



CONSULTATION PAPER NO. 3/2018
PROPOSED REVIEW OF THE MAIN MARKET AND ACE MARKET LISTING REQUIREMENTS IN
RELATION TO CONTINUING DISCLOSURE OBLIGATIONS AND OTHER AMENDMENTS

Date of Issue: 28 September 2018

Bursa Malaysia Berhad ("Bursa Malaysia") invites your written comments on the issues set out in this Consultation Paper by 30 November 2018 (Friday) via:

- E-mail : norlailamohamad@bursamalaysia.com
- Facsimile : 603 - 2732 0065
- Mail : Regulatory Policy & Advisory
Bursa Malaysia Securities Berhad
9th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

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

Kindly contact the following persons if you have any queries in relation to this Consultation Paper:

<u>Name</u>	<u>Email</u>	<u>Direct Line</u>
(a) Rowena Ooi Lyn See	rowena@bursamalaysia.com	603 - 2034 7515
(b) Kartina Abd Rahman	kartina@bursamalaysia.com	603 - 2034 7298

Additional copies of this document may be made without seeking permission from Bursa Malaysia or downloaded from its website at www.bursamalaysia.com.

Confidentiality: Your responses may be made public by Bursa Malaysia. If you do not want all or part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation's IT system or included as a general statement in your fax cover sheet will be taken to apply only if you request that the information remain confidential.

Please see our Personal Data Notice as set out in the Appendix to this Consultation Paper.

TABLE OF CONTENTS

A.	INTRODUCTION	3
B.	BACKGROUND	2
C.	KEY PROPOSALS	4
D.	STRUCTURE OF THE CONSULTATION PAPER	5
E.	DETAILS OF PROPOSALS	6
	PART 1 - ENSURING TRANSACTION CIRCULARS AND ANNOUNCEMENTS ARE COHERENT, RELEVANT AND EASY TO UNDERSTAND	6
	PART 2 - PROMOTING CLEAR, RELEVANT AND PRACTICAL REQUIREMENTS RELATING TO CORPORATE DISCLOSURE POLICIES AND OTHER DISCLOSURE REQUIREMENTS	17
	PART 3 - PROMOTING BALANCED REGULATION BY EASING REGULATORY COMPLIANCE THROUGH LIBERALISATIONS...	22
	PART 4 - ADDRESSING CRITICAL GAPS TO SAFEGUARD SHAREHOLDER INTEREST	25
	ANNEXURE A – PROPOSED AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS	28
	ANNEXURE B – PROPOSED AMENDMENTS TO THE ACE MARKET LISTING REQUIREMENTS	28
	ATTACHMENT – TABLE OF COMMENTS	29
	APPENDIX – BURSA MALAYSIA BERHAD’S PERSONAL DATA NOTICE	30

A. INTRODUCTION

This Consultation Paper seeks views and comments from the public on the proposed amendments to Bursa Malaysia Securities Berhad (“**the Exchange**”) Main Market Listing Requirements (“**Main LR**”) and ACE Market Listing Requirements (“**ACE LR**”) (collectively the “**LR**”) in relation to the continuing disclosure obligations of listed issuers.

B. BACKGROUND

A sound and robust disclosure framework is crucial to maintain market integrity and investor protection particularly in a dynamic capital market which is constantly evolving. In this regard, the Exchange continuously refines our rules to ensure that they remain effective and conducive to meet the changing needs of our market as well as protection of investors. With that in mind, the Exchange has, over the years undertaken various initiatives including enhancing the disclosure requirements under the LR, issuing disclosure guide and best practices and undertaking many advocacy programmes for directors and key officers of listed issuers, to elevate the standard of disclosures in our market. This is to enable our listed issuers to continue improving their practices and investors to continue receiving reliable, informative and timely information to make informed decisions.

The following are some of the significant disclosure enhancements that have been made to the LR over the years:

- (a) In 2009, we enhanced the standards of disclosure in listing applications, announcements and circulars, especially those in relation to new issues of securities and transactions such as the purpose and utilisation of proceeds from a general mandate, audit committee’s view on the fairness and reasonableness of a related party transaction, prospects of assets acquired and description of future plans, as well as risk of transaction or assets acquired.
- (b) In 2011, we enhanced the financial information in quarterly reports (e.g. detailed analysis of performance of operating segments, contents of statement of comprehensive income and statement of cash flows) and requirements on immediate announcements of material information such as disclosure of the reasons for cessation of office of a director, chief executive, chief financial officer, external auditor and independent adviser.
- (c) In 2013, we shortened the timeframe for issuance of annual reports from 6 months to 4 months so that shareholders are able to receive the report in a timely manner.
- (d) In 2014, we enhanced the independent adviser’s commentary on the fairness and reasonableness of a corporate proposal.

- (e) In 2016, mandated the disclosure of management discussion and analysis in annual reports and also required greater details of non-audit fees, profile of directors and senior management we mandated the disclosure of management discussion and analysis in annual reports and also required greater details of non-audit fees, as well as the profile of directors and senior management. At the same time, we removed redundant information which has been disclosed to shareholders by way of announcements. Apart from that, we also enhanced transparency of key audit matters and matters related to going concern as highlighted in the auditors' report.
- (f) In 2017, we enhanced the disclosures of corporate governance practices and required greater transparency of the activities of mineral oil and gas listed issuers as well as special purpose acquisition companies.

Aided by a comprehensive disclosure framework under the LR and other regulatory initiatives undertaken by the Exchange through guidance and advocacy programmes, we have observed encouraging improvements in the quality of disclosures in our market. For instance, the number of listed issuers' announcements which needed to be supplemented with additional information or necessitated queries by the Exchange remained low, at below 1% of total corporate announcements over the past 3 years. This is a positive indication that disclosure practices have strengthened as listed issuers are now providing better quality announcements to the market. The Exchange also noticed that in an announcement relating to transaction, increasingly there is more elaboration on pertinent areas such as the basis and justification for consideration of a transaction and details of the intended utilisation of proceeds from fund raising proposals. In addition, submission of financial reports continued to be timely where more than 99% of financial reports were submitted within the stipulated timeframe.

