

Guidelines for Public Offerings of Securities of Closed-end Funds

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Suruhanjaya Sekuriti
Securities Commission

Guidelines for Public Offerings of Securities of Closed-end Funds

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Chapter 1 - Introduction And Scope

- 1.1 The Guidelines for Public Offerings of Securities of Closed-end Funds ("Guidelines") have been formulated with the objective of providing a regulatory framework that would protect the interests of the investors and facilitate the orderly development of closed-end funds.
- 1.2 The Guidelines will be applied in considering proposals submitted to the Securities Commission ("SC") pursuant to section 32 of the Securities Commission Act 1993 in relation to the securities of a closed-end fund.
- 1.3 The Guidelines shall not absolve the closed-end fund from complying with such relevant provisions of the Companies Act 1965. In addition, a closed-end fund that is proclaimed as an investment company under section 319 of the Companies Act 1965 shall also comply with Part XI Division 1 of the Companies Act 1965.
- 1.4 A closed-end fund shall comply with all applicable exchange control laws, regulations and notices at all times.
- 1.5 The SC may, where it deems appropriate, allow exemptions and variations to the Guidelines on a case by case basis provided the SC is satisfied that there are justifiable grounds for allowing such exemptions and variations.
- 1.6 Where the SC allows exemptions and variations to the Guidelines, the closed-end fund, its Managers or any other party concerned shall not be absolved from any duty or liability under any relevant law.
- 1.7 Where there is no express provision in the Guidelines, the Guidelines for the New Issues of Securities and Valuation of Public Limited Companies will apply with such modifications and variations as may be necessary.
- 1.8 All inquiries regarding the Guidelines should be addressed to:

The Chairman

Securities Commission
No. 3, Persiaran Bukit Kiara,
Bukit Kiara,
50490 Kuala Lumpur

Telephone : 03 - 6204 8000
Facsimile : 03 - 6205 5078

Chapter 2 - Definitions

"**associate**" means such associated persons as defined under section 3 of the Securities Industry Act 1983;

"**closed-end fund**" means a public limited company incorporated in Malaysia and engaged wholly in the business of investing its funds in securities for the purposes of:

- a. spreading investment risks; and
- b. managing a portfolio of investments;

to gain revenue and profit for the benefit and on behalf of its shareholders;

"**connected persons**" include-

- a. a family member of the director or of the Managers (where applicable) of the closed-end fund which shall include his spouse, parent, child (including adopted child and step child), brother, sister and the spouse of his child, brother or sister;
- b. a body corporate in which the director, Managers or advising merchant bank of the closed-end fund has a controlling interest;

"**controlling interest**", means possessing direct or indirect power to direct or cause the direction of the management policies of a person, whether through the ownership of securities, by contract or otherwise.

"**derivatives**" means such futures contracts as defined under section 2 of the Futures Industry Act 1993;

"**Designated Person**" means the individual(s) responsible for managing the investments of the closed-end fund as approved by the SC under the Guidelines;

"**director**" means such director as defined under section 4 of the Companies Act 1965;

"**Fund Manager**" means such company incorporated in Malaysia responsible for managing the investments of the closed-end fund as approved by the SC under the Guidelines;

"**Issues Guidelines**" means Guidelines for the New Issue of Securities and the Valuation of Public Limited Companies;

"**KLSE**" means the Kuala Lumpur Stock Exchange;

"**Managers**" means Designated Person and Fund Manager collectively;

"**net asset value**" means the value of the assets of the closed-end fund less its liabilities (including such provisions and allowances for contingencies as the closed-end fund may consider appropriate). The value of the assets of the closed-end fund shall be determined by the formula shown in Schedule 1 (where applicable). Liabilities shall include the amount of any accrued fees and expenses payable to the Fund Manager, custodian or any other persons at the relevant valuation date of the closed-end fund;

"securities" means debentures, stocks and shares in a public company or corporation, or bonds of any government or of any body corporate or unincorporate, and includes any right or option in respect thereof; and

"substantial shareholder" means a substantial shareholder as defined under section 69(D) of the Companies Act 1965.

