

GROUND RULES FOR THE MANAGEMENT OF THE FTSE BURSA MALAYSIA INDEX SERIES



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SECTION 1

1.0 INTRODUCTION

1.1 General

1.1.1 This paper sets out the Ground Rules for the management of the FTSE Bursa Malaysia Index Series. Copies of the Ground Rules are available from FTSE, Bursa Malaysia (see Appendix A) and on the websites www.ftse.com and www.bursamalaysia.com.

1.1.2 The FTSE Bursa Malaysia Index Series is designed to represent the performance of companies, providing investors with a comprehensive and complementary set of indices, which measure the performance of the major capital and industry segments of the Malaysian and regional market.

1.2 Headline FTSE Bursa Malaysia Index Series

Indices based on the Main Market:

1.2.1 FTSE Bursa Malaysia KLCI

This index comprises the largest 30 companies by full market capitalisation that meet stated eligibility requirements.

1.2.2 FTSE Bursa Malaysia Mid 70 Index

This index comprises the next 70 companies by full market capitalisation that meet stated eligibility requirements.

1.2.3 FTSE Bursa Malaysia Top 100 Index

This index comprises the constituents of the FTSE Bursa Malaysia KLCI and the FTSE Bursa Malaysia Mid 70 Index.

1.2.4 FTSE Bursa Malaysia Small Cap Index

This index comprises those eligible companies within the top 98% of the Main Market by full market capitalisation and meet stated eligibility requirements, but are not constituents of the FTSE Bursa Malaysia Top 100 Index.

1.2.5 FTSE Bursa Malaysia EMAS Index

This index comprises the constituents of the FTSE Bursa Malaysia Top 100 Index and the FTSE Bursa Malaysia Small Cap Index.

1.2.6 FTSE Bursa Malaysia EMAS Industry Indices

The indices comprises the constituents of the FTSE Bursa Malaysia EMAS Index categorised into 10 Industry, 19 Supersector and 39 Sector Indices. These industries, supersectors and sectors are defined in the Industry Classification Benchmark (ICB).

1.2.7 FTSE Bursa Malaysia EMAS Shariah Index

This index comprises the constituents of the FTSE Bursa Malaysia EMAS Index that are Shariah compliant according to the Securities Commission's Shariah Advisory Council (SAC) screening methodology.

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1.2.8 FTSE Bursa Malaysia Hijrah Shariah Index

This index comprises the largest 30 companies by full market capitalisation of the FTSE Bursa Malaysia EMAS Index that are in compliance with Yasaar and the Securities Commission's SAC screening methodology.

1.2.9 FTSE Bursa Malaysia Fledgling Index

This index comprises the Main Market companies which meet stated eligibility requirements, but are not in the top 98% by full market capitalisation and are not constituents of the FTSE Bursa Malaysia EMAS Index.

1.2.10 FTSE Bursa Malaysia Palm Oil Plantation Index

This index comprises the constituents of the FTSE Bursa Malaysia EMAS Index that derive substantial revenue from palm oil activities that meet the stated eligibility requirements.

Index based on the ACE Market:

1.2.11 FTSE Bursa Malaysia ACE Index

This index comprises all the companies listed on the ACE Market. Constituents are required to meet the eligibility requirements.

Index based on the regional Asia Pacific market:

1.2.12 FTSE Bursa Malaysia Asian Palm Oil Plantation Index

This index comprises the companies from the universes of developed, advanced emerging and secondary emerging countries as classified by FTSE in the Asia Pacific region excluding Japan, Australia and New Zealand that derive substantial revenue from palm oil activities. Constituents are required to meet the eligibility requirements.

1.3 Calculation States

1.3.1 Each index in the FTSE Bursa Malaysia Index Series is calculated in real time and may exist in the following states (except for the FTSE Bursa Malaysia EMAS Industry Indices which are available on an end of day basis only):

a) Firm

The indices are calculated on actual trades generated by Bursa Malaysia's trading system during the trading hours of Bursa Malaysia.

The Official Closing Index is the last index value calculated at the end of the firm period using the closing price from Bursa Malaysia.

b) Closed

The indices have ceased all calculations for the day. The message for the 'CLOSE' will be displayed as 'C' against the index value calculated by FTSE.

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c) Held

During Official Bursa Malaysia Market Hours, an index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message for status 'HELD' will be displayed as 'H' against the last index value calculated by FTSE.

d) Indicative

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when an index is being calculated, the index will be declared indicative (e.g. normally where a 'fast market' exists in the equity market). The message 'IND' will be displayed against the index value calculated by FTSE.

e) Part

If the index is being calculated during the normal Official Index Period hours, but there are less than 75% of the constituents by capitalisation available with firm prices, then the index will be displayed with the message 'PART' to indicate that only a proportion of the securities prices are included. With the exception of the message 'PART', the index will continue to be calculated and displayed as if it were firm.

- 1.3.2 The official opening and closing hours of FTSE Bursa Malaysia Index Series are in line with the trading hours on Bursa Malaysia's trading system. Variations to the official hours of the indices are published by FTSE and Bursa Malaysia as appropriate.
- 1.3.3 The FTSE Bursa Malaysia Index Series is calculated on all days when Bursa Malaysia is open for trading.
- 1.3.4 The FTSE Bursa Malaysia Asian Palm Oil Plantation Index is calculated in US Dollar and Ringgit Malaysia on all days when one or more of the constituent markets are open for trading.
- 1.3.5 Price and Total Return Indices are published at the end of the working day. The Total Return Indices are based on ex-dividend adjustments.
- 1.3.6 US Dollar, Euro, UK Sterling and Japanese Yen values will be calculated on an end-of-day basis.
- 1.3.7 A net of tax index is also calculated for the FTSE Bursa Malaysia Asian Palm Oil Plantation Index based on a Luxembourg based UCITS fund (Undertaking for Collective Investment in Transferable Securities). The underlying tax rate information is compiled by Datavenue Limited and is available from FTSE.