Given these positive developments, the Exchange proposes to undertake a progressive simplification of the LR which commensurate with the state of development of our market. In this Consultation Paper, we propose to focus on simplifying the LR in the area of continuing disclosure obligations, primarily on disclosures in announcements and circulars for transactions, as well as requirements relating to corporate disclosure policies. Apart from this, the Exchange also proposes to liberalise requirements which pose insignificant risks to shareholders, where appropriate, and continue to safeguard investors' interests by addressing gaps that we see. This is to ensure that our LR continues to be balanced – it provides adequate levels of investor protection whilst ensuring that it does not result in burdensome compliance costs nor impede ease of doing businesses and growth.

C. KEY PROPOSALS

The key areas of review in this Consultation Paper are as follows (collectively “**the Proposed Amendments**”):

(a) *Ensuring transaction circulars and announcements are coherent, relevant and easy to understand*

Although the quality of disclosures relating to transactions has strengthened, the Exchange notes that there is still room for improvements in terms of readability and flow of information in the circulars and announcements on transactions. The Exchange has observed that some announcements and circulars which involved complex transactions might be overly technical or legalistic, and appeared to be convoluted to shareholders and investors. This has affected the clarity of disclosures and ease of shareholders and investors to digest and understand the information presented. Therefore, the Exchange proposes to enhance the presentation of announcements and circulars relating to transaction to ensure that the information is presented in a clear and reader-friendly manner, so that investors can easily understand the information on the transaction and assess the same for their decision making.

(b) *Promoting clear, relevant and practical requirements relating to corporate disclosure policies and other disclosure requirements*

Similarly, the Exchange proposes to simplify the requirements relating to corporate disclosure policies under the LR to ensure that they are clear and easy to understand. Through this review, the Exchange also seeks to remove redundant or repetitious immediate announcement requirements and streamline overlapping requirements.

(c) *Promoting balanced regulation by easing regulatory compliance through liberalisations*

Some of the proposed liberalisations include –

- disapplying certain restrictions prescribed for the deed poll or trust deed, to debt securities; and
- requiring immediate announcement of certain prescribed events only if the materiality threshold is triggered.

(d) *Addressing critical gaps to safeguard shareholder interest*

These include –

- announcing the reasons for a change in financial year end and issuing the interim audited financial statements (if required by the Exchange) in the event there is a change in financial year end of a listed issuer; and
- requiring shareholder approval for a material change in the utilisation of proceeds raised.

D. STRUCTURE OF THE CONSULTATION PAPER

Details of the Proposed Amendments, where relevant, and their rationale are provided in the “**Details of Proposals**” in **Parts 1 to 4** of this Consultation Paper.

The Proposed Amendments are provided in **Annexures A and B** and are reflected in the following manner:

- portions underlined are text newly inserted/added/replaced onto the existing rules; and
- portions struck through are text to be deleted.

The table below provides a snapshot of the relevant details of the Proposed Amendments as well as the related Parts and Annexures for ease of reference:

Part No.	Details of Proposals	Proposed Amendments (Annexure)
1.	Ensuring transaction circulars and announcements are coherent, relevant and easy to understand	<ul style="list-style-type: none"> • Annexure A for the Main LR • Annexure B for the ACE LR
2.	Promoting clear, relevant and practical requirements relating to corporate disclosure policies and other disclosure requirements	
3.	Promoting balanced regulation by easing regulatory compliance through liberalisations	
4.	Addressing critical gaps to safeguard shareholder interest	

Issues for Consultation

We invite comments on the Proposed Amendments as discussed below. Comments can be given by filling up the template as attached in the **Attachment**.

Note:

As the Proposed Amendments are open to comments and feedback from the public, the final amendments may be different from those stated in this Consultation Paper. Further, the Proposed Amendments have NOT been approved by the Securities Commission Malaysia (“SC”) and as such are not the final amendments. The Exchange will submit the Proposed Amendments to the SC for approval after receipt of comments pursuant to this Consultation Paper and making the relevant changes, where appropriate, to the Proposed Amendments.

[The rest of this page has been intentionally left blank]

E. DETAILS OF PROPOSALS

PART 1 ENSURING TRANSACTION CIRCULARS AND ANNOUNCEMENTS ARE COHERENT, RELEVANT AND EASY TO UNDERSTAND

PROPOSAL 1.1: ENHANCING PRESENTATION OF ANNOUNCEMENTS AND CIRCULARS RELATING TO TRANSACTIONS TO IMPROVE THEIR READABILITY

1. Presently, the information required to be disclosed in a transaction announcement and circular is prescribed in Appendix 10A and Appendix 10B of the LR respectively. The prescriptions are neither listed in any particular order nor are they arranged according to any specific categories. Listed issuers are at liberty to prepare their announcements and circulars in any manner as they deem fit so long as the prescribed information is disclosed.
2. Whilst this has provided flexibility to listed issuers in preparing their announcements and circulars, it has also resulted in information being presented without much regard to flow, structure and coherence of the information. As observed above, technical or legal jargons are often reproduced from legal agreements in announcements and circulars, such as when describing the salient terms of the transactions in the circulars issued by some of these listed issuers. Consequently, such documents might become too convoluted for some shareholders to read and follow the discussions.
3. In view of this, the Exchange proposes to enhance the presentation of announcements and circulars relating to transaction by re-arranging and categorising the prescribed information according to key areas of a transaction for better flow. This is to guide the listed issuers to prepare the documents in a holistic and structured manner. Further, this will also enhance the cohesiveness of the information presented to the investors in order to facilitate better understanding by investors of the transaction.
4. In this connection, the Exchange proposes to cluster the prescribed information in Appendix 10A and Appendix 10B of the LR into the following key areas of transaction:
 - (a) cover page;
 - (b) introduction;
 - (c) details of the transaction;
 - (d) basis of and justification for the consideration;
 - (e) rationale and benefits of the transaction;
 - (f) utilisation of proceeds;
 - (g) prospects, outlook and future plan;

