

SUMMARY OF AMENDMENTS TO THE MAIN LR IN RELATION TO DISCLOSURE AND OTHER OBLIGATIONS

1. Amendments to Enhance the Financial Reporting and Continuing Disclosure Obligations of Listed Issuers

Good disclosure is important in ensuring a market of quality and integrity. Hence, the continuing obligations relating to disclosure remain one of our key focus areas for review. In line with our objectives of improving the quality and timeliness of disclosures made by listed issuers to the market, the following key enhancements are introduced:

1.1 Financial Reporting Obligations

- (a) Requiring disclosure of **detailed analysis** (as opposed to a review) of the performance of all operating segments of the group, in the notes to quarterly reports [*Appendix 9B, Part A, paragraph 1*].
- (b) Prescribing the minimum content of disclosures in the statement of comprehensive income and statement of cash flows [*Appendix 9B, Part A, paragraphs 16 and 17*].
- (c) Requiring that a listed issuer must make monthly announcement on the status of the issuance of outstanding financial statements and include the following information in the announcement to ensure that the market is kept informed of the status of the issuance of the outstanding financial statements:
 - the reasons for continuing to fail to issue the outstanding financial statements;
 - the expected date of issuance of the outstanding financial statements, and
 - steps taken or proposed to be taken to issue the outstanding financial statements by the expected date,

[*Paragraph 9.28*].
- (d) Enhancing the factors for consideration by a listed issuer when appointing its external auditor [*Paragraph 15.21*].
- (e) Deleting the following requirements:
 - Disclosure of amount of profit or losses on any sale of unquoted investments or properties in the notes to quarterly report [*Appendix 9B, Part A, paragraph 7*].

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- Disclosure of details of purchase or disposal of quoted securities of quoted securities other than securities in existing subsidiaries and associated companies by all corporations such as the total purchase consideration and sale proceeds of quoted securities, the profit or loss arising from such purchase or sale, and the investment in quoted securities at cost, at carrying value or book value and at market value in the notes to quarterly report [*Appendix 9B, Part A, paragraph 8*].
- Summary of off-balance sheet financial instruments by type and maturity profile including the prescribed information [*Appendix 9B, Part A, paragraph 11*].
- Statement regarding the revaluation policy on landed properties in the annual report [*Appendix 9C, Part A, paragraph 24*].

1.2 Continuing Disclosure Obligations

- (a) Requiring additional information to be included in a circular for shareholders' mandate where a sum is due and owing to a listed issuer by its related party pursuant to a recurrent related party transaction [*Practice Note 12, Annexure PN12-A, paragraphs 16A and 16B*].
- (b) Requiring a listed issuer to include, in an announcement on whether a resolution was carried, the total number of votes cast on the poll in favour of and against the resolution, and the total number of shareholders who abstained from voting, if the resolution was decided on poll [*Paragraph 9.19(7)*].
- (c) Requiring a listed issuer to include, in an announcement of any general meeting, the date of the Record of Depositors for purposes of determining whether a depositor shall be regarded as a member and entitled to attend, speak and vote at the general meeting [*Paragraph 9.19(6)*].
- (d) Enhancing the contents of disclosure in an immediate announcement of termination of a corporate proposal [*Paragraph 9.19(47)(h)*].
- (e) Requiring immediate announcement of any change in its appointed independent adviser for a corporate proposal and the reasons for cessation of service [*Paragraph 9.19(15A)*].
- (f) Requiring immediate announcement of the appointment of its chief financial officer [*Paragraph 9.19(14A)(a); and Appendix 9A, Part B(A)*].
- (g) Requiring immediate announcement of the reasons for cessation of office of a director, chief executive, chief financial officer and external auditor [*Paragraphs 9.19(12); 9.19(14); 9.19(14A); and 9.19(15) respectively*].

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2. Amendments to Accord Greater Flexibility to Listed Issuers and Promote Greater Transparency

2.1 Enhancements to the Employee Share Scheme Framework

Currently, the Main LR regulates a share scheme for employees which involves a new issuance of shares to employees ("**Share Issuance Scheme**").