SECTION 2

2.0 MANAGEMENT OF THE INDICES

2.1 FTSE Bursa Malaysia Advisory Committee

2.1.1 Committee Responsibilities

The purpose of the FTSE Bursa Malaysia Advisory Committee is to consider and advise on matters relating to FTSE Bursa Malaysia Index Series and proposed amendments to the Ground Rules governing the management of the Index Series and to ensure that best practice is used in the construction and ongoing management of the Index Series. The Committee will approve the reviews of the FTSE Bursa Malaysia Index Series undertaken by FTSE and ensure that constituent changes and index calculations are made in accordance with the Ground Rules.

2.1.2 Committee Membership

FTSE and Bursa Malaysia appoints the Chairman, Deputy Chairman and members of the FTSE Bursa Malaysia Advisory Committee. The Chairman, or in his absence Deputy Chairman, will chair meetings of the Committee and will represent that Committee outside of meetings.

No member of the Advisory Committee is on the Advisory Committee to represent that member's employer but rather is there because of that person's specific expertise and to represent the interests of the industry generally.

2.1.3 Committee Secretary

A Secretary to the FTSE Bursa Malaysia Advisory Committee is appointed by FTSE to support the work of the Committee.

2.1.4 Appeals Against Decisions of the Committees

A constituent or prospective constituent company (or advisor acting on behalf of the company) may appeal against the decisions of the FTSE Bursa Malaysia Advisory Committee on two grounds:

- a) that the Committee acted outside of the Ground Rules for the Management of the FTSE Bursa Malaysia Index Series; or
- b) that the Committee, when reaching its decision, failed to take into consideration a substantial and material fact. A substantial and material fact is defined as a fact, which would have influenced the decision of the Committee if it had been considered.

A request for an appeal must be made in writing to the Secretary of the FTSE Bursa Malaysia Advisory Committee, within a reasonable time period. Appeals will be heard by a committee appointed by FTSE and Bursa Malaysia. Members of the FTSE Bursa Malaysia Advisory Committee may not serve on the Appeal Committee.

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2.2 FTSE and Bursa Malaysia Responsibilities

- 2.2.1 FTSE is responsible for the operation of the FTSE Bursa Malaysia Index Series. FTSE will calculate all the indices in the FTSE Bursa Malaysia Index Series in real-time and will maintain records of the market capitalisation of all constituents and reserve companies. FTSE will make changes to the constituents and their weightings in accordance with the Ground Rules. Bursa Malaysia will liaise with and assist FTSE where required on changes to index and constituent data. FTSE will carry out the semi-annual review of the FTSE Bursa Malaysia Index Series and will implement the resulting constituent changes as required by the Ground Rules.
- 2.2.2 Changes to constituent weightings will be made in accordance with the Ground Rules.
- 2.2.3 FTSE is also responsible for monitoring the performance of the FTSE Bursa Malaysia Index Series throughout the day and will determine whether the status of each index should be 'firm', 'indicative', 'part', 'held' or 'closed'.

2.3 Amendments and Exceptions

- 2.3.1 In the event that the FTSE Bursa Malaysia Advisory Committee or any of those responsible for the operation and administration of the FTSE Bursa Malaysia Index Series consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of the Chairman or Deputy Chairman of the FTSE Bursa Malaysia Advisory Committee, who will normally put the matter to the full FTSE Bursa Malaysia Advisory Committee for a decision. If, however, the matter is urgent, the Chairman and Deputy Chairman are collectively empowered to authorise an exception on behalf of the FTSE Bursa Malaysia Advisory Committee but must immediately notify, and subsequently refer the matter to, a meeting of the FTSE Bursa Malaysia Advisory Committee.
- 2.3.2 Where an exception is granted to the Ground Rules under Rule 2.3.1, it shall not be deemed to create a precedent for future decisions of the FTSE Bursa Malaysia Advisory Committee.
- 2.3.3 Changes to the Ground Rules can only be made by the FTSE Bursa Malaysia Advisory Committee.
- 2.3.4 Material changes to the Ground Rules are announced after FTSE Bursa Malaysia Advisory Committee's meeting at which they are agreed.

SECTION 3

3.0 INDEX CONSTRUCTION

3.1 Eligible Securities

3.1.1 All classes of ordinary shares in issue are eligible for inclusion in the FTSE Bursa Malaysia Index Series, subject to conforming to all other rules of eligibility, free float and liquidity.

3.1.2 Companies that are listed on the Main Market of Bursa Malaysia are eligible for inclusion in the following indices:

- FTSE Bursa Malaysia KLCI
- FTSE Bursa Malaysia Mid 70 Index
- FTSE Bursa Malaysia Top 100 Index
- FTSE Bursa Malaysia Small Cap Index
- FTSE Bursa Malaysia EMAS Index
- FTSE Bursa Malaysia EMAS Shariah Index
- FTSE Bursa Malaysia Hijrah Shariah Index
- FTSE Bursa Malaysia Fledgling Index
- FTSE Bursa Malaysia Palm Oil Plantation Index

3.1.3 Companies that are listed on a stock exchange or recognised market from the universes of developed, advanced emerging and secondary emerging countries in the Asia Pacific region excluding Japan, Australia and New Zealand are eligible for inclusion in the FTSE Bursa Malaysia Asian Palm Oil Plantation Index. For a full list of eligible securities, please see Appendix B in the FTSE Global Equity Index Series Ground Rules. Where a company does not list all its shares in an eligible class, or does not list an entire class, the unlisted shares are not eligible for the Index, but they may be included in the Review Universe.

3.1.4 Companies that are listed on the ACE Market of Bursa Malaysia are eligible for inclusion in the FTSE Bursa Malaysia ACE Index.

3.1.5 For the purposes of the FTSE Bursa Malaysia Index Series, where a security is listed on Bursa Malaysia and is traded on Bursa Malaysia's trading system, that security will be considered as Malaysian for the purposes of nationality and therefore eligible for the FTSE Bursa Malaysia Index Series, subject to conforming to all other eligibility criteria.

3.1.6 Convertible preference shares and loan stocks are excluded until converted.

3.1.7 Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) which are assumed by the Industry Classification Benchmark as Subsector equity investment instruments (8985) and Non-equity investment instruments which are assumed by the Industry Classification Benchmark as Subsector non-equity investment instruments (8995) will not be eligible for inclusion. For further details on the Industry Classification Benchmark (ICB), please visit the FTSE website.