Chapter 3 - Criteria For Approval Of Public Offerings Of Securities With Listing And Quotation On A Stock Exchange

3.1 Minimum issued and paid up capital

3.1.1. The closed-end fund shall have a minimum issued and paid up share capital of RM 100 million comprising ordinary shares of RM 1.00 each.

3.2 Price

3.2.1. The initial issue price shall be at RM 1.00 per share. However, the closed-end fund may apply to price the shares at above RM 1.00 if justification can be given for doing so.

3.3 Shareholding spread

3.3.1. The closed-end fund shall issue its securities such that at least 25% of the issued and paid-up capital would be in the hands of the public; provided that at least 10% or 15 million, whichever is greater, of that issued and paid-up capital is held by not less than 500 shareholders holding not more than 30,000 shares and not less than 1,000 shares each.

3.3.2. For the purposes of calculating the required minimum public holding of 25% of the issued and paid-up capital, holdings by the directors, Managers and advising merchant bank of the closed-end fund and connected persons shall be disregarded.

3.4 Investment policies and objectives

3.4.1. A closed-end fund shall not change its investment policies and objectives within the first 3 years from the date the closed-end fund is listed.

3.4.2. A closed-end fund shall inform the KLSE and the SC of any proposal to change its investment policies and objectives.

3.5 Underwriting

3.5.1. Arrangements shall be made (whether by way of firm underwriting arrangements or written irrevocable undertakings) such that the net proceeds of the offer shall be no less than RM 100 million.

3.5.2. Firm underwriting arrangements shall be in place before the public offering of securities is made. A list of underwriters together with their respective commitments shall be submitted to the SC by the advising merchant bank of the closed-end fund. The advising merchant bank of the closed-end fund making the application shall be part of the syndicate of underwriters.

3.5.3. The advising merchant bank of the closed-end fund shall inform the SC of any change in the underwriting arrangements before the public offering of securities is made by the closed-end fund.

3.6 Methods of offering securities

3.6.1. A closed-end fund may offer its securities by way of -

- i. a public issue; or
- ii. a public issue and either:
 - (a) an offer for sale;
 - (b) private placement; or
 - (c) both.

3.7 Provisions in the Memorandum and Articles of Association

3.7.1. The Memorandum and Articles of Association of the closed-end fund shall provide for the following -

- i. That any amendment to a closed-end fund's investment policies and objectives shall be approved by the shareholders of the closed-end fund by way of a special resolution;
- ii. That the closed-end fund shall not either on its own or in conjunction with any person take legal or effective management control of its underlying investments;
- iii. That no shareholder of the closed-end fund shall hold more than 20% of the total issued and paid up shares of the closed-end fund; and
- iv. That the closed-end fund shall not conduct any other business other than that of a closed-end fund.

Chapter 4 - Criteria For Approval Of Public Offerings Of Securities Without Listing And Quotation On A Stock Exchange

- 4.1 Generally, the criteria listed in Chapter 3 of these Guidelines shall, where appropriate, apply to the SC's assessment of an application under this Chapter, with such modifications and exemptions as the circumstances shall require upon application by the closed-end fund.
- 4.2 In addition to the prospectus requirements under Chapter 11 of the Guidelines, a prospectus issued by a closed-end fund seeking approval under this Chapter must disclose that no application has been made by the applicant for the listing and quotation of the securities of the closed-end fund on a stock exchange.

Chapter 5 - Rights Issues And Bonus Issues

- 5.1 Generally, the Issues Guidelines shall, where appropriate, apply to the SC's assessment of an application under this Chapter, with such modifications and exemptions as the circumstances shall require upon application by the closed-end fund.

