

**PART II**

**CONTENTS OF PROSPECTUS**

# DIVISION 1

## EQUITY

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## Chapter 1

### INTRODUCTION

#### Cover Page

1.01 The cover page must include the following information and statements:

(a) Name of the corporation;

(b) Place of incorporation;

(c) Registration number;

For a foreign-incorporated corporation, to also include the registration number allocated to such corporation as a foreign company in Malaysia under the *Companies Act 2016*.

(d) The date of the prospectus;

(e) The following statement:

"No securities will be allotted or issued based on this prospectus after six months from the date of this prospectus."

(f) The following statement, to appear in bold:

**"INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE [XX]."**

- (g) The following statement:  
"The Securities Commission Malaysia has approved [to state the corporate proposal approved by the SC]"
- (h) The following statement:  
"This prospectus has been registered by the Securities Commission Malaysia. The approval, and registration of this prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the securities being offered for investment."
- (i) The following statement:  
"The Securities Commission Malaysia is not liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this prospectus."
- (j) For corporations seeking listing on the ACE Market, the following statement is to be included and highlighted in bold and a prominent colour:  
**"THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.**  
**THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SECURITIES COMMISSION MALAYSIA."**

- (k) For SPACs, the following statement must be included and highlighted in bold, a contrasting colour and prominently displayed:

**“WE ARE A SPECIAL PURPOSE ACQUISITION COMPANY. WE CURRENTLY HAVE NO OPERATIONS OR INCOME GENERATING BUSINESS AND HAVE SPECIFIC RISKS AS DISCLOSED IN THIS PROSPECTUS.**

**IF WE ARE UNABLE TO COMPLETE OUR QUALIFYING ACQUISITION WITHIN 36 MONTHS FROM THE DATE OF LISTING, WE WILL BE LIQUIDATED. THE AMOUNT HELD IN THE TRUST ACCOUNT WILL BE DISTRIBUTED, NET OF ANY TAXES PAYABLE AND DIRECT EXPENSES RELATED TO THE LIQUIDATION DISTRIBUTION.”**

### **Inside Cover or First Page**

- 1.02 The inside cover or first page must include the following statements:

#### **Responsibility Statements**

- (a) “The directors and promoters of the corporation [and/or the offeror, (where appropriate)] have seen and approved this prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in the prospectus false or misleading.”
- (b) “[Name of principal adviser], being the Principal Adviser, acknowledges that, based on all available information, and to the best of its knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the offering.”
- (c) Where future financial information is provided:  
“The directors and promoters of the corporation [and/or the offeror, (where appropriate)] confirm that the bases and assumptions relied on in the preparation of the future financial information are reasonable.”

"[Name of principal adviser], being the Principal Adviser is satisfied that bases and assumptions relied on in the preparation of the future financial information are reasonable."

#### **Statements of disclaimer**

(d) Where applicable:

"The valuation utilised for the purpose of the corporate exercise should not be construed as an endorsement by [the Securities Commission Malaysia, or Bursa Malaysia Securities Berhad (where appropriate)], on the value of the subject assets."

(e) "Admission to the Official List of Bursa Malaysia Securities Berhad is not to be taken as an indication of the merits of the offering, corporation, or its shares."

(f) "This prospectus, together with the application form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents."

#### **Other statements**

(g) "Investors should note that they may seek recourse under sections 248, 249 and 357 of the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the prospectus or the conduct of any other person in relation to the corporation."

(h) "Shares listed on Bursa Malaysia Securities Berhad are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in section 236 of the *Capital Markets and Services Act 2007*, is responsible."



- (i) For a corporation whose shares have been classified as Shariah compliant, the following statement must be stated:

“The shares of this corporation are classified as Shariah compliant by the Shariah Advisory Council of the Securities Commission Malaysia. This classification remains valid from the date of issue of the prospectus until the next Shariah compliance review undertaken by the Shariah Advisory Council of the Securities Commission Malaysia. The new status is released in the updated list of Shariah compliant securities, on the last Friday of May and November.”

- 1.03 In the case where the shares are proposed to be listed and quoted on a stock exchange or other similar exchange outside Malaysia, the prospectus must contain the following statements:

- (a) A statement that the approval for the listing and quotation of the shares on the stock exchange or other similar exchange outside Malaysia has been granted; or

- (b) Where such approval has not been granted, the following statements:

- (i) That an application has been or will be made for the shares offered to be listed and quoted on the official list of the stock exchange or other similar exchange outside Malaysia;

- (ii) Any allotment made on an application to subscribe for shares under the prospectus would be void if-

- (A) the application to list and quote has not been made within three market days from the date of issue of the prospectus; or

- (B) the permission for the application to list and quote is not granted within six weeks from the date of issue of the prospectus or such longer period as may be specified by the SC; and

- (iii) The corporation will repay without interest all monies received from the applicants if such application was not made or if the exchange refuses to grant permission.

### **Indicative Timetable**

1.04 Disclose the timetable, including the following critical dates:

- (a) Opening and closing dates of the offering;
- (b) Date for the balloting of share applications;
- (c) Date for allotment of shares; and
- (d) Listing date.

1.05 The method of informing the public for any change to the timetable must be disclosed.

### **Corporate Directory**

1.06 The directory must contain the following details:

- (a) Name, designation, nationality and address of each director, including whether the director is independent or non-independent;
- (b) Name, address, and professional qualification, including any membership in a professional body, of the company secretary;
- (c) Address, telephone number, email and website addresses of the

corporation's registered office, head or management office;

- (d) Names and addresses of the following parties, where applicable:
  - (i) Principal adviser;
  - (ii) Legal adviser connected to the corporate proposal;
  - (iii) Issuing house;
  - (iv) Share registrar;
  - (v) Underwriter;
  - (vi) Placement agent;
  - (vii) Shariah adviser; and
  - (viii) Any other person connected to the corporate proposal.
- (e) Name, address and professional qualification, including any membership in a professional body, of the corporation's reporting accountant;
- (f) Name, address and qualification of an expert whose prepared reports or excerpts or summaries are included or referred to in the prospectus. If the expert is a corporation or a firm, to disclose the name of the individuals responsible for preparing the reports, excerpts or summaries; and
- (g) Name of the stock exchange where the shares are already listed or the listing is sought in relation to the prospectus.

1.07 For purposes of paragraph 1.06(d)(viii), where the corporation has appointed a person to provide financial advice in relation to the corporate proposal, the salient terms of engagement and scope of work of such person must be disclosed in the prospectus.

### **Approvals and Conditions**

1.08 Disclose all approvals and conditions imposed by relevant authorities in relation to the offering and the status of compliance on such conditions.

1.09 For any specific relief obtained from compliance with relevant securities laws, guidelines and other regulatory requirements, to disclose the details of the relief granted.

