
CHAPTER 3 ADMISSION**PART A – GENERAL****3.01A Pre-admission consultation**

- (1) A potential applicant is strongly encouraged to consult the Exchange prior to its application for admission to the Official List. The consultation with the Exchange may be done with or without a Sponsor.
- (2) The potential applicant who is seeking a consultation with the Exchange should furnish to the Exchange the documents and information set out in Appendix 3A at least 1 week prior to its consultation with the Exchange.

3.01 Introduction

- (1) This Chapter sets out the requirements that must be complied with by an applicant seeking admission to the Official List.
- (2) Where a listed corporation undertakes a corporate proposal which will result in a significant change in the business direction or policy of a listed corporation, the Exchange will treat such listed corporation as if it were a new applicant seeking admission to the Official List. In such instance, the listed corporation must comply with the requirements under this Chapter, where applicable.
- (3) For the purposes of this Chapter, unless the context otherwise requires, references to “**applicant**” includes a listed corporation that undertakes a corporate proposal which will result in a significant change in the business direction or policy of a listed corporation.

PART B – ADMISSION**3.02 Admission**

- (1) The Exchange will exercise discretion over the admission and continued listing of securities on its Official List and may approve or reject applications for listing, as it deems fit.
- (2) The Exchange may also approve applications for listing unconditionally or subject to such conditions, as it deems fit.
- (3) An applicant must apply for admission to the Official List through a Sponsor and must comply with the relevant admission procedures and requirements as may be prescribed by the Exchange.

[Cross reference: Guidance Note 15]

- (4) The Sponsor appointed by an applicant must assess the suitability of the applicant seeking admission to the Official List.

[Cross reference: Guidance Note 18]

- (5) The applicant, Sponsor or other persons accepting responsibility for all or any part of the information and documents submitted to the Exchange in relation to an initial listing application must exercise due diligence and comply with the SC’s Guidelines on Due Diligence Conduct for Corporate Proposals as if the submission were made to the SC.

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- (6) An applicant which is a special purpose acquisition company or an incubator, including a technology incubator must apply for admission to the Main Market only.

3.03 Chain listing

An applicant which is a subsidiary or holding company of a corporation currently listed on the Main Market or ACE Market of the Exchange cannot seek admission to the Official List on its own unless the Sponsor is satisfied that -

- (a) the applicant has a distinct and viable business of its own;
- (b) no intra-group competition or conflict of interests exists between the applicant and all the other corporations within the holding company's group;
- (c) the applicant is independent from the other listed and non-listed corporations within the group in terms of its operations, including purchases and sales of goods, management, management policies and finance; and
- (d) the existing listed corporation within the group must have a separate autonomous business of its own, and is capable of sustaining its listing in the future.

3.04 Independence of business

The core business of an applicant must not be the holding of investments in other listed corporations.

3.05 Working capital

An applicant must have sufficient working capital available for its present requirements and for at least 12 months from the date of its prospectus for an initial public offering.

3.06 Management continuity

An applicant must have continuity of substantially the same management at the level of executive directors and senior management for 3 full financial years before submitting its listing application to the Exchange or since its incorporation (if less than 3 full financial years).

3.07 Property investment and property development corporation

- (1) An applicant which is a property investment and property development corporation must -
 - (a) appoint an independent valuer to conduct a valuation of all its material real estate; and
 - (b) submit 2 copies of the valuation report on the real estate concerned to the Exchange and a copy of the valuer's undertaking letter in the form of Appendix 6D together with its listing application.
- (2) The applicant and the valuer must ensure that -
 - (a) the valuation report submitted pursuant to sub-Rule (1) above complies with these Requirements and the SC's Asset Valuation Guidelines, which are in force from time to time; and
 - (b) the date of valuation which forms the basis of the valuer's undertaking letter pursuant to sub-Rule (1)(b) above is current, and in any event, not more than 6 months before the date of submission to the Exchange.

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- (3) For the purposes of sub-Rules 1(b) and 2(a) above, a “**valuation report**” includes a valuation certificate.

3.08 Independent directors

- (1) An applicant must ensure that at least 2 directors or 1/3 of the board of directors of the applicant, whichever is the higher, are independent directors.
- (2) If the number of directors of the applicant is not 3 or a multiple of 3, then the number nearest 1/3 must be used.

3.09 Audit committee

An applicant must establish an audit committee comprising a majority of independent directors (see also Chapter 15).

