accurate, complete and not misleading information, statement or report concerning its Sponsored Corporation in such form and within such time as the Exchange may require; and

(f) maintaining and retaining sufficient information about its sponsorship or advisory activities for a period of 7 years which may be inspected by the Exchange and must be produced promptly to that person on request.

47. The proposed amendments above are made to enhance the role and the effectiveness of Sponsors in listed corporations, which are pivotal in ensuring the success of the sponsorship regime under the New MESDAQ.

Proposal 2.5– Issue(s) for consultation:

(a) Do you think the proposed roles and obligations of a Sponsor are appropriate?

(b) Do the proposed amendments above provide Sponsors with sufficient empowerment to carry out their enhanced obligations?

(c) In your opinion, is there any additional measure which may assist Sponsors to discharge their duties which should be included in the MMLR?

PROPOSAL 2.6

Description	Affected Provision(s)
Proposal by a Sponsored Corporation	▪ **Rule 4.17**

48. Currently, with regard to corporate proposals undertaken by a Sponsored Corporation, it is the responsibility of a Sponsor to-

(a) advise and guide the directors of a Sponsored Corporation as to their responsibilities and obligations to ensure compliance by the Sponsored Corporation with the MMLR and all relevant legislation and guidelines issued by regulatory authorities;

(b) be co-signatory for all correspondences between a Sponsored Corporation and the Exchange;

(c) provide the Exchange with such information concerning a Sponsored Corporation in such form and within such time limits as the Exchange may require; and

(d) review and approve any circular, announcement, statement, information or document to be submitted or disclosed by a Sponsored Corporation to the Exchange to ensure compliance by the Sponsored Corporation with the MMLR.

49. Under the revamped MMLR, either a Sponsor or an Adviser (also a person admitted to the Register of Sponsors) may be appointed to advise a listed corporation on a corporate proposal. This is similar to the current situation except for appointment of independent advisers in relation to a related party transaction. Currently, corporate finance advisers who are not admitted to the Register of Advisers may be appointed as an independent adviser to listed companies after the sponsorship period of 3 years. However, under the revamped MMLR, only Sponsors or Advisers may act as independent advisers to listed corporations. This is irrespective of whether the listed corporation is a Sponsored Corporation.

50. The Exchange proposes that a Sponsor or an Adviser must, in such a circumstance and having made reasonable due diligence enquiries and considered all relevant matters, do the following:

(a) assess and be satisfied with the suitability and competency of other professionals and consultants involved in the corporate proposal;

(b) review and approve the Public Documents relating to the corporate proposal to ensure compliance with the MMLR;

(c) ensure that the execution of the corporate proposal is in compliance with the MMLR, guidelines issued by the relevant regulatory authorities and other applicable laws; and

(d) ensure that any difference in the effect of the corporate proposal on minority shareholders compared to other shareholders, is clearly disclosed in the Public Documents.

51. Where an Adviser is appointed to act on a corporate proposal by a listed corporation during or after the Fixed Period, the Adviser must also comply with the other requirements of Chapter 4 relating to the conflict of interests, conduct and standard of care of Sponsors etc., where applicable and with the necessary modifications.

52. The Exchange also proposes that where a Sponsored Corporation has appointed another Adviser to undertake a corporate proposal during the Fixed Period, the Sponsor is not required to comply with paragraph 50 above. However, the Sponsor (in its role as a Sponsor for the New MESDAQ) and Sponsored Corporation must ensure that-

(a) the Sponsor remains as the co-signatory for all correspondences between the Sponsored Corporation and the Exchange; and

(b) the Sponsor reviews the adequacy of disclosure in the Public Document and is satisfied that the Public Document complies with the MMLR.

53. The above proposed amendments are made to clarify and enhance the role of the Sponsors in corporate proposals undertaken by listed corporations. Since the Exchange will only conduct post vetting of circulars or documents issued to shareholders (except for back door

listing where the documents will be pre-vetted by the Exchange), the role of a Sponsor and Adviser in ensuring the quality of circulars and documents issued to shareholders is critical.

Proposal 2.6 – Issue(s) for consultation:

(a) Are the proposed roles and obligations of Sponsors and Advisers in relation to a corporate proposal as stated in paragraph 50 above adequate to ensure the Sponsored Corporation's compliance with the MMLR and investors' protection?

(b) Where another Adviser is appointed to undertake a corporate proposal, do you agree that a Sponsor must perform the roles as stated in paragraph 52(a) and (b) above?

PROPOSAL 2.7

Description	Affected Provision(s)
Performance review by the Exchange	▪ **Rules 4.23 and 4.24**

54. Currently, the Exchange may at any time review the performance of each Adviser and Sponsor. If the Exchange considers that the Adviser or Sponsor has not performed its duties satisfactorily, the Exchange may impose such conditions or requirements on the Adviser or Sponsor as the Exchange deems fit.

55. In view of the enhanced roles and responsibilities of a Sponsor under the revamped MMLR, below are some provisions proposed by the Exchange to enhance the standard of review on a Sponsor's performance under the revamped MMLR:

(a) a Sponsor must submit to the Exchange a copy of its annual review report when required by the Exchange;

(b) the Exchange may at any time review the performance or conduct of a Sponsor. If the Exchange considers that the Sponsor has not performed its duties satisfactorily, the Exchange may impose such conditions or requirements on the Sponsor or take any other action as the Exchange deems fit;

(c) the Exchange may appoint any party it deems necessary, or require a Sponsor to appoint a special auditor acceptable to the Exchange to do the review. All costs of the review (including the costs in engaging the service of a special auditor) will be borne by the Sponsor;

(d) the Exchange may, in undertaking the review or discharging its duties under the law, take any one or more of the following actions:

(i) interview the Sponsor's directors, principal officers, employees or other relevant third parties; or

(ii) inspect the Sponsor's premises, documents, records, systems, procedures and policies relating to its sponsorship activities; and

(e) a Sponsor must provide reasonable assistance to the Exchange during the review.

56. The success of a sponsor driven market such as the New MESDAQ rests largely on the quality of the Sponsors. Hence, the proposed amendments are made to ensure the quality of Sponsors' performance, which is important to maintain the integrity of the New MESDAQ and safeguard investor interest.

Proposal 2.7– Issue for Consultation

Are the proposed additional provisions above adequate to ensure the quality and performance of a Sponsor on the New MESDAQ?

PROPOSAL 2.8

Description	Affected Provision(s)
Provision of information and assistance to Sponsors	▪ **Rule 4.27**

57. Currently, a Sponsored Corporation is required to provide its Sponsor, on a timely basis all relevant information within the Sponsored Corporation's possession which is necessary and reasonable for the Sponsor's performance of its duties under the MMLR.