Chapter 6 - Investment Limits

6.1 Investments in securities

6.1.1 A closed-end fund may invest in securities subject to the relevant provisions of this Chapter

6.2 Investments in securities of listed entities

6.2.1 Investments by a closed-end fund in the securities of any other listed entity shall not exceed –

- i. 10% of the closed-end fund's net asset value; or
- ii. 10% of the of the issued capital of the listed entity,

whichever is lower.

6.2.2 For the purposes of calculating the limits imposed by paragraph 6.2.1 above, investments held by the closed-end fund in all securities of the listed entity shall be aggregated.

6.3 Investments in securities listed on approved foreign stock exchanges

6.3.1 A closed-end fund may invest up to a maximum of 20% of its net asset value in securities listed on approved foreign stock exchanges. For this purpose the SC may prescribe any foreign stock exchange as an approved foreign stock exchange and may limit its approval to a particular class or classes of securities on the approved foreign stock exchange.

6.3.2 The SC reserves the right to vary or revoke its approval of any foreign stock exchange or of any class or classes of securities in relation to paragraph 6.3.1. Where the SC revokes its approval of any foreign stock exchange, or any class or classes of securities, the closed-end fund shall divest such investments within a reasonable period as may be prescribed by the SC.

6.4 Investments in other investment vehicles

6.4.1 A closed-end fund shall not invest in other collective investment vehicles unless it is the most appropriate mechanism for investing in a particular country.

6.5 Investment in securities of unlisted companies

6.5.1 A closed-end fund may invest a maximum of 10% of its net asset value at all times in unlisted Malaysian companies.

6.6 Derivatives

6.6.1 A closed-end fund with the ability and competence to invest in derivatives may do so with the prior written approval of the SC.

6.7 Foreign exchange transactions

6.7.1 A closed-end fund may only enter into foreign exchange transactions that are incidental to the management of its investments.

6.8 Restrictions on borrowing and lending

- 6.8.1 A closed-end fund shall not have borrowings exceeding 30% of its net asset value at any time.
- 6.8.2 A closed-end fund shall not grant or guarantee any credit facility.

Chapter 7 - Directors

- 7.1 The directors of the closed-end fund shall be of good repute and possess the necessary experience for the performance of their duties.
- 7.2 At least one-third of the members of the board of directors of the closed-end fund shall be independent directors. A director shall not be considered as an independent director if he is a substantial shareholder of the closed-end fund, or if he is related in any way to any of the substantial shareholders of the closed-end fund or its Managers.
- 7.3 All proposed directors of the closed-end fund shall complete and submit to the SC the statutory declaration as prescribed in Schedule 2.

Chapter 8 - Managers

8.1 Appointment of a Fund Manager and Designated Person

- 8.1.1 All closed-end funds shall appoint either -
- i. a Fund Manager who shall also appoint a Designated Person within its organisation; or
 - ii. a Designated Person only, in the event that the investments of a closed-end fund are internally managed, who shall be approved by the SC.

8.2 Qualifications of Fund Manager

- 8.2.1 The Fund Manager shall have a shareholders fund, of not less than RM 2 million.
- 8.2.2 The Fund Manager shall be a company authorised to deal in securities pursuant to Part IV of the Securities Industry Act 1983.
- 8.2.3 The Fund Manager shall have a minimum track record of not less than 3 years in the management of funds.
- 8.2.4 The following shall not be appointed as a Fund Manager of the closed-end fund -
- companies in the course of being wound up under the Companies Act 1965;
 - companies which have or will have a receiver, or a receiver and manager, appointed under the Companies Act 1965 over its property;
 - companies which have at any time prior to the application, whether in Malaysia or outside Malaysia, entered into any composition or scheme of arrangement with its creditors, being a compromise or scheme of arrangement that is still in operation;
 - companies, which have been convicted, whether in Malaysia or outside Malaysia, of an offence; or
 - companies, the directors or officers of which been convicted in Malaysia or outside Malaysia, of an offence.
- 8.2.5 The SC may refuse the appointment of a Fund Manager on the grounds that-
- in such a situation, the SC may, revoke its approval; or
 - vary the terms and conditions of approval as the SC deems fit or impose such further terms or conditions in relation to its approval
 - the granting of approval to the Fund Manager is not in the interests of the shareholders of the closed-end fund; or
 - the SC is not satisfied that the educational qualifications and experience of the Designated Person appointed by the Fund Manager are adequate having regard to the duties that the Designated Person would perform in connection with the approval.

