
**QUESTIONS AND ANSWERS IN RELATION TO
BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE ACE MARKET
(As at 1 January 2022)**

CHAPTER 3 - ADMISSION*Pre-admission consultation***3.0 [Deleted]***Criteria for admission***3.1 Is the approval of the SC required for listing on the ACE Market?**

No. 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. Additionally, applicants are no longer required to register their prospectus with the SC pursuant to section 232 of the CMSA. Such prospectuses must be registered with the Exchange instead. All requirements relating to admission and registration of prospectus will be governed by the ACE LR.

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 and prospectus registration 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 shares?**

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 shares; and
- (b) a Quotation Application for quotation of shares 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 shares ("**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.

3.6A Under Guidance Note 15, an applicant is required to submit to the Exchange, a cover letter for the listing application and a cover letter for the Stage 1 prospectus registration. Does this mean that the applicant must submit two separate cover letters to the Exchange?

No. One cover letter containing the contents under paragraph 1(a) in Part B and paragraph 1(a) in Part C of Annexure GN15-A may be furnished to Bursa Securities for the listing application and Stage 1 prospectus registration.

3.6B Is an applicant still required to submit hard copies of the application for registration of prospectus and the relevant supporting documents to Bursa Securities?

Yes, in addition to the filing of electronic copies via BursaLINK, the applicant must still submit the hard copies of the application and supporting documents for both Stages 1 and 2 of prospectus registration, to Bursa Securities.

3.6C Under paragraph 9.1(a) of Guidance Note 15 of the ACE LR, an applicant must ensure that when it makes an application to register a prospectus, the information in the prospectus is substantially complete except in relation to information that by its nature can only be finalised and incorporated after the relevant authorities' approvals for the corporate proposal have been obtained. What are some examples of such information?

Examples of such information include, among others, agreements relating to underwriting, cornerstone investors and lock-up arrangements for cornerstone investors.

3.6D If an applicant decides to prepare an independent market research ("IMR") report, must the applicant submit the IMR report to the Bursa Securities in support of the ILA and disclose such in the prospectus?

Yes. Although the preparation of an IMR report is now made optional at the discretion of the applicant, if the applicant has opted to have an IMR report prepared to support the ILA or the preparation of the prospectus, the applicant must submit the IMR report containing the prescribed information under paragraph 1(m) of Part B of Annexure GN15-A to Bursa Securities and disclose such in the prospectus. In this regard, the IMR report must contain information about the industry and market in which the applicant operates that will aid investors' understanding about the applicant's business, and must also cover, amongst others, the background of the independent expert, an overview of the industry, commentary on the industry's size, outlook, prospects and competitive landscape, as well as an overview and appraisal of the applicant's business vis-à-vis the industry.

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

The admission and listing of new shares 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 shares 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 shares

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 specified shareholders 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 shares 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 shares.

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 shares 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 specified shareholders 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:

- (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 specified shareholders 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 specified shareholders also own securities which are convertible or exercisable into ordinary shares of the applicant, the specified shareholders' 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;

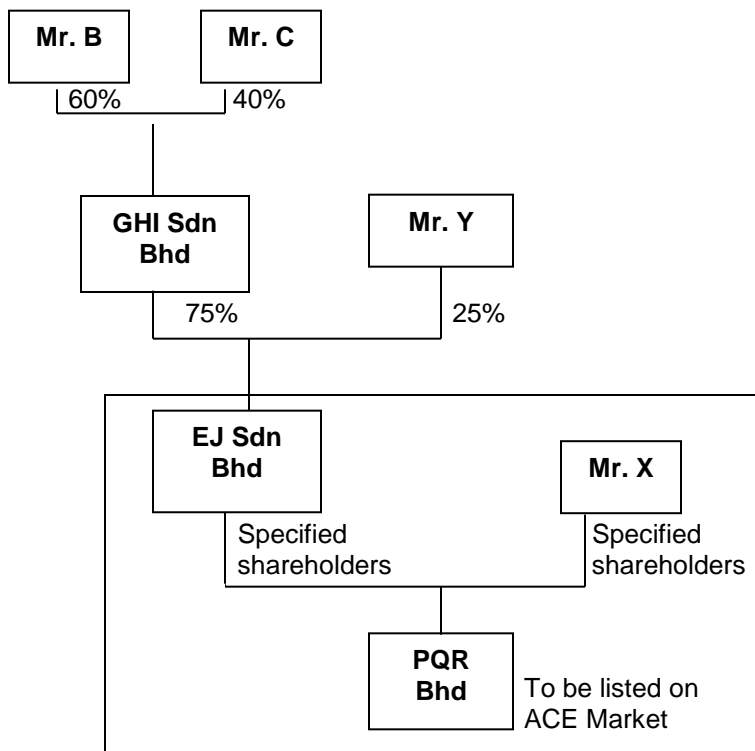
- (iii) After 30 October 2018, Mr. X and Mr. Y may sell up to a maximum of 1/3rd per annum (on straight line basis) of the 27 million ordinary shares held under moratorium provided that ABC Bhd has generated 1 full financial year of operating revenue based on its latest audited financial statements.