58. In order to ensure the success of the enhanced sponsorship framework, a Sponsored Corporation must also render the necessary assistance and co-operation to its Sponsor. Hence, the Exchange proposes to expand the current provisions on information and assistance to be provided by the Sponsored Corporations to its Sponsor. Under the new Rule 4.27, a Sponsored Corporation must:

(a) provide its Sponsor on a timely basis all relevant information within the Sponsored Corporation's possession which is necessary and reasonable for the Sponsor's performance of its duties under the revamped MMLR;

(b) provide its Sponsor all reasonable assistance to enable its Sponsor to perform its duties under the revamped MMLR;

(c) ensure that its directors, substantial shareholders, associated companies and employees or any other relevant parties of the Sponsored Corporation provide assistance and co-operation to its Sponsor;

(d) provide its Sponsor access to all its information, books, records, personnel and premises; and

(e) immediately inform its Sponsor of any material change of information or status when it becomes aware of such change.

59. The proposed amendments are made to empower the Sponsors so that they are in the position to perform their roles more effectively. Given the role and obligations imposed on Sponsors under the revamped MMLR, the Sponsors must have all the necessary tools to discharge their duties effectively, including cooperation from listed corporations.

Proposal 2.8 – Issue(s) for consultation:

(a) Are the proposed additional provisions above adequate to ensure that proper assistance and information is given to Sponsors to perform their roles and carry out their obligations effectively under the revamped MMLR?

(b) Do you foresee any difficulty in complying with any of them? If so, please state your reason(s). Where possible, please propose your recommendation.

[End of Part 2]

3.3 Part 3 Shareholding Spread

PROPOSAL 3.1

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

60. Currently, the definition of "public" under Rule 1.01 MMLR excludes –

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

(b) substantial shareholders of a corporation except where such shareholder fulfills all the criteria set out below in which case the shareholder may be included as a "public" shareholder; and

(c) associates of the directors or substantial shareholders.

61. 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).

62. 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 corporation 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, i.e. 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" for the MMLR, a "partner" 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:

(a) 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

(b) 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 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 will exclude a person who holds or acquires shares through artificial means such as gifts, free shares given away or financial assistance or loans to acquire shares by or as nominees of the directors or substantial shareholders. 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 3.1 - Issue(s) for consultation:

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

(a) consider directors of associated companies of applicant and listed corporations as "public" shareholders?

(b) 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?

(c) 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?

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

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

PROPOSAL 3.2

Description	Affected Provision(s)
Shareholding spread at initial listing	▪ **Rule 3.07**

63. Currently, a listing applicant 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.

64. In line with the roles and objectives of New MESDAQ Market to allow eligible growth companies from all business sectors to raise funds from the Malaysian capital market, the Exchange takes cognizant of the fact that the shareholding spread requirement under the revamped MMLR must be appropriate for smaller but growing companies. At the same time, in undertaking the review of shareholding spread requirement, the Exchange is also mindful of market liquidity and investor protection concerns.

65. Having considered the above factors and after taking into account industry feedback, the Exchange proposes the following:

(a) To reduce the minimum shareholding spread from the existing 25% to "15%"; and

(b) To substitute the "1,000 public shareholders" with "200 public shareholders".

("**Proposed Spread Requirement at Admission")**

66. The Proposed Spread Requirement at Admission serves to provide greater flexibilities to listing applicants to manage their public shareholding spread, while ensuring that the objectives of the requirement are still attained. This is also aimed at enhancing the attractiveness of the new MESDAQ market.

Proposal 3.2 – Issue(s) for consultation:

Is the Proposed Spread Requirement at Admission of *"at least 15% of the total number of shares for which listing is sought are held by at least 200 public shareholders"* appropriate? If not, what is your proposal? Please state the reasons for your proposal.

PROPOSAL 3.3

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

67. Currently, under Rule 8.15, a listed corporation 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.

68. In conjunction with the review undertaken by the Exchange relating to public shareholding spread as mentioned in paragraphs 64 and 65 above, the Exchange proposes the following:

(a) To reduce the minimum public shareholding spread from the existing "25%" to "10%"; and

(b) To remove the "1.000" minimum number of public shareholder as a continuing listing obligation.

69. In arriving at the above proposal, the Exchange strives to balance the need of listed corporations for the New MESDAQ Market, which will largely be the growth corporations, and

the importance of ensuring a minimum level of liquidity in the MESDAQ Market for purposes of investor protection.

70. The proposed removal of the public spread requirement in terms of number of public shareholder as in paragraph 68(b) above is on the premise that the percentage of public shareholding spread would be sufficient. This is also in line with other benchmarked jurisdictions, such as Singapore and Hong Kong.

Proposal 3.3 – Issue(s) for consultation:

Do you agree with the Exchange's proposal to -

(a) reduce the public shareholding spread on a continuing basis from the existing "25%" to "10%" of total listed shares (excluding treasury shares) of the New MESDAQ corporations; and

(b) completely remove the minimum number of public shareholders for the New MESDAQ companies as a continuing listing obligation?

If the answer to any one of the above is in negative, please state your reasons and proposals.

PROPOSAL 3.4

Description	Affected Provision(s)
Suspension & de-listing of securities in a take-over offer for failing to comply with shareholding spread requirements	▪ **Rules 16.02(2), 16.02(3), 16.09(1), 16.09(2), and 16.09(3)** ▪ **GN 13 - Paragraphs 1.0, 2.0, 3.0, 4.2, 5.0 and 6.0**

71. 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 regularize any contravention of the MMLR) resulting in the listed corporation'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 corporations.

72. 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 corporation 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 corporation/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 corporation.

73. 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 corporation 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 3.4 – 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 corporation as mentioned in paragraph 72 above?

[End of Part 3]

3.4 Part 4 Primary Listing of Foreign Corporation & Secondary Listing of Corporation

PROPOSAL 4.1

Description	Affected Provision(s)
Admission of foreign corporations on a primary and secondary listing on the MESDAQ Market	▪ **Parts B, C and E of the new Chapter 5**

74. In order to enhance the attractiveness of the New MESDAQ Market, the Exchange will allow primary and secondary listing of a foreign corporation on the New MESDAQ Market.

75. The new Chapter 5 of the revamped MMLR sets out the requirements that must be complied with by a foreign corporation seeking a primary listing, and a corporation (whether local or foreign) seeking a secondary listing on the MESDAQ Market (collectively "**applicant**"), and their continuing obligations after admission to the Official List.