3.2 Free Float

The entire quoted equity capital of a constituent company is included in the calculation of its market capitalisation, subject to free float restrictions.

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3.2.1 Free float restrictions include:

- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- Shares held by Sovereign Wealth Funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies that they control.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause).
- Shares held for publicly announced strategic reasons, including shares held by several holders acting in concert.

3.2.2 For clarity, holdings not considered as restricted free float include:

- Portfolio holdings (such as pension and insurance funds)
- Nominee holdings (unless they represent restricted free float as defined by Rule 3.2.1)
- Holdings by investment companies
- ETFs

3.2.3 Free Float Bands

Free float restrictions are calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands.

a) free float is less than or equal to 15%	=	ineligible
b) free float is greater than 15% but less than or equal to 20%	=	20%
c) free float is greater than 20% but less than or equal to 30%	=	30%
d) free float is greater than 30% but less than or equal to 40%	=	40%
e) free float is greater than 40% but less than or equal to 50%	=	50%
f) free float is greater than 50% but less than or equal to 75%	=	75%
g) free float is greater than 75%	=	100%

3.2.4 Free Float Review

Underlying data for the calculation of free float is collected on an ongoing basis, and the detail free float percentage as maintained by FTSE is updated accordingly.

Following the application of an initial free float restriction, a constituent's free float will only be changed if its actual free float moves to more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent new band. This 5 percentage points threshold does not apply if the change is greater than one band; therefore a movement of 10 percentage points for the bands between 20% and 50% and 25 percentage points for the bands between 50% and 100% will not be subject to the 5 percentage point threshold. The 15% limit in Rule 3.2.3 will also not be subject to the 5 percentage point threshold.

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A constituent's free float will also be reviewed and adjusted if necessary upon identification of information which necessitates a change in free float weighting or following a corporate event. If the corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action. If there is no corporate action, the change in free float will be applied as soon as practicable after the corporate event.

3.3 Liquidity

Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded:

3.3.1 Reliable Price

An accurate and reliable price must exist for the purpose of determining the market value of a company. A security may be excluded from the FTSE Bursa Malaysia Index Series if an *'accurate and reliable'* price is not available. The FTSE Bursa Malaysia Index Series uses the last available prices from Bursa Malaysia when available. Where both foreign and domestic quotes are listed, the domestic quote is used.

3.3.2 Size – Full Market Cap

In accordance with Rule 3.1, all eligible listed companies will be included in the Index Series. The FTSE Bursa Malaysia Advisory Committee will review the companies, which are proposed to be included at its semi-annual meetings. The largest eligible companies ranked by full market capitalisation, i.e. before the application of any investability weightings, comprising 98% of all companies will be included in the FTSE Bursa Malaysia EMAS Index. The implementation will take place after the close of business on the third Friday in June and December.

For the FTSE Bursa Malaysia Asian Palm Oil Plantation Index, only companies valued at more than USD 100 million (at the date at which the data for the review is taken) will be included in the Review Universe.

3.3.3 Liquidity

This rule is applicable to all indices in the FTSE Bursa Malaysia Index Series (except for the FTSE Bursa Malaysia Fledgling Index and the FTSE Bursa Malaysia ACE Index).

Each security will be tested for liquidity by calculation of its median daily trading per month. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are also included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trade.

- a) A non-constituent which does not turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month for at least ten of the twelve months prior to the semi-annual review, will not be eligible for inclusion in the Index.
- b) An existing constituent which does not turnover at least 0.04% of its shares in issue (after the application of any investability weightings) based on its median daily trade per month for at least eight of the twelve months prior to the semi-annual review will be removed.

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- c) New issues which do not have a twelve month trading record must have a minimum 20 days trading record when reviewed. They must turnover at least 0.05% of their shares in issue (after the application of any investability weightings) based on their median daily trade per month in each month since their listing. This rule will not apply to new issues added under Rule 5.3.
- d) At the sole discretion of the FTSE Bursa Malaysia Advisory Committee, the above percentage figures may be adjusted by up to 0.01% at a market review so that, in the Committee's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole of a region and may not be applied to individual securities or countries.

3.4 Shariah Screening Methodology by the SAC

3.4.1 The general criteria stipulate that the SAC Shariah compliant companies must not be involved in any of the following core activities:

- a) Financial services based on riba (interest)
- b) Gambling
- c) Manufacture or sale of non-halal products or related products
- d) Conventional insurance
- e) Entertainment activities that are non-permissible according to Shariah
- f) Manufacture or sale of tobacco based products or related products
- g) Stockbroking or share trading in Shariah non-compliant securities
- h) Other activities deemed non-permissible according to Shariah

Further details on the SAC can be obtained from the Securities Commission website at www.sc.com.my.

3.5 Shariah Screening Methodology by Yasaar

3.5.1 Yasaar will ensure that all constituents and potential constituents are screened quarterly to determine their Shariah status. An overview of the Yasaar / FTSE stock screening criteria is listed below.

3.5.2 Companies involved in the following activities will be considered to be non permitted business sectors:

- a) Conventional Finance (non-Islamic Banking, Finance and Insurance, etc.)
- b) Alcohol
- c) Pork related products and non-halal food production, packaging and processing or any other activity related to pork and non-halal food
- d) Entertainment (Casinos, Gambling, Cinema, Music, Pornography and Hotels)
- e) Tobacco
- f) Weapons, arms and defence manufacturing

This list is not exhaustive and is provided as a basic guidance to the broad principles involved.

3.5.3 After companies have been screened by their business sector activity, the remaining companies are further examined on their finances to ensure that those companies are Shariah compliant. Only those companies that pass the following financial ratios will be considered Shariah compliant.

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- a) Debt is less than 33% of total assets
- b) Cash and Interest bearing items are less than 33% of total assets
- c) Accounts receivable and cash are less than 50% of total assets
- d) Total interest and non-compliant activities income should not exceed 5% of total revenue

Appropriate purification of dividends is at 5%. This ratio calculates the recommended purification amount to be paid by the investor.