8.3 Qualifications of Designated Person

- 8.3.1 A Designated Person shall be a person authorised to deal in securities pursuant to Part IV of the Securities Industry Act 1983.
- 8.3.2 A Designated Person shall possess at least 3 years experience in investment management.
- 8.3.3 The following shall not be approved as Designated Persons -
- individuals who have been declared bankrupt, have suspended payments or have made a composition or arrangement with his creditors;
 - individuals who have been convicted of criminal offences punishable with imprisonment of one year or more; or
 - individuals on whom orders of detention, supervision, restricted residence, banishment or deportation, have been imposed.
- 8.3.4 The SC may refuse the appointment of a Designated Person on the grounds that -
- the SC is not satisfied that the individual's educational qualifications and experience are adequate having regard to his duties;
 - the SC has reason to believe that the individual is not of good repute;
 - the SC has reason to believe that the individual, or any individual employed by or associated with him for the purposes of his business is not of good repute and character; and
 - the granting of an approval is not in the interests of the shareholders of the closed-end fund.

8.4 Obligations And Duties Of Managers

- 8.4.1 The Managers must manage the closed-end fund in good faith and to the best of their abilities without gaining any undue advantage directly or indirectly for themselves or their employees or any other connected persons.
- 8.4.2 The Managers shall submit to the SC such information relating to the closed-end fund, as may be required.
- 8.4.3 The Managers shall maintain at their principal office, proper accounts and records of the investments of the closed-end fund.
- 8.4.4 The Managers shall not act as principal in the sale and purchase of investments to and from the closed-end fund unless the Managers inform the directors of the closed-end fund that they are acting in the transaction as principal and not as agent. Acting as principal includes acting on behalf, dealing in or entering into a transaction on behalf of associates of the Managers.

Chapter 9 - Custodians

- 9.1 A closed-end fund shall appoint a custodian approved by the SC to hold or ensure the safekeeping of the investments of the closed-end fund.
- 9.2 The custodian shall be a public limited company incorporated in Malaysia.
- 9.3 The custodian shall have satisfactory financial standing, be of good repute and have sufficient resources to assume such duties and responsibilities.
- 9.4 The custodian shall be independent of the Fund Manager.

Chapter 10 - Conflict Of Interest

10.1 A closed-end fund and its advising merchant bank must disclose all conflict of interest situations in its submission to the SC and in the prospectus. The closed-end fund must also continue to promptly disclose to the KLSE (with respect to a listed closed-end fund), the SC and its shareholders any situation or proposed transaction which may result in a conflict of interest situation after an approval has been given to the closed-end fund and upon the closed-end fund having been admitted to the Kuala Lumpur Stock Exchange.

10.2 Where a closed-end fund has a direct or indirect relationship with -

- a. a substantial shareholder;
- b. shareholders which have a controlling interest in the closed-end fund; or
- c. any persons having a controlling interest in the persons referred to in paragraph (a) or (b),

which relationship could result in a conflict of interest in relation to the general body of shareholders, the conflict may render the closed-end fund unsuitable to offer its securities to the public. As such, the nature, character and extent of any such relationship and conflict of interest must be disclosed in the prospectus and to the SC.

10.3 All reasonable steps must be taken by an advising merchant bank in relation to any proposal submitted to the SC to ascertain where a conflict of interest exists or is likely to exist in advising on the proposal. All possible steps must be taken to avoid such conflicts of interest. However, where conflicts of interest cannot be avoided, an advising merchant bank who is or is likely to be in a conflict of interest situation must:

- a. make full disclosure of its relationship with the closed-end fund;
- b. ensure that the closed-end fund additionally appoints an independent advising merchant bank; and
- c. comply with such other conditions as may be imposed by the SC.