76. Generally, the proposed framework for listing of an applicant on the New MESDAQ Market is similar to the Unified Board's framework, with the necessary modifications, taking into account the characteristics of the New MESDAQ.

77. To be admitted to the New MESDAQ, an applicant must among others -

(a) apply for a listing on the New MESDAQ Market through a Sponsor;

(b) be incorporated in a jurisdiction whose corporation laws and other laws and regulations have standards at least equivalent to those in Malaysia;

(c) obtain the approval of all relevant regulatory authorities before issuing its listing prospectus and submitting its application to the Exchange;

(d) have been registered as a foreign company under the Companies Act 1965;

(e) appoint an agent or representative in Malaysia to be responsible for communication with the Exchange, on behalf of the applicant and establish a share transfer or share registration office in Malaysia;

(f) prepare its financial statements and reports in accordance with the approved accounting standards as defined in the Financial Reporting Act, 1997, which includes International Accounting Standards; and

(g) apply auditing and valuation standards which are in accordance with approved auditing/valuation standards applied in Malaysia or the relevant international standards.

("**Proposed Admission Requirements**")

78. In addition to those set out in paragraph 77 above –

(a) an applicant which is seeking a primary listing on the Exchange must have a majority of its directors whose principal place of residence is within Malaysia, if it has predominantly Malaysian-based operations. For an applicant which has foreign-based operations, it must have at least one of its directors whose principal place of residence is within Malaysia;

(b) an applicant which is seeking a secondary listing on the Exchange must –

(i) already have a primary listing on a foreign exchange and must fully comply with the listing rules of its home exchange;

(ii) have at least one director whose principal or only place of residence is within Malaysia; and

(iii) where it is not required to issue a prospectus, issue an introductory document which must comply with the Commission's Prospectus Guidelines for Public Offerings.

Proposal 4.1 - Issue(s) for consultation:

(a) Do you agree with the Exchange's proposal to allow the listing of the following on the New MESDAQ:

(i) primary listing by foreign corporations; and

(ii) secondary listing by both local and foreign corporations

If so, do you agree with the Proposed Admission Requirements?

(b) Will the requirement for an applicant to apply for listing on the New MESDAQ Market through a Sponsor discourage a foreign corporation from seeking listing on the New MESDAQ Market?

(c) If your answer to (b) above is in the affirmative, what is your proposal and why?

PROPOSAL 4.2

Description	Affected Provision(s)
Continuing listing obligation of a foreign corporation with a primary and secondary listing on MESDAQ	▪ **Parts D and F of the new Chapter 5**

79. Similar to the Unified Board, on a continuing basis, a corporation with a primary or secondary listing on the MESDAQ Market has to comply with the continuing listing obligations in relation to accounting, valuation and auditing standards and other disclosure obligations, the details of which are set out in Parts D and F of the new Chapter 5 of the revamped MMLR.

80. In relation to a foreign corporation with a primary listing on the Exchange, the Exchange proposes the following:

(a) to require that its annual audited financial statements be accompanied by 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 ("**Proposed SD**"). The Proposed SD is applicable to all Malaysian listed corporations, pursuant to section 169(16) of the Companies Act 1965. Hence, the Exchange views that it is important to extend the Proposed SD to a foreign corporation which raises capital from the New MESDAQ Market via primary listing. This is to ensure greater investor protection; and

(b) not to require the foreign corporation to convert its financial statements into Ringgit if it is prepared in a foreign currency (like that currently required under the LR). This is to reduce the compliance costs and obligations of a foreign corporation. The Exchange believes this proposal will not prejudice the investors' interests.

81. In addition, the Exchange proposes to require both the foreign corporation with primary listing and a corporation with a secondary listing on the New MESDAQ, to ensure that as far as reasonably practicable, all new issues 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. In making this proposal, the Exchange has considered the time zone difference and operational issues.

Proposal 4.2 – Issue(s) for consultation:

(a) Do you agree with the Exchange's proposal to extend the Proposed SD to a foreign corporation seeking primary listing on the Exchange? If not, please state your reasons.

(b) Do you agree with the Exchange's proposal not to require the foreign corporation to convert its financial statements into Ringgit if it is prepared in a foreign currency?

(c) Is it practical for the Exchange to require a corporation with dual listing, including a listing on the Exchange to ensure that as far as reasonably practicable, all new issues 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 4]

3.5 Part 5 Transactions

PROPOSAL 5.1

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

82. Currently, for purposes of Part D of Chapter 10 of the MMLR (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 corporation is exempted from the relevant disclosure and shareholder approval requirements ("**Exemption**").

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

84. The Exchange now proposes to extend the Exemption to a listed corporation 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 corporation ("**Real Estate Transaction**").

Proposal 5.1 - Issue(s) for consultation:

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

PROPOSAL 5.2

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

85. Currently, different obligations are imposed on the listed corporation when it undertakes a non-related party transaction where any one of the percentage ratios of the transaction triggers each of the following thresholds:

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

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

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

("**Current Threshold**")

86. One of the key objectives of the New MESDAQ Market is to serve as a capital raising platform for eligible growth corporations from all business sectors. Hence, listed corporations on the New MESDAQ Market should be allowed to raise fund from the capital market efficiently and an in timely manner for purposes of their business development and to realise their business plans.

87. In view of the above, and after taking into account feedback received from the industry, the Exchange proposes to review the Current Threshold as follows:

(a) **To remove the 15% Requirement**

(i) Currently, when a listed corporation undertakes a non-related party transaction where any one of the percentage ratios of the transaction triggers 15% or more, it must immediately announce the transaction and send a copy of the announcement to its shareholders.

(ii) The Exchange has received feedback from listed corporations 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 corporations' 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.

(iii) The Exchange, having considered the above 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.

(b) **To review the 25% Requirement**

(i) Currently, when a listed corporation undertakes a non-related party transaction where any one of the percentage ratios of the transaction triggers 25% or more, it must immediately announce the transaction and obtain its shareholder approval for the transaction.

(ii) To facilitate business undertaking of a listed corporation, the Exchange proposes to amend the 25% Requirement by removing the shareholder approval requirement. This means, a listed corporation will merely be required to immediately announce the transaction when it triggers the 25% threshold.

(iii) On the other hand, to ensure quality disclosure to the shareholders and investors, the Exchange proposes that the announcement must be made by a listed corporation's Sponsor or Adviser, as the case may be. Under Chapter 4 of the revamped MMLR, a Sponsor or Adviser has the responsibility to review and approve any announcement of its listed corporation to ensure compliance with the revamped MMLR.