3.6 Index Qualification Criteria

3.6.1 FTSE Bursa Malaysia EMAS Index

The FTSE Bursa Malaysia EMAS Index will represent 98% of the full market capitalisation, i.e. before the application of any investability weightings, of all ordinary securities listed on the Main Market of Bursa Malaysia that qualify under Rules 3.1 to 3.3 as eligible for inclusion in the index.

3.6.2 FTSE Bursa Malaysia KLCI

The FTSE Bursa Malaysia KLCI will consist of the largest 30 companies ranked by full market capitalisation, i.e. before the application of any investability weightings, in the FTSE Bursa Malaysia EMAS Index. The number of constituents in this index is fixed.

3.6.3 FTSE Bursa Malaysia Mid 70 Index

The FTSE Bursa Malaysia Mid 70 Index will consist of the next 70 companies ranked by full market capitalisation, i.e. before the application of any investability weightings, in the FTSE Bursa Malaysia EMAS Index. The number of constituents in this index is fixed.

3.6.4 FTSE Bursa Malaysia Top 100 Index

The FTSE Bursa Malaysia Top 100 Cap Index comprises the FTSE Bursa Malaysia KLCI and FTSE Bursa Malaysia Mid 70 Indices aggregated. The number of constituents in this index is fixed.

3.6.5 FTSE Bursa Malaysia Small Cap Index

The FTSE Bursa Malaysia Small Cap Index will consist of all constituents of the FTSE Bursa Malaysia EMAS Index that are not constituents of the FTSE Bursa Malaysia Top 100 Index.

3.6.6 FTSE Bursa Malaysia EMAS Industry Indices

The FTSE Bursa Malaysia EMAS Industry Indices will consist of all constituents in the FTSE Bursa Malaysia EMAS Index classified into 10 Industry, 19 Supersector and 39 Sector Indices. These industries, supersectors and sectors are defined in the Industry Classification Benchmark (ICB).

3.6.7 FTSE Bursa Malaysia EMAS Shariah Index

The FTSE Bursa Malaysia EMAS Shariah Index will consist of all constituents of the FTSE Bursa Malaysia EMAS Index that are Shariah compliant according to the SAC screening methodology as detailed in Rule 3.4.

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3.6.8 FTSE Bursa Malaysia Hijrah Shariah Index

The FTSE Bursa Malaysia Hijrah Shariah Index will consist of the largest 30 companies ranked by full market capitalisation, i.e. before application of any investability weightings, in the FTSE Bursa Malaysia EMAS Index that are compliant according to the SAC and Yasaar screening methodology as detailed in Rules 3.4 and 3.5 respectively. The Yasaar selection of companies is compliant in accordance with the Securities Commission's SAC principles.

3.6.9 FTSE Bursa Malaysia Fledgling Index

The FTSE Bursa Malaysia Fledgling Index comprises the Main Market companies which meet stated eligibility requirements, but are not in the top 98% by full market capitalisation and are not constituents of the FTSE Bursa Malaysia EMAS Index. The FTSE Bursa Malaysia Fledgling Index constituents are not screened for liquidity (see Rules 3.3.2 and 3.3.3), but must qualify under Rules 3.1, 3.2 and 3.3.1 as eligible for inclusion in the index.

3.6.10 FTSE Bursa Malaysia ACE Index

This index comprises all the companies listed on the ACE Market. Constituents are not screened for liquidity (see Rules 3.3.2 and 3.3.3), but must qualify under Rules 3.1, 3.2 and 3.3.1 as eligible for inclusion in the index.

3.6.11 FTSE Bursa Malaysia Palm Oil Plantation Index

The FTSE Bursa Malaysia Palm Oil Plantation Index comprises all the constituents from the FTSE Bursa Malaysia EMAS Index that derive their substantial revenue from palm oil activities that meet the stated eligibility requirements as outlined in Rule 4.4.

3.6.12 FTSE Bursa Malaysia Asian Palm Oil Plantation Index

The FTSE Bursa Malaysia Asian Palm Oil Plantation Index will represent 98% of the full market capitalisation, i.e. before the application of any investability weightings, of all companies from the universes of developed, advanced emerging and secondary emerging countries as classified by FTSE in the Asia Pacific region excluding Japan, Australia and New Zealand constituents that derive their substantial revenue from palm oil activities that meet the stated eligibility requirements as outlined in Rule 4.5.

SECTION 4

4.0 PERIODIC REVIEW OF CONSTITUENT COMPANIES

4.1 Review Dates

- 4.1.1 The semi-annual review of the FTSE Bursa Malaysia Index Series constituents takes place in June and December. The meeting to review the constituents will be held June and December, using data from the close of business on the last day of trading in May and November. Any constituent changes will be implemented after close of business on the third Friday in June and December.
- 4.1.2 The SAC will announce the Shariah compliant companies semi-annually on the last Friday of May and November. These companies will form the basis of the FTSE Bursa Malaysia EMAS Shariah Index and will be implemented after close of business on the third Friday in June and December respectively.
- 4.1.3 Yasaar will determine the Shariah compliant companies semi-annually on the last Friday of May and November. Any changes to the FTSE Bursa Malaysia Hijrah Shariah Index arising from Yasaar and the SAC semi-annual reviews will be implemented after close of business on the third Friday in June and December respectively.
- 4.1.4 Details of the outcome of the review and the dates, on which any changes are to be implemented, will be published as soon as possible after the FTSE Bursa Malaysia Advisory Committee meeting has concluded.

4.2 Responsibilities and Reporting

- 4.2.1 FTSE is responsible for conducting the semi-annual review of constituents for the FTSE Bursa Malaysia Index Series and will recommend to the FTSE Bursa Malaysia Advisory Committee any constituents to be inserted or deleted as part of the semi-annual review.
- 4.2.2 The FTSE Bursa Malaysia Advisory Committee will decide whether to approve the recommendation presented to it or, in exceptional circumstances, will determine what other action should be taken in consequence of the outcome of the review of constituents.
- 4.2.3 The Secretary to the FTSE Bursa Malaysia Advisory Committee is responsible for publicising the outcome of the semi-annual review.