Chapter 11 - Prospectus

- 11.1 The prospectus of a closed-end fund shall contain all such information as investors and their professional advisers would reasonably require, and reasonably expect to find in the prospectus for the purpose of making an informed assessment of -
- i. the closed-end fund;
 - ii. its investment policies, objectives and risks;
 - iii. the rights attached to the securities to be offered by the closed-end fund;
and
 - iv. the Managers of the closed-end fund.
- 11.2 In determining what information is required, regard shall be had to -
- i. the nature of the securities to be offered by the closed-end fund;
 - ii. the nature of the persons likely to be investors of the closed-end fund; and
 - iii. the fact that certain information may reasonably be expected to be known to professional advisers of any kind whom those investors may reasonably be expected to consult.
- 11.3 In addition to the information required by section 39 and the Fifth Schedule of the Companies Act 1965, the prospectus must disclose such information listed in Schedule 3 of the Guidelines.

Chapter 12 - Compliance With The Guidelines

12.1 General

- 12.1.1 The closed-end fund, its Managers, the advising merchant bank, auditors, or such other persons to whom these Guidelines apply, shall comply with all the requirements of these Guidelines as may be applicable to them.
- 12.1.2 The closed-end fund, its directors, Managers, advising merchant bank, auditors, professional advisers and other persons accepting responsibility for all or any part of the information and documents that are submitted to the SC or are disclosed to investors, shall comply with any guidelines on best practices for due diligence as may be issued by the SC.

12.2 Types of Non-Compliance

12.2.1 The types of non-compliance for which any one or more of the penalties stipulated in paragraph 12.3 may be imposed by the SC can broadly be categorised as follows -

- i. any deviation from the approved investment policies and objectives of the closed-end fund;
- ii. failure to comply with the terms and conditions as may be imposed by the SC relating to its approval of any submission;
- iii. non-disclosure or omission of material information or disclosure of misleading information in submissions made to the SC; or in the prospectus, circular, or equivalent document issued in connection with the public offering of securities;
- iv. submissions which do not comply with SC's requirements;
- v. failure to comply with paragraph 12.1; or
- vi. actions or transactions which are or will be detrimental to the interests of minority shareholders or investors.

12.3 Types of Penalties

12.3.1 The types of penalties that the SC may impose would be dependent on the parties who breach the Guidelines and the severity of the transgressions. The SC may impose any one or more of the general penalties as stated in the Issues Guidelines. Such penalties as may be imposed on advisers/auditors under the Issues Guidelines shall also apply to the Managers of the closed-end fund.

Chapter 13 - Application Procedure

- 13.1 All proposals submitted shall be accompanied by all relevant information and documents in 3 copies addressed to.

The Chairman,
Securities Commission,
No. 3, Persiaran Bukit Kiara,
Bukit Kiara,
50490 Kuala Lumpur.

- 13.2 All proposals must include all necessary and relevant information and documents, including, but is not limited to, such information and documents as required in Schedule 4.
- 13.3 A closed-end fund applying for an exemption from the Guidelines shall submit its application in writing which shall be accompanied by the justification for the exemption or variation.
- 13.4 Proposals which do not comply with such requirements of the SC may be returned. The SC may request for any other information or documents apart from those specified in the Guidelines.
- 13.5 The SC must be immediately informed -
- i. of any material change in circumstances that would affect the SC's consideration of the proposal; and
 - ii. of any material change or development occurring subsequently to the approval of the SC.

In such a situation, the SC may:

- i. revoke its approval; or
- ii. vary the terms and condition of approval as the SC deems fit or impose such further terms or conditions in relation to its approval.

Provided that the SC shall only revoke such approval, vary or impose such further conditions without prejudice to the rights of third parties that may be created by or arise from the carrying out or implementation of a proposal in accordance with an approval given under the Guidelines.