(c) **To introduce a new threshold of 50%**

(i) The Exchange proposes to require a listed corporation to obtain shareholder approval only when any one of the percentage ratios of the transaction is 50% or more ("**50% Threshold**"). The 50% Threshold is introduced given the type of corporations that will be listed on the New MESDAQ, i.e. relatively small growth corporations which need to seek funding and expand its business growth in a more efficient and expeditious manner.

(ii) For purposes of investor protection, the Exchange also proposes to require a listed corporation to appoint a Sponsor or Adviser before the terms of the transactions are agreed upon. In this regard, as proposed under Chapter 4 of the revamped MMLR, a Sponsor or Adviser has among others, the duties to –

- assess and be satisfied with the suitability and competency of other professionals and consultants involved in the transaction;
- review and approve the relevant documents to be sent to public to ensure compliance with the revamped MMLR;

- ensure that the execution of the proposal is in compliance with the revamped MMLR, guidelines issued by the relevant regulatory authorities and other applicable laws; and
- ensure that any difference in the effect of the transaction on minority shareholders compared to other shareholders, is clearly disclosed in the Public Documents.

88. A snapshot of the current and proposed positions can be seen in Table A below.

Table A

No.	Current Threshold & Obligations	Proposed Threshold & Disclosure Obligations
(a)	5% or more ▪ Immediate announcement	- same -
(b)	15% or more ▪ Immediate announcement ▪ Send the announcement to shareholders within 10 market days of the announcement date	To be removed
(c)	25% or more ▪ Immediate announcement ▪ Obtain shareholder approval	25% or more ▪ Immediate announcement must be made by the listed corporation's Sponsor or Adviser, as the case may be.
(d)	[No provision for 50%]	50% or more ▪ Appoint a Sponsor or Adviser before the terms of the transaction are agreed upon ▪ Immediate announcement by a Sponsor or Adviser ▪ Obtain shareholder approval

PROPOSAL 5.2 - Issue(s) for consultation:

Do you agree with the Exchange's proposal to –

(a) Remove the 15% Requirement?

(b) Review the 25% Requirement by removing the requirement for shareholder approval but requiring a Sponsor or Adviser to make the immediate announcement?

(c) Impose the following obligations in a transaction where any of the percentage ratio is 50% or more?

(i) Appoint a Sponsor or Adviser before the terms of the transaction are agreed upon;

(ii) immediate announcement by a Sponsor or Adviser; and

(iii) Obtain shareholder approval.

PROPOSAL 5.3

Description	Affected Provision(s)
▪ **Requirement to appoint independent adviser and Sponsor/Adviser where any one of the percentage ratios of a RPT is 5% or more**	▪ **Rule 10.08(2) & (3)**
▪ **Removal of 25% threshold requirements**	▪ **Rule 10.08(4)**

89. Currently, different obligations are imposed on a listed corporation when it undertakes a RPT where any one of the percentage ratios of the RPT triggers each of the following threshold:

(a) 5% or more - immediately announce the RPT and appoint an independent adviser ("**IA**").

(i) The IA, if appointed during the period when the listed company is a Sponsored Company, must be an adviser registered on the Register of Advisers for the MESDAQ Market, and if appointed when the listed company has ceased to be a Sponsored Company, must be a corporate finance adviser under the definition of the Commission's Guidelines on Principal Advisers for Corporate Proposals; and

(ii) Under the current MMLR, the IA has the responsibilities to –

(aa) confirm to the Exchange of its eligibility to act as an independent adviser within a period of 2 weeks after the announcement of the transaction ("**Independence Confirmation**");

(bb) comment as to the fairness and reasonableness of the transaction and whether the transaction is to the detriment of minority shareholders; and

(cc) advise minority shareholders on whether they should vote in favour of the transaction. The IA, if appointed during the period when the listed company is a Sponsored Company, must be an a registered on the Register of Advisers for the MESDAQ Market), and if appointed when the listed company has ceased to be a Sponsored Company, must be a corporate finance adviser under the definition of the Commission's Guidelines on Principal Advisers for Corporate Proposals.

(b) 25% or more - immediately announce the RPT, appoint an IA, and a main adviser ("**MA**") ("**25% Requirement**").

90. The Exchange proposes the following:

(a) **To appoint a Sponsor or Adviser for a RPT with percentage ratio of 5% or more**

The New MESDAQ Market is an enhanced sponsor-driven market where the Sponsor or Advisor will play a critical role in advising and ensuring listed corporations' compliance with the MMLR. The Exchange will no longer pre-vet the circulars or

documents before they are issued to the shareholders under the New MESDAQ. Instead, the Exchange will conduct a post review of all the material circulars issued to shareholders. If there is a breach of the revamped MMLR, the Exchange will take enforcement actions against both the MESDAQ listed corporations and their Sponsor or Adviser, as the case may be.

In view of the new sponsorship and regulatory regime, the Exchange proposes that, for a RPT with any one of the percentage ratios of 5% or more, a listed corporation be required to engage the services of a Sponsor or Adviser in addition to an IA, before the terms of the transaction are agreed upon.

It is proposed that the Sponsor or Adviser be responsible to ensure that the RPT –

(i) is carried out on fair and reasonable terms and conditions and not to the detriment of minority shareholders of the listed corporation;

(ii) complies with the relevant laws, and

(iii) that the listed corporation makes a full disclosure of all information required to be disclosed in the announcement and circular.

(collectively " **5% RPT Obligations**")

(b) **To remove the requirement for an Independence Confirmation**

Under the current MMLR, "independent adviser or expert" means an adviser or expert who is independent of the management and board of directors of the applicant or listed corporation 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. As mentioned earlier, an IA is required to provide an Independence Confirmation to the Exchange within 2 weeks after the announcement of a RPT.

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

(c) **To review and enhance the responsibilities of an IA**

To ensure the effectiveness and independence of an IA, the Exchange proposes the following:

(i) To require that the IA be a person from the Register of Sponsors, and if the IA is appointed during the Fixed Period, it must be a person other than the listed corporation's Sponsor; and

(ii) To impose on the IA, the duty to take all reasonable steps to satisfy itself that it has a reasonable basis when making the comments and giving the advice as per paragraph 89(a)(ii) above.

(d) **To remove the 25% Requirement**

Under the proposed 5% RPT Obligations, an IA and Sponsor or Adviser, will be appointed when any one of the percentage ratios of a RPT is 5% or more. With that, the Exchange believes the minority shareholders' interests will be adequately safeguarded and the current requirement for a listed corporation to appoint a MA when the transaction triggers the threshold of 25%, will no longer be necessary. Hence, the Exchange proposes to remove the 25% Requirement.