4.3 Rules for Insertion and Deletion at the Semi-Annual Review

- 4.3.1 The rules for inserting and deleting companies at the semi-annual review are designed to provide stability in the selection of constituents of the FTSE Bursa Malaysia Index Series while ensuring that the Index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly.
- 4.3.2 No company can be a member of more than one of the following indices simultaneously:

- FTSE Bursa Malaysia KLCI
- FTSE Bursa Malaysia Mid 70 Index
- FTSE Bursa Malaysia Small Cap Index
- FTSE Bursa Malaysia Fledgling Index

SECTION 4

4.3.3 A security will be inserted at the periodic review if it rises above the position stated below for the relevant index when the eligible Main Market securities are ranked by full market value:

FTSE Bursa Malaysia KLCI	-	Risen to 25th or above
FTSE Bursa Malaysia Mid 70 Index	-	Risen to 85th or above
FTSE Bursa Malaysia Hijrah Shariah Index	-	Risen to 25th or above

4.3.4 A security will be deleted at the periodic review if it falls below the position stated below for the relevant index when the eligible Main Market securities are ranked by full market value:

FTSE Bursa Malaysia KLCI	-	Fallen to 36th or below
FTSE Bursa Malaysia Mid 70 Index	-	Fallen to 116th or below
FTSE Bursa Malaysia Hijrah Shariah Index	-	Fallen to 36th or below

4.3.5 Companies deleted from the FTSE Bursa Malaysia KLCI at the periodic review will normally be added to the FTSE Bursa Malaysia Mid 70 Index. Companies added to the FTSE Bursa Malaysia KLCI at the periodic review will normally be deleted from the FTSE Bursa Malaysia Mid 70 Index.

4.3.6 Companies deleted from the FTSE Bursa Malaysia Mid 70 Index at the periodic review will normally be added to the FTSE Bursa Malaysia Small Cap Index. Companies added to the FTSE Bursa Malaysia Mid 70 Index at the periodic review will normally be deleted from the FTSE Bursa Malaysia Small Cap Index.

4.3.7 A constant number of constituents will be maintained for the following indices:

FTSE Bursa Malaysia KLCI
FTSE Bursa Malaysia Mid 70 Index
FTSE Bursa Malaysia Hijrah Shariah Index

Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest-ranking companies that are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

4.3.8 A constant number of constituents will not be maintained for the following indices:

FTSE Bursa Malaysia Small Cap Index
FTSE Bursa Malaysia EMAS Index
FTSE Bursa Malaysia EMAS Shariah Index
FTSE Bursa Malaysia Fledgling Index
FTSE Bursa Malaysia ACE Index
FTSE Bursa Malaysia Palm Oil Plantation Index
FTSE Bursa Malaysia Asian Palm Oil Plantation Index

Stocks which fall out of the above indices due to suspension, takeover, etc will not be replaced, nor will a constituent of these indices be removed to accommodate new issues or new companies arising from restructuring of constituents, etc.

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- 4.3.9 The SAC's list of Shariah compliant companies will be used to analyse the status of each FTSE Bursa Malaysia EMAS Index constituent using the methodology described in Rule 3.4. Any change will be implemented in the FTSE Bursa Malaysia EMAS Shariah Index at the periodic review.
- 4.3.10 Yasaar and the SAC list of Shariah compliant companies will be used to analyse the status of each FTSE Bursa Malaysia EMAS Index constituent using the methodology described in Rules 3.4 and 3.5. Any change will be implemented in the FTSE Bursa Malaysia Hijrah Shariah Index at the periodic review so that the largest 30 companies by full market value that are Yasaar and SAC Shariah compliant can be selected.
- 4.3.11 Where a company is deleted from either the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 or the FTSE Bursa Malaysia Hijrah Shariah Indices after the FTSE Bursa Malaysia Advisory Committee has met and approved periodic changes to the indices but before the periodic changes have been implemented, the highest-ranking company from the new Reserve List, excluding current index constituents, will replace the deleted company.
- 4.3.12 Buffers will be applied to provide stability in the selection of constituents of the FTSE Bursa Malaysia EMAS Index. Non-constituents that are ranked within the top 97% of the Main Market universe will be included in the FTSE Bursa Malaysia EMAS Index providing they meet the eligibility requirements as outlined in Section 3. Non-constituents that are ranked below the top 97% of the Main Market universe will be included in the FTSE Bursa Malaysia Fledgling Index, providing they meet the requirements as outlined in Section 3 (excluding Rule 3.3.3). Existing constituents of the FTSE Bursa Malaysia EMAS Index that are ranked below 99% of the Main Market Universe will be excluded from the FTSE Bursa Malaysia EMAS Index and included in the FTSE Bursa Malaysia Fledgling Index, providing they meet the requirements as outlined in Section 3 (excluding Rule 3.3.3). FTSE Bursa Malaysia Fledgling constituents that rank between the 97% and 99% of the Main Market universe cut-offs will remain eligible for inclusion providing they meet the requirements as outlined in Section 3 (excluding Rule 3.3.3).

4.4 FTSE Bursa Malaysia Palm Oil Plantation Index Criteria

- 4.4.1 The FTSE Bursa Malaysia Palm Oil Plantation Index represents the performance of Malaysian companies in the FTSE Bursa Malaysia EMAS Index that have a substantial percentage of their revenue from palm oil activities.
- 4.4.2 To be eligible constituents must be a member of the FTSE Bursa Malaysia EMAS Index at the periodic review.
- 4.4.3 For a non-constituent to be included in the index it is required to have revenue from palm oil related activities to be greater than 30% of total revenue.
- 4.4.4 An existing index constituent will no longer be eligible if its revenue from palm oil related activities falls below 20%.
- 4.4.5 The FTSE Bursa Malaysia Palm Oil Plantation Index is capped at 10% on a quarterly basis. The capping process is applied after the close of business on the third Friday of March, June, September and December using Friday's closing prices adjusted for corporate events, with shares in issue and investability weightings from the start of trading on the quarterly implementation date (i.e. the next working day following the third Friday). Following capping, the weight of each constituent in the Index moves freely in line with price movements.