Chapter 14 - Continuing Obligations

- 14.1 A closed-end fund shall continue to comply with the investment limits in Chapter 6. Where such investment limits are exceeded, the closed-end fund shall divest such investments within a reasonable period as may be prescribed by the SC.
- 14.2 The audited yearly accounts of the closed-end fund pursuant to the Companies Act 1965 shall include such additional information as required by Schedule 5. A copy of such accounts shall be submitted to the SC.
- 14.3 Quarterly reports shall be prepared by the closed-end fund in accordance with generally accepted accounting practices. The quarterly report shall include such additional information as required in Schedule 6 and shall be publicly disseminated by the closed-end fund.
- 14.4 The closed-end fund shall additionally disclose its net asset value per share to the Kuala Lumpur Stock Exchange on a weekly basis.

Schedule 1 : Valuation Of Assets

Assets	Methods of Valuation
(i) Quoted Securities	Last done market price
(ii) Malaysian Government Securities (iii) Cagamas Bond (iv) Bank Negara Certificates	<p>Proceeds + Accrued Interest</p> <p>(a) $\text{Proceeds} = \text{Nominal Value} \times \text{Price as issued by BNM at the end of each month}$</p> <p>(b) $\text{Accrued Interest} = \text{FV} \frac{(\text{C} \times \text{t})}{200 \text{ E}}$</p> <p>where</p> <p>FV = face value or nominal amount of stock</p> <p>C = coupon rate</p> <p>t = no. of days between the last interest payment date and the value date</p> <p>E = no. of days in the coupon period in which settlement takes palce</p>
(v) Malaysian Treasury Bills (vi) Bankers' acceptances	<p>$\text{MP} = \frac{\text{FV} \times 365}{365 + (r \times t)}$</p> <p>where</p> <p>MP = market price or discounted proceeds</p> <p>FV = face value or maturity value</p> <p>r = rate of interest charged</p> <p>t = remaining number of days to maturity</p>
(vii) Government Investment Certificate	At Cost
(viii) Negotiable Certificates of Deposit (NCD)	<p>(a) Original tensure of more than one year</p> <p>$\text{C} = \frac{(\text{P} + \text{I})}{(1 + \frac{\text{y} \times \text{d}}{36500})}$</p> <p>where</p> <p>C = cost of purchase or sale proceeds</p> <p>P = principal or proceeds for discounting</p> <p>I = amount of interest payable by issuer in discounting period</p> <p>y = yield at which purchase or sale is agreed</p> <p>d = number of days in each discounting period</p>

	<p>(b) Original tensure of one year or less</p> $C = P \times \frac{36500 + (r \times t)}{36500 + (y \times d)}$ <p>where</p> <p>C = cost of purchase or sale proceeds</p> <p>P = principal or nominal amount of NCD</p> <p>r = coupon rate or rate of interest payable by issuer</p> <p>t = original tensure expressed in number of days</p> <p>y = yield at which purchase or sale is agreed</p> <p>d = remaining number of days to maturity</p>
<p>(ix) Unquoted Securities</p> <p>(x) Unquoted Loan Stock</p> <p>(xi) Unquoted Bonds</p> <p>(xii) Private Debt Securities</p>	<p>The fair value as agreed by the Managers and board of directors of the closed-end fund</p>

Schedule 2 : Statutory Declaration

I, (1)..... do solemnly and sincerely declare that I am a director of (2) which has submitted a proposal seeking the approval of the Securities Commission (SC).