(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 specified shareholders 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 specified shareholders 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 specified shareholders 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 specified shareholders 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 specified shareholder 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 specified shareholders 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 specified shareholders 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. following its listing on the ACE Market show that it has met the quantitative criteria for admission to the Main Market of Bursa Securities.

- 3.15D Apart from the shares a specified shareholder holds in a listed corporation prior to listing, what other type of securities held by the specified shareholder 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 specified shareholders during the moratorium period, and all shares issued arising from the conversion or exercise of any convertible securities or warrants held by the specified shareholders 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).

- 3.15E** *Ms. X, a pre-IPO investor, had invested in LMN Sdn Bhd on 1 July 2020. As part of JKL Berhad's proposed listing, Ms. X will exchange her shares in LMN Sdn Bhd with shares in JKL Berhad at an issue price of RM0.55 per share. On 1 June 2021, JKL Berhad, via its Sponsors, submitted a listing application to Bursa Securities and the IPO issue price is RM0.60 per share. Is Ms X's shareholding in JKL Berhad subjected to moratorium?*

Yes, the shares held by Ms. X in JKL Berhad will be subject to a moratorium period of 6 months from the date of listing of ANZ Berhad on the ACE Market pursuant to Rule 3.19A, as Ms. X had invested in LMN Sdn Bhd within 12 months prior to the date of the listing application to Bursa Securities and had acquired the shares at a discount to the listing price.

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.

3.20 With the removal of prescription on how due diligence is to be conducted for certain proposals (i.e. initial public offering, new issue of securities, prospectus registration, preparation of Public Documents and proposals under Guidance Note 19) under the ACE LR, are the applicant/listed corporation, Sponsor/Adviser and all other parties accepting responsibility for all or any part of the information and documents submitted to the Exchange (“the relevant parties”) no longer required to undertake a due diligence exercise?

No. Whilst the ACE LR no longer prescribes how a due diligence should be conducted nor what is the applicable standards for such exercise, the relevant parties must still ensure that due diligence and enquiry is done so that submissions to Bursa Securities, as well as disclosures to the market meet the prescribed standards of disclosure under the ACE LR¹. The relevant parties may undertake the necessary due diligence exercise in accordance with industry practices, to ensure this obligation is met. For this purpose, the Sponsor/Adviser may refer to the Malaysia Equity Capital Markets and Debt Capital Markets Due Diligence Guides² issued by the Malaysian Investment Banking Association.

Additionally, the relevant parties must also make due and careful enquiries and comply with the equivalent obligations and standards imposed under the SC’s Guidelines on Submission of Corporate and Capital Market Product Proposals, in respect of submission of the proposals to Bursa Securities, as if the submission is made to the SC.

¹ Rule 2.18 of the ACE LR stipulates that any application, proposal, statement, information or document presented, submitted or disclosed pursuant to the ACE LR must be clear, unambiguous and accurate; does not contain any material omission; and is not false or misleading.

Similar standards are also imposed on any prospectus prepared, submitted or issued pursuant to the ACE LR under Rule 3.12C and announcements and circulars issued to securities holders under Rule 9.35 of the ACE LR.

² These Guides are available at <https://www.miba.com.my/info-nuggets/resources/>.