
**QUESTIONS AND ANSWERS IN RELATION TO
BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE ACE MARKET
(As at 2 January 2018)**

CHAPTER 3 - ADMISSION*Pre-admission consultation*

3.0 The ACE LR states that a potential applicant is strongly encouraged to consult Bursa Securities prior to its application for admission to the Official List.

(a) Who from the potential applicant should attend the pre-admission consultation with Bursa Securities?

Bursa Securities expects the key promoters, chief executive officer or chief financial officer to attend the pre-admission consultation. A potential applicant may consult with Bursa Securities, with or without a Sponsor.

(b) What does a potential applicant need to prepare for a pre-admission consultation with Bursa Securities?

A potential applicant would first need to make an appointment with the Listing Division, ACE Market Department for pre-admission consultation. It should then furnish to Bursa Securities the documents and information set out in Appendix 3A of the ACE LR at least 1 week prior to its consultation. However, even where the potential applicant is unable to furnish some of the documents and information set out in Appendix 3A to Bursa Securities, the potential applicant may still be able to engage in the pre-admission consultation.

(c) Is there a fee payable by the potential applicant to Bursa Securities for a pre-admission consultation?

No, the pre-admission consultation with Bursa Securities is free of charge.

(d) Can the potential applicant request for more than one pre-admission consultation with Bursa Securities?

Yes, the potential applicant may request for more than one pre-admission consultation with Bursa Securities, if necessary.

Criteria for admission

3.1 It is noted that the existing provisions relating to the approval from the SC for admission to the Official List have been removed under the ACE LR. Does this mean that the approval of the SC is no longer required for listing on the ACE Market?

Yes. Except for debt securities issues, corporations seeking listing on the ACE Market will not require the SC's approval under section 212 of the CMSA. All requirements relating to admission will be governed by the ACE LR. However, applicants are still required to submit and register their prospectus with the SC pursuant to section 232 of the CMSA.

3.2 What are the types of corporations that may be listed on the ACE Market?

Eligible corporations from all business sectors will be allowed to raise funds from the ACE Market except special purpose acquisition companies (“SPACs”), incubators and corporations seeking secondary listing on the ACE Market.

3.3 Can an issuer list structured warrants, real estate investment trusts or exchange traded funds on the ACE Market?

No. Structured warrants, real estate investment trusts and exchange traded funds are only allowed to be listed on the Main Market.

3.4 Are shares held by employees of an applicant, its subsidiaries and holding company included for purposes of computing the public shareholding spread of an applicant?

Yes, the shares held by employees of an applicant, its subsidiaries and holding company can be included for purposes of computing the public shareholding spread provided that such employees fall within the definition of “public” in Rule 1.01 of the ACE LR.

3.4A Paragraph 3.2 of the Guidance Note 18 in the ACE LR prescribes amongst others, that an applicant is generally not regarded as suitable for listing if its business is loss making, shows declining profits which may raise doubt on its potential or it suffers from low profitability and without any growth in financial results (“Negative List”). However, such applicant may still be considered for listing if it is an innovative company involved either in technology-based business or research and development or it has taken steps to improve its financial performance or it has strategy to revive its business in the future, and there are acceptable justifications on the prospects of the applicant’s business.**(a) Is there a specific quantum and time frame applicable in assessing whether the applicant’s business is loss making, shows declining profits or suffers from low profitability without any growth in financial results?**

No, there is no specific quantum and timeframe which will be applied as the criteria will operate on a case by case basis, having considered the relevant facts and circumstances.

(b) Does an applicant which triggers the Negative List need to include prospective financial information in an initial listing application to Bursa Securities to justify the prospect of its business?

No, an applicant is not required to include prospective financial information in an initial listing application to Bursa Securities pursuant to the ACE LR. Submission of any prospective financial information by an applicant is purely voluntary in nature.

(c) Would the requirements relating to Negative List apply to assets to be injected in a listed corporation, resulting in a significant change in business direction or policy of the listed corporation?

Yes, the same requirements relating to Negative List would also be applicable to assets injected in a corporation, resulting in a significant change in business direction or policy.

Admission processes & procedures**3.5 Must an applicant submit both the initial listing application (“ILA”) and quotation application (“Quotation Application”) to Bursa Securities before the listing of its securities?**

Under the enhanced initial listing process as set out in paragraph 2.0 of Guidance Note 15, an applicant is no longer required to submit 2 applications to Bursa Securities, namely –

- (a) an ILA for an approval-in-principle for the admission of securities; and
- (b) a Quotation Application for quotation of securities on Bursa Securities.

Instead, the Quotation Application will be merged with the ILA and thus only one application is required to be submitted to Bursa Securities for listing of securities (“**Consolidated Application**”).