1.10 Details of any moratorium on shares, such as–

- (a) the name of the shareholder;
- (b) the authority or any other party which imposed the moratorium;
- (c) the number of shares under moratorium; and
- (d) the terms of the moratorium including commencement and expiry of the moratorium.

#### **Guidance to paragraph 1.04 – Changes to the indicative timetable**

1. Any material change to the timetable after the registration of the prospectus is considered as a significant change affecting a matter disclosed in the prospectus.

## Chapter 2

### PROSPECTUS SUMMARY

2.01 The Prospectus Summary must provide a concise overview of the corporation and highlights of significant matters disclosed elsewhere in the prospectus. The Prospectus Summary must not exceed 10 pages and must be placed at the beginning of the prospectus.

2.02 The Prospectus Summary must–

(a) give a fair and balanced view of the nature, material benefits and material risks of the shares offered; and

(b) be consistent with the disclosures in other parts of the prospectus.

2.03 At the top of the Prospectus Summary, the following warning statement must be disclosed in bold:

**“This Prospectus Summary only highlights the key information from other parts of this prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole prospectus prior to deciding on whether to invest in our shares.”**

### Principal details of the offering

2.04 Disclose details of shares being issued or offered to different groups of investors including:

(a) number of shares;

- (b) offer price; and
- (c) moratorium imposed on the shares, if any.

### **Business model**

2.05 Describe the key features of the corporation's business model including:

- (a) Nature of the operations and principal activities;
- (b) Principal markets in which the corporation operates; and
- (c) Place of incorporation.

### **Competitive position and business strategies**

2.06 Briefly describe the corporation's competitive position and business strategies.

### **Risk factors**

2.07 Disclose risk factors that would have a material adverse effect on the corporation's business operations, financial position and results, and shareholders' investments in the corporation.

### **Directors and key senior management**

2.08 List out the name and designation of each director and member of key senior management.

## **Promoters and substantial shareholders**

2.09 Disclose the following details of the promoters and substantial shareholders:

- (a) Name;
- (b) Nationality or country of incorporation; and
- (c) Number and percentage of shares held in the corporation, before and immediately after the offering. Where the shares are held indirectly in the corporation, disclose the ultimate beneficial owner.

## **Use of proceeds**

2.10 Disclose the estimated gross proceeds from the offer segregated into each principal intended use and the time frame for such utilisation.

## **Financial and operational information**

2.11 Disclose the financial and operational highlights of the corporation. The highlights must be disclosed for each financial year for the period covered by the historical financial information as disclosed in the prospectus.

## **Dividend policy**

2.12 Disclose the corporation's dividend policy or, if it does not have a fixed policy, to state so.

**Guidance to Chapter 2 - Prospectus Summary**

1. It is encouraged to use diagrams and illustrations such as graphs, charts, flowcharts and tables to present information in the Prospectus Summary.
2. The Prospectus Summary should include appropriate cross-references to the specific sections of the prospectus which set out the full details on the respective matters.



## Chapter 3

### DETAILS OF OFFERING

3.01 Details of the shares being issued or offered must be disclosed, including the following:

- (a) The number of shares proposed to be issued or offered to different groups of investors;
- (b) If, in conjunction with the offering, shares of the same or another class are sold or subscribed privately, the nature of such sales or subscriptions and the number and characteristics of the issues concerned, including details of underwriting or undertaking arrangements; and
- (c) If there are other securities issued or offered in conjunction with the offering, details of such securities must be disclosed.

3.02 Where the shares are offered by way of rights or allotted to the existing shareholders of the holding company, the following must be disclosed:

- (a) The manner of allocating the shares;
- (b) The last date of acceptance and payment in relation to the offering;
- (c) How fractions arising from the allocation are treated;
- (d) Whether the offer is renounceable or non-renounceable; and
- (e) Whether approval from the shareholders of the holding company has been obtained.

3.03 Details about the pricing of shares, including–

- (a) the price offered to each class of investors and where applicable, the minimum and maximum offer price; and
- (b) the basis for determining the offer price.

**History of market prices**

3.04 If the shares are already listed on a stock exchange outside Malaysia, information on the price history of the shares must be disclosed as follows, where applicable:

- (a) For the three most recent full financial years: the annual highest and lowest market prices;
- (b) For the two most recent full financial years and any subsequent period: the highest and lowest market prices for each full financial quarter;
- (c) For the most recent six months preceding the date of the prospectus: the highest and lowest market prices for each month; and
- (d) For pre-emptive rights to subscribe for or purchase shares, to disclose:
  - (i) the highest and lowest market price for the first trading day in the most recent six months preceding the date of the prospectus; and
  - (ii) the closing market price on the last trading day before the announcement of the offer and, if different, on the latest practicable date prior to the issuance of the prospectus;

Information must be given with respect to the market price in the host market and the principal trading market outside the host market, where applicable.

- 3.05 The corporation must disclose any significant trading suspension that occurred in the three years preceding the latest practicable date. If the shares are not regularly traded in an organised market, information must be given about any lack of liquidity.

### **Plan of distribution**

- 3.06 Where a corporation intends to allocate shares to eligible directors, employees or other persons under a preferential allocation scheme, the corporation must disclose the following:
- (a) A brief description of the criteria of allocation as approved by the board of directors;
  - (b) The total number of persons eligible for the allocation; and
  - (c) Where the directors of the corporation are eligible for the allocation scheme, the number of shares to be allocated to each director.
- 3.07 Disclose any price stabilisation mechanism that may be employed in accordance with the *Capital Markets and Services (Price Stabilization Mechanism) Regulations 2008*.
- 3.08 If the offering is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain markets, provide information about the tranche and details of any other allocation arrangement.
- 3.09 Outline the plan of distribution of shares that are to be offered other than through underwriters. Indicate the amount of such shares to be offered including the nature of such sales or subscriptions.

3.10 To the extent known to the corporation, disclose if–

- (a) any substantial shareholder, director or member of key senior management intend to subscribe in the offering; or
- (b) any person intends to subscribe for more than 5% of the offering.

3.11 For any offering where there are excess shares to be allocated, the corporation must state that the allocation of the excess shares will be made on a fair and equitable manner.

### **Selling shareholders**

3.12 Disclose the following information on the selling shareholders:

- (a) The name and address of the person or entity offering to sell the shares, the nature of any position, office or other material relationship that the selling shareholder has had within the past three years with the corporation or any of its predecessors;
- (b) The number and class of shares being offered by each of the selling shareholders, and the percentage of the existing and the enlarged share capital; and
- (c) The number and percentage of the shares for each particular type of shares beneficially held by the selling shareholder as at the latest practicable date and immediately after the offering.

