



GROUND RULES FOR THE BURSA MALAYSIA INDEX SERIES

BURSA MALAYSIA BERHAD

SEPTEMBER, 2018

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1. INTRODUCTION/ OVERVIEW

- 1.1. The Bursa Malaysia Sectorial Index Series is a set of sectorial indexes that tracks the performances of all the companies listed on the Main Market. The purpose of the indexes is to provide investors with sector performance indicators and benchmarks in the Malaysian capital market.
- 1.2. All Bursa Malaysia Sectorial Indexes are market capitalisation weighted.
- 1.3. The Bursa Malaysia Index Series is calculated and disseminated on a real-time basis at 60-second intervals during trading hours of Bursa Malaysia.
- 1.4. The Bursa Malaysia Sectorial Index Series is made up of 13 sector-based indexes as follows:

No.	Index Name
1	CONSTRUCTION
2	CONSUMER PRODUCTS & SERVICES ^(a)
3	ENERGY ^(b)
4	FINANCIAL SERVICES ^(a)
5	HEALTH CARE ^(b)
6	INDUSTRIAL PRODUCTS & SERVICES ^(a)
7	PLANTATION
8	PROPERTY
9	REIT
10	TECHNOLOGY
11	TELECOMMUNICATIONS & MEDIA ^(b)
12	TRANSPORTATION & LOGISTICS ^(b)
13	UTILITIES ^(b)

Notes:

(a) 3 sectors rebranded and renamed in Sept 2018

(b) 5 new sectors introduced in Sept 2018

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2. MANAGEMENT RESPONSIBILITIES

- 2.1. The construction and establishment of new indexes and termination of any index are approved by the Chief Executive Officer based on the recommendation of the Management Committee (MANCO) of Bursa Malaysia.
- 2.2. Bursa Malaysia is responsible for the daily calculation, maintenance and dissemination of the Bursa Sectorial Index Series and will:
 - calculate the indexes on real-time basis;
 - ensure constituents changes are reflected in accordance with the Ground Rules;
 - carry out the periodic index reviews as set forth in the Ground Rules and publish the results of the reviews;
 - disseminate the indexes.
- 2.3. Should an index be discontinued, Bursa Malaysia will cease the dissemination of the index from the effective date.
- 2.4. Details of the sector classifications by Bursa Malaysia are available and published on the Bursa Malaysia website and can be accessed via the following link:

http://www.bursamalaysia.com/misc/system/assets/4193/listing_requirement_main_market_classification_applicants.pdf

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3. CONSTITUENT ELIGIBILITY & INCLUSION CRITERIA

3.1. Eligibility

Companies and REITs listed on the Main Market are eligible for inclusion into the Bursa Malaysia Index Series. Companies that are under Practice Note 17 (PN17), as stipulated under the Main Market Listing Requirements, will not be eligible for index inclusion.

3.2. Inclusion Criteria

- The sector classification of a PLC is determined by its core business, which is the business which provides the principal source of operating revenue of a company and its subsidiary companies. A PLC will be classified into the sector which most closely fits its core business.
- A company will be included into the corresponding sectorial index it is currently classified under and REITs will be included into the REIT index.
- For PLCs in the manufacturing and services industries, the segment of market that they services, ie, to End Users (Consumers) or Intermediate Users (Industrial Users) will determine if the PLCs are classified under “Consumer Products & Services” or “Industrial Products & Services”.
- Bursa Sectorial Index is currently based on Bursa’s first tier Sector Classification as below:

No.	Bursa Sector Classification
1	CONSTRUCTION
2	CONSUMER PRODUCTS & SERVICES
3	ENERGY
4	FINANCIAL SERVICES
5	HEALTH CARE
6	INDUSTRIAL PRODUCTS & SERVICES
7	PLANTATION
8	PROPERTY
9	REIT
10	TECHNOLOGY
11	TELECOMMUNICATIONS & MEDIA
12	TRANSPORTATION & LOGISTICS
13	UTILITIES

3.3. Basis for Sector and Sub-Sector Creation

A sector or sub sector will be created subject to meeting the requirements below:

- there are 10 or more companies in the industry grouping/sector/subsector; or
- the market capitalisation for the grouping is 5% or higher of total market capitalisation/ total sector's market capitalisation.
- Sectors or subsectors that do not fulfill the requirement stated above may also be created should there be a market demand, and this would be at the discretion of the exchange.

3.4. Details of the classification method of a company are available and published on the Bursa Malaysia website and can be accessed via the following link:

http://www.bursamalaysia.com/misc/system/assets/16645/listing_requirement_practice_note_7.pdf

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4. PERIODIC REVIEWS OF INDEX CONSTITUENTS

4.1. The index is reviewed on a quarterly basis, taking into consideration changes that took place up until the last trading day of the quarter. The effective date for inclusions or changes in the sectorial index constituents will be on the second Monday of the immediate ensuing months of January, April, July and October. If the prescribed effective date falls on a public holiday, the next immediate trading day will be the effective date.

Eg. A IPO classified under the “Energy” sector and that is listed on 28 January 2019 will be included into the Energy Index on 8 April 2019 (second Monday of April) as part of the quarterly review.