PROPOSAL 5.3 - Issue(s) for consultation:

(a) Do you agree with the Exchange's proposals to require a listed corporation to engage the services of a Sponsor or Adviser where any one of the percentage ratios of a RPT is 5% or more?

(b) Do you think the proposed 5% RPT Obligations are appropriate? Are there any additional obligations that should be imposed and why?

(c) Do you have any concern on the proposed removal of the Independence Confirmation from an IA?

PROPOSAL 5.4

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

91. The definition of RPT under the MMLR is drafted broadly in the interest of investor protection with particular minority shareholders.

92. Hence, the Exchange has from time to time, upon applications made by the listed corporations, 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 corporations.

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

94. The proposed exemptions are as follows:

(a) To expand the Exempted Transaction referred to under Rule 10.08(10)(g) of the MMLR, 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 corporation 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 corporation) ("**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 corporation or its subsidiaries (as the case may be) at the time of the disposal.

In this context, "disposal" includes a disposal by a listed corporation 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**")

95. The Proposed Exemptions are aimed at facilitating listed corporations' compliance with the MMLR.

PROPOSAL 5.4 - 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 94(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 corporation 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 5.5

Description	Affected Provision(s)
Threshold of diversification in operations requiring shareholder approval	▪ **Rule 10.12**

96. Currently, a listed corporation must obtain shareholder approval for any transaction or business arrangement which might reasonably be expected to result in either –

(a) the diversion of 25% or more of the net assets of the listed corporation to an operation which differs widely from those operations previously carried on by the listed corporation; or

(b) the contribution from such an operation of 25% or more of the net profits of the listed corporation.

For the purpose of the above, the Exchange may aggregate separate transactions and treat such transactions as if they were one transaction if the terms of the transaction were agreed upon within a period of 12 months and the total percentage ratio of assets allocated for the diversification is 25% or more.

97. In line with the proposed 50% Threshold as set out in paragraph 87(c) above and in order to enhance business efficacy of listed corporations, the Exchange proposes to revise the above threshold of 25% to "50%" .

PROPOSAL 5.5 - Issue(s) for consultation:

Do you agree with the Exchange's proposal to revise the 25% threshold set out in paragraph 96 above to "50%" instead for purposes of procuring shareholder approval? If not, what is your proposal and why.

PROPOSAL 5.6

Description	Affected Provision(s)
Basis of Valuation	▪ **Rule 10.02(f)(vi)** ▪ **Rule 10.03(8)(a)(i) and (b)(i)**

98. Currently, if a listed corporation acquires or disposes any equity interest in a company ,the total assets ratio prescribed under Rule 10.02(f)(vi) will only be applicable if -

(i) the acquisition would result in -

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

(bb) such company being included in consolidation; or

(ii) prior to the disposal -

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

(bb) such company was included in consolidation.

99. Based on industry feedback, the total assets percentage ratio prescribed under Rule 10.02(f)(vi) MMLR should be disapplied in relation to acquisitions or disposals of equity interest in a corporation by a listed corporation if such an equity interest would not be consolidated in the accounts of the listed corporation. 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 corporation.

100. As such, the Exchange proposes to amend Rule 10.03(8)(a)(i) and (b)(i) MMLR, to disregard the total assets percentage ratio in relation to an acquisition or disposal of equity interest in a corporation by a listed corporation if such an equity interest would not be consolidated in the accounts of the listed corporation.

Proposal 5.6 - Issue(s) for consultation:

Do you agree with the Exchange's proposal to remove Rule 10.03(8)(a)(i) and (b)(i) of the MMLR 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 corporation if such equity interest would not be consolidated in the accounts of the listed corporation?

PROPOSAL 5.7

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

101. As part of the Exchange's continuous efforts to enhance disclosures by listed corporations and promote greater transparency, the Exchange undertook a review of the information which a listed corporation is currently required to disclose in an announcement and circular in relation to a transaction.

102. 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.

103. The proposals are aimed at enhancing transparency and investor protection, as well as facilitating listed corporations' compliance with the MMLR. 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 present and future usage, the type of estate or plantation, the maturity of the trees; and the production for the past 3 years;

(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 corporation 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 corporation, the expected date on which profit contribution will accrue to the listed corporation and the expected returns to be derived;

- if the transaction results in a change in the controlling shareholder of the listed corporation, a statement to that effect and certain incorporation particulars of the new shareholder; and

- a statement whether the intended transaction has departed from the MMLR;

(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 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 corporation 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 corporation;

(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 present and future usage, the type of estate or plantation, the maturity of the trees, the production for the past 3 years; and the profit contribution or revenue and expense account of the estate for the past 3 years;

(ii) Where the property or land is in the process of being or is intended to be developed -

- the details of development potential;
- the total development cost;
- the expected commencement and completion date(s) of development;
- the expected profits to be derived;
- the stage or percentage of completion;
- the sources of funds to finance the development cost;
- whether relevant approvals for the development have been obtained and date(s) obtained;
- whether for sale or rental. If for sale, the percentage of sales or number of units sold to-date. If for rental, the expected rental income per annum; and
- whether planning consent has been obtained and if so, whether there are any conditions attached to such consent;

(iii) In relation to acquisitions or disposals of construction companies – a description of current projects undertaken by the company, the expected commencement and completion date(s) of construction of projects on hand or in progress; a description of recent major projects completed, and 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;

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

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

(v) 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 corporation's future activities and direction after the disposal of the asset.

(vi) 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 corporation, the expected date on which the profit contribution will accrue to the listed corporation 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 corporation, 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 corporations, 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 corporation 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".**

104. 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 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 corporation 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;
- a statement on the enforceability of the agreements, representations and undertakings given by the foreign counter parties under the relevant laws of domicile;

(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 corporation 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 corporation 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 5.7 - 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 corporation to disclose in its listing application, announcement or circular? If yes, what are they and why?

[End of Part 5]

3.6 Part 6 Valuation of Real Estates

PROPOSAL 6.1

Description	Affected Provision(s)
Valuation of real estates	▪ **Rule 1.1 Definition of "property investment corporation" and "property development corporation"** ▪ **Rules 6.15B, 6.25 and 6.26** ▪ **Rules 10.03A, 10.03B, 10.06(2) and 10.08(2)** ▪ **Appendix 6H**

105. Currently, under the MMLR, a listed corporation 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.

106. With the repeal of the Commission's Equity and Equity-Linked Guidelines for MESDAQ, certain valuation reports required of a listed corporation will be submitted to the Exchange directly.