3.6 What are the additional documents required to be submitted together with the Consolidated Application?

In addition to the existing documents required under the ILA, all the requisite documents/confirmations required under the existing Quotation Application will also be procured in the form of undertakings when the applicant submits its Consolidated Application.

3.7 When will the listing and quotation of the new securities be effected on Bursa Securities?

The admission and listing of new securities on Bursa Securities will take place on the next market day upon the receipt of confirmation by the applicant from Bursa Depository that the new securities are ready for crediting into the respective securities accounts provided that the applicant has made the following announcements:

- (a) Announcement pursuant to paragraph 8.1 of Guidance Note 15 through Bursa Link via a dedicated template, “Timetable for IPO” on the issuance date of the prospectus.

The announcement must include the following information:

- The opening and closing date of the offer period;
- The balloting date;
- The allotment date of the IPO; and
- The tentative listing date.

If there is any change to the tentative listing date, the applicant must immediately announce the change to Bursa Securities.

- (b) Announcement pursuant to the paragraph 8.2 of Guidance Note 15 through Bursa Link via a dedicated template, “IPO template” before 3 p.m. on the market day before the listing date.

The announcement must include the following information:

- Actual date of listing;
- total number of shares which will be listed;
- Stock Short Name, Stock Code, ISIN Code; and
- Sector and market under which the new securities will be admitted.

3.8 Where can an applicant obtain the form prescribed by Bursa Securities for the classification of an applicant into a specific sector, as mentioned in paragraph 7.2 of Guidance Note 15?

The classification form can be obtained from the official website of Bursa Securities.

Methods of offering of securities

3.9 Can an applicant undertake an offer for sale during the initial public offer under the ACE LR?

Yes, an offer for sale is allowed provided that the applicant has generated 1 full financial year of operating profit based on its latest audited financial statements and all its promoters in aggregate, hold not less than 45% of the enlarged issued and paid-up capital of the applicant at the date of admission to the ACE Market.

3.10 Is an offer of securities to the general public via balloting mandatory for an applicant seeking admission to the ACE Market?

No. An applicant is free to determine its methods of offering of securities.

3.11 Is there any minimum issue price prescribed under the ACE LR?

No, there is no minimum issue price prescribed.

3.12 Is underwriting mandatory before an offering of securities is made under the ACE LR?

No, underwriting is no longer mandatory. Underwriting arrangement is now at the discretion of the applicant and its Sponsor.

3.13 Mr. A and Mr. B are the promoters of X Bhd, a corporation which is admitted to the ACE Market on 15 August 2017. As at 15 August 2017 –

- X Bhd has a total number of 500,000 issued ordinary shares; and
- both Mr. A and Mr. B hold in aggregate 300,000 ordinary shares representing 60% of the total number of issued ordinary shares of X Bhd.

(a) Is there a moratorium imposed on the shareholdings of Mr. A and Mr. B?

Yes. Pursuant to Rule 3.19 of the ACE LR, a moratorium is imposed over the shareholdings of Mr. A and Mr. B in the following manner:

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- (i) From 15 August 2017 until 14 February 2018 (6 months), a moratorium is imposed on the entire shareholdings of Mr. A and Mr. B amounting to 300,000 ordinary shares in X Bhd;
- (ii) From 15 February 2018 until 14 August 2018 (the following 6 months), a moratorium is imposed on the aggregate shareholdings of Mr. A and Mr. B amounting to 225,000 ordinary shares in X Bhd which represents 45% of X Bhd's total number of issued ordinary shares;
- (iii) After 14 August 2018, Mr. A and Mr. B may sell up to a maximum of 1/3rd per annum (on straight line basis) of the 225,000 ordinary shares held under moratorium provided that X Bhd has generated 1 full financial year of operating revenue based on its latest audited financial statements.
- (b) If, after 14 August 2018, X Bhd is unable to generate 1 full financial year of operating revenue based on its latest audited financial statements, can Mr. A and Mr. B sell their 225,000 ordinary shares in X Bhd held under moratorium?**

No, the moratorium over their 225,000 ordinary shares in X Bhd must remain. Mr. A and Mr. B may only sell their 225,000 ordinary shares in X Bhd up to a maximum of 1/3rd per annum (on straight line basis) after X Bhd has generated 1 full financial year of operating revenue based on its latest audited financial statements.