4.2. The quarterly review will cover the following:

- a) Changes In Constituents Arising From Sector Reclassification
Inclusion or removal of index constituents resulting from changes in the constituents’ sector classification where there is a significant change in the said companies’ core business activities.
- b) Inclusion of New Issues (IPOs)
New issues arising from IPOs will be eligible for inclusion into the related sectorial index during the quarterly review. New issues listed on or before the last trading date of the nearest quarter (cut-off date) will be included into the sectorial index during the said quarter’s review.
- c) Mergers, Restructuring and Takeovers
An index constituent in the process of a merger, restructuring or takeover exercise will be removed from the sectorial index during the suspension period. The entity will subsequently be included into the relevant sectorial index after the completion of the said corporate exercise during the quarterly review. The listing and quotation of the entity on or before the last trading date of the nearest quarter (cut-off date) will result in its inclusion into the sectorial index during the said quarter’s review.
- d) PN17 Status Changes
Removal of index constituents resulting from assignment of PN17 status or inclusion of index constituents resulting from upliftment of PN17. Changes in companies’ PN17 status before the last trading date of the nearest quarter (cut-off date) will be reflected in the sectorial index during the said quarter’s review
- e) Constituents’ Weightage Capping
Calculation and application of constituents’ weightage capping of 10% for sectorial indexes as detailed in section 5.9.

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5. INDEX CALCULATION METHOD

- 5.1. All Bursa Malaysia Sectoral Indexes are Market Cap Weighted Index.
- 5.2. The Index reflects the price/market cap movements of companies which are constituents of the index.
- 5.3. Index Formula:

$$\text{Index} = \frac{\text{Current Aggregate Market Value}}{\text{Base Aggregate Market Value}} \times \text{Base Value}$$

Where:

Current Aggregate Market Value (CAMV) is the sum of the current shares outstanding multiplied by the current closing price of the current constituents in the index.

Base Aggregate Market Value (BAMV) is the sum of shares outstanding on the first day of the base year multiplied by the of the closing price of constituents in the base year.

Base Value is the base point of the index.

- 5.4. Base dates and base points of the Bursa Malaysia Index Series are as the following:

Index (sorted by Base Year)	Base Year	Base Points
FINANCIAL SERVICES	1970	100
PLANTATION	1970	100
PROPERTY	1970	100
CONSTRUCTION	1992	100
CONSUMER PRODUCTS & SERVICES	1992	100
INDUSTRIAL PRODUCTS & SERVICES	1992	100
TECHNOLOGY	1999	100
REIT	2016	1000
ENERGY	2017	1000
HEALTH CARE	2017	1000
TELECOMMUNICATIONS & MEDIA	2017	1000
TRANSPORTATION & LOGISTICS	2017	1000
UTILITIES	2017	1000

5.5. To maintain continuity whenever changes in capital of index constituents take place, the BAMV is adjusted on the following basis:

Index Value After Adjustment	=	Index Value Before Adjustment
$\frac{CAMV_1}{BAMV_1}$	=	$\frac{CAMV_0}{BAMV_0}$
$BAMV_1$	=	$BAMV_0 \times \frac{CAMV_1}{CAMV_0}$

Where:

$CAMV_1$ = Current aggregate market value after adjustment

$BAMV_1$ = Base aggregate market value after adjustment

$CAMV_0$ = Current aggregate market value before adjustment

$BAMV_0$ = Base aggregate market value before adjustment

5.6. Adjustments to the BAMV for market value changes in the index constituents are made for the following corporate actions:

- Inclusion/ exclusion of an index constituent
- Sector reclassification of an index constituent
- Cancellation of share buy-back
- Index divisor adjustment will also be carried out either on the ex-date or the listing date depending on the type of corporate events as follows:

By listing date	By ex-date
a) acquisition,	a) Bonus Issue,
b) conversions of preference shares, loan stocks or bonds,	b) capital repayment,
c) employee share option scheme,	c) capital reduction,
d) exercise of TSRs or warrants,	d) consolidation of shares,
e) private placement,	e) dividend in specie,
f) restricted issue,	f) Rights Issue,
g) offer for sale	g) Share split or Sub-division

5.7. A constituent that is delisted will be removed from the affected sectorial index on the delisting date.

5.8. Any price adjustments due to cash dividend payment will not be reflected in the BAMV.

5.9. A capping mechanism is applied to the following indexes:

- a) Energy
- b) Healthcare
- c) REIT
- d) Telecommunications & Media
- e) Transportation & Logistics
- f) Utilities

Constituents' weightings for these indexes are capped at 10%, to prevent any single constituent from exerting a disproportionate influence on the Index. The capping process will be applied using adjusted closing prices on the last trading day of the quarter. The effective date for the capping adjustments will be on the second Monday of the immediate ensuing months of January, April, July and October. If the prescribed effective date falls on a public holiday, the next immediate trading day will be the effective date.

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6. DISSEMINATION

- 6.1. The Bursa Malaysia Index Series is calculated and disseminated on a real-time basis at 60-second intervals during Bursa's trading hours.
- 6.2. The Bursa Malaysia Index Series is calculated and disseminated in Malaysian Ringgit (MYR).

Index Opening and Closing Hours

Index	Session	Open	Close
Bursa Malaysia Index Series	Morning	9:00	12:30
	Afternoon	14:30	17:00

Notes:

1. The indexes are not calculated on Malaysian Public Holidays.
2. Timings are Malaysian Hours.

7. CONTACT INFORMATION

For further information on the Bursa Malaysia Index Series please contact:

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