3.10 Shareholding spread

- (1) An applicant must have at least 25% of the total number of shares for which listing is sought in the hands of a minimum number of 200 public shareholders holding not less than 100 shares each.
- (2) An applicant which has or will be having shares listed on other stock exchange(s) may have these shares included for the purpose of computing the shareholding spread.

3.11 Constitution

- (1) An applicant must incorporate into its constitution the various provisions set out in Chapter 7.
- (2) An applicant must furnish to the Exchange a letter of compliance pursuant to Rule 2.12 together with its constitution and a checklist showing compliance with the relevant provisions of Chapter 7.

3.12 Preference shares, convertible securities and debt securities

- (1) An applicant may issue and list any securities as part of its listing scheme, including preference shares, convertible securities and debt securities. For issues of convertible securities, the applicant must comply with the requirements set out in Parts H and I of Chapter 6.
- (2) The exercise or conversion price of convertible securities issued before or as part of the listing scheme must not be lower than the applicant's ordinary share price offered to the public under an initial public offering.

PART C – METHODS OF OFFERING OF SECURITIES

3.13 General

- (1) Subject to sub-Rules (2) and (3) below, an applicant may offer its securities by way of an offer for sale to general public, placement or book-building. The methods of offering of securities chosen by an applicant must enable the applicant to have a broad base of shareholders and comply with the shareholding spread requirement under Rule 3.10 above.
- (2) An offer for sale is only allowed for an applicant which has generated 1 full financial year of operating profit based on the latest audited financial statements.

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- (3) An applicant must ensure that no offer for sale is made by a promoter if it will result in all promoters in aggregate, holding less than 45% of the total number of issued ordinary shares of the applicant at the date of admission to the Official List assuming full conversion or exercise of convertible securities owned by the promoters, if any.
 - (4) An applicant must ensure that expenses incurred relating to an offer for sale or restricted offer for sale of securities are borne by the offeror.

3.14 Offering of securities

- (1) An applicant must ensure that the basis for allocation and allotment of its securities is fair and equitable.
- (2) Where an offer of securities is made to the general public via balloting, the applicant must comply with the balloting procedures disclosed in the listing prospectus.

3.15 Placement of securities

- (1) The Sponsor must act as the placement agent (or joint placement agent, where applicable) for any placement of securities under an initial public offering.
- (2) The Sponsor or any other placement agent must not retain any securities being placed for its own account, except where -
 - (a) in the event of an under subscription, such securities are taken up following an underwriting agreement; or
 - (b) such securities being retained are over and above the total number of securities required to be in the hands of general public to meet the shareholding spread requirement in Rule 3.10.
- (3) The retention of securities for the purposes of sub-Rule (2)(b) above must not result in the Sponsor or placement agent holding, whether directly or indirectly, 5% or more of the total number of shares of the applicant for which listing is sought.
- (4) The Sponsor must ensure that securities are not placed with persons connected with the placement agent, except where -
 - (a) such persons connected with the placement agent are –
 - (i) statutory institutions managing funds belonging to general public; or
 - (ii) entities established as collective investment schemes which are considered to represent general public; or
 - (b) the placement is made under a book-building exercise, in which case –
 - (i) the placement agent/book-runner must establish internal arrangements to prevent the persons connected with it from accessing the book;
 - (ii) the placement agent/book-runner must keep the applicant fully informed and obtain the applicant's consent before inviting persons connected with it to bid for the securities;
 - (iii) the persons connected with the placement agent/book-runner must disclose to the placement agent/book-runner and the applicant the amount of bids which