3.14 Mr X and Mr Y are the promoters of ABC Bhd, a corporation which is admitted to the ACE Market on 1 September 2017. As at 1 September 2017 –

- **Mr. X and Mr. Y hold in aggregate 30 million ordinary shares and 10 million convertible securities which are convertible into 10 million ordinary shares in ABC Bhd;**
 - **ABC Bhd has a total number of 45 million issued ordinary shares; and**
 - **ABC Bhd has also issued a total of 15 million convertible securities which are convertible into 15 million ordinary shares in ABC Bhd.**
- (a) For purposes of Rule 3.19 of the ACE LR, what is the amount of shares held by Mr. X and Mr. Y which are to be placed under moratorium?**

The shares of Mr. X and Mr. Y which are to be placed under moratorium are as follows:

- (i) From 1 September 2017 until 30 March 2018 (6 months), the entire shareholdings of Mr. X and Mr. Y amounting to 30 million ordinary shares and 10 million convertible securities in ABC Bhd, must be placed under moratorium;
- (ii) Pursuant to Rule 3.19(1)(e) of the ACE LR, where the promoters also own securities which are convertible or exercisable into ordinary shares of the applicant, the promoters' shareholdings to be placed under moratorium should amount to 45% of 60 million issued ordinary shares of ABC Bhd assuming full conversion or exercise of such securities.

As such, from 1 April 2018 until 30 October 2018 (the following 6 months), the aggregate shareholdings of Mr. X and Mr. Y amounting to 27 million ordinary shares in ABC Bhd, must be placed under moratorium;

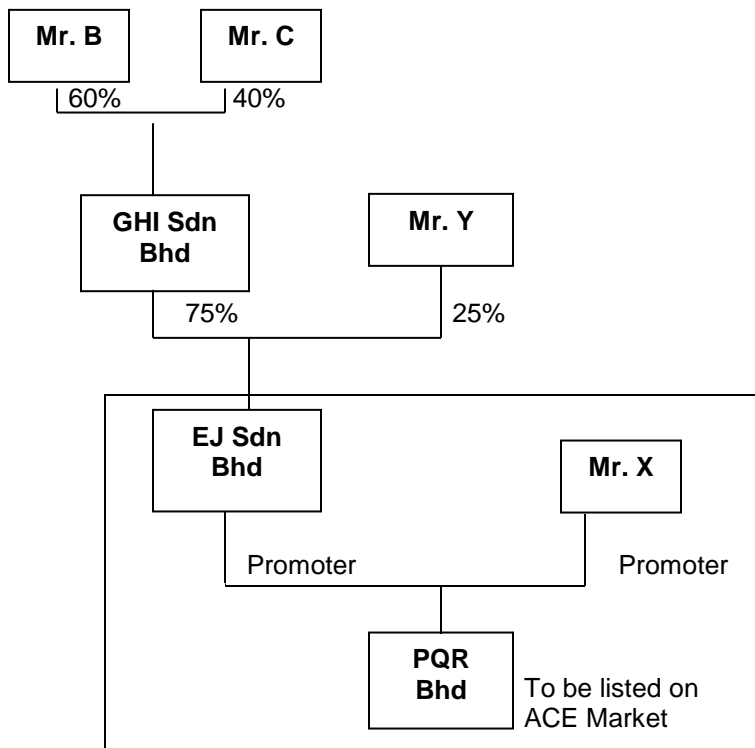
- (iii) After 30 October 2018, Mr. X and Mr. Y may sell up to a maximum of 1/3rd per annum (on straight line basis) of the 27 million ordinary shares held under moratorium provided that ABC Bhd has generated 1 full financial year of operating revenue based on its latest audited financial statements.

- (b) **If, after 30 October 2018, ABC Bhd is unable to generate 1 full financial year of operating revenue based on its latest audited financial statements, can Mr. X and Mr. Y sell their 27 million shares held under moratorium?**

No. The moratorium over their 27 million ordinary shares in ABC Bhd must remain. Mr. X and Mr. Y may only sell 1/3rd of their 27 million ordinary shares in ABC Bhd per annum (on straight line basis) after ABC Bhd has generated 1 full financial year of operating revenue based on its latest audited financial statements.

- 3.15 **EJ Sdn Bhd and Mr. X are the promoters of PQR Bhd, a corporation which intends to list on the ACE Market. EJ Sdn Bhd is an unlisted corporation.**

A chart depicting the corporate structure of PQR Bhd is as follows:



- (a) **Are the promoters of PQR Bhd required to provide Bursa Securities with an undertaking that they will comply with the moratorium requirements set out in Rule 3.19 of the ACE LR?**

Yes, all the promoters of PQR Bhd are required to provide Bursa Securities with the undertaking on moratorium. As such, both EJ Sdn Bhd and Mr. X must give the said undertaking to Bursa Securities.