## Dilution

3.13 The following information must be provided:

- (a) Where there is a substantial disparity between the public offering price and the effective cash cost to—
  - (i) directors;
  - (ii) key senior management;
  - (iii) substantial shareholders; or
  - (iv) persons connected,  
  
of shares acquired by them in transactions during the past three years, or which they have the right to acquire, disclose a comparison between the public contribution of the offering and the effective cash contribution of such persons;
- (b) Disclose the number and percentage of immediate dilution resulting from the offering, computed as the difference between the offering price per share and the net asset value per share, as at the latest audited financial year end or period, as the case may be.  
  
The net asset value per share must be adjusted for the effects of the offer and any disposal or acquisition which occurred between the latest audited financial year end or period, as the case may be, and the date of the prospectus;
- (c) Where the information on dilution has been prepared using certain assumptions and after making certain adjustments on a pro forma basis, state such fact; and

- (d) In the case of an offering to existing shareholders, disclose the number and percentage of immediate dilution if they do not subscribe to the new offering.

### **Use of proceeds**

3.14 Where applicable, the following information must be disclosed:

- (a) The minimum level of subscription in order to satisfy the objectives of the offering and the basis for determining the minimum level, where the offer is not fully underwritten on a firm commitment basis;
- (b) The estimated gross proceeds from the offering categorised into each principal intended use and the timeframe for full utilisation of such proceeds. If the anticipated proceeds will not be sufficient to fund all the proposed purposes, the order of priority of such purposes must be given, as well as the amount and sources of other funds needed. Disclose also how the proceeds will be used pending their eventual utilisation for the proposed purposes;
- (c) If the corporation has no specific plans for the proceeds, it must discuss the principal reasons for the offering;
- (d) If the proceeds are being used directly or indirectly to acquire assets, other than in the ordinary course of business, briefly describe the assets and their cost;
- (e) If the proceeds may or will be used to finance acquisitions of other businesses, give a brief description of such businesses and information on the status of the acquisitions;
- (f) If any material part of the proceeds is to be used to discharge, reduce or retire indebtedness, describe the interest rate and maturity of such indebtedness. For indebtedness incurred within the last 12 months, how the proceeds of such indebtedness were used;

- (g) An analysis of the following:
  - (i) Expenses incurred in connection with the issuance and distribution of the shares being offered that are payable by, or on behalf of, the corporation;
  - (ii) If any of the shares are to be offered by the selling shareholder, expenses to be paid by, or on behalf of, such selling shareholder; and
  - (iii) Expenses specifically charged to the subscriber or purchaser of the shares being offered.

The information may be given subject to future contingencies. If the amounts of any items are not known, estimates must be identified and disclosed as such; and

- (h) Brokerage arrangements and commissions, including underwriting and placement fees.

3.15 The prospectus must contain details of underwriting agreements entered into by the corporation, including—

- (a) the level of underwriting arrangement, together with the justifications for such arrangement;
- (b) name of the underwriter together with the number of shares underwritten by each underwriter;
- (c) amount of underwriting commissions; and
- (d) summary of the salient terms which may allow the underwriters to withdraw

from their obligations under the agreement after the commencement of the offering.

- 3.16 If the offering is not underwritten, a statement of this fact and the justifications must be provided.

**Guidance on paragraph 3.14(a) – Minimum level of subscription**

1. Details on the basis for determining the minimum level of subscription should include factors such as complying with the public shareholding spread requirements and the level of funding required by the corporation.

**Guidance on paragraph 3.14(b) – Utilisation of proceeds**

2. If the corporation intends to use the proceeds for general working capital, it should clearly explain the specific items of the corporation's general working capital and how the proceeds would be used for each item.



## Chapter 4

### **INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY SENIOR MANAGEMENT AND KEY TECHNICAL PERSONNEL**

#### **Promoters and substantial shareholders**

4.01 Disclose details on the corporation's promoters, direct and indirect substantial shareholders, including:

- (a) Name;
- (b) Principal activity and other background information;
- (c) Nationality or country of incorporation;
- (d) Number and percentage of shares held in the corporation, before and immediately after the offering. Where the shares are held indirectly in the corporation, disclose the ultimate beneficial owner;
- (e) Any significant change in the direct or indirect shareholding during the past three years;
- (f) If the substantial shareholder or promoter has different voting rights from the other shareholders of the corporation, or an appropriate negative statement;
- (g) To the extent known to the corporation, provide a description of the persons, who, directly or indirectly, jointly or severally, exercise control over the corporation. Such description must include the nature of such control including number and proportion of shares held; and
- (h) Describe any arrangement of which may, at a subsequent date, result in a change in control of the corporation.

4.02 Disclose details of amounts or benefits paid or intended to be paid or given to any promoter or substantial shareholder within the two years preceding the date of the prospectus.

**Directors, key senior management and key technical personnel**

4.03 The following information must be disclosed with respect to the corporation's directors, key senior management and key technical personnel:

- (a) Name, age, educational and professional qualification as well as past business, management or technical experience;
- (b) Functions and areas of experience or responsibility in the corporation;
- (c) Principal business activities performed outside the corporation. This includes other principal directorships at present and in the last five years. Disclose if such involvement affects their contribution to the corporation or an appropriate negative statement; and
- (d) Representation of corporate shareholders, where applicable; and
- (e) The nature of any association or family relationship between the substantial shareholders, promoters, directors, key senior management and key technical personnel.

4.04 Disclose details on board practices, as follows:

- (a) Date of expiration of the current term of office, where applicable, and the period for which each director has served in that office; and
- (b) The board committees established including the names of the committee members and a summary of the terms of reference of each committee.

- 4.05 If there are any existing or proposed service contracts between the corporation and its directors, key senior management or key technical personnel, which provide for benefits upon termination of employment, salient details must be disclosed.
- 4.06 Provide the direct and indirect shareholding of each director, member of key senior management and key technical personnel in terms of number and percentage of shares held in the corporation as at the latest practicable date and immediately after the offer.

### **Remuneration of Directors and Key Senior Management**

- 4.07 For the last financial year, disclose the remuneration and material benefits in-kind of each director and member of key senior management, for services in all capacities to the corporation, including:
- (a) payment made in relation to a bonus or profit-sharing plan and provide a brief description of such plan and the basis upon which such persons participated in the plan; or
  - (b) the number of shares exercised from share options, the exercise price and the purchase price, if any.

This must include contingent or deferred remuneration. Where a portion of the remuneration was paid in the form of share options, to disclose the remaining share options to be exercised, the period during which the options are exercisable and the expiration date of the options.

- 4.08 For the current financial year, disclose the amount of remuneration and material benefits in-kind paid and to be paid to each director and member of key senior management, for services in all capacities to the corporation, including:
- (a) payment made in relation to a bonus or profit-sharing plan and to provide a brief description of the plan and the basis upon which such persons participated in the plan; or

- (b) the number of shares exercised from the share option, the exercise price and the purchase price, if any.

For (a), the amount that has not been paid may be excluded from the remuneration disclosed. However, to state such exclusion.