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- they have put in for their own/proprietary account or customer account, as may be applicable; and
- (iv) the allocation to the persons connected with the placement agent/book-runner must be consistent with the allocation policy which has been communicated to and agreed upon by the applicant, including the amount of securities to be allocated to a single party.
- (5) The aggregate amount of securities placed with persons connected with the placement agent under sub-Rule (4) above must not be more than 25% of the total amount of securities made available for placement by the placement agent.
- (6) An applicant must not allow placement of securities to be made to –
- (a) directors or existing shareholders of the applicant or persons connected with them (whether in their own names or through nominees), except under restricted offers for sale or restricted offers for subscription stated in Rule 3.16 below or on a pro rata basis to all shareholders of the applicant; or
- (b) nominee corporations unless the names of the ultimate beneficiaries are disclosed.
- (7) As soon as practicable after the placement and before the listing of the applicant, the Sponsor must submit to the Exchange the following:
- (a) the final list (broken down by each placement agent) setting out the names, home/business addresses, identity card/passport/company registration numbers, occupations/principal activities, securities account numbers of all the placees and the ultimate beneficial owners of the securities placed (where the placees are nominee corporations or funds), and the amount and price of securities placed with each placee; and
- (b) a confirmation from the Sponsor that to the best of its knowledge and belief, after having taken all reasonable steps and made all reasonable enquiries, the details set out in the final list of placees in sub-Rule (a) above are accurate and the placement exercise complies with the requirements on placement as stated in these Requirements.
- (8) The information on the ultimate beneficiaries of the securities as required in sub-Rule (7)(a) above need not be submitted for the following types of placees:
- (a) statutory institutions managing funds belonging to general public;
- (b) unit trust funds or prescribed investment schemes approved by the SC; and
- (c) collective investment schemes which are authorised, approved or registered investment schemes incorporated, constituted or domiciled in a jurisdiction other than Malaysia and regulated by the relevant regulatory authority in that jurisdiction, subject to the Sponsor confirming to the Exchange that such schemes have been duly authorised, approved or registered.
- (9) The Exchange reserves the discretion to require submission of further information on the placement exercise and the placees as the Exchange may consider necessary for the purpose of establishing the propriety of the exercise or the independence of the placees.

3.16 Restricted offers

Restricted offers for sale or restricted offers for subscription which are undertaken as part of a listing scheme may only be made to the following groups:

- (a) the directors and employees of the applicant;
- (b) the directors and employees of the subsidiary companies and holding company of the applicant;
- (c) other persons who have contributed to the success of the applicant, such as suppliers, distributors, dealers and customers; and
- (d) the shareholders of the holding company of the applicant, if the holding company is listed.

3.17 Pricing of securities

Where securities are offered to related parties in conjunction with the initial public offering, the price of the securities offered to such related parties must be at least the issue price offered to the general public.

3.18 Underwriting

- (1) Underwriting arrangements in relation to an offering of securities are at the discretion of the applicant and its Sponsor.
- (2) The Sponsor must be part of the syndicate of underwriters for the securities offered under the initial public offering if there is an underwriting arrangement.
- (3) An applicant must disclose in its listing prospectus –
 - (a) the minimum level of subscription and the basis for determining the minimum level based on factors such as the level of funding required by the applicant; and
 - (b) the level of underwriting that has been arranged, together with justifications for the level arranged.
- (4) Where the minimum level of subscription is not achieved, the offering of securities must be terminated and consideration received must be immediately returned to all subscribers.

3.19 Moratorium on promoter's shares

- (1) A moratorium will be imposed on the sale, transfer or assignment of shares held by promoters of an applicant other than those specified in sub-Rule (1A) below, as follows:
 - (a) The moratorium applies to the entire shareholdings of the promoters of an applicant for a period of 6 months from the date of admission to the Official List.
 - (b) Upon the expiry of the 6-month period stated above, the listed corporation must ensure that the promoters' aggregate shareholdings amounting to at least 45% of the total number of issued ordinary shares (adjusted for any bonus issue or subdivision of shares) of the listed corporation remain under moratorium, for another period of 6 months.
 - (c) Thereafter, subject to sub-Rule (d) below, the promoters may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of the shares held under moratorium.