- (h) risks of the transaction;
 - (i) effects of the transaction;
 - (j) approval or consent required;
 - (k) conditionality of transaction;
 - (l) interest of directors, major shareholders and persons connected;
 - (m) directors statement or recommendation;
 - (n) tentative timetable for implementation
 - (o) further or additional information; and
 - (p) appendices.
5. The above proposed clustering of information is intended to improve the readability of the announcements and circulars relating to transactions so that shareholders and investors will have better insights on the proposed transactions. This will empower them to make better informed investment decisions.

Proposal 1.1 – Issue(s) for Consultation

1. Do you agree with the proposed clustering of the prescribed information in the announcements and circulars relating to transactions under Appendix 10A and Appendix 10B of the LR into the following key areas of transaction for better flow and improved readability:
- (a) cover page;
 - (b) introduction;
 - (c) details of the transaction;
 - (d) basis of and justification for the consideration;
 - (e) rationale and benefits of the transaction;
 - (f) utilisation of proceeds;
 - (g) prospects, outlook and future plan;
 - (h) risks of the transaction;

- (i) effects of the transaction;
- (j) approval or consent required;
- (k) conditionality of transaction;
- (l) interest of directors, major shareholders and persons connected;
- (m) directors statement or recommendation;
- (n) tentative timetable for implementation;
- (o) further or additional information; and
- (p) appendices.

Please state the reasons for your views.

2. Besides the aforesaid proposed clustering of information, do you have any other suggestion to improve the quality of the announcements and circulars relating to transactions?

Please state your suggestions and the reasons for the suggestions.

PROPOSAL 1.2: ENHANCING THE CONTENTS OF ANNOUNCEMENT AND CIRCULAR RELATING TO TRANSACTION

6. Through this review, the Exchange has also taken the opportunity to review the contents of the announcement and circular relating to transaction under Appendix 10A and Appendix 10B of the LR respectively.
7. In this regard, the Exchange proposes to enhance certain provisions in the announcements and circulars to codify existing practices, ensure consistency in requirements as well as continue to provide shareholders and investors with the key information necessary to enable them to make better informed investment decisions.
8. In addition, we also propose to remove certain disclosure requirements that have become either –
- (a) redundant or outdated in light of changes to the Securities Commission Malaysia's prospectus guidelines relating to risk disclosure; or
 - (b) duplicative given that similar disclosures can also be found in the valuation report.

9. Details of the proposed enhancements to the contents of circulars relating to transactions are set out in the table below.

Proposal	Rationale
Details of Transactions	
<p>(a) <u>Weighted average market price of shares if consideration is in the form of shares</u></p> <p>Currently, a listed issuer must announce specific information on the weighted average market price of the shares if the consideration of the transaction is in the form of shares¹.</p> <p>In view of this, we propose to require similar information on the weighted average market price of the shares to be disclosed in the circular if the consideration is in the form of shares.²</p>	<ul style="list-style-type: none"> The proposed disclosure in the circular is to streamline with the requirements in the announcement for purposes of parity and continuity in disclosures made.
<p>(b) <u>Audited financial and other relevant information of assets</u></p> <p>Currently, a listed issuer must include information on the net profits attributable to the assets and the net assets when it announces the information on the audited financial and other relevant information pertaining to the assets³.</p>	

¹ Under the existing paragraph 8, Part A of Appendix 10A LR, the announcement must include the weighted average market price for the shares for the 5 market days before the date on which the terms of the transaction were agreed upon.

² New paragraph 4(c), Part A of Appendix 10B, Main LR; new paragraph 5(c), Part A of Appendix 10B, ACE LR.

³ Existing paragraph 4, Part A of Appendix 10A of the LR.

Proposal	Rationale
<p>Similar to the information disclosed in the announcement, we propose to clarify that for the circular, in addition to the current disclosure required on the book value of the assets, disclosure on the audited financial and other relevant information pertaining to the assets must include the net profits attributable to assets and net assets.⁴</p>	
<p>(c) Information on vendor</p> <p>Currently, a listed issuer is required to disclose, among others, the names of the vendor’s directors and substantial shareholders together with their respective shareholdings, if the vendor is a corporation, in the circular⁵.</p> <p>In this respect, we propose to clarify that the disclosure of the shareholdings of the directors and substantial shareholders must include the direct and/or indirect shareholdings of such persons.⁶</p>	<ul style="list-style-type: none"> • This is to provide clarity on the information required.
<p>(d) Information on purchaser</p> <p>Unlike the approach taken in relation to a vendor, the LR presently does not prescribe <u>specific</u> information to be disclosed for a purchaser, in the circular⁷.</p> <p>As such, we propose to require the following details of a purchaser⁸:</p>	<ul style="list-style-type: none"> • This is to ensure parity with the disclosure required for a vendor.

⁴ New paragraph 5, Part A of Appendix 10B, Main LR; new paragraph 6, Part A of Appendix 10B, ACE LR.

⁵ Existing paragraph 13(e)(i), Part A of Appendix 10B, Main LR; paragraph 14(e)(i), Part A of Appendix 10B, ACE LR.

⁶ New paragraph 6(g), Part A of Appendix 10B, Main LR; new paragraph 7(g), Part A of Appendix 10B, ACE LR.

⁷ Existing paragraph 14(f), Part A of Appendix 10B, Main LR; paragraph 15(f), Part A of Appendix 10B, ACE LR.

