Key Changes of Listing Requirements of the ACE Market

Inderjit Singh
Head, Listing Division
Regulation

10 July 2009
- Regulatory Framework
- Enhanced Sponsorship Regime
- Admission Criteria
- Listing Application & Processes
- Circulars
- Other Changes
Regulatory Framework

ACE MARKET – Market Based Regulatory Approach

SC/Bursa Regulated

Sponsor Driven

Access, Efficiency and Certainty

Investor Protection Maintained

ACE Market
Regulatory Framework

Roles & Responsibilities

**SC**
- Review disclosure in prospectus pursuant to S.232 and 237 of CMSA on IPO and public offerings

**Bursa**
- Initial listing application
- Secondary offerings (Rights Issue, Placements, Convertible securities)
- Regularisation plan
- ESOS, Bonus Issues, subdivision/consolidations
SC & Bursa Oversight Role

Regulatory Framework

Sponsored Corporations

Sponsors

- eligibility to list
- continuing obligations
- compliance with LR

Oversight
Enhanced Sponsorship Regime
ACE Market Sponsors - Roles & Obligations

• Sponsors must comply with rules issued by:
  • SC (Principal Advisers Guidelines, Licensed Intermediaries, Due Diligence Guidelines, Prospectus Guidelines)
  • Bursa (ACE Market LR – Annual review by Sponsors, Performance review by Exchange)
Enhanced Sponsorship Regime

ACE Market Sponsors - Roles & Obligations

IPO
- Sponsorship period 3 years – 1st year must be IPO Sponsor
- Sponsorship continues until Sponsored Corporation generates 1 FY audited operating revenue

Continuing
- PLC may appoint an entity other than the sponsor to be an Adviser for a specific corporate proposal
- PLC must obtain prior written consent of sponsor
- Sponsor must not unreasonably withhold consent
Enhanced Sponsorship Regime

ACE Market Sponsors - Roles & Obligations

- Assess **suitability** of applicant
- Guide & advise sponsored corporation and its directors
- Obligation to liaise with Exchange on Sponsor responsibilities e.g. LR breach not satisfactorily resolved
Enhanced Sponsorship Regime

ACE Market Sponsors - Roles & Obligations

Commitment by Sponsored Corporations to Sponsors

- To assist Sponsors, Sponsored Corporations are obliged to:
  - Provide information and assistance to Sponsors
  - Engage and consult with Sponsors on timely basis
## Enhanced Sponsorship Regime  
### Change of Sponsor

### Existing MMLR

1. **Within 1 full financial year following admission**  
   - Sponsor not entitled to resign or be terminated **unless permitted by the Exchange**

2. **After 1 full financial year following admission**  
   - Resignation/termination – sponsor/PLC must give **2 months** notice period

3. PLC must find replacement sponsor during the **2 months** notice period

4. If fail to find replacement sponsor:  
   - Suspension after expiry of 2 months notice period  
   - **May** be de-listed after 2 month following expiry of notice period

### ACE Market LR

1. **Within 1 full financial year following admission**  
   - Sponsor cannot resigned or be terminated

2. **After 1 full financial year following admission**  
   - Resignation/termination – sponsor/PLC must obtain prior Bursa’s approval

3. Bursa will not approve unless:  
   - **there is a replacement sponsor; or**  
   - in exceptional circumstances which warrant the consideration of Bursa

4. After Bursa’s approval sponsor/PLC must give **3 months** notice period

5. If fail to find replacement sponsor:  
   - Suspension after expiry of 3 months notice period  
   - **Automatic** de-listing after 2 months following expiry of notice period
Sponsor must review all public document submitted/disclosed by PLC to Bursa except:

- Annual audited financial statements
- Announcements as referred under para. 9.17(2)(a) (i.e. change of address, name, composition of boards, AC, CEO etc.)
- Where PLC has appointed an entity other than the Sponsor to be an Adviser for a specific corporate exercise

PLC must include the name of its IPO sponsor in all public documents during the 3 years sponsorship period.
## ADMISSION

### COMPARISON OF EXISTING & NEW LR

<table>
<thead>
<tr>
<th>Existing MMLR</th>
<th>ACE MARKET LR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Confined to high-growth or technology-based companies</td>
<td>1. Allow eligible corporations from all economic sectors</td>
</tr>
<tr>
<td>2. Minimum requirements on operating history, size and track-record</td>
<td>2. No minimum requirement on operating history, size and track-record</td>
</tr>
<tr>
<td>3. Disallow offer for sale</td>
<td>3. Allow offer for sale for applicants with operating profit, subject to <a href="#">moratorium</a></td>
</tr>
<tr>
<td></td>
<td>• Structured warrants - not allowed</td>
</tr>
<tr>
<td></td>
<td>• SPACs or incubators – not allowed</td>
</tr>
<tr>
<td>5. Other listings</td>
<td>5. Other listings</td>
</tr>
<tr>
<td></td>
<td>• Allow structured warrants</td>
</tr>
</tbody>
</table>
New Fund Raising Framework