4.09 For paragraphs 4.07 and 4.08, remuneration and material benefits in-kind must be disclosed–

- (a) on a named basis and the actual amount for each component of the director's remuneration and material benefits in-kind; and

- (b) in bands of RM50,000 for each member of key senior management.

#### **Management reporting structure**

4.10 Disclose the management reporting structure of the corporation.

#### **Declaration by each promoter, director, member of key senior management and key technical personnel**

4.11 Disclose the involvement of each promoter, director, member of key senior management, or key technical personnel in the following, whether in or outside Malaysia:

- (a) In the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or member of key senior management;
- (b) Such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

- (c) In the last 10 years, such person was charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding. If convicted, the date must be calculated from the date of conviction or if sentenced to imprisonment, from the date of release from prison;
- (d) In the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (e) In the last 10 years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (f) Such person was the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (g) Such person was the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (h) Whether there is any unsatisfied judgment against him.

## Chapter 5

### INFORMATION ON THE CORPORATION

#### Background

5.01 Details on the background of the corporation must be disclosed, including:

- (a) The legal and commercial name of the corporation;
- (b) Date and place of incorporation together with the registration number of the corporation. For a foreign-incorporated corporation, to also include the registration number allocated to such corporation as a foreign company in Malaysia under the *Companies Act 2016*;
- (c) The important events in the history and development of the group and its business;
- (d) If the corporation is part of a group, disclose the group's organisation structure together with notes describing the structure;
- (e) The information on each of the corporation's material subsidiaries, joint ventures and associated companies including:
  - (i) Name;
  - (ii) Date and place of incorporation together with the registration number;
  - (iii) Principal place of business;
  - (iv) Principal activities; and

- (v) Proportion of ownership interest and, if different, proportion of voting power held by the corporation;
- (f) Amount and description of the group's material investments and material divestitures, including geographical location–
  - (i) for each financial year for the period covered by the historical financial information as disclosed in the prospectus up to the latest practicable date;
  - (ii) in progress, and the method of financing (internal or external); and
  - (iii) which the corporation has already made firm commitments.
- (g) Any take-over offer, by a third party for the corporation's shares or by the corporation for other corporation's shares, which have occurred from the beginning of the last financial year to the latest practicable date. Details of the take-over offer must include the price or exchange terms of the offer and its outcome.

## **Business Overview**

5.02 Details on the group's business must be disclosed, including:

- (a) Nature of the operations and principal activities, stating the main categories of the products sold or services performed;
- (b) Principal markets in which the corporation operates, including an analysis of total revenue by category of activity and geographic market;
- (c) Significant products or services introduced and, to the extent the development of new products or services has been publicly disclosed, give their status of development;

- (d) If a statement on the corporation's competitive position is disclosed, the basis for such statement;
- (e) The seasonality of the business;
- (f) Sources and availability of raw materials or input, including volatility of prices for principal raw materials, if applicable;
- (g) The marketing activities including distribution channels;
- (h) If materially dependent to the corporation's business or profitability, summary information regarding the extent to which the corporation is dependent on—
  - (i) contracts including commercial or financial contracts;
  - (ii) intellectual property rights including patents and copyrights;
  - (iii) licenses and permits; and
  - (iv) production or business processes.

Such information must include the salient terms, approvals and conditions attached and status of compliance, where applicable; and

- (i) Research and development policies. Where it is significant, include the amount spent on research and development activities, as a percentage of the net revenue for the period covered by the historical financial information as disclosed in the prospectus.

5.03 Provide an overview of the corporation's business strategies, including the time frame to realise these strategies.



## **Material Contracts**

- 5.04 Disclose all material contracts, not being contracts in the ordinary course of business, entered into within the period covered by the historical financial information as disclosed in the prospectus up to the date of the prospectus. The following particulars must be disclosed for each contract:
- (a) Date;
  - (b) Parties to the contract;
  - (c) Subject matter of the contract; and
  - (d) The consideration and the manner it is to be satisfied.

## **Property, Plant and Equipment**

- 5.05 The corporation must provide information regarding material properties, including:
- (a) Location, size, and use of the property;
  - (b) Status of the property, whether it is freehold, leasehold or rental; and
  - (c) Major encumbrances.
- 5.06 The corporation must disclose the productive capacity and extent of utilisation of the material plant and equipment for the current financial year.
- 5.07 Describe any regulatory requirement and environmental issue which may materially affect the corporation's operations and utilisation of its property, plant and equipment. If there has been any breach committed by the corporation, to disclose details including penalties imposed on the corporation.

5.08 On material plans to construct, expand or improve property, plant and equipment, describe—

- (a) The nature and reason for the plan;
- (b) An estimate of the amount of expenditures including the amount already paid;
- (c) A description of the method of financing the activity;
- (d) The estimated dates of start and completion of the activity; and
- (e) The increase of production capacity anticipated after completion.

## **Employees**

5.09 Provide information regarding employees, including—

- (a) The number of employees at the end of period or average number of employees for the most recent financial year. If possible, to categorise the employees according to activity and geographical location;
- (b) If the corporation employs a significant number of contractual employees, the average number of contractual employees in the most recent financial year; and
- (c) If employees are members of any union, the name of the union. Disclose if there has been any industrial dispute in the past.

## **Major Customers**

- 5.10 Describe the top five major customers for each financial year for the period covered by the historical financial information as disclosed in the prospectus. Such details must include:
- (a) Length of relationship with the corporation;
  - (b) Contribution to the corporation's revenue in terms of amount and percentage; and
  - (c) Whether or not the corporation is dependent on the major customer for business.

## **Major Suppliers**

- 5.11 Describe the top five major suppliers for each financial year for the period covered by the historical financial information as disclosed in the prospectus. Such details must include:
- (a) Length of relationship with the corporation;
  - (b) Contribution to the corporation's total purchases in terms of amount and percentage;
  - (c) Whether or not the corporation is dependent on the major supplier.

## Exchange Controls

- 5.12 Describe any governmental law, decree, regulation or other requirement which may affect the repatriation of capital and the remittance of profit by or to the corporation. Also, explain how these would impact on the availability of cash and cash equivalents for use by the corporation and the remittance of dividends, interest or other payments to shareholders of the corporation.

### **Guidance to Chapter 5 – Information on Corporation**

1. Reference to “group” in this chapter means the group of entities, where the corporation is a holding corporation.

### **Guidance to paragraph 5.01(c) – Important events**

2. Examples of such important events would include submission of previous material corporate proposals to the relevant authorities by the corporation.

### **Guidance to paragraph 5.01(d) – Organisational structure**

3. A description of the group’s organisation structure should include the identities of the shareholders of each non-wholly owned subsidiary, joint venture and associated company.

### **Guidance to paragraph 5.02 – Business overview**

4. Where it is relevant to understand how the corporation generates revenue through its business model, a description of the following information may be included:
  - (a) Operating or trading mechanisms, including flow-charts of production or businesses processes, which are critical for the corporation’s business; and
  - (b) Technology used or to be used.