⁸ New paragraph 7(c), Part A of Appendix 10B, Main LR; new paragraph 8(c), Part A of Appendix 10B, ACE LR.

Proposal	Rationale
<p>(i) if the purchaser is a corporation, the name and principal activity of the purchaser and names of its directors and substantial shareholders together with their respective direct or indirect shareholdings; or</p> <p>(ii) if the purchaser is an individual, the name of the purchaser.</p>	
<p>(e) Information on liabilities assumed by, and guarantees given to, purchaser</p> <p>Currently, a listed issuer must, in the case of a disposal, disclose in the circular, the particulars of liabilities assumed by the purchaser arising from the disposal⁹.</p> <p>No specific disclosure is prescribed in relation to guarantees given to the purchaser or target company.</p> <p>In view of the above, we propose to require the following disclosures¹⁰:</p> <ul style="list-style-type: none"> • particulars of any liabilities, including contingent liabilities, relating to the disposal which are not assumed by the purchaser (instead of those to be assumed by the purchaser); and • particulars of any guarantees given by the listed issuer to the purchaser or target company. 	<ul style="list-style-type: none"> • The proposed disclosure is to ensure all pertinent and value-adding information is provided to shareholders. • The proposed disclosure is pertinent as typically in the case of a disposal, the liabilities will be assumed by the purchaser. Hence in instances where this is not the case or the listed issuer takes on liabilities (i.e. guarantees), it would be important for shareholders to know.

⁹ Existing paragraph 14(g), Part A of Appendix 10B, Main LR; paragraph 15(g), Part A of Appendix 10B, ACE LR.

¹⁰ New paragraph 7(d), Part A of Appendix 10B, Main LR; new paragraph 8(d), Part A of Appendix 10B, ACE LR.

Proposal	Rationale
Rationale and Benefits of the Transaction	
<p>(f) <u>Rationale and benefits</u></p> <p>Presently, the LR only requires disclosure on the rationale for the transaction including any benefit which is expected to accrue to the listed issuer, in the circular¹¹.</p> <p>We propose to clarify that such disclosure is to be discussed from the business, financial and operational perspective.¹²</p>	<ul style="list-style-type: none"> • This is to codify our existing practice of requiring such information to be disclosed by the listed issuers. • It also provides shareholders with a more comprehensive and holistic rationale.
Utilisation of Proceeds Arising from Disposal	
<p>(g) <u>Details on utilisation of cash consideration</u></p> <p>The LR currently only prescribes further details to be disclosed in the circular if the sale consideration in cash is utilised to reduce borrowings or for investments¹³.</p> <p>In addition to the existing requirements, we propose to also require details and breakdown if the sale consideration in cash is utilised for working capital purposes.¹⁴</p>	<ul style="list-style-type: none"> • This is to codify existing market practice and to promote greater granularity on the utilisation of proceeds arising from the transaction for working capital purposes.

¹¹ Existing paragraph 15, Part A of Appendix 10B, Main LR; paragraph 16, Part A of Appendix 10B, ACE LR.

¹² New paragraph 11, Part A of Appendix 10B, Main LR; new paragraph 12, Part A of Appendix 10B, ACE LR.

¹³ Existing paragraph 14(c), Part A of Appendix 10B, Main LR; paragraph 15(c), Part A of Appendix 10B, ACE LR.

¹⁴ New paragraph 12(c), Part A of Appendix 10B, Main LR; new paragraph 13(c), Part A of Appendix 10B, ACE LR.

Proposal	Rationale
Risks of Transaction	
<p>(h) <u>Risks of transaction</u></p> <p>The current disclosure in the circular on risks in relation to the transaction, assets or interests to be acquired (“target assets or interests”), and overall industry where the target assets or interests operates, includes the mitigating factors of such risks¹⁵.</p> <p>We propose to remove the disclosure on the mitigating factors.¹⁶</p>	<ul style="list-style-type: none"> • This is to align with requirements under the Prospectus Guidelines issued by the SC.
Approval / Consent Required	
<p>(i) <u>Approval / consent required</u></p> <p>Currently, a listed issuer is only required to disclose the following information in the circular¹⁷:</p> <ul style="list-style-type: none"> • whether the transaction is subject to the approval of shareholders or the relevant government authorities; and • the conditions imposed as well as the status of compliance. <p>The announcement, on the other hand, must include the highest percentage ratio applicable to the transaction in the case of shareholder approval¹⁸.</p>	<ul style="list-style-type: none"> • The proposed disclosure is to streamline with the requirements in the announcement for purposes of parity and continuity of disclosures made.

¹⁵ Existing paragraph 18, Part A of Appendix 10B, Main LR; paragraph 19, Part A of Appendix 10B, ACE LR.

¹⁶ New paragraph 14, Part A of Appendix 10B, Main LR; new paragraph 15, Part A of Appendix 10B, ACE LR.

¹⁷ Existing paragraph 23, Part A of Appendix 10B, Main LR; paragraph 24, Part A of Appendix 10B, ACE LR.

¹⁸ Existing paragraph 18, Part A of Appendix 10A of the LR.

Proposal	Rationale
<p>In view of the disparity in the contents of the announcement and circular, we propose to include disclosure of the highest percentage ratio applicable to the transaction, in the circular as well.¹⁹</p>	
Further / Additional Information	
<p>(j) <u>Information on depleting or specialised businesses such as timber concessions</u></p> <p>Currently, the LR requires specific information to be disclosed in the circular for depleting or specialised businesses such as timber concessions. The information includes the breakdown of assets/inventories, reserves, extraction rates and returns²⁰.</p> <p>We propose to delete such information.</p>	<ul style="list-style-type: none"> • In most instances, a valuation will be conducted on the timber concessions as such concessions relate to real estates. Similar information as currently required would have been covered in the valuation report. • Hence, we propose to delete such disclosures from the circular to reduce duplication.
Appendices	
<p>(k) <u>Salient features of the agreement</u></p> <p>Currently, the requirement to disclose the salient features of the agreement under LR²¹ is stated broadly and in a general manner.</p> <p>In this regard, we propose to clarify that such disclosure must include, among others, information on the termination and default clauses in the agreement.²²</p>	<ul style="list-style-type: none"> • We note that there is lack of proactive disclosures by some listed issuers on the termination and default provisions as set out in the agreements entered into by the listed issuers. • Hence, the proposed disclosure is aimed at making clear the Exchange's expectation so that shareholders are apprised of all significant information which may impact their decision.