Besides a Share Issuance Scheme, listed issuers may also implement schemes which do not involve a new issuance of shares, but instead involves the grant of a listed issuer's existing shares to its employees ("**Share Grant Scheme**"). Such acquisition is permitted by section 67(2)(b) of the Companies Act 1965.

We take cognizance that shares offered or granted to an employee under a Share Issuance Scheme or Share Grant Scheme (collectively "**Employee Share Scheme**") form part of the employee's remuneration package. They are mainly used as a means to motivate and promote loyalty of a listed issuer's employees, which may in turn, enhance productivity and create long term benefit to the listed issuer and shareholders.

Hence, Bursa Securities has enhanced the existing employee share scheme framework to accord greater flexibility to listed issuers to structure and implement suitable schemes for their employees. In tandem with this, as a measure to promote greater transparency and safeguard investor protection, greater disclosure requirements have also been introduced. The key changes are highlighted below.

(a) Share Issuance Scheme

- (i) Removing the 50% restriction on the number of shares allocated to directors and senior management. A listed issuer is required to disclose the aggregate maximum allocation to directors and senior management in percentage, in the circular to shareholders instead. Further, the listed issuer must ensure that its directors and senior management do not participate in the deliberation or discussion of their own allocation [*Paragraph 6.37(3)(a); and Appendix 6B, Part A, paragraph 28(e)*].
- (ii) Allowing a listed issuer to implement more than one Share Issuance Scheme provided that the aggregate number of shares available under all the Share Issuance Scheme must not exceed 15% of the issued and paid-up capital at any one time. For this purpose, additional information relating to all the Employee Share Schemes and the options or shares granted to directors under such schemes must be included in the circulares to shareholders and in the announcements [*Paragraph 8.19; Appendix 6B, Part A, paragraph 28(f); and Appendix 6A, Part A, paragraph 18A*].

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- (iii) Removing the requirement for shareholders' and option holders' approval in relation to an early termination of a Share Issuance Scheme. A listed issuer must now make an immediate announcement which includes the prescribed information instead [*Paragraph 8.18 and Appendix 8B*].
- (iv) Enhancing the disclosures in circulars to shareholders for the implementation of a new Share Issuance Scheme, such as disclosure of directors' interest, whether the allocation is staggered over a duration of the scheme and if there is any vesting period for the option or shares granted under the scheme [*Appendix 6B, Part A, paragraph 28(g), (h) & (i)*].
- (v) Requiring a listed issuer to immediately announce any options or shares offered under a Share Issuance Scheme which must include the prescribed information [*Paragraph 9.19(51)*].
- (vi) Enhancing the disclosure of Employee Share Scheme in the annual report. The enhancements include the disclosure of the number and details of each scheme, the aggregate options or shares granted to directors, chief executive and senior management respectively [*Appendix 9C, Part A, paragraph 27*].

(b) Share Grant Scheme

Requiring substantially similar information for a Share Issuance Scheme to be disclosed for a Share Grant Scheme. In particular, requiring a listed issuer to:

- (i) immediately announce any decision to implement a Share Grant Scheme [*Paragraph 9.19(49)*];
- (ii) immediately announce any termination of a Share Grant Scheme before expiry [*Paragraph 9.19(50)*]; and
- (iii) disclose in the annual report similar information required for a Share Issuance Scheme including the following:
 - the total number and brief details of the Employee Share Schemes in existence; and
 - a breakdown of shares granted to and vested in non-executive directors pursuant to a Share Grant Scheme in a tabular form, setting out the name of director, amount of shares offered and amount of shares vested.

[*Appendix 9C, Part A, paragraph 27*]

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2.2 Amendments in relation to a Dividend Reinvestment Scheme

In addition to cash dividends, we have made amendments to allow listed issuers to pay dividends in shares to their shareholders through a scheme known as “Dividend Reinvestment Scheme” (“**DRS**”). We believe both the listed issuer and its shareholders will benefit from having the choice to participate in a DRS. For shareholders, DRS will provide the shareholders with greater flexibility in meeting their investment objectives. For a listed issuer, the cash which would otherwise be payable by way of a dividend will be retained to fund the continuing growth and expansion of the listed issuer. In view of this, Bursa Securities has made the following amendments to facilitate a DRS.