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4.5 FTSE Bursa Malaysia Asian Palm Oil Plantation Index Criteria

- 4.5.1 The FTSE Bursa Malaysia Asian Palm Oil Plantation Index represents 98% of the full market capitalisation, i.e. before the application of any investability weightings, of companies from the universes of developed, advanced emerging and secondary emerging countries as classified by FTSE in the Asia Pacific region excluding Japan, Australia and New Zealand that have a substantial percentage of their revenue from palm oil activities.
- 4.5.2 Buffers will be applied to provide stability in the selection of constituents of the FTSE Bursa Malaysia Asian Palm Oil Plantation Index. Non-constituents that are ranked within the top 97% of the eligible Review Universe by full market value will be included.
- 4.5.3 Existing constituents of the FTSE Bursa Malaysia Asian Palm Oil Plantation Index that are ranked below 99% of the eligible Review Universe by full market value will be excluded.
- 4.5.4 Companies whose revenue from the production of, ownership of, or operation of, palm oil and palm oil plantations is less than 10% are excluded from the eligible universe.
- 4.5.5 For a non-constituent to be included in the index it is required to have its revenue from palm oil related activities to be greater than 30% of total revenue.
- 4.5.6 An existing index constituent will no longer be eligible if its revenue from palm oil related activities falls below 20%.
- 4.5.7 For a country to be eligible in the FTSE Bursa Malaysia Asian Palm Oil Plantation Index, its companies aggregated together must have an index weighting of greater than 2%.
- 4.5.8 A country will be excluded from the FTSE Bursa Malaysia Asian Palm Oil Plantation Index, if its companies aggregated together have an index weighting of less than 1.5%.
- 4.5.9 The FTSE Bursa Malaysia Asian Palm Oil Plantation Index is capped at 18% on a quarterly basis. The capping process is applied after the close of business on the third Friday of March, June, September and December using Friday's closing prices adjusted for corporate events, with shares in issue and investability weightings from the start of trading on the quarterly implementation date (i.e. the next working day following the third Friday). Following capping, the weight of each constituent in the Index moves freely in line with price movements.

4.6 Monitoring of Eligible Companies

- 4.6.1 The market capitalisation of companies eligible for inclusion in the FTSE Bursa Malaysia Index Series is monitored by FTSE. All listed ordinary securities on Bursa Malaysia will be included in the periodic reviews.

4.7 Reserve Lists

- 4.7.1 The Secretary to the FTSE Bursa Malaysia Advisory Committee will be responsible for publishing the five highest-ranking non-constituents of the FTSE Bursa Malaysia KLCI and the FTSE Bursa Malaysia Hijrah Shariah Indices and the ten highest-ranking non-constituents of the FTSE Bursa Malaysia Mid 70 Index at the time of the periodic review. The appropriate Reserve List will be used in the event that one or more constituents are deleted from the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index or the FTSE Bursa Malaysia Hijrah Shariah Index during the period up to the next semi-annual review.

SECTION 5

5.0 CHANGES TO CONSTITUENT COMPANIES

5.1 Removal and Replacement

5.1.1 If a constituent is de-listed from Bursa Malaysia, or ceases to have a firm quotation, or is subject to a take-over or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents.

5.1.2 If a constituent is delisted from its relevant Stock Exchange, ceases to have a firm quotation, or is subject to a take-over or has, in the opinion of FTSE, ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the FTSE Bursa Malaysia Asian Palm Oil Plantation Index and will not be replaced until the next semi-annual review.

5.1.3 Where the company to be removed is a constituent of the following indices:

FTSE Bursa Malaysia KLCI
FTSE Bursa Malaysia Mid 70 Index
FTSE Bursa Malaysia Hijrah Shariah Index

The vacancy will be filled by selecting the highest ranking security by full market value in the appropriate Reserve List as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordingly.

When the company is removed from the following indices, no replacement company will be found for the:

FTSE Bursa Malaysia Small Cap Index
FTSE Bursa Malaysia EMAS Index
FTSE Bursa Malaysia EMAS Shariah Index
FTSE Bursa Malaysia Fledgling Index
FTSE Bursa Malaysia ACE Index
FTSE Bursa Malaysia Palm Oil Plantation Index
FTSE Bursa Malaysia Asian Palm Oil Plantation Index

5.1.4 Changes to the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index and the FTSE Bursa Malaysia Small Cap Index will be made automatically to the FTSE Bursa Malaysia Top 100 and the FTSE Bursa Malaysia EMAS Indices.

5.1.5 The removal and replacement are effected simultaneously, before the start of the index calculation on the second day following the day on which the event justifying removal was announced. Announcements made after the close of the index calculation are normally deemed to have been made on the following business day. In the case of a take-over, the qualifying event is an announcement that the offer has been declared unconditional.

5.1.6 Constituents removed in accordance with Rule 5.1.3, but which continue to trade thereafter, will be considered for re-inclusion to the index at the next review, subject to Section 3 and that at least 6 months has passed between deletion and the implementation date of the changes arising from the review.

5.1.7 Constituents that are transferred to a different board in the FTSE Bursa Malaysia Index Series will be immediately deleted in their current index. The deleted constituent will not be eligible to be included in the new index until the next periodic review.