¹⁹ New paragraph 17(a), Part A of Appendix 10B, Main LR; new paragraph 18(a), Part A of Appendix 10B, ACE LR.

²⁰ Existing paragraph 22, Part A of Appendix 10B, paragraph 23, Part A of Appendix 10B, ACE LR.

²¹ Existing paragraph 6, Part A of Appendix 10B, Main LR; paragraph 7, Part A of Appendix 10B, ACE LR.

²² New paragraph 25, Part A of Appendix 10B, Main LR; new paragraph 26, Part A of Appendix 10B, ACE LR.

Proposal	Rationale
<p>(l) <u>General nature of target company's business</u></p> <p>Under the LR currently, a listed issuer must disclose in the circular, the general nature of the target company's business including, among others, information on the principal products manufactured, size and location of factories etc²³.</p> <p>In addition to the current prescription, we propose to also require disclosure of the commencement date of the target company's business operations.²⁴</p>	<ul style="list-style-type: none"> • This is to codify our existing practice of requiring such information to be disclosed by listed issuers.
Specific Information on Transactions Which Involves Real Estate	
<p>(m) Details where the real estate is in the process of being or is intended to be developed</p> <p>In the case of real estate which is in the process of being developed or intended for development, the LR currently requires disclosure of, among others, the expected profits to be derived from such development.</p> <p>In this regard, we propose to require disclosure of the gross development value (instead of the expected profits to be derived).²⁵</p>	<ul style="list-style-type: none"> • This is to address the feedback we received that disclosure on the expected profits to be derived from the development may not be accurately and reliably ascertained at the onset of the acquisition. • As such, we proposed to require disclosure on the gross development value instead, which is usually disclosed by listed issuers.

²³ Existing paragraph 28(f), Part A of Appendix 10B, Main LR; paragraph 29(f), Part A of Appendix 10B, ACE LR.

²⁴ New paragraph 26(f)(i), Part A of Appendix 10B, Main LR; new paragraph 27(f)(i), Part A of Appendix 10B, ACE LR.

²⁵ Paragraph 4(d), Part C of Appendix 10A and 10B, Main LR; paragraph 4(d), Part C of Appendix 10A and 10B, ACE LR

10. Apart from paragraph 9(j) above (disclosures of specific information for depleting or specialised businesses such as timber concessions), the Exchange is also proposing to make similar enhancements as discussed in paragraph 9 above, to the contents of announcements in Appendix 10A of the LR, where applicable. This is to ensure that there is parity and continuity in the disclosures on transactions. In relation to the disclosure of specific information for depleting or specialised businesses, the Exchange proposes to maintain the existing announcement requirements. This is because at the time of making the announcement, the valuation report for the timber concessions would not be ready. Hence, the specific information must be announced as such information is not contained elsewhere at the time of the announcement.

Proposal 1.2 – Issue(s) for Consultation

3. Do you agree with the proposed enhancements to the contents of circular relating to transaction under Appendix 10B of the LR as set out in paragraph 9 above?

Please state the reasons for your views.

4. Do you agree with the proposed enhancements to the contents of announcement relating to transactions under Appendix 10A of the LR?

Please state the reasons for your views.

5. Apart from the proposals above –

- (a) is there any other information which should be included or enhanced in the contents of announcement or circular for transaction?

Please state your suggestions and the reasons for the suggestions.

- (b) is there any other information which should be deleted from the contents of announcement or circular for transaction?

Please state your suggestions and the reasons for the suggestions.

[End of Part 1]

PART 2 PROMOTING CLEAR, RELEVANT AND PRACTICAL REQUIREMENTS RELATING TO CORPORATE DISCLOSURE POLICIES AND OTHER DISCLOSURE REQUIREMENTS

PROPOSAL 2.1: SIMPLIFYING THE REQUIREMENTS ON CORPORATE DISCLOSURE POLICIES

11. The Exchange considers that the conduct of an orderly and fair market requires every listed issuer to disclose to the public in a timely manner, all material information necessary for informed investing and ensure that there is equal access to such information. In applying this fundamental principle, Chapter 9 of the LR has set out the following 6 specific corporate disclosure policies (collectively referred to as the “**CDP**”) which must be adhered to by listed issuers:
- (a) immediate disclosure of material information²⁶;
 - (b) thorough public dissemination²⁷;
 - (c) clarification, confirmation or denial of rumours or reports²⁸;
 - (d) response to unusual market activity²⁹;
 - (e) unwarranted promotional disclosure activity³⁰; and
 - (f) insider trading³¹.
12. In this LR review, the Exchange has taken the opportunity to consider whether the CDP as set out under the LR are still practical and relevant. Based on our assessment, we find that the underlying principles of CDP remain relevant and appropriate, and they are benchmarked against the requirements in the United States, Singapore and Australia.
13. Whilst no changes are proposed to the underlying principles of CDP, we nevertheless propose to simplify the drafting of the CDP, where possible, so that they are presented in a manner which is clearer and easier to understand, to aid compliance beyond the form by listed issuers.

²⁶ Part C, Chapter 9 of the LR.

²⁷ Part D, Chapter 9 of the LR.

²⁸ Part E, Chapter 9 of the LR.

²⁹ Part F, Chapter 9 of the LR.