107. It is proposed that a listed corporation 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) at the admission stage where an applicant is a property investment and property development corporation. A "property investment corporation" is defined as a corporation 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.

On the other hand, a "property development corporation" is defined as 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.

(b) in a case where it involves an acquisition of assets which results in a change in the core business of a listed corporation to that of property development or property investment;

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

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

(i) for a non-related party transaction, where any one of the percentage ratios is 50% or more; or

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

(collectively "**Relevant Transactions**")

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

(a) A corporation must comply with the following:

(i) where the Valuation Requirement is imposed on a corporation seeking for listing on the New MESDAQ which is a property development or property investment corporation, and where it involves an acquisition of assets which results in a change in the core business of a listed corporation to that of property development or property investment, the listed corporation must appoint an independent external valuer to conduct a valuation on all the real estates that it is acquiring;

(ii) 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 corporation must submit 2 copies of the valuation report to the Exchange together with the valuer's undertaking to comply with the MMLR and the Commission's Guidelines on Asset Valuation in the form of Appendix 6H ("**Valuer's Undertaking**"), when the listed corporation submits its listing application for the new issue of securities;

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

(iv) the listed corporation 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 corporation 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 corporation. Upon receipt of the Second Opinion Valuation, the Exchange may require the listed corporation to comply with any instruction, directive or conditions issued or imposed by the Exchange.

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

Proposal 6.1 - Issue(s) for consultation:

(a) Do you agree with the Valuation Requirements?

(b) Do you agree with the Valuation Conditions?

(c) With regard to the proposal under paragraph 108(a)(i) above, do you think the Exchange's proposal requiring a listed corporation to value all real estates is reasonable or practical? If not, please provide your reasons and recommendations.

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

[End of Part 6]

3.7 Part 7 Dealings in Securities

PROPOSAL 7.1

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

110. Currently, an affected person must comply with the procedures set out in Rules 14.08 ("**Closed Period Procedures**") and 14.09 of the MMLR respectively (collectively referred to as "**Dealing Procedures**") when it deals in the securities of –

(a) its own listed corporations; and
(b) other listed corporations,

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

111. An affected person means a director and principal officer of the listed corporation who deals in the securities in the manner set out in paragraph 110 above.

112. The Exchange proposes to expand the scope of the "affected person" to include the following persons:

(a) a director of a listed corporation's major subsidiary; and

(b) a principal officer of a listed corporation's major subsidiary,

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

The above proposal is made because Additional Affected Persons are likely to be in possession of information relating to a listed corporation's quarterly results, before the said information is announced or made available to the public. Therefore, the Additional Affected Persons should be required to comply with the Dealing Procedures when dealing in listed securities of a listed corporation.

113. 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;

(b) chief financial officer;

(c) any other employee, who has access or is privy to price-sensitive information,

of the listed corporation's major subsidiary (i.e. a subsidiary which contributes 70% or more of the profit before tax or total assets employed of the listed corporation on a consolidated basis).

114. Further, the Exchange proposes not to subject dealings in non-listed securities by an affected person to the Dealing Procedures since such securities will not be publicly traded. Hence, the Exchange proposes to clarify in the MMLR that the requirements under Chapter 14 MMLR are only applicable for a dealing in "listed securities" as opposed to dealing in "securities".

Proposal 7.1 - Issue(s) for consultation:

Do you agree with the Exchange's proposal to –

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

(b) clarify that the requirements of Chapter 14 of the MMLR are only applicable for dealing in "listed securities" as opposed to any "securities" of a listed corporation?

PROPOSAL 7.2

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

115. Currently, any affected person who wishes to deal in securities of his own listed corporations or of other listed corporations during the closed periods, must comply with the Closed Period Procedures.

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

117. In the circumstances, the Exchange proposes to impose the Closed Period Procedures only on an affected person who wishes to deal in listed securities of his own listed corporations during the closed period.

Proposal 7.2 - Issue(s) for consultation:

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

PROPOSAL 7.3

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

118. Currently, where an affected person deals in the securities of his own listed corporation 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.

119. 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 7.3 – 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.

PROPOSAL 7.4

Description	Affected Provision(s)
Exemptions from the Dealing Restriction	▪ **Rule 14.06(a)**

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

121. 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.

122. Hence, the Exchange proposes to exempt an acceptance of options or rights under an employee share or share option scheme, from the Dealing Restrictions.

Proposal 7.5 - 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?

[End of Part 7]

3.8 Part 8 New Issues of Securities

PROPOSAL 8.1

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

123. Under the current listing process for new issuance of securities, a listed corporation 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**").

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

125. Based on past practices, once Bursa Malaysia Depository Sdn Bhd ("**Depository**") confirms that the securities are ready for crediting ("**Depository's Clearance**"), a listed corporation 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.

126. 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**").

127. 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 corporation 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 corporation 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.

128. 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.

129. 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.

130. 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 MMLR, i.e. –

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

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

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

131. To guide the listed corporations, the Exchange proposes to –

(a) amend the procedures in Rule 6.03A MMLR; and

(b) introduce a new Rule 6.03B MMLR,

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

132. To further facilitate the listed corporations' 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 8.1 - Issue(s) for consultation:

(a) Do you think Rules 6.03A and 6.03B of the MMLR 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 Rules 6.03A and 6.03B of the MMLR?

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

PROPOSAL 8.2

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

133. Currently, for a rights issue –

(a) after fixing the BCD to determine persons entitled to participate in the rights issues, a listed corporation 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 corporation 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.

134. 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.

135. With the proposed SPEEDS process –

(a) after fixing the BCD, a listed corporation 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 corporation 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 8.2 - Issue(s) for consultation:

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

PROPOSAL 8.3

Description	Affected Provision(s)
Application of monies from subscription of shares paid into a trust account	▪ **Rule 6.01C**

136. Sections 212 and 215 of the CMSA will not be applicable to a New MESDAQ corporation. To safeguard investors' interest, there is a need to prescribe the manner in which monies received from persons who have provided consideration for shares pursuant to an issue, offer for subscription or purchase, or an invitation to subscribe for or purchase, should be applied.

137. Hence, the Exchange proposes that all monies received from persons who have provided consideration for shares pursuant to an issue, offer for subscription or purchase, or an invitation to subscribe for or purchase, must be applied in accordance with section 215 of the CMSA, i.e. the monies must be paid into a trust account established and kept in a licensed institution for such applicants or other persons until–

(a) such shares have been issued or transferred to such applicants or other persons who has provided consideration for such shares; or

(b) permission for the shares offered to be listed for quotation on the official list of a stock exchange or other similar exchange outside Malaysia has been granted,

whichever is the later.