All relevant requirements relating secondary issuance as stipulated in the SC’s Guidelines on the Offering of Equity and Equity-Linked Securities are now incorporated in the Main LR

Listing Application

One approving authority

- Simplified Listing process
- Area of Focus: CG, COI, PI & adequacy of disclosure

Bursa may:
1. approve application subject to conditions
2. engage listed issuers and advisers to rectify areas of concern
3. reject application

- Prescribed Listing form
- Concurrent processing of ILA/ALA & clearance of circular
- Merged processing of ILA/ALA & quotation
- Rights Issue- SPEED processing for crediting of rights for trading
- SPEED processing for Capital Repayment

Shorter time to market
New Issues of Securities

Enhanced Disclosure

General Mandate

- Proceeds raised from previous mandate & details and status of utilisation (negative statement where applicable)
- Purpose and details of utilisation of proceeds for current general mandate sought

Other enhancement in announcements and circulars

- Justification for new issuance of securities
- Description & outlook of the industry the PLC is operating or will be operating
- Irrevocable undertaking to subscribe for the new issue:
  - confirmation on sufficiency of financial resources (must be verified by independent party)
  - statement on consequences to PLC and shareholding with regard to Take-Over & Merger Code
- ESOS - performance target if any, and the potential cost
Circulars must comply with:
- the minimum disclosure as prescribed in the LR; and
- such other information having regards to the particular nature of the transaction to enable shareholders to make informed decision at general meeting.

Sponsors/advisors must place greater emphasis on additional information to be disclosed in circulars to enable shareholders to assess the merits of the corporate proposal.

All circulars by ACE companies will be post-vetted except for RTO/BDL and GN2 & GN3 companies’ proposals.

Post vetted circulars will be reviewed to ascertain whether there is any breach of LR for enforcement purposes.
Other Changes in ACE Market LR
Transaction

<table>
<thead>
<tr>
<th>Non-RPT</th>
<th>RPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>≥5% announce information as prescribed under Appendix 10A</td>
<td>≥25% issue circular containing info. prescribed in App. 10B and seek shareholders’ approval</td>
</tr>
<tr>
<td>≥0.25% announce information as prescribed under Appendix 10A &amp; 10C</td>
<td>≥5% issue circular as prescribed in App. 10B &amp; 10D and seek shareholders’ approval</td>
</tr>
</tbody>
</table>

Requirement for transaction which is ≥ 15% but <25% is removed
Transaction – Enhanced Disclosure

Circular
- Profit Guarantee ("PG"):
  - PLC’s rights of recourse;
  - whether PG is realistic
- Timetable for completion of transaction
- Conflict of interest disclosure enhanced:
  - Nature & extent of conflict
  - Parties to conflict
  - Measures taken for resolving, eliminating or mitigating conflict situation
Announcement:
Audit Committee’s (AC) statement setting out the following:
- AC’s view whether:
  (i) in the best interest of the listed issuer;
  (ii) fair, reasonable and on normal commercial terms; and
  (iii) not detrimental to the interest of the minority shareholders, together with the basis for its views;
- If independent advice (IA) is sought, a statement to that effect;
- If views of AC are different from the opinion of IA, if any, the reasons for the difference;

Enhanced statement by directors to include:
- If board sought an independent advice, a statement to that effect;
- If views of the board are different from the opinion of the AC or IA (if any) the reasons for the difference.
**Transaction - Enhanced Disclosure**

**Announcement**
- Deviation of 10% or more between estimated and actual RRPT value and reasons for such deviation

**Circular**
- The actual value transacted of each RRPT
- The estimated value of each RRPT as disclosed in the preceding year’s circular;
- Reasons for deviation, if the actual value exceeds estimated value by 10% or more
<table>
<thead>
<tr>
<th>Date</th>
<th>Cumulative Value of Transaction * (RM’000)</th>
<th>% of deviation since prev. ann. Based on mandated amount</th>
<th>Announcement ?</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Apr-09 (AGM)</td>
<td>1,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31-Aug-09</td>
<td>1,680</td>
<td>12%</td>
<td>Yes</td>
</tr>
<tr>
<td>30-Sep-09</td>
<td>1,800</td>
<td>8%</td>
<td>No</td>
</tr>
<tr>
<td>30-Oct-09</td>
<td>1,950</td>
<td>18%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