5. Where the basis for such statement relates to the corporation's competitive position in the industry, a discussion on the industry may be provided to assist investors in making an informed investment decision. Such discussion should be guided by the following:
- (a) The discussion should be specific to the corporation's business and industry, and only to the extent it affects the corporation's business model and the investor's investment decision. To enable investors to focus on pertinent matters relating to the industry, the discussion should be concise and generally be no more than 10 pages;
  - (b) Information on the industry should be presented in a fair and balanced manner;
  - (c) The discussion should include the following:
    - (i) Description of the industry, industry players and competition; and
    - (ii) The corporation's estimated market coverage, position and share, together with details on the bases. Where applicable, the source of information such as reports or supporting data to establish the reliability of the bases should also be disclosed;and
  - (d) Only the most up-to-date market information should be disclosed. As an example, the period covered by the historical market information should be consistent with the corporation's historical financial information as disclosed in the prospectus. If this information is not available, this fact should be stated.

**Guidance to paragraph 5.03 – Business strategies**

6. The discussion should contain the following:
  - (a) Expansion plans to be adopted such as:
    - (i) site selection, expected capacity, time frame for implementation, proposed capital expenditure and source of funding;
    - (ii) strengthening sales network, vertical or horizontal expansion, entering into long-term contracts; and
  - (b) Whether the corporation has identified any acquisition target (if not, an appropriate negative statement) and details of the selection criteria.

## Chapter 6

### RISK FACTORS

6.01 Describe risk factors that would have a material adverse effect on the corporation's business operations, financial position and results, and shareholders' investments in the corporation.

#### **Guidance to paragraph 6.01 – Risk factors**

1. Risk factors that relate to each other should be grouped together. Appropriate and meaningful headings and sub-headings should be adopted. For example, headings may include risks relating to the corporation, its business, its industry and its offering.
2. Risk factors should be listed in such manner whereby the risks that would have the highest impact should be prominently disclosed at the beginning of each section.
3. The purpose of risk factors is to provide meaningful cautionary statement to investors. Hence, any disclaimer statement should not be so wide so as to prevent risk factors from having this effect. For example, the use of the following statement should be avoided:  
  
"The risks and investment considerations set out below are not an exhaustive or exclusive list of the challenges that we currently faced or that may develop in future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our shares"
4. Risk factors should not be disclosed in a vague and generic manner. It should be specific and tailored to the corporation's risks or uncertainties. This means that the disclosure should not merely disclose the facts or circumstances that give rise to the existence of the risk. Each risk factor should be described to place the risk in context so that investors can understand the nature of, or circumstances giving rise to, the risk or uncertainty as it affects the corporation, its operations and shares, or the offering.

For example,

- (a) when disclosing the corporation's business overview, it would not be appropriate to provide a general statement that "the corporation is dependent on a major customer". An adequate risk disclosure would be to state the revenue contribution by the major customer as this would clearly illustrate the corporation's dependency on such major customer. In addition, the description on the major customer should include the name of the major customer and its relationship with the corporation, level of sales and how the loss of such major customer would have a material adverse effect on the corporation;
  
  - (b) if the corporation is dependent on a major supplier, it would not be appropriate to provide a general statement that "the corporation is dependent on a major supplier" without details of the name of the major supplier, level of purchases, length of relationship with the corporation and how the loss of such major supplier would have a material adverse effect on the corporation; or
  
  - (c) the corporation is dependent on licences or permits, it would not be appropriate to have a risk factor on possible non-renewal of such licences or permits unless there is a genuine and specific reason for such a risk.
5. There should be no mitigating facts that could cause confusion on the nature of the risk or its materiality.



## Chapter 7

### RELATED PARTY TRANSACTIONS

7.01 The following information must be disclosed for the period covered by the historical financial information as disclosed in the prospectus:

- (a) The nature and extent of each related party transaction which is material to the corporation;
- (b) The nature and extent of each related party transaction that is unusual in nature or condition;
- (c) Details on loans made by the corporation to or for the benefit of a related party that is material to the corporation, including:
  - (i) amount owing as at the latest practicable date;
  - (ii) amount classified as short term and long term;
  - (iii) in the case of foreign currency-denominated loans, the amount owing for such loans with the corresponding foreign currency amount; and
  - (iv) purpose and terms of each loan; and
- (d) Details of financial assistance provided for the benefit of a related party.

7.02 Disclose the nature and extent of related party transactions that individually may not be material to the corporation, but when grouped in a meaningful manner, the aggregate of such transactions would be material to the corporation. Details of such transactions must be disclosed on an aggregate basis.

7.03 Disclose the nature and extent of any related party transaction which is material to the corporation that has been—

(a) effected after the period covered by the historical financial information as disclosed in the prospectus; or

(b) entered into but not yet effected,

up to the date of the prospectus.

7.04 For each transaction disclosed pursuant to paragraphs 7.01, 7.02 and 7.03, to state:

(a) whether the transaction has been carried out on an arm's length basis; or

(b) where a transaction had not been carried out on an arm's length basis, the procedure undertaken to ensure that these transactions will be carried out on an arm's length basis in the future.

**Guidance to paragraphs 7.01, 7.02 and 7.03 – Related party transactions**

1. A disclosure on the “nature” of a related party transaction includes:
  - (a) Relationship between the corporation and the related party;
  - (b) Type of transaction such as supply of goods or services, rental and sales;
  - (c) Where the transaction is for an agreed period of time, the expiry date of such arrangement; and
  - (d) Where the expiry date of such arrangement occurs after the listing date, the salient terms of the arrangement including pricing, terms of renewal, termination or withdrawal rights and penalty clauses.
  
2. A disclosure on the “extent” of a related party transaction includes:
  - (a) The amount of the transaction; and
  - (b) The percentage to which the transaction forms part of revenue, cost of sales, net assets or liabilities or profit after tax of the corporation, as relevant.

## Chapter 8

### CONFLICT OF INTEREST

8.01 Where a director or substantial shareholder has a direct or indirect interest in any entity which is—

- (a) carrying on a similar trade as the corporation; or
- (b) a customer or supplier of the corporation;

the following must be disclosed:

- (i) Name of that entity;
- (ii) Principal activity of that entity;
- (iii) Name of the director or substantial shareholder involved;
- (iv) Nature and extent of his interest in that entity and the extent to which he is involved in the management of that entity either directly or indirectly; and
- (v) Steps taken to resolve, eliminate or mitigate the conflict of interest.

8.02 If there are factors to demonstrate that the substantial shareholder is not in a conflict of interest situation, to explain such factors.

8.03 Where an expert is named in the prospectus, include the declaration of the expert who has existing or potential–

- (a) interest in the corporation; or
- (b) conflict of interest *vis-à-vis* the corporation.