Proposal 8.3 - Issue(s) for consultation:

Do you agree with the Exchange's proposal to impose requirements similar to section 215 of the CMSA on a listed corporation ?

PROPOSAL 8.4

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

138. 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 corporation 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 corporation ("**10% Mandate**").

139. 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 corporation 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 corporation in the case of an issue of securities on a non-pro rata basis to shareholders; or

(b) 100% of the nominal value of the issued and paid-up capital (excluding treasury shares) of the listed corporation in the case of an issue of securities on a pro rata basis to shareholders.

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

140. The Proposed New Mandate is on par with the requirements in Singapore and Hong Kong.

141. 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 corporation, the corporate governance practices and past conduct of the listed corporation.

Proposal 8.4 - Issue(s) for consultation:

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

PROPOSAL 8.5

Description	Affected Provision(s)
Amendments pursuant to the repeal of the Commission's Equity and Equity-Linked Guidelines for MESDAQ for MESDAQ	▪ **Rule 6.15A, 6.47A, 6.52, 6.52A, 6.55 – 6.64**

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

142. **Underwriting and undertaking to subscribe**

(a) Currently, under the Commission's Equity and Equity-Linked Guidelines for MESDAQ, a listed corporation must put in place an underwriting arrangement for all rights issue of securities.

(b) Under the proposed New MESDAQ framework, an underwriting arrangement will no longer be made mandatory but at the discretion of a listed corporation and its Sponsor or Adviser. Further, the Exchange proposes not to mandate the Sponsor or Adviser to be the underwriter if a listed corporation chooses to put in place the underwriting on a voluntary basis.

(c) Where it has been decided that no underwriting or only partial underwriting is required, the listed corporation must disclose the minimum level of subscription to achieve its funding objective together with the basis for its determination in the circular to shareholders.

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

(e) If certain shareholders wish to irrevocably undertake to subscribe for the securities offered under the rights issue, the listed corporation 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 corporation's Sponsor or Adviser, as the case may be, and the shareholders have considered the consequences of the rights issue with regard to the Malaysian Take-Overs and Mergers Code 1998, if applicable.

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

Currently, under the Commission's Equity and Equity-Linked Guidelines for MESDAQ, a listed corporation 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 MMLR.

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

For the revamped MMLR, the Exchange proposes to incorporate similar requirements in relation to an issue of convertible securities under the Commission's Equity and Equity-Linked Guidelines for MESDAQ. 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 corporation (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.

145. **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 for MESDAQ, will be reflected in the revamped MMLR, 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 corporation must obtain prior shareholder approval in a general meeting 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 Sponsor or Adviser, as the case may be, must act as the placement agent for placements of securities.

(d) **Payment for securities**

The listed corporation must issue and allot securities as soon as possible after the price-fixing date. The listed corporation must ensure payments for the securities are made by the placees to the listed corporations 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 corporation may undertake a back-to-back placement involving –

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

(ii) the listed corporation 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 corporation 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 corporation complies with the shareholding spread requirements under the MMLR; and

(cc) the existing shareholder involved in the back-to-back placement arrangement give 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 Sponsor or 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 Sponsor or 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 Sponsor or 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 MMLR.

(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 Sponsor or Adviser confirming to the Exchange that such schemes have been duly authorised, approved or registered.

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

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

(a) **Implementation deadline**

A listed corporation 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 corporation 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 corporation 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 corporation.

(b) **Extension of implementation time**

(i) The listed corporation must state in the listing application if there is a likelihood that a listed corporation 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 corporation to complete an Issuance Proposal. The extension application must be made through the listed corporation's Sponsor or 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 corporation must inform the Exchange the dates of completion for all approved Issuance Proposals which have been completely implemented.

Proposal 8.5 – Issue(s) for consultation:

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

(b) Do you have any concern in the Exchange not requiring a Sponsor or Adviser to be part of the underwriting team in the event the listed corporation undertakes an underwriting for its rights issue?

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

PROPOSAL 8.6

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

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

148. 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.

149. 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 sub-Rules (1)(e)(iv)(bb) to (ff) and 1(e)(v) of Part B of Appendix 6A of the MMLR; 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 sub-Rule (11) of Part A and Part B of Appendix 13C of the MMLR; and

(b) In respect of acquisitions satisfied wholly or partly by an issue of new securities, Appendix 6D of the MMLR which is a confirmation by a listed corporation 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.

150. 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 MMLR and after considering industry feedback. The proposals are aimed at enhancing disclosure, promoting greater transparency and investor protection, as well as facilitating listed corporations' compliance with the MMLR. 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 MMLR by a listed corporation;

(ii) The Proposed Listing Form needs to be signed by both the listed corporation and its Sponsor or Adviser, as the case may be;

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

- Name of the listed corporation;
- Types of corporate proposal, whether it is an acquisition, rights issue, special issue, private placement, etc.;
- Percentage ratio (where applicable) of the corporate proposal;
- 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;
- Conditionality of the corporate proposal and/or issue price;
- The position of the listed corporation's public spread after the corporate proposal; and
- Undertakings for corporate proposals which apply the procedure for the Additional Securities set out in Rule 6.03B of the MMLR as illustrated in Proposal 8.1 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 corporation'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 MMLR;

(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 securitie**s:

(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 corporation'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 corporation'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 corporation;

(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 corporation 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 corporation 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 MMLR;

(xvi) Where a person is named in the circular as having advised the listed corporation 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; and

(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 corporation 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 corporation 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 8.6 - Issue(s) for consultation:

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

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

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

[End of Part 8]

3.9 Part 9 Other Proposed Amendments

PROPOSAL 9.1

Description	Affected Provision(s)
Vetting of circular	▪ **Rules 8.09, 8.10 & 8.38** ▪ **Rule 10.10A** ▪ **Part H of Appendix 10A & 10B**

151. Currently, a listed corporation or offeror in an offer for sale of listed securities must submit to the Exchange for perusal, one draft copy of all circulars and other documents proposed to be sent to the holders of listed securities. The listed corporation is not allowed to issue any circulars or documents until the Exchange has confirmed in writing that it has no further comments.

152. Under the enhanced sponsor-driven market of the New MESDAQ, the Sponsors and Advisors play a critical role in advising and ensuring listed corporations' compliance with the MMLR. Thus, the Exchange will no longer pre-vet the circulars or documents before they are issued to shareholders under the New MESDAQ Market, but will conduct a post review of all material circulars issued to shareholders. In this respect, the Exchange will take enforcement actions against both the MESDAQ corporation and its Sponsor or Adviser, as the case may be, if there is a breach of the revamped MMLR.