Shareholders’ approval to implement DRS

- (a) Requiring a listed issuer to obtain shareholders’ approval for the implementation of a DRS [*Paragraph 6.45B(b)*].
- (b) Prescribing salient information to be included in the circular to shareholders [*Paragraph 6.45B(a)*].

Eligibility and entitlement to participate in DRS

- (c) Allowing all shareholders who are entitled to dividends, to participate in the DRS by sending out election notices to be completed by the shareholders [*Paragraph 6.45C(1) & (2)*].
- (d) Prescribing the contents of the election notice and statement accompanying the election notice to shareholders [*Paragraphs 6.45C(3) & (4)*].

Pricing of shares allotted pursuant to a DRS

- (e) Limiting the price of shares allotted pursuant to a DRS to not more than 10% discount to the weighted average market price of the shares for the 5 market days immediately before the price-fixing date [*Paragraph 6.45D(1)*].
- (f) Requiring a listed issuer to announce the issue price of the shares in a DRS before or when a listed issuer announces its intention to fix a books closing date for the dividend [*Paragraph 6.45D(2)*].

Announcement on applicability of DRS

- (g) Enhancing the announcement of a dividend payment which includes whether a DRS is applicable and if applicable, the amount of the dividend per share which will be subjected to the DRS [*Paragraph 9.19(2)(a)(iii)*].

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3. Amendments to Promote Greater Efficiency in the Market

As part of Bursa Securities efforts to promote greater efficiency in the market, we have made amendments to allow a listed issuer to buy back its odd lot shares through a Direct Business Transaction or in any other manner as may be approved by Bursa Securities [*Paragraphs 12.26, 12.02; and 12.04*].

4. Other Key Amendments

The following sets out the amendments to the Main LR which are aimed at providing greater clarity and certainty to the market:

- (a) Requiring a listed issuer to ensure that each of its directors, chief executive or chief financial officer has the character, experience, integrity, competence and time to discharge his/her respective role [*Paragraph 2.20A*].
- (b) Requiring a listed issuer to amend its Articles of Association to –
 - (i) allow a member who is an exempt authorised nominee to appoint multiple proxies for each omnibus account it holds [*Paragraph 7.21*];
 - (ii) expressly disallow any restriction on a proxy's qualification [*Paragraph 7.21A(1)*]; and
 - (iii) accord proxies the same rights as members to speak at the general meeting [*Paragraph 7.21A(2)*].
- (c) Deleting paragraph 8.34 of the Main LR which allows a distribution by REITs to be made within 2 months after the books closing date. This means, like a distribution of income by any other listed issuers, a distribution of income by REITs must be made **within 1 month** after the books closing date [*Paragraph 8.34*].
- (d) Extending the definition of "transaction" for a non-related party transaction to include the disposal of a listed issuer's developmental rights and all or substantially all its rights, benefits or control in an asset [*Paragraph 10.02((l)(i))*].
- (e) Deleting paragraph 10.08(11)(b) since the exemption under that paragraph has already been covered by paragraph 10.08(11)(l) of the Main LR [*Paragraph 10.08(11)(b)*].
- (f) Clarifying that the disclosure on the basis of arriving at the consideration of a transaction in an announcement and circular, cannot be that it is on a "willing buyer willing seller" basis [*Appendix 10A, Part A, paragraph 3(a); and Appendix 10B, Part A, paragraph 9(a)*].

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- (g) Clarifying that any breach of an undertaking given to Bursa Securities pursuant to the Main LR will be treated as a breach of the Main LR [*Paragraph 16.17A*].
- (h) Clarifying that a Specified Subdivision is a subdivision of shares which, among others, is conditional upon another corporate proposal which is a bonus issue [*Paragraph 13.04(3)(b)(i)*].
- (i) Requiring listed issuers to provide a **summary** of the terms of reference of the audit committee (as opposed to the entire terms of reference as currently prescribed), or **the key functions, roles and responsibilities** of the audit committee [*Paragraph 15.15(3)(b)*].
- (j) Clarifying in paragraph 6.06(1A) that paragraph 6.06(1) is not applicable to an issue of securities pursuant to a DRS [*Paragraphs 6.06(1A) and 6.06(1)*].

[End]