The declaration must include a full description of the situation set out in (a) or (b) above, as well as the steps taken to address it. If there is no such situation, to state an appropriate negative statement.

**Guidance to paragraph 8.02 – Conflict of interest**

1. Examples of factors where the SC would generally not consider there to be a conflict of interest situation in relation to a substantial shareholder are as follows:
  - (a) The substantial shareholder’s policy or objective is only for investment purposes and its role or action is limited to formulating corporate or business strategies for its portfolio of investee companies which do not create a conflict with the corporation’s business or operations. In addition, the substantial shareholder does not participate in the day-to-day management or operations of its investee companies; or
  - (b) Where the substantial shareholder’s business may potentially compete with the corporation, there is a clear delineation of business, such as differences in target customer segments, geographical presence, products or services sold or separate management teams.

## Chapter 9

### FINANCIAL INFORMATION

#### General

- 9.01 For the purposes of this chapter, unless the context otherwise requires, the corporation includes a group of entities where the corporation is a holding corporation.
- 9.02 This chapter sets out the minimum financial information that a corporation must include in a prospectus.

#### Financial information

- 9.03 The audited financial statements provided in the prospectus must be prepared in accordance with the approved accounting standards.
- 9.04 The corporation must disclose selected financial information from the audited financial statements provided in the prospectus, where—
- (a) in the case of corporation seeking listing on the Main Market under the profit test, the financial years as stipulated under the *Equity Guidelines*;
  - (b) in the case of corporation seeking listing on the Main Market under the market capitalisation test, infrastructure project corporation test or as a special purpose acquisition company, the three most recent financial years or such shorter period that the corporation has been in existence; or
  - (c) in the case of corporation seeking listing on the ACE Market, the three most recent financial years or such shorter period that the corporation has been in existence.

- 9.05 The date of the prospectus issuance must not be later than six months after the end of the most recent financial year. If the date of the prospectus issuance is later than six months after the end of the most recent financial year, audited interim financial report must be provided and the selected financial information must be disclosed.
- 9.06 If any annual financial statements to be provided under paragraph 9.03 relate to a period other than 12 months due to a change in the financial year end of the corporation, the annual financial statements in respect of that financial year and the financial years preceding that financial year shall be provided on a restated 12-month basis, so that the financial year end for each of the restated financial statements corresponds to the financial year end for the most recent financial year.
- 9.07 The selected financial information required to be disclosed must–
- (a) be prepared in the same currency as the currency used in the audited financial statements of the corporation; and
  - (b) include at a minimum, the following:
    - (i) Revenue;
    - (ii) Gross profit and gross profit margin;
    - (iii) Other income;
    - (iv) Depreciation and amortisation;
    - (v) Finance costs;
    - (vi) Share of profits and losses of associates and joint ventures;
    - (vii) Profit or loss before tax and profit margin;

- (viii) Tax expense;
- (ix) Profit or loss attributable to minority interest and equity holders of the parent;
- (x) Basic and diluted earnings per share;
- (xi) Total non-current assets and total non-current liabilities;
- (xii) Total current assets and total current liabilities;
- (xiii) Total assets and total liabilities;
- (xiv) Net assets or net liabilities;
- (xv) Issued capital and reserves; and
- (xvi) Non-controlling interest.

Where audited interim financial information is disclosed in the prospectus, comparative information in relation to subparagraphs (i) to (xvi) for the corresponding period in the most recent financial year must be included. The comparative interim financial information need not be audited.

9.08 Where the audited financial statements are prepared in a currency other than RM, a prospectus should disclose—

- (a) the exchange rate between the foreign currency and RM at the latest practicable date;
- (b) the highest and lowest exchange rates for each month during the last six months; and



- (c) for at least the three most recent financial years or such shorter period that the corporation has been in existence, and any subsequent interim period for which audited financial statements have been included, the average exchange rates for each period, calculated by using the average of the exchange rates on the last day of each month during the period.

### **Capitalisation and indebtedness**

- 9.09 Provide a statement of capitalisation and indebtedness (distinguishing between guaranteed and unguaranteed, and secured and unsecured, indebtedness) as of a date no earlier than 60 days prior to the date of the prospectus, showing the corporation's capitalisation and, where applicable, as adjusted to reflect the new securities being issued and the intended application of the proceeds. Indebtedness also includes indirect and contingent liabilities.

### **Management's discussion and analysis of financial condition and results of operations**

- 9.10 To provide the management's discussion and analysis of the corporation's financial condition, changes in the financial condition, and results of operations for each year and interim period for where the financial information is provided in the prospectus.

The discussion should include, among others:

- (a) material changes from year to year in relation to the selected financial information; and
- (b) the nature and conditions of the business, its risk factors and business operations, and the prevailing economic situation.

- 9.11 Results of operations

- (a) Provide information regarding any significant factor, including unusual or infrequent events or new developments, which materially affected profits

and to indicate the extent the profits were affected. Describe any other significant component of revenue or expenditure necessary to understand the corporation's results of operations;

- (b) Where the financial statements disclose material changes in revenues, provide a narrative discussion of the extent to which such changes are attributable to changes in prices or to changes in the volume or amount of products or services being sold or to the introduction of new products or services between corresponding periods;
- (c) If material, the impact of fluctuations of foreign exchange rates or interest rates on the corporation, and the extent to which foreign currency exposure and investments are hedged by currency borrowings or other hedging instruments;
- (d) If material, the impact of inflation on the corporation. Where the currency in which financial statements are presented is of a country which has experienced hyperinflation (rapid inflation), the existence of such inflation, a 5-year history of the annual rate of inflation, and a discussion of the impact of hyperinflation on the corporation's business should be disclosed; and
- (e) Provide information on any government, economic, fiscal or monetary policies or factors which have materially affected, or could materially affect the corporation's operations.