SECTION 5

5.2 Mergers, Restructuring and Complex Takeovers

- 5.2.1 If the effect of a merger or takeover is that one constituent in the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index or the FTSE Bursa Malaysia Hijrah Shariah Index is absorbed by another constituent, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security by full market value in the appropriate Reserve List as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordance with Rule 5.1. The vacancy will not be filled for the FTSE Bursa Malaysia Small Cap Index, the FTSE Bursa Malaysia EMAS Index, the FTSE Bursa Malaysia EMAS Shariah Index, the FTSE Bursa Malaysia Fledgling Index, the FTSE Bursa Malaysia Palm Oil Plantation Index and the FTSE Malaysia Asian Palm Oil Plantation Index.
- 5.2.2 If a constituent of the FTSE Bursa Malaysia Palm Oil Plantation Index and the FTSE Bursa Malaysia Asian Palm Oil Plantation Index is acquired by another constituent, the constituent being acquired will be deleted on the effective date of the acquisition. The enlarged company will remain a constituent of the respective index.
- 5.2.3 If a constituent company in the FTSE Bursa Malaysia KLCI, the FTSE Bursa Malaysia Mid 70 Index or the FTSE Bursa Malaysia Hijrah Shariah Index is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest-ranking non-constituent in the appropriate Reserve List. Any eligible company resulting from the takeover, subject to Section 3 will be eligible to become the replacement company if it is ranked higher than any company on the Reserve List. Any eligible company resulting from the takeover, subject to Section 3 will be eligible for the FTSE Bursa Malaysia Small Cap Index if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE Bursa Malaysia Small Cap index i.e. before the application of any investability weightings. If smaller than 0.1% they will be added to the FTSE Bursa Malaysia Fledgling index (excluding Rule 3.3.3). Any eligible company in the ACE Market resulting from the takeover, subject to Section 3 (excluding Rule 3.3.3), will be eligible to for inclusion in the FTSE Bursa Malaysia ACE Index respectively.
- 5.2.4 If a constituent of the FTSE Bursa Malaysia Palm Oil Plantation Index and the FTSE Bursa Malaysia Asian Palm Oil Plantation Index acquires or merges with a non-constituent, the acquiring constituent will remain in the Index respective index providing it qualifies under Rules 4.4 and 4.5.
- 5.2.5 If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the appropriate FTSE Bursa Malaysia Indices providing they are larger than the smallest constituent, based on their respective full market capitalisations i.e. before the application of any investability weightings and if they qualify in all other respects. For example, a FTSE Bursa Malaysia KLCI constituent split into two companies may result in one or both of these companies remaining in the FTSE Bursa Malaysia KLCI. Where both of these companies remain in the FTSE Bursa Malaysia KLCI, the smallest FTSE Bursa Malaysia KLCI constituent will become a constituent of the FTSE Bursa Malaysia Mid 70 Index and the lowest ranking constituent in the FTSE Bursa Malaysia Mid 70 Index will, in turn, become a constituent of the FTSE Bursa Malaysia Small Cap Index. Companies resulting from a split that are smaller than the lowest ranking FTSE Bursa Malaysia Mid 70 Index constituent, will become a constituent of the FTSE Bursa Malaysia Small Cap Index if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE Bursa Malaysia Small Cap index. If smaller than 0.1% they will be added to the FTSE Bursa Malaysia Fledgling Index. Any eligible company in the ACE Market resulting from a split will be eligible for inclusion in the FTSE Bursa Malaysia ACE Index.

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- 5.2.6 If a constituent of the FTSE Bursa Malaysia Plantation Indices is split so as to form two or more companies, the two or more companies arising from the split will be eligible for inclusion in the Index if they qualify under Rules 4.4 and 4.5 and they are larger than the smallest company in the index by full market value.
- 5.2.7 If a constituent of the FTSE Bursa Malaysia EMAS Shariah Index merges or is taken over by a non-Shariah compliant company then it will remain in the index, subject to it being compliant with the SAC's Shariah criteria.
- 5.2.8 If a constituent of the FTSE Bursa Malaysia Hijrah Shariah Index merges or is taken over by a non-Shariah compliant company then it will remain in the index, subject to it being compliant with Yasaar and the SAC Shariah criteria.

5.3 **New Issues**

- 5.3.1 If a new issue is so large (i.e. its full market capitalisation amounts to 2% or more of the full capitalisation of the FTSE Bursa Malaysia EMAS Index, before the application of individual constituent investability weightings) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the new issue will be included as a constituent of the FTSE Bursa Malaysia KLCI and the remaining FTSE Bursa Malaysia Indices that it qualifies for after the close of business on the first day of official trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly.
- 5.3.2 For the purpose of this rule, a company which is relisted following suspension or is reorganised or renamed or which arises from a demerger or complex reorganisation of another company which is not an existing constituent, shall not be considered to be a new issue. However, an Initial Public Offering (IPO) that arises from a demerger will be considered as a new issue.
- 5.3.3 If the FTSE Bursa Malaysia Advisory Committee decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.
- 5.3.4 New issues, including demutualisations, which do not qualify as early entrants to the FTSE Bursa Malaysia Index Series as defined under Rules 5.3.1, will become eligible for inclusion at the next semi-annual review of constituents (except the FTSE Bursa Malaysia Fledgling Index and the FTSE Bursa Malaysia ACE Index), providing they meet the eligibility requirements as outlined in Section 3.
- 5.3.5 The inclusion of early entries as defined under Rules 5.3.1, excluding demutualisations, will not require a minimum trading record.
- 5.3.6 If a constituent is added to the FTSE Bursa Malaysia EMAS Index it will be eligible for inclusion in the FTSE Bursa Malaysia EMAS Shariah Index and the FTSE Bursa Malaysia Hijrah Shariah Index at the next semi-annual review, subject to the constituent passing the SAC's screening methodology and Yassar's screening methodology respectively, as described in Rules 3.4 and 3.5.
- 5.3.7 If a constituent is added to the FTSE Bursa Malaysia EMAS Index it will be eligible for inclusion in the FTSE Bursa Malaysia Palm Oil Plantation Index subject to the constituent passing the criteria as described in Rule 4.4.

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5.3.8 New issues will be eligible for inclusion in the FTSE Bursa Malaysia Fledgling Index, the FTSE Bursa Malaysia ACE Index or the FTSE Bursa Malaysia Asian Palm Oil Plantation Index at the next semi-annual review.

5.4 **Suspension of Dealing**

5.4.1 Where a constituent is suspended it may remain in the FTSE Bursa Malaysia Index Series, at the price at which it is suspended, for up to 12 business days. During this time the constituent may be immediately either at its suspension price or at a value of zero. In the case of a FTSE Bursa Malaysia Index that has a constant number of constituents, replacement of constituents will be handled according to Rule 5.1. This change will be effected after the close of the index calculation and prior to the start of the index calculation on the following day. Removing a constituent at zero indicates that the stock is believed to be valueless.

5.4.2 When a suspension of a constituent lasts beyond noon on the twelfth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the index on the thirteenth trading day, either at its suspension price or at zero. Where suspension is for a reason not to the detriment of the constituent, it may be retained or removed at its suspension price. In the case of a FTSE Bursa Malaysia Index that has a constant number of constituents, replacement of constituents will be handled according to Rule 5.1.