³⁰ Part G, Chapter 9 of the LR

³¹ Part H, Chapter 9 of the LR.

14. Currently, some of the CDP incorporate illustrations and examples in the requirements to explain the application or to provide further elaboration on a particular point. This has inadvertently resulted in the requirements being lengthy or wordy which in turn affects the readability of the provisions.
15. In view of this, the Exchange proposes to remove the examples and illustrations from the LR and instead provide them as part of the Questions and Answers issued by the Exchange. We also propose to simplify the drafting of some of the requirements by, among others, articulating the requirements in shorter sentences and removing superfluous language or terms³².
16. Through the proposed simplification of the CDP above, the Exchange seeks to keep the requirements under the LR clear, simple and reader-friendly.

Proposal 2.1 – Issue(s) for Consultation

6. Do you agree with the proposed simplification of the requirements on CDP as discussed in paragraph 15 above?

Please state the reasons for your views.
7. Do you have any other suggestions as to the manner in which the requirements on CDP should be simplified? If yes, please provide your suggestions and the reasons for your suggestions.

PROPOSAL 2.2: DELETING REDUNDANT OR REPETITIOUS DISCLOSURE REQUIREMENTS AND STREAMLINING OVERLAPPING REQUIREMENTS

Immediate announcements of prescribed events

17. The Exchange notes that there are certain immediate announcement requirements under paragraph/Rule 9.19 of the LR where the obligation to make such announcements is already prescribed in the other relevant Chapters of the LR. Hence, it is proposed that the following requirements under paragraph/Rule 9.19 of the LR be removed since they are redundant and repetitious:

³² Paragraphs/Rules 9.02(2), 9.05(3), 9.06 to 9.13 of the LR.

Proposed Deletions under paragraph/Rule 9.19 of the LR	Rationale
(a) Any transaction requiring an announcement to be made under Chapter 10 ³³	<ul style="list-style-type: none"> Chapter 10 of the LR already requires a listed issuer to make an announcement in the event the listed issuer enters into a transaction which triggers the percentage ratio of 5% or more (for non-related party transactions)³⁴ or 0.25% or more (for related party transactions)³⁵.
(b) Any scheme of compromise, arrangement, amalgamation or reconstruction ³⁶	<ul style="list-style-type: none"> Paragraph/Rule 13.02 of the LR already requires a listed corporation which is undertaking a scheme of compromise, arrangement, amalgamation or reconstruction, to make immediate announcement to the Exchange.
(c) A subdivision of shares or consolidation by the listed issuer ³⁷	<p>A listed issuer is already required to immediately announce a subdivision or consolidation pursuant to the following provisions under the LR:</p> <ul style="list-style-type: none"> in relation to a subdivision, paragraph/Rule 13.4(1) read together with Chapter 6; and in relation to a consolidation, Part D of Chapter 13.

Standard of disclosure for announcements and circulars

18. Further, the Exchange also proposes to consolidate and streamline the requirements relating to the standard of disclosure for announcements and circulars under a new paragraph/Rule of the LR³⁸. This is to help reduce duplicative or overlapping requirements in the LR.

³³ Paragraph 9.19(22) of the Main LR / Rule 9.19(23) of the ACE LR

³⁴ Paragraph/Rule 10.05 of the LR.

³⁵ Paragraph/Rule 10.08(1) of the LR.

³⁶ Paragraph 9.19(28) of the Main LR / Rule 9.19(29) of the ACE LR

³⁷ Paragraph 9.19(33) of the Main LR / Rule 9.19(34) of the ACE LR

³⁸ New paragraph 9.35A of the Main LR / new Rule 9.35 of the ACE LR. We have also made consequential changes to paragraph/Rule 9.01(2)(b) and (f) of the LR.

19. Currently, such requirements are set out in 2 separate provisions of the LR i.e. paragraph/Rule 9.16 of the LR (for announcement) and paragraph 9.32 of the Main LR / Rule 9.31 of the ACE LR (for circular), even though they are substantially the same.

Practice Note 3 – disclosure for internet-related business or e-commerce activities

20. In addition to the above, the Exchange also proposes to delete Practice Note 3 of the Main LR which sets out the contents of immediate announcement for internet-related business or e-commerce activities of a listed issuer. This is because the requirements prescribed have since become outdated.
21. Practice Note 3 of the Main LR was introduced in 2001 to cater for the dot-com boom during the period from 1995 to 2000. It provided clarity on the Exchange’s disclosure expectations in respect of internet-related business or e-commerce activities of listed issuers.
22. Over time however, the dot.com boom receded and such internet-related business or e-commerce activities became like any other businesses of listed issuers today. Therefore, the Exchange proposes to delete Practice Note 3 of the Main LR to ensure parity with the disclosure of other types of businesses.

Proposal 2.2 – Issue(s) for Consultation

8. Do you agree that the following immediate announcement requirements should be deleted:
- (a) any transaction requiring an announcement to be made under Chapter 10 as set out in paragraph 17(a) above?
 - (b) any scheme of compromise, arrangement, amalgamation or reconstruction as set out in paragraph 17(b) above?
 - (c) a subdivision of shares or consolidation by the listed issuer as set out in paragraph 17(c) above?

Please state the reasons for your views.

9. Do you agree with the proposal to consolidate and streamline the standard of disclosure for both announcement and circular under a new paragraph/Rule of the LR as set out in paragraph 18 above?

Please state the reasons for your views.

10. Do you agree with the proposed deletion of Practice Note 3 of the Main LR in relation to the disclosures for internet-related business or e-commerce activities?
- Please state the reasons for your views.