2. I do solemnly and sincerely declare that:
- I am not an undischarged bankrupt nor is there any bankruptcy petition pending or threatened against me;
 - I have not conducted myself in any manner which may disqualify or make me unfit to act as a director of a public company;
 - Save for what has been disclosed in paragraph 3 below, I have not been convicted for fraud or any offence nor has an action (wheather civil or otherwise) been taken against me, either within or outside Malaysia;
 - Save for what has been disclosed in paragraph 3 below, there have been no inquiries investigations made pending against me by any governmental authority or body; and
 - I have, made full and true dsiclosure of all material facts and information relevant to the said submission and have not concealed nor omitted any material fact or information.
3. I declare that the following action(s)/inquiry(ies)/investigation(s) has (have) been taken/is (are) pending against me and/or I have been convicted of the following offences(s):-

..... (3)*

4. And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act 1960.

Subscribed and solemnly)
Declared by the abovenamed)
..... (1))
.....)
at)
in the State of)
.....)
this day of)
..... 2000)

Before me,
Commissioner for Oaths/Notary Public

Notes

1. Name of directors and NRIC No.
2. Name of Company
3. Nature and type of action(s)/inquiry(ies)/investigations(s) offence(s), if applicable
4. Delete the whole paragraph if not applicable.

Schedule 3: Additional Information Required in Prospectus

The prospectus shall contain the following information:

- 1 A Key Data Page. This shall contain a summary of the key features of the particular fund which can assist an investor in considering and comparing any similar investments on offer. The key data page shall be suitably indexed at the commencement of the prospectus and shall include at least the following information -
 - i. issue price of the shares;
 - ii. name of the Managers, length of appointment, fees;
 - iii. nature of the significant expenses to be incurred by the closed-end fund;
 - iv. investment and borrowing limitations; and
 - v. statement of the potential risks of investing in the closed-end fund.
- 2 Investment objectives and policies of the closed-end fund in detail.
- 3 Brief summary of the Memorandum and Articles of Association.
- 4 Information on the securities to be offered by the closed-end fund.
- 5 Information on the Managers and custodian of the closed-end fund and their key personnel, full details of the experience of the Managers and custodian, the terms of appointment and termination. The information shall also include particulars of -
 - i. any shares held by them in the closed-end fund;
 - ii. any borrowings given by them to the closed-end fund; and
 - iii. any other obligations of the closed-end fund to them.
- 6 The names of all underwriters and amounts proposed to be underwritten by each underwriter.
- 7 The extent to which it intends to invest in derivatives, unlisted securities and if it intends to not invest in any such investments, the prospectus must include an appropriate statement to that effect.
- 8 All other information affecting the closed-end fund's business.
- 9 Explanation of the taxation of the fund and the taxes deducted from distribution to the shareholders.
- 10 In the event that there is a stipulated minimum subscription, a statement to this effect should be disclosed in the prospectus and that if the minimum subscription is not received within the stipulated period, all subscriptions shall be repaid immediately.
- 11 The following statements must be included for the benefit of investors -
 - i. a warning that an investment in the fund is subject to abnormal risks, if the nature of the policy dictates; and
 - ii. a statement that its investment policy, objectives and restrictions will not be changed for a minimum of 3 years following the issue of the listing documents.

Schedule 4: Submission By Advising Merchant Banks, Fund Managers and Custodian

- 1 Submissions to the SC by the closed-end fund shall include, but is not limited to, the following:
 - i. a copy of the draft prospectus;
 - ii. a copy of the Memorandum and Articles of Association of the closed-end fund;
 - iii. details of the proposal as follows:-
 - a. a general description of the proposed closed-end fund;
 - b. the investment policies and objectives which will be observed by the closed-end fund;
 - c. the prospects for the closed-end fund given its nature and investment policies and objectives. Where applicable, this should include an analysis of the risks posed by its nature and the risks of the country and region where the closed-end fund intends to invest;
 - d. the net proceeds of the offer ;
 - e. the underwriting arrangements;
 - f. in the event that its proposed minimum paid up capital exceeds RM 100 million, the minimum level of subscription required to be received within the stipulated period failing which, all subscriptions shall be repaid immediately;
 - g. the distribution policy of the closed-end fund;
 - h. expenses to be borne by the fund including fund management fees, advisory fees and custodian fees payable;
 - i. details of taxes levied on income or capital of the closed-end fund and taxes deducted from distribution to shareholders;
 - j. names, addresses and relevant experience of the directors of the closed-end fund;
 - k. names and addresses of the custodian together with the terms and duration for its appointment and any arrangements relating to fees payable and the termination of its appointment(s); and
 - l. particulars of what reports will be sent to the shareholders.