#### 9.12 Liquidity and capital resources

- (a) Provide the following information regarding liquidity (both short and long term):
  - (i) Description of the material sources of liquidity, whether internal or external, and a brief discussion of any material unused sources of liquidity, including a statement by the directors as to whether, in their opinion, the working capital available to the corporation will be sufficient for a period of 12 months from the date of issue of prospectus. If not, how the additional working capital which is deemed to be necessary will be obtained;

- (ii) An evaluation of the material sources and amounts of cash flows from operating, investing and financing activities for each financial year and/or the interim financial period, where applicable. This includes the nature and extent of any legal, financial, or economic restriction on the ability of subsidiaries to transfer funds to the corporation in the form of cash dividends, loans or advances, and the impact such restrictions have or are expected to have on the ability of the corporation to meet its cash obligations;
  - (iii) The level of borrowings as at the end of the financial period under review, the seasonality of borrowing requirements, the maturity profile of borrowings and committed borrowing facilities, with a description of any restrictions on their use. Foreign borrowings to be separately identified with the corresponding foreign currencies amount. Gearing ratios for the period under review must also be disclosed; and
  - (iv) If the corporation or any other entity in the group is in breach of terms and conditions or covenants associated with credit arrangement or bank loan which can materially affect the corporation's financial position and results or business operations, or the investments by holders of securities in the corporation, provide–
    - a statement of that fact;
    - details of the credit arrangement or bank loan; and
    - any action taken or to be taken by the corporation or other entity in the group, as the case may be, to rectify the situation including status of any restructuring negotiations or agreement, if applicable;
- (b) Provide a statement whether there has been any default on payments of either interest and/or principal sums for any borrowing throughout the most recent financial year and the interim financial period (where applicable) as at the

latest practicable date;

- (c) Provide information regarding the type of financial instruments used, the maturity profile of debt, currency and interest rate structure. To provide a discussion on funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled, the currencies in which cash and cash equivalents are held, the extent to which borrowings are at fixed rates, and the use of any financial instrument for hedging purposes, where applicable;
- (d) Provide information on any material commitment for capital expenditures as at the latest practicable date and indicate the general purpose of such commitments and the anticipated source of funds needed to fulfil such commitments; and
- (e) Provide information on any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on the corporation's financial position or profitability, in the 12 months immediately preceding the date of prospectus. In relation to governmental proceedings, this includes proceedings which are pending decision or known to be contemplated.

#### 9.13 Trend information

- (a) Provide a discussion on the following items:
  - (i) Any material effect on the corporation's revenue, income from continuing operations, profitability, and liquidity or capital resources. The discussion should include, among others, any known trends, uncertainties, demands, commitments or events. If there are no such trends, uncertainties, demands, commitments or events, provide an appropriate statement to that effect;
  - (ii) Known factors which are likely to have a material effect on the financial condition and results of operations of the corporation or that would cause the financial statements to not be necessarily

indicative of future financial performance; and

- (iii) The state of the order book since the most recent financial year or period. If such information is not relevant to the business of the corporation, provide an appropriate statement to that effect and the reason for this.

## **Dividends**

9.14 Describe the corporation's dividend policy or, if it does not have a fixed policy, to state so.

9.15 Describe any dividend restriction or an appropriate negative statement.

## **Taxation**

9.16 The corporation must disclose—

- (a) information regarding taxes, including withholding provisions, that may be applicable to shareholders; and
- (b) whether it assumes any responsibility for the withholding of tax at the source.

## **Significant changes**

9.17 Disclose whether or not there is any significant change that has occurred, which may have a material effect on the financial position and results of the corporation since the date of the most recent annual financial statements and, where applicable, since the date of the interim financial statements. If there are no changes, to provide an appropriate negative statement.

## **Pro forma financial information**

- 9.18 (a) A pro forma statement of financial position must be prepared based on the most recent audited financial year and adjusted for the following:
- (i) Any restructuring, acquisition or disposal connected with the proposed public offering exercise; and
  - (ii) Proceeds of the proposed public offering exercise, the effects of the public offering exercise on the shareholders' funds and proposed utilisation of the funds.
- (b) However, where interim audited financial information is provided, the pro forma statement as required under sub-paragraph (a) above, must be prepared based on the most recent audited financial period.
- 9.19 (a) A corporation must prepare a pro forma statement of comprehensive income and cash flows, including pro forma earnings per share, where the corporation had acquired or disposed a material entity or business, or entered into any agreement to acquire or dispose any material entity or business during the period from the beginning of the most recent completed financial year to the latest practicable date.
- (b) The pro forma statements required under sub-paragraph (a) above must be prepared–
- (i) for the most recent completed financial year; and
  - (ii) where any interim financial statements have been provided, for the period covered by the interim financial statements,

as if the acquisition or disposal had occurred or the agreement in relation to an acquisition or disposal had been entered into, at the beginning of the most recent completed financial year.

9.20 (a) A corporation must prepare a pro forma statement of financial position where the corporation had—

- (i) acquired or disposed a material entity or business;
- (ii) entered into any agreement to acquire or dispose a material entity or business; or
- (iii) experienced a significant change to its capital structure, including any material distribution,

during the period from the beginning of the most recent completed financial year to the latest practicable date.

(b) However, the pro forma statement as required under sub-paragraph (a) must be prepared—

- (i) as at the end of the most recent financial year as if the event in sub- paragraphs (a)(i), (ii) or (iii) had occurred at the end of that financial year; or
- (ii) where any interim financial report has been provided, as at the end of the period covered by the interim financial report, as if the event in sub- paragraphs (a)(i), (ii) or (iii) had occurred at the end of the period.

9.21 For the purposes of paragraphs 9.19 and 9.20, an acquisition or a disposal of “material” entity or business is where the aggregated net assets, or the aggregated profits before tax of such acquired or disposed entity or business has or would have accounted for 10% or more of the net assets or liabilities, or profit before tax, respectively, of the corporation (after adjusting for the effects of the group restructuring, where applicable) in respect of the most recent financial year.

9.22 For the pro forma financial information required under paragraphs 9.18, 9.19 and 9.20, state—

- (a) the basis upon which the pro forma financial information is compiled;
- (b) that the financial statements used in compilation of the pro forma financial information were prepared in accordance with the approved accounting standards. Details of the auditor's qualification to these underlying financial statements should also be disclosed if any;
- (c) whether the pro forma financial information has been compiled in a manner consistent with the format of the financial statements and the accounting policies of the corporation; and
- (d) any material adjustment made when preparing the pro forma financial information.

9.23 The pro forma financial information must be accompanied by the reporting accountants' letter as required in Chapter 10.

### **Future financial information**

9.24 Where future financial information is included in a prospectus, such information must be prepared on reasonable bases and assumptions.

9.25 Where future financial information is provided in the prospectus, it must be clear, unambiguous and disclose whether such information is prepared on the bases and accounting policies consistent with those adopted by the corporation, and is presented in accordance with the accounting standards adopted by the corporation in the preparation of its financial statements.

9.26 Disclose details on the bases and assumptions of the future financial information and any additional information that investors would reasonably require, for the purpose of making an informed investment decision.



- 9.27 Where future financial information is disclosed, to state the extent to which projected revenues are based on secured contracts or orders, and the reasons for expecting such projected revenues, and profit or cash flow (as the case may be). Also, to include a discussion on the impact of any likely changes in business and operating conditions included in the future financial information.
- 9.28 The reporting accountants must review and report on the underlying accounting policies and assumptions relied on in the preparation of the future financial information.

### **Guidance to Chapter 9**

As a general rule, the financial information provided should reflect a comprehensive picture of the corporation's entire business undertaking to enable investors to make an informed investment decision. Examples are also given in the Guidance for illustration and are not exhaustive.