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- (d) Where a listed corporation has not generated 1 full financial year of operating revenue based on the latest audited financial statements, the promoters may only sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of the shares held under moratorium after the listed corporation has generated 1 full financial year of operating revenue based on its latest audited financial statements.
- (e) 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 the total number of issued ordinary shares of the applicant assuming full conversion or exercise of such securities owned by the promoters.
- (1A) A moratorium will be imposed on the sale, transfer or assignment of shares held by the following promoters for a period of 6 months from the date of admission to the Official List:
- (a) a promoter which is –
- (i) a corporation undertaking venture capital or private equity activity and registered with the SC pursuant to the SC's Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations, as amended from time to time; or
- (ii) an angel investor accredited by the Malaysian Business Angels Network; or
- (b) promoters of an applicant which meets the quantitative criteria for admission to the Main Market of the Exchange as at the date of submission of the listing application to the Exchange, as confirmed by the applicant's Sponsor.
- (1B) The promoters of a listed corporation may apply to the Exchange to be exempted from continued compliance with sub-Rules (1)(b) and (c) if the listed corporation meets the quantitative criteria for admission to the Main Market of the Exchange after admission to the Official List, as confirmed by the listed corporation's Sponsor.
- (1C) The Exchange will not approve the application made pursuant to sub-Rule (1B) above unless it is satisfied with the corporate governance and compliance record of the listed corporation pursuant to these Requirements.
- (1D) Where a listed corporation acquires an asset which results in a significant change in the business direction or policy of the listed corporation, a moratorium will be imposed on the listed corporation's shares received by the vendor of the asset ("**consideration shares**") as follows –
- (a) a vendor who is within the definition of "promoter" in these Requirements must comply with the moratorium requirements in sub-Rule (1) or (1A) above, as the case may be, in respect of the consideration shares; and
- (b) a vendor who is not within the definition of "promoter" in these Requirements will not be allowed to sell, transfer or assign the entire consideration shares for 6 months from the date such shares are admitted to the Official List.
- (2) Where the promoter or vendor is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to the Exchange that they will not sell, transfer or assign their securities in the unlisted corporation for the period stipulated in sub-Rule (1), (1A) or (1D) above, as the case may be.

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- (3) Notwithstanding sub-Rule (1) or (1A) above, the promoters are allowed to transfer the shares which are subjected to moratorium, to facilitate the price stabilization mechanism.
- (4) Where the applicant undertakes the price stabilization mechanism as part of the listing scheme and the promoter's shares to be held under moratorium had been borrowed by the stabilising manager, the stabilising manager and the applicant must submit a written confirmation that such shares are returned to the promoter and placed under moratorium within 5 market days after –
- (a) the end of the stabilisation period of 30 calendar days commencing from the first day of trading on the Exchange; or
- (b) the day on which the over-allotment option is exercised in full,
- whichever is the earlier.

3.20 Application of monies from subscription of shares paid into a trust account

Any monies received by an applicant from any persons who has provided consideration for shares pursuant to an issue, offer for subscription or purchase, or an invitation to subscribe for or purchase, securities for which listing has been approved must be applied in accordance with sections 215 or 243 of the CMSA, as may be applicable.

PART D – SPONSORS

3.21 Sponsors

- (1) An applicant must secure and maintain the services of a Sponsor for the following periods :
- (a) at least 3 full financial years after its admission to the Official List; or
- (b) at least 1 full financial year after the applicant has generated operating revenue,
- whichever is the later.
- (2) The applicant's Sponsor who submitted its application for admission to the Official List shall act as its Sponsor for at least 1 full financial year following the applicant's admission to the Official List.
- (2A) A listed corporation may apply to the Exchange to be exempted from continued compliance with sub-Rule (1) above if –
- (a) a period of 1 full financial year has lapsed since its admission to the Official List; and
- (b) it meets the quantitative criteria for admission to the Main Market of the Exchange, as confirmed by the listed corporation's Sponsor.
- (2B) The Exchange will not approve the application made pursuant to sub-Rule (2A) above unless it is satisfied with the corporate governance and compliance record of the listed corporation pursuant to these Requirements.
- (3) For the avoidance of doubt, sub-Rules (1), (2) and (2A) above are also applicable to a listed corporation that undertakes a corporate proposal which will result in a significant change in the business direction or policy of a listed corporation.

[End of Chapter]

APPENDIX 3A**Contents of pre-admission consultation document**

(Rule 3.01A(2))

- (a) The name of the company.
- (b) The date and place of incorporation.
- (c) The date of commencement of operations.
- (d) The principal activities and the business model of the company, including any permits or licenses required for operations (where applicable).
- (e) The principal place of business.
- (f) The shareholding structure and group structure (if applicable).
- (g) The details of the promoters, including their qualification, experience and any interest in other businesses.
- (h) The following audited financial information, prepared on a consolidated basis (if applicable) for the past 3 financial years or since date of incorporation, if the company has been incorporated for less than 3 years:
 - (i) income statement;
 - (ii) statement of financial position; and
 - (iii) cashflow statement,including whether the company's financial statements contain any qualified opinion by its auditors in the past.
- (i) The brief future plans of the company.
- (j) The rationale for seeking listing on the Official List, including a general description of the proposed utilisation for the total amount of funds to be raised.
- (k) Any other matters for discussion.

[End of Appendix]