- 2 For the appointment of the Fund Manager, the following details must be submitted: -
 - i. a copy of the Memorandum and Articles of Association of the Fund Manager;
 - ii. copies of its audited accounts for the last 3 years preceding the submission of the application;
 - iii. copies of the Fund Manager's business code of practice;
 - iv. details of its business operations, details of its directors and substantial shareholders;
 - v. details of all funds managed by the Fund Manager in the last 3 years preceding the submission of the application;
 - vi. a copy of the fund management agreement entered into by the closed-end fund with the Fund Manager;
 - vii. all benefits, including rights, options or beneficial interests of the Fund Manager in the closed-end fund, whether directly or indirectly; and
 - viii. such other information as may be requested by the SC.

- 3 For the appointment of a Designated Person, the following details must be submitted: -
- i. details of his academic and professional qualifications;
 - ii. details of the fund previously managed by him and their performance in the last 3 year preceding the submission of the application;
 - iii. terms and conditions of employment and termination, including details of remuneration and all such benefits, rights or options in the employer organisation; and
 - iv. such other information as may be requested by the SC.
- 4 For the appointment of a custodian, the following details must be submitted: -
- i. a copy of the Memorandum and Articles of Association of the custodian;
 - ii. copies of its audited accounts for the last 3 years preceding the submission of the application;
 - iii. a copy of the agreement entered into by the closed-end fund and the custodian;
 - iv. details of its business operations, directors and substantial shareholders;
 - v. all benefits, including rights, options or beneficial interest of the custodian in the closed-end fund, whether directly or indirectly; and
 - vi. such other information as may be requested by the SC.

Schedule 5: Information Required In Annual Report

The prospectus shall contain the following information:

- 1 The annual report shall contain the following additional details -
 - i. the investment objectives and policies in detail and the manner in which those policies have been carried into effect (if applicable);
 - ii. gross revenue of the closed-end fund, to be divided to separately show at least the interest, dividends, profits/loss on the sale of investments and any items of revenue amounting to 5% or more of the gross revenue;
 - iii. the initial service charges, management fees or any other fees paid to the Managers should be shown separately under gross expenses of the closed-end fund;
 - iv. generally, to disclose the composition of the investment portfolio of the fund, giving separately in respect of all investments -
 - a. a reasonable description of the business;
 - b. number of shares owned;
 - c. costs; and
 - d. If unlisted - the fair value as agreed by the Managers and board of director of the close-end funds. If listed - the market value.
 - v. with respect to all unlisted investments and all other investments with a value exceeding 5% of the fund's gross assets, to additionally state the following: -
 - a. dividends or other income received during the year from such investment (indicating any abnormal dividends;)
 - b. relevant performance ratios; and
 - c. net assets attributable to the investment;
 - vi. an analysis of any provision for diminution in value of investments, naming the investments against which provision has been made and stating for each investment -
 - a. the costs;
 - b. provision made; and
 - c. book value;
 - vii. an analysis of realised and unrealised surpluses, stating separately profits and losses as between listed and unlisted investments;
 - viii. the total number of transactions in securities entered into during the reporting period, together with the total brokerage paid or accrued during the reporting period; and
 - ix. the number of shares (if any) held by the Managers, family members of Managers (where applicable) or by other funds managed by the Managers, at the balance sheet date of the accounts.

Schedule 6: Information Required in Quarterly Report

Information additionally required in the quarterly reports.

- 1 The quarterly report shall contain the following particulars -
 - i. net asset value per share;
 - ii. the extent to which the closed-end fund has invested in:-
 - a. securities listed on an approved foreign stock exchange as per paragraph 6.3;
 - b. investments in other investment vehicles;
 - c. investments in securities of unlisted companies; and
 - d. derivatives.