

FOREWORD

1. New Zealand Exchange Limited (“**NZX**”) offers a regulated market for trading in securities. The regulation fosters a continuous auction process through the agency of trading participants. The rules governing market participants' relationships with each other and with NZX are set out in the NZX Participant Rules. The Listing Rules (“**Rules**”) contain the terms of a contract under which issuers wishing to have their securities traded through NZX undertake to abide by rules imposed to facilitate the efficient operation of the market in the interests of securities issuers, buyers, sellers and trading participants.
(Amended 1/5/04)

Participants' Responsibility

2. NZX considers that the market works best when buyers and sellers are fully responsible for the quality and consequences of their decisions to buy and sell. Participants should therefore recognise that the market operates on the caveat emptor principle qualified only in the specific respects mentioned below and reflected in the Rules. Accordingly the Rules are not intended to result in merit regulation by NZX of issuers availing themselves of market facilities. A regulatory approach based on attempted merit assessment of issuers by NZX would offer a spurious assurance to investors.

Enforcement

3. Nevertheless, in the interests of the general reputation of issuers trading through this market, NZX must act against dishonesty and breaches of the Rules. NZX cannot, however, assure market participants of protection from all such behaviour. Risk of non-compliance with the Rules is one of many risks market participants must assess in valuing investments, but compliance is mandatory and NZX will endeavour to minimise the risk of non-compliance. It intends to act vigorously by pursuing and exercising its remedies against issuers which fail to comply with the Rules in cases where it considers remedies available to other market participants do not constitute an effective sanction.

Self Enforcement

4. NZX will pursue remedies which directly benefit particular participants personally affected by breaches of the Rules only in exceptional cases, where it considers that to assist in obtaining such remedies is a cost effective means of

procuring better compliance in the future. Rules therefore facilitate direct pursuit by participants of remedies for breaches affecting them.

Standardisation

5. The Rules constitute standard terms of contract intended to encourage trade by reducing the need for participants to enquire into the specific characteristics of each issuer or each security. Designation of issuers with a Non-Standard tag is intended to signify differences in the degree of standardisation of the Constitutions of issuers (assessed in terms of compliance with these Rules). Thus the securities of issuers listed on NZX without a tag will be relatively uniform for each type of class. The main class of quoted securities will be shares, but other equity security classes of an issuer may be quoted.
6. Listing on NZX confers the privilege and benefits of a brand description in respect of features which are regulated by the Rules. Those features constitute standard terms of the relevant security by virtue of the Rules. All issuers have a material stake in protection by NZX of the integrity of its quality descriptions.

Standard Terms of Equity Securities

7. The standard assumptions which NZX considers necessary to facilitate efficient trading in equity securities are that:
 - (a) each security confers an equal entitlement to distributions from the issuer to its holders unless otherwise stipulated by the terms of issue;
 - (b) it is the duty of the directors or managing body of an issuer to maximise the value of the issuer to its holders of equity securities as a body irrespective of any conflicting or competing interests;
 - (c) each security within a class confers an equal entitlement to vote on matters falling for decision by holders unless otherwise stipulated in the terms of issue and that nothing in the constitution or contracts of an issuer with other parties should prevent ultimate control of the issuer resting with holders who exercise a majority of the votes conferred by equity securities;
 - (d) the contract constituted by the terms of issue of each security and the standard terms imposed under the Rules may not be varied by holders in matters affecting the assumptions listed in this paragraph without the consent of both controlling and non-controlling holders voting as separate

groups. Controlling holders may not exercise their powers to the disadvantage of other holders, on matters in which they may be tempted to act in a manner which would have the effect of distributing issuer generated wealth or the ability to exercise, or obtain, control of the issuer other than pro rata to the holder of each equity security; and

- (e) the Constitution of an issuer, that is not subject to the Takeovers Code, confers on holders of equity securities carrying votes, a regime for the conduct of a takeover which has been adopted by the holders. Where the regime chosen requires a notice to be given in advance of a transfer, the purpose of the notice period is to allow holders an opportunity to act in the knowledge of the takeover bid, and also to create an opportunity for other bidders to contest the bid and maximise the value to holders selling in the transaction. To that end, the Rules seek to prevent the bid from being accepted during the notice period. *(Amended 1/5/04)*

Disclosure

- 8. NZX believes that trading on the market is most efficiently conducted and fostered for all participants when issuers are required to disclose in a timely manner to all participants all material information which may affect security values or influence investment decisions, and issuers should only withhold disclosure in very limited circumstances. Where information is withheld from the market, issuers have a duty to protect the information and keep it strictly confidential and will be required to immediately disseminate the information if the information does become available to outsiders who would be free to trade in the issuers' securities with the benefit of that information. *(Amended 1/5/04)*
- 9. NZX believes that it is damaging to confidence in the liquidity of the market to compulsorily stop trading in any securities and will therefore exercise its powers so far as is practicable to require disclosure to prevent a false market arising rather than to stop trading. *(Amended 1/12/02)*
- 10. NZX recognises that it is not practicable to require companies to give information to existing security holders before any other market participants. Accordingly the operation of the market and the disclosure Rules assume use of public media and NZX's own communication links to disseminate information, which may necessarily mean that some participants receive it before others. Issuers are to take all reasonable steps to minimise the risks of materially unequal distribution of information by taking account of the channels through which information is released.

Waivers and Dispensation

11. The Rules necessarily cast a wide net. If that were not the case the Rules (and securities traded on NZX) would fall into disrepute because of unintended avoidance. On the other hand NZX does not wish the necessarily broad scope of the Rules to constrain the form or development of commercial transactions which do not undermine the objectives of NZX. Exceptions and qualifications are therefore necessary to reflect the balance of competing interests. They unavoidably create opportunities for exploitation of loopholes. For that reason NZX has reserved wide powers of waiver and dispensation. Issuers are encouraged to make use of those powers in circumstances in which NZX can be satisfied that the proposals for which dispensation is sought are innocuous. Exercise of these powers cannot affect rights of investors arising under the constitutional documents of an issuer in relation to matters in which those documents do not leave a discretion to NZX.

Principles of Administration

12. The market may require speed and certainty of interpretation and administration of the Rules that will involve exercise of discretions in a way which may, on occasions, limit the opportunities for exhaustive investigation and long deliberation on issues. NZX does not believe that the commercial interests in speed, certainty, efficiency and minimisation of cost in reaching decisions, can co-exist with the full range of procedures developed in the context of administrative law controls on governmental and tribunal processes. Accordingly people choosing to use the facilities offered by NZX must accept that, in the interests of all participants generally, by participating they submit to exercise by NZX in good faith of its wide powers of administration of the Rules.
(Amended 1/5/04)

NZX Regulation Personnel

13. NZX Regulation Personnel are appointed to encourage voluntary compliance with the Rules, to assist issuers to consult with NZX on a confidential and speedy basis, and to develop a body of expertise in enforcement of the Rules which will be in the interests of all market participants and raise and maintain the reputation of the New Zealand securities market conducted by NZX.
(Amended 1/5/04)

Corporate Governance

14. NZX recognises the value that strong corporate governance brings to capital markets and their participants. The corporate governance rules set minimum standards which NZX believes will enhance confidence in the processes adopted by issuers, and reduce the level of uncertainty for issuers in this area. In addition to the Rules, NZX considers there are further corporate governance principles that may be desirable and which an issuer should consider and determine whether or not to adopt. These principles are contained in the Corporate Governance Best Practice Code.