[End of Part 2]

PART 3 PROMOTING BALANCED REGULATION BY EASING REGULATORY COMPLIANCE THROUGH LIBERALISATIONS

PROPOSAL 3.1: DISAPPLYING CERTAIN RESTRICTIONS IN DEED POLL/TRUST DEED, TO DEBT SECURITIES

23. Paragraph 6.54(3) of the Main LR and Rule 6.55(3) of the ACE LR currently stipulate that a deed poll or trust deed constituting the convertible securities **must not** include any provision for –
- (a) the extension or shortening of tenure of the convertible securities; or
 - (b) changes to the number of shares received for the exercise or conversion of each convertible security or changes to the pricing mechanism for the exercise or conversion price of the convertible security, except where these changes are adjustments following capitalisation issues, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction exercises.
24. The restrictions above are intended **to apply only to convertible equity securities**, such as company warrants as they seek to avoid changes or adjustments to the terms and conditions of the convertible equity securities which may be detrimental to the holders of such securities. For example, if a listed issuer is allowed to extend the tenure of its warrants close to the expiry date of such warrants, this may be unfair to holders of such warrants who had decided to sell the warrants earlier given that the time value of the warrants decline as the expiry of the warrants get closer.
25. Therefore, for purposes of greater clarity on the application of the LR provisions, the Exchange proposes to expressly disapply the restrictions above to debt securities³⁹.
26. Given the nature of debt securities, the Exchange believes that it is appropriate to allow the flexibility to make the relevant adjustment or changes in the deed poll or trust deed constituting the convertible debt securities. This proposal is also benchmarked with Singapore and Hong Kong as there are no similar restrictions imposed under their LR for convertible debt securities.

Proposal 3.1 – Issue(s) for Consultation

11. Do you agree with the proposed amendments to the LR to expressly disapply the restrictions on changes to tenure, number of shares issued arising from the conversion and pricing mechanisms as prescribed for the deed poll or trust deed, to debt securities?

Please state the reasons for your views.

³⁹ New paragraph 6.54(4) of the Main LR; and Rule 6.55(4) of the ACE LR.

PROPOSAL 3.2: REQUIRING IMMEDIATE ANNOUNCEMENT ONLY IF MATERIALITY THRESHOLD IS TRIGGERED

27. Presently, a listed issuer is required to immediately announce to the Exchange the following events:

- (a) **any** re-organisation of the group structure of the listed issuer⁴⁰;
- (b) **any** acquisition (including subscription) of shares in another corporation or any other event which results in such company becoming a subsidiary of the listed issuer⁴¹; and
- (c) **any** disposal of shares in another corporation or any other event which results in such corporation ceasing to be a subsidiary of the listed issuer⁴².

28. In this regard, the Exchange notes that compliance with the above requirements have inadvertently resulted in listed issuers making announcements of events which are not significant and hence, not intended for disclosure. For example, announcement of a re-organisation of a listed issuer group which has no financial impact to the group i.e. where a subsidiary is transferred to another company within the group, or announcement of an acquisition of a dormant subsidiary with an issued capital of RM2.

29. In view of the above, the Exchange proposes the following revisions:

(a) **Re-organisation of the group structure**

We propose to remove the obligation to immediately announce *any* group re-organisation and instead subject such announcement to the **materiality assessment** by a listed issuer under paragraph/Rule 9.03 of the LR⁴³. This means that the listed issuer must immediately announce the re-organisation of its group structure if it has determined that such re-organisation is material.

(b) **Acquisition or disposal of a subsidiary**

We propose to delete the obligation to immediately announce *any* acquisition or disposal of a subsidiary and instead subject such announcements to the **materiality threshold** prescribed for transaction announcements in Chapter 10 of the LR. This means that a listed issuer must immediately announce any acquisition or disposal of a subsidiary if the percentage ratio of such acquisition or disposal is more than 5% (for a non-related party transaction) or 0.25% (for a related party transaction).

⁴⁰ Paragraph/Rule 9.19(5) of the LR.

⁴¹ Paragraph 9.19(23) of the Main LR / Rule 9.19(24) of the ACE LR.

⁴² Paragraph 9.19(24) of the Main LR / Rule 9.19(25) of the ACE LR.

⁴³ Paragraph/Rule 9.03 of the LR stipulates that an information is considered material if it is reasonably expected to have a material effect on the price, value or market activity of any of its securities; or investor's decision in determining his choice of action.

30. The above proposals are intended to ease regulatory burden of the listed issuers whilst still ensuring that shareholders continue to be kept informed of material information.

Proposal 3.2 – Issue(s) for Consultation

12. Do you agree with the proposal to require immediate announcement of the following events only if the specific materiality threshold is triggered:
- (a) any re-organisation of the group structure of the listed issuer determined by the listed issuer to be material pursuant to paragraph/Rule 9.03 of the LR [paragraph 29(a) above]?
 - (b) any acquisition (including subscription) of shares in another corporation or any other event which results in such company becoming a subsidiary of the listed issuer which triggers the materiality threshold for announcement of transaction under Chapter 10 of the LR [paragraph 29(b) above]?
 - (c) any disposal of shares in another corporation or any other event which results in such corporation ceasing to be a subsidiary of the listed issuer which triggers the materiality threshold for announcement of transaction under Chapter 10 of the LR [paragraph 29(b) above]?

Please state the reasons for your views.

[End of Part 3]

PART 4 ADDRESSING CRITICAL GAPS TO SAFEGUARD SHAREHOLDER INTEREST

PROPOSAL 4.1: ENHANCEMENTS TO PROMOTE GREATER TRANSPARENCY ON CHANGE IN FINANCIAL YEAR END AND ENSURE TIMELY RELEASE OF INTERIM AUDITED FINANCIAL STATEMENTS

31. A listed issuer may, at its discretion, change its financial year end (“FYE”) for various reasons such as to streamline the financial reporting period and to promote business efficacy within the listed issuer’s group. Whilst it is the prerogative of the listed issuer to change its FYE, it must be balanced with timeliness of information and adequate transparency in the marketplace.