5.5 **Relisting of Suspended Constituents**

Where a suspended constituent that has been removed from the indices is subsequently relisted, the following rules shall apply:

5.5.1 Securities which were removed from a FTSE Bursa Malaysia Index that has a constant number of constituents, which on relisting are larger than the smallest constituent of the relevant indices from which they were removed when suspended, shall be re-instated in the same index at the price at which they were removed and the lowest ranking constituent of the index will be selected for removal and related indices adjusted in accordance with Rule 5.1. The addition and deletion of stocks occur simultaneously, such that the number of constituents remains constant.

5.5.2 If the above securities, on relisting, are smaller than the smallest constituent of the index from which they were removed when suspended, shall then be re-instated in the same index at the price at which they were removed after the close of the index calculation on the trading day prior to relisting. After the close of the index calculation on the first day of trading following relisting, it shall be deleted from the index that it was originally removed and included in the index of which it then qualifies under Rule 3.6. Consequently an index with a constant number of constituents may have one additional constituent for one day only. If the security is reinstated into the FTSE Bursa Malaysia Mid 70 Index, the lowest ranking constituent of the Index will be selected for removal and inserted into the FTSE Bursa Malaysia Small Cap Index.

5.5.3 Securities, which were removed from a FTSE Bursa Malaysia Index that does not have a constant number of constituents, shall be re-instated in the index at the price at which they were removed.

SECTION 5

5.6 **Changes to Constituent Weightings**

- 5.6.1 For the purposes of computing the FTSE Bursa Malaysia Index Series and to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the calculation system changes by more than 10% on a cumulative basis.
- 5.6.2 Adjustments to reflect a major change in the amount or structure of a constituent company's issued capital must be made before the start of the index calculation on the day on which the change takes effect (e.g. the Ex Date for a rights or capitalisation issue). Announcements of corporate events, which are made after the close of the index calculation, are normally deemed to be made on the following day.
- 5.6.3 Changes of shares in issue not arising from corporate actions, amounting to less than 10% of the number of shares in issue but more than 1% will be made quarterly after the close of business on the third Friday of March, June, September and December.
- 5.6.4 All adjustments are made before the start of the index calculation on the day concerned unless market conditions prevent this.

SECTION 6

6.0 INDUSTRY CLASSIFICATION BENCHMARK (ICB)

6.1 Classification of Constituents within ICB Sectors

6.1.1 The classification of a constituent may change from time to time. The reassessment of the ICB Sector to which a constituent belongs will be made by ICB and implemented within the FTSE Bursa Malaysia Indices by FTSE.

6.1.2 Companies can appeal their ICB classification. Further information is available in the Rules for the Management of the Industry Classification Benchmark, available from FTSE (see Appendix A) or from www.icbenchmark.com.

6.2 Changes to Industry Classification of Constituents

6.2.1 Where a constituent is the subject of a merger, restructuring, or complex take-over which results in a constituent, or part of a constituent, being absorbed by another, the Sector classification of the resulting constituent(s) will be determined by ICB.

6.2.2 Any adjustment resulting from a change in a company's classification will be implemented at the same time that any relevant constituent changes are implemented in the index.

6.2.3 Periodic changes to the Industry classification of a company will be agreed and announced by ICB.

SECTION 7

7.0 INDEX CALCULATION

7.1.1 All indices within the FTSE Bursa Malaysia Index Series will be displayed to two decimal points.

7.1.2 The FTSE Bursa Malaysia Index Series is calculated using the following formula:

$$\sum \frac{((p_1^n \cdot e_1^n) \cdot s_1^n \cdot f_1^n \cdot c_1^n)}{d}$$

$$n = 1, 2, 3, \dots, n$$

n	=		The number of securities in the Index.
p	=	Price	The latest trade price of the component security (or the price at the close of the Index on the previous day)
e	=	Exchange Rate	The exchange rate required to convert the security's home currency into the index's base currency.
s	=	Shares in Issue	The number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
f	=	Free Float Factor	The factor to be applied to each security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. The free float factor for each security is published by FTSE.
c	=	Capping Factor	The factor to be applied to each security to reduce its weighting in the index. If a security is not capped its capping factor is 1.
d	=	Divisor	A figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the Index.

SECTION 8

8.0 CAPPING ALGORITHM

The Capping Level is fixed at 10% for the FTSE Bursa Malaysia Palm Oil Plantation Index and at 18% for the FTSE Bursa Malaysia Asian Palm Oil Plantation Index.

1. The capping procedure is applied to the indices after the close of business on the third Friday of March, June, September and December. This process sets the capping factors for each index for the coming quarter.
 2. Any changes in constituents or corporate actions/events, which take place on the following business day will be taken into account before the capping procedure is applied.
 3. The free float and investability weightings for each index are taken into account before the capping procedure is applied.
 4. Upon completion of the above steps the capping procedure is applied using the following algorithm:-
- NB. The algorithm is applied to each constituent that requires capping, i.e. any constituent who's uncapped weight is greater than 10%.

$$\text{Constituent capping factor} = \frac{\left(\left(\frac{\sum (P^{n_1} \cdot E^{n_1} \cdot S^{n_1} \cdot F^{n_1})}{I} \right)^z \right)}{cap_a}$$

P = the official closing price of the uncapped component security

E = the exchange rate of the uncapped component security

S = the shares in issue for each uncapped component security

F = the free float factor of the uncapped component security

I = percentage of the index represented by all uncapped constituents

z = percentage capping level*

cap_a = uncapped free float market capitalisation of the constituent to be capped

*The constituent capping factor is calculated for all constituents whose uncapped weight after the application of investability weightings is greater than 10% for the FTSE Bursa Malaysia Palm Oil Plantation Index, and is greater than 18% for the FTSE Bursa Malaysia Asian Palm Oil Plantation Index. The weights of the capped and uncapped constituents in the indices are then calculated. If following the application of this capping procedure other constituents have moved above 10% for the FTSE Bursa Malaysia Palm Oil Plantation Index in weight, and above 18% for the FTSE Bursa Malaysia Asian Palm Oil Plantation Index then the process is repeated, now including the new constituent(s) which require capping. This process is then repeated until no further constituents require capping.

APPENDIX A

FURTHER INFORMATION

Further information on the FTSE Bursa Malaysia Index Series is available from FTSE and Bursa Malaysia, who will also welcome comments on these Ground Rules and on the Index Series.

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