* period should be from previous AGM to the next AGM
Transaction

Percentage Ratio

Total Assets ratio is only applicable in transaction which involves subsidiary companies.
RPT – Additional Exempt Transaction

Disposal of an interest in an investee company

(i) The related party are not a party, initiator or agent to the said disposal
(ii) The disposal is effected on Bursa Securities where counterparty’s identity is unknown to PLC or its subsidiary

A BHD disposes stake in B BHD via Bursa

The above includes disposal of an investee company on a pro-rata basis or from acceptance of takeover offer
RPT – Additional Exempt Transaction

- On non-negotiable fixed price/ rate
- All material terms are applied consistently to all classes of customers
Valuation

**New Requirement**

- Requirement of valuation report on real estate irrespective on the mode of sale/purchase consideration (cash or securities) for:
  - Non RPT: all transactions which are ≥ 25% of the relevant percentage ratio
  - RPT: all transactions which are ≥ 5% of the relevant percentage ratio
- Valuation report to be submitted to Bursa not later than 1 month before the issuance/submission of circular/draft circular (as the case maybe)
- Valuation must comply with SC’s Valuation Guidelines
- Significant change – issuer/valuer must update valuation report

**Bursa**

- Refer valuation report to SC
- May request for a valuation report on any assets
- May appoint second opinion valuer

**Valuation Report must not > 6 months old**
<table>
<thead>
<tr>
<th>Transaction which percentage ratio is –</th>
<th>Valuation required to be conducted and valuation report submitted to Bursa?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ≥ 25% pursuant to Part D (Transaction), Chapter 10 of the ACE Market LR; or • ≥ 5% pursuant to Part E (Related Party Transaction), Chapter 10 of the ACE Market LR</td>
<td></td>
</tr>
<tr>
<td>(i) Acquisition or disposal of a real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>(ii) Acquisition or disposal of a property development/ property investment corporation</td>
<td>Yes, the valuation report must be submitted for all material real estate.</td>
</tr>
<tr>
<td>(iii) Acquisition or disposal of a corporation (other than defined in (ii)) which owns real estate</td>
<td>Yes, only if the real estate has been revalued and the revalued amount is used as the basis in determining the purchase or disposal consideration</td>
</tr>
</tbody>
</table>
Shareholding Spread

**Initial listing**
- ≥ 25%
- minimum 200 public shareholders holding not less than 100 shares

**Continuing listing**
- ≥ 25%
- **no** minimum number of public shareholders

- Compliance with “public spread” requirement by artificial means is prohibited.

“public” includes directors of listed issuers’ associated co.
Requirements for Website

- Announcements
- Contact details of designated persons
- Current & informative etc.
- Contents of Website
Delay in submission of Financial Reports

- **≥ 3 MD before due date**
  - Immediate announcement to Bursa if becomes aware that PLC will not be able to submit by the due date

- **5 MD after due date**
  - Suspension will be effected on the next day after the expiry of 5 MD of the due date for submission

- **6 months after due date**
  - Bursa shall commence delisting procedures
Trading Halt & Request for Suspension

Trading Halt

- Shortened to 1 hour
- All material announcement released after 11.00 a.m. for morning session and after 3.30 p.m. for afternoon session will be halted for rest of the respective trading session
- Bursa has discretion to extend the period of halt where deemed appropriate

Request for suspension

- The above is trading halt timeframe is not applicable for voluntary request for suspension
- Notice for request for suspension shortened to 1 hour
Dealing in Securities
### Key Changes - Dealing in Securities

**Mesdaq LR**

<table>
<thead>
<tr>
<th>Definition of “closed period”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(a)</strong></td>
</tr>
<tr>
<td><strong>(Start)</strong></td>
</tr>
<tr>
<td><strong>(End)</strong></td>
</tr>
<tr>
<td>Time info. obtained</td>
</tr>
<tr>
<td>Announcement date of matters involving price-sensitive info.</td>
</tr>
</tbody>
</table>

| **(b)**                      |
| **(Start)**                  |
| **(End)**                    |
| **D - 1 mth**                |
| Targeted date to announce quarterly result (D) |
| Date of announcement of quarterly results |