Reasons for change of FYE

32. The LR currently requires a listed issuer to immediately announce to the Exchange any change in the financial year end (“FYE”) of the listed issuer⁴⁴.
33. In order to promote greater transparency, the Exchange proposes to enhance the existing immediate announcement requirement by requiring a listed issuer to also disclose the reasons for the change in the FYE. This is to ensure that shareholders are kept apprised of such information and understand why their investee companies are changing the FYE. The proposed requirement is also benchmarked with the provisions in Hong Kong and Singapore.

Issuance of interim audited financial statements

34. Further to the above, the Exchange is also proposing that if a listed issuer extends its FYE to beyond 18 months from the last FYE, the Exchange may require such listed issuer to issue its interim audited financial statements for the 18-month period or such period as the Exchange may deem fit⁴⁵.
35. Whilst it remains a prerogative of the listed issuer listed issuer to change its FYE, it is proposed that the Exchange should reserve its rights and exercise its discretion where it deems necessary, to require the listed issuer to issue interim audited financial statements if it extends the FYE to more than 18 months. This is to ensure timely release of interim financial information by listed issuers so that investors are kept apprised of such material information to facilitate informed investment decision notwithstanding a change in FYE by the listed issuers.

⁴⁴ Paragraph/Rule 9.19(11) of the LR.

⁴⁵ New paragraph/Rule 9.23A of the LR.

Proposal 4.1 – Issue(s) for Consultation

13. Do you agree that a listed issuer should be required to disclose the reasons for the change in FYE when making an immediate announcement to the Exchange on such change?

Please state the reasons for your views.

14. If a listed issuer extends its FYE to beyond 18 months from the last FYE, do you agree that the Exchange may require the listed issuer to issue its interim audited financial statements for the 18-month period or such period as the Exchange may deem fit?

Please state the reasons for your views.

PROPOSAL 4.2: REQUIRING SHAREHOLDER APPROVAL FOR MATERIAL CHANGE IN UTILISATION OF PROCEEDS

36. Currently, a listed issuer is only required to immediately announce any change in utilisation of proceeds raised from an issuance of securities that deviates by 5% or more from the original utilisation⁴⁶.
37. Although the LR⁴⁷ prescribes a general requirement for a listed issuer to seek shareholder approval for any material⁴⁸ amendment, modification or variation it intends to make to a proposal which had been previously approved, this requirement is currently not applicable to a material change in utilisation of proceeds.
38. As such, to accord similar rights to shareholders to approve subsequent material changes, the Exchange proposes to require prior shareholder approval for any material change to the utilisation of proceeds raised by the listed issuer from -
- (a) its initial public offering; or
 - (b) issuance of securities which was previously approved by way of specific shareholder approval⁴⁹.

⁴⁶ See paragraph 9.19(32) of the Main LR / Rule 9.19(33) of the ACE LR.

⁴⁷ See paragraph 8.22 of the Main LR / Rule 8.24 of the ACE LR.

⁴⁸ Under paragraph 8.22(2) of the Main LR / Rule 8.24(2) of the ACE LR, an amendment, modification or variation is considered material if it can be reasonably expected to have a material effect on the decision of a securities holder of the listed issuer in relation to such proposal.

⁴⁹ Paragraph 8.22(1) of the Main LR / Rule 8.24(1) of the ACE LR.

For this purpose, the Exchange proposes a materiality threshold of **25% or more** of the total proceeds raised, for shareholders' approval to be triggered⁵⁰. Consequential to this, we are also proposing to streamline the drafting of the materiality threshold for immediate announcement⁵¹ by replacing "*original utilisation*" with "**total proceeds raised**".

39. As shareholders would have made their investment decisions based on disclosures set out in the prospectus (for initial public offering) or circular (for new issue of securities) including those relating to utilisation of proceeds, the Exchange believes that it is appropriate to require prior shareholder approval for any material change to the utilisation of proceeds. This ensures that shareholders rights are safeguarded and provides parity in approach.

Proposal 4.2 – Issue(s) for Consultation

15. Do you agree with the proposal to require shareholder approval if there is a material change to the utilisation of proceeds raised by the listed issuer from its initial public offering or new issue of securities which was previously approved by way of specific shareholder approval?

Please state the reasons for your views.

16. Do you agree that a change to the utilisation of proceeds is considered material and therefore require shareholder approval, if such change is 25% or more of the total proceeds raised?

Please state the reasons for your views.

[End of Part 4]

⁵⁰ Paragraph 8.22(2) of the Main LR / Rule 8.24(2) of the ACE LR.

⁵¹ Paragraph 9.19(32) of the Main LR / Rule 9.19(33) of the ACE LR.

ANNEXURE A - B PROPOSED AMENDMENTS

*[Please see **Annexure A – B** enclosed with this Consultation Paper]*

ATTACHMENT

TABLE OF COMMENTS

[Please see the Attachment setting out the Table of Comments enclosed with this Consultation Paper]

APPENDIX BURSA MALAYSIA'S PERSONAL DATA NOTICE

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Malaysia's personal data notice ("**Notice**") is available at www.bursamalaysia.com. Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("**data subject**"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("**PDPA**") applies or Bursa Malaysia otherwise specifies in connection with the PDPA.

~~~~~

Berhubung Akta Perlindungan Data Peribadi 2010 dan berkenaan semua data peribadi anda yang diberikan di dalam proses konsultasi ini, sila ambil maklum bahawa notis Bursa Malaysia mengenai data peribadi ("**Notis tersebut**") boleh didapati di [www.bursamalaysia.com](http://www.bursamalaysia.com). Sila pastikan yang anda membaca dan memahami Notis tersebut.

Jika anda mengemukakan data peribadi individu pihak ketiga ("**Subjek Data**"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("**APDP**") terpakai atau Bursa Malaysia sebaliknya menyatakan berkenaan dengan APDP.

**[End of the Appendix]**