153. In this regard, under the revamped MMLR, all circulars and other documents issued by a listed corporation in relation to all corporate proposals, except for a recurrent related party transaction or share buy-back, must be reviewed and approved by the listed corporation's Sponsor or Adviser prior to their issuance to shareholders.

154. Notwithstanding paragraph 153 above, the Exchange proposes to continue perusing or commenting on the circulars or documents in relation to a transaction which will result in a significant change in the business direction or policy of the listed corporation ("**RTO Transaction**").

155. For circulars or documents issued by a listed corporation other than those in relation to a RTO Transaction, the Exchange proposes the following –

(a) the Exchange to conduct a post-vetting on those circulars or documents. In this regard, a listed corporation will be required to submit the requisite number of copies of the circular or document to the Exchange together with a checklist showing compliance with the relevant parts of these Requirements, where applicable;

(b) a listed corporation to state clearly in the circular that the Exchange has not perused the circular prior to its issuance, and where applicable, that the circular has been reviewed and approved by the listed corporation's Adviser or Sponsor, as the case may be. This is to ensure that the investors are well-informed of the position.

("**Post Vetting Regime**")

156. For circulars or documents issued in relation to a RTO Transaction, the Exchange proposes the following:

(a) the Exchange will pre-vet such circulars or documents before the issuance of the same to shareholders. In making this proposal, the Exchange has considered the significance of the said RTO Transaction and the need for the Exchange to peruse the circulars and documents of such nature in order to preserve the investors' interest; and

(b) the disclosure requirements for such a RTO Transaction to be enhanced, as may be seen in the proposed Part H of Appendix 10A and 10B of the revamped MMLR.

Proposal 9.1 – Issue(s) for consultation:

Do you agree with –

(a) the proposed Post Vetting Regime as stated in paragraph 155 above, in view of the enhanced role of the Sponsor or Adviser in a corporate proposal?

(b) the Exchange's proposal to conduct a pre-vetting for all circulars and documents issued by a listed corporation in relation to a RTO Transaction?

Please state reasons for your view and proposal.

PROPOSAL 9.2

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

157. Currently, the MMLR only permits issuance of annual report in CD-ROM.

158. To enhance the business efficacy of a listed corporation and to be more cost efficient, the Exchange proposes to allow a listed corporation 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 corporation must provide a printed copy of its circulars to its shareholder upon the shareholder's request, whether verbal or written;

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

(c) the listed corporation 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 corporation 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 corporation must issue hard copies of the following documents to its shareholders:

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

(aa) the listed corporation 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 corporation'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 corporation's facsimile number and mailing address.

Proposal 9.2 - 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 158 above appropriate and adequate to safeguard shareholders' interest?

PROPOSAL 9.3

Description	Examples of Affected Provision(s)
Specific exclusion of "treasury shares" from the issued and paid-up capital of a listed corporation	▪ **Rules 6.10, 6.33, 6.34, 6.47A and 8.15**

159. Pursuant to section 67A of the Companies Act 1965 ("**CA**"), a listed corporation 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.

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

161. 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.

162. Given the above, in order to provide greater clarity to the market and to aid compliance by the listed corporations, 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 MMLR, where applicable ("**Proposed Clarification**").

Proposal 9.3 - Issue(s) for consultation:

Is the Proposed Clarification appropriate and clear?

PROPOSAL 9.4

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

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

164. Hence, the Exchange proposes to –

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

(b) require that a listed corporation 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 corporation does not release any announcement on its website before the same is released by the Exchange besides ensuring the timeliness of the publication of the announcements on the listed corporation's own website after the announcement is released by the Exchange;

(c) require the listed corporation to ensure that all information posted on its website complies with the requirements in Rule 9.16 of the MMLR, 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.

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

Proposal 9.4 - Issue(s) for consultation:

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

(b) Do you foresee any problem for the Exchange to require the listed corporation 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) If so, do you think it is necessary for the Exchange to prescribe the minimum contents for a listed corporation's website? If yes, what kind of information do you think the website should have?

PROPOSAL 9.5

Description	Affected Provision(s)
Scope of "independent director"	**GN 9/2006 - Paragraph 3.0**

166. 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 GN9/2006:

(a) the major shareholder's aggregate shareholding in an applicant, listed corporation or any related corporation of such applicant or listed corporation ("**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**")

167. As proposed by the Exchange in Proposal 3.1, a substantial shareholder who fulfills the criteria similar to the Flexibility criteria will not be considered as "public shareholder" under the MMLR. 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 paragraph 3 of GN9/2006. This is also to enhance the corporate governance practices of listed corporations and directors.

Proposal 9.5- Issue(s) for consultation:

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

PROPOSAL 9.6

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

168. Currently, a listed corporation 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 corporation ("**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 corporation unless the annual report is issued within a period of 4 months from the close of the financial year of the listed corporation ("**Annual Audited Financial Statements**")

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

169. At present, if the listed corporation 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 corporation. 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.

170. 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.

171. In this regard, the Exchange proposes to enhance and expedite the suspension in trading of securities of a listed corporation 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 corporation's securities on the next market day after the 5th market day from the expiry of the Relevant Timeframes;

(b) As soon as a listed corporation becomes aware or has any reason to believe that it will not be able to issue its Financial Statements within the Relevant Timeframes, it must announce this to the Exchange immediately or in any event, no later than 3 market days before the expiry of the Relevant Timeframes;

(c) The listed corporation 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 9.6 - Issue(s) for consultation:

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

PROPOSAL 9.7

Description	Affected Provision(s)
Research reports	▪ **Rule 4.09** ▪ **Rule 9.23** ▪ **GN6/2006**

172. Currently, a Sponsor or an Adviser is appointed to prepare and submit a research report to the Exchange on behalf of a listed company, for public release, not later than 2 months after the end of each half of a financial year.

173. The Exchange received feedback that the requirement to prepare research reports should not be made mandatory. Instead, a company with good investor relations will always endeavour to provide frequent and updated information to its investors. In addition, the Exchange notes that some of the existing research reports are merely prepared for the purpose of compliance and do not create any value-add for investors in understanding a particular listed company better.

174. Hence, the Exchange proposes to remove the requirement to prepare research report by MESDAQ listed corporations.

Proposal 9.7 - Issue(s) for consultation:

Do you agree with the Exchange's proposal to dispense with the requirement to prepare research reports by a new MESDAQ corporation?

PROPOSAL 9.8

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.	▪ **GN 14/2007**

175. 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.

176. 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.

177. 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.

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

- 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.
- 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.
- 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.
- 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.
- 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 9.8 - 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 9]