- (b) **In the case of EJ Sdn Bhd, are its shareholders also required to provide Bursa Securities with the undertaking that they will comply with the moratorium requirements set out in Rule 3.19 of the ACE LR?**

Rule 3.19(2) of the ACE LR provides that where the promoter of an applicant seeking listing on the ACE Market or a vendor of the asset in a reverse take-over/back-door listing is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporation) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will comply with the moratorium requirements set out in Rule 3.19 of the ACE LR.

As EJ Sdn Bhd is an unlisted corporation, all its shareholders (whether individuals or other unlisted corporation) up to its ultimate individual shareholders, must provide the undertaking on moratorium to Bursa Securities in compliance with Rule 3.19(2) of the ACE LR. Hence, GHI Sdn Bhd, Mr. Y, Mr. B and Mr. C are required to give the undertaking on moratorium to Bursa Securities.

- 3.15A Mr. X is the founder and has 60% equity interest in GHI Bhd, a corporation which intends to list on the ACE Market. He is also the managing director of GHI Bhd and an accredited Angel Investor with Malaysian Business Angel Network. In respect of the shares held by Mr. X in GHI Bhd, will Mr. X be entitled to a moratorium period of 6 months only pursuant to Rule 3.19(1A)(a)(ii)?**

No. The nature of Mr. X's investment in GHI Bhd is not as an angel investor, but as a promoter that drives its business. As such, he is not entitled to the 6 months moratorium period stipulated in Rule 3.19(1A)(a)(ii) in respect of his shares held in GHI Bhd. Both GHI Bhd and Mr. X will have to ensure full compliance with Rule 3.19(1) of the ACE LR.

- 3.15B What is meant by the quantitative criteria for admission to the Main Market of the Exchange in Rule 3.19(1A)(b), Rule 3.19(1B) and Rule 3.21(2A)?**

The quantitative criteria for admission to the Main Market as stated in these rules refer to the profit test or market capitalisation test as set out in the SC Equity Guidelines, which is accessible at <http://www.sc.com.my/legislation-guidelines/equity/>.

- 3.15C JKL Bhd, a corporation listed on the ACE Market, enters into several acquisitions post-listing. Based on the pro-forma accounts, the enlarged group meets the quantitative criteria for admission to the Main Market of Bursa Securities.**

Can JKL Bhd and its promoters apply to Bursa Securities to be exempted from continued compliance with Rules 3.19(1)(b) and 3.19(1)(c) of the ACE LR based on the pro-forma accounts?

No, JKL Bhd and its promoters may only apply to Bursa Securities to be exempted from continued compliance with Rules 3.19(1)(b) and 3.19(1)(c) pursuant to Rule 3.19(1B) after the first audited consolidated financial statements of JKL Bhd. show that it has met the quantitative criteria for admission to the Main Market of Bursa Securities.

3.15D Apart from the shares a promoter holds in a listed corporation prior to listing, what other type of securities held by the promoter which would also be placed under the moratorium pursuant to Rule 3.19(1A) and 3.19(1D)?

Such securities include all shares in the listed corporation issued to the promoters during the moratorium period, and all shares issued arising from the conversion or exercise of any convertible securities or warrants held by the promoters as at the date of listing of the listed corporation on the ACE Market. The enlarged number of shares to be held under moratorium is in proportion stated in Rule 3.19(1)(a) to (d).

Others

3.16 Must a listed corporation undertaking a corporate proposal which will result in a significant change in the business direction or policy of the listed corporation, comply with the admission requirements under Chapter 3?

Yes, as Bursa Securities will treat such listed corporation as if it were a new applicant seeking admission to the Official List.

3.17 In 2008, Applicant A established its existing Share Issuance Scheme. Applicant A is seeking admission to the Official List of Bursa Securities in 2009. Must Applicant A terminate its existing Share Issuance Scheme before listing?

No, Applicant A need not terminate its existing Share Issuance Scheme before listing. However, in order for Applicant A to continue with the said scheme post-listing, it must ensure that the scheme complies with the provisions set out in the ACE LR.

3.18 Applicant B is seeking admission to the Official List of Bursa Securities. It is intending to establish a Share Issuance Scheme as part of its listing proposal. Must shareholder approval for such scheme be in accordance with Rule 6.45 of the ACE LR?

No, the requirements in relation to the procurement of shareholder approval in accordance with Rule 6.45 of the ACE LR are only applicable where the schemes are established after listing.

3.19 Must a listed corporation undertaking a corporate proposal which will result in a significant change in the business direction or policy of the listed corporation, comply with the admission procedures under Chapter 3 and Guidance Note 15?

Yes, as Bursa Securities will treat such listed corporation as if it were a new applicant seeking admission to the Official List.