**ACE Market LR**

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<tr>
<td><strong>(Start)</strong></td>
</tr>
<tr>
<td><strong>(End)</strong></td>
</tr>
<tr>
<td><strong>D-30 days</strong></td>
</tr>
<tr>
<td>Targeted date to announce quarterly result (D)</td>
</tr>
<tr>
<td>Date of announcement of quarterly results</td>
</tr>
</tbody>
</table>
Key Changes - Dealing in Securities (Cont’d)

**Mesdaq LR**

Definition of “affected persons”

- Listed issuers
- Directors + Principal officers

**ACE Market LR**

Definition of “affected persons”

- Listed issuers
- Directors + Principal officers
- Major subsidiary of listed issuers
- CIS Management Co.
<table>
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<th>Mesdaq LR</th>
<th>ACE Market LR</th>
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<tbody>
<tr>
<td><strong>Dealing notification period outside closed-period</strong>&lt;br&gt;▪ <strong>14 days after dealing</strong></td>
<td><strong>Dealing notification period outside closed-period</strong>&lt;br&gt;▪ <strong>3 market</strong> days after dealing</td>
</tr>
<tr>
<td><strong>Exemption from dealing restrictions</strong>&lt;br&gt;▪ Acceptance of options/rights under ESOS ?</td>
<td><strong>Exemption from dealing restrictions</strong>&lt;br&gt;▪ Acceptance of options/rights under ESOS exempted.</td>
</tr>
</tbody>
</table>
Public shareholding spread
- The continuing requirement of minimum number of 1000 public shareholdings spread will be waived with effect from 8 May 2009

GN2/GN3 Companies
- Existing Listed Corporations may apply to Bursa to regularise their condition under the amended rules 8.03 & GN2 and 8.04 & GN3 for the ACE Market (provided they are still within the stipulated/ extended timeframe)
Thank You
SUITABILITY ASSESSMENT BY SPONSORS

- Internal Control/Risk Management
- Conflicts of Interest
- CG Records
- Systems/Policies/Procedures
- Public Interest
- Directors/Key Management
- Prospects
ACE Market – Moratorium

Existing Position

Moratorium

- 45% for 1 year from admission date
- After that – may dispose up to a max 1/3rd per annum (on a straight-line basis) of promoters’ respective shareholdings under the moratorium.

Proposed Requirements

Moratorium

6 months from admission - ALL

Next 6 months - 45% of the nominal issued & paid up capital

Achieve 1 full FY operating revenue?

Yes

1/3rd per annum on straight-line basis

No

Achieve 1 full FY operating revenue
Under the simplified listing process, the following procedures will be applicable:

Day before listing date:

- **By 10.00 a.m.**
  - Submit the share certificate together with a covering letter containing the summary of the corporate proposal to Bursa Depository.

- **By 12.00 noon**
  - Receive confirmation from Bursa Depository that the securities are ready for crediting.

- **By 3.00 p.m.**
  - Announce pursuant to paragraph 12.2 of GN17 through *Bursa Link* via a dedicated template, “ALA template” the following:
    - details of the corporate proposal;
    - total no. of securities issued under each proposal and the issue price per share, if any;
    - date of listing and quotation; and
    - latest issued & paid-up capital of the listed issuer after the proposal indicating the number of shares (in unit and RM) and their par value, if any.
The following procedures will be applicable:

- **Issuance date of prospectus**
  - Announcement on IPO Timetable (para. 8.1 of GN15):
    - Opening & closing date of the offer period;
    - Balloting date
    - Allotment date of the IPO; and
    - Tentative listing

- **Day before listing date**
  - By 3.00 p.m.
  - Announce pursuant to paragraph 8.2 of GN15 through *Bursa Link* via a dedicated template, "*IPO template*” the following:
    - Actual date of listing;
    - Enlarged issued & paid-up capital of the PLC indicating the no. of shares and par value if any;
    - Stock short name, stock code, ISIN code; and
    - Sector and market in which the new securities will be admitted
New Issues of Securities

Rights Issue

- May fix BCD for Rights Issue before shareholders approval if SH holding >50% of the nominal value of voting shares have given irrevocable undertaking

Book Closure Date

- Optional for Rights Issues
- Minimum Level

Underwriting
**CAPITAL REPAYMENT**

**Current Timeline**
- T
- T +6
- T +10
- T +14
- T +16

- Announcement on BCD
- Commencement of suspension
- BCD
- Application for quotation
- Listing Date

**Suspension 10 MD**

**New Timeline (SPEEDs)**

- T
- T +10
- T +11

- Announcement on BCD
- BCD
- Listing Date

- No suspension
- No quotation application