Advisers are also encouraged to consult the SC at an early stage if they require clarification, for example where the corporation:

- had a significant acquisition during the track record period and it may be appropriate to provide the financial information of the acquired business or entity prior to the date of the acquisition by the corporation.
- proposes to include future financial information in the prospectus.

### **Guidance to paragraph 9.11 – Results of operations**

1. The corporation should provide segmental analysis of revenue and profit or loss from operations, including by products or services and by markets or geographical location.
2. The corporation should provide and discuss relevant key financial ratios, including receivables and payables (incorporating ageing analysis) and inventory turnover, and current ratio for at least three financial years or such shorter period that the corporation has been in existence, and the

interim financial period, where applicable.

**Guidance to paragraph 9.12 – Liquidity and capital resources**

3. The corporation should identify those income, cash flow or financial position items that should be considered in assessing liquidity, unless it is clear from the discussion.

**Guidance to paragraph 9.13 – Trend information**

4. The discussion on any material effect on the corporation's financial performance and position i.e. revenue, profitability, liquidity or capital resources should also address, among others, the prospects of the industry in which the corporation is operating in and the future plans and strategies of the corporation.

**Guidance to paragraph 9.24 – Future financial information**

5. In preparing the future financial information, the bases and assumptions used to support such information should–
  - (a) draw the investors' attention to those uncertain factors which can materially affect the ultimate achievement of such future financial results, and where possible to quantify such factors;
  - (b) be specific rather than vague, avoid generalisations and all- embracing assumptions and those relating to the general accuracy of the assumptions made in the future financial information;
  - (c) be clearly stated and reviewed for reasonableness by the directors who are responsible for the future financial information and bases and assumptions; and
  - (d) enable the investors to assess–
    - (i) the validity of the assumptions on which the future financial

information is based;

- (ii) the likelihood of the assumptions actually occurring;
- (iii) the effect on the future financial information if the assumptions vary;
- (iv) whether the future financial information is relevant and reliable, i.e. to enable investors to form their own view about how reasonable the grounds are for making the statement; and
- (v) the facts and circumstances that support future financial information, as well as being able to demonstrate that the information is reasonable;

In addition to item 5 above, the corporation and principal adviser should be satisfied that, the bases and assumptions relied on in the preparation of the future financial information, are reasonable. What amounts to reasonable bases and assumptions should be judged by the facts and circumstances of each case. However, in general, the future financial information should assist the investors in making an informed investment decision.

6. In deciding whether the bases and assumptions are reasonable, the corporation and principal adviser should have regard to the following indicative factors:
  - (a) the information relates to agreements where future expenses and revenue of the corporation can be reasonably assured for the period of that agreement;
  - (b) the information is underpinned by independent industry experts' reports or independent accountants' reports where such experts believe that the future financial information and its bases and assumptions are reasonable; and

- (c) the information includes reasonable short-term estimates relating to an existing business and based on events that management reasonably expects to take place or actions management reasonably expects to occur.

The above factors are not necessarily conclusive. Most importantly, in certain circumstances, these factors alone may not be sufficient to establish reasonable bases and assumptions. Hence, in preparing future financial information, the corporation and principal adviser are required to consider other factors that may indicate whether or not the bases and assumptions used are reasonable.

7. Certain factors may indicate that the future financial information has not been prepared on reasonable bases and assumptions. Such factors include where:

- (a) the future financial information is supported only by hypothetical assumptions, and without demonstrating other factors that may support the inclusion of the future financial information;
- (b) the corporation has made a statement asserting that the bases and assumptions relied on are reasonable, without coming up with verifiable reasons to support such a statement; and
- (c) the corporation has made a statement along the lines of 'this is the best estimate of the directors'. The bases and assumptions relied on by the corporation in preparing the future financial information has to be objectively reasonable, taking into account among others, the list of factors set out under this Guidance and not made on the basis of genuine but unreasonable beliefs of the directors of the corporation.

The above factors are non-exhaustive. The corporation and principal adviser are strongly encouraged to consult the SC at an early stage should they face any difficulty in determining whether the bases and assumptions to be relied on are reasonable.

## Chapter 10

### REPORTS BY THE REPORTING ACCOUNTANTS

10.01 For the purposes of this chapter, unless the context otherwise requires, the corporation includes a group of entities where the corporation is a holding corporation.

#### Accountants' Report

10.02 A prospectus must contain an accountants' report prepared by a reporting accountant in respect of the audited financial statements and audited interim financial report of the corporation for each of the financial years and period under review.

10.03 The accountants' report must include—

- (a) the financial statements and, where applicable, the interim financial report, as prepared by the corporation and has been audited;
- (b) an audit opinion expressed by the reporting accountant on the financial statements and, where applicable, the interim financial report;
- (c) a statement that it was prepared in accordance with the relevant standards on auditing approved for application in Malaysia; and
- (d) a statement that it was prepared for inclusion in the prospectus.

#### Content

10.04 The accountants' report must report on the audited financial statements of the corporation referred to in a prospectus for at least three most recent financial years or such shorter period that the corporation has been in operation and, where applicable, the interim financial period. The date of the interim financial period must not be more than six months from the issuance of the prospectus.

10.05 The reporting accountant must disclose any significant subsequent event between the date of the most recent audited financial statements and the audited interim financial report, where applicable, used in the preparation of the accountants' report, and the date of such report. If there is no such event, to provide an appropriate negative statement.

### **Pro forma financial information**

10.06 In respect of the pro forma financial information required under paragraphs 9.18, 9.19 and 9.20, the reporting accountant must state in its letter–

- (a) whether the pro forma financial information has been properly compiled on the basis stated in paragraph 9.22(a); and
- (b) that the engagement was performed in accordance with the relevant standards on assurance engagements approved for application in Malaysia.

10.07 In respect of paragraphs 9.19 and 9.20, where the corporation had acquired or entered into an agreement to acquire a material entity or business and pro forma financial information is prepared, the auditors who audited the financial statements of the entity or business acquired or to be acquired must be disclosed.

### **Future financial information**

10.08 In respect of paragraph 9.28, the report should state–

- (a) that the engagement was performed in accordance with the relevant standards on assurance engagements approved for application in Malaysia;
- (b) whether the reporting accountant is of the opinion that the future financial information is properly prepared based on the assumptions made by the directors and is presented in a manner consistent with both the format of the financial statements and the accounting policies of the corporation; and

- (c) that nothing has come to the reporting accountant's attention which gives him any reason to believe that the assumptions do not provide a reasonable basis for the preparation of future financial information.

## Chapter 11

### EXPERT'S REPORT

- 11.01 Where a statement or report attributed to a person as an expert is included in the prospectus, disclose such person's professional experience.
- 11.02 Where an expert's report is included in the prospectus, it must be signed and dated.
- 11.03 Where valuations of property assets have been carried out for inclusion in a prospectus, a summary of the valuation in the form of a valuation certificate that complies with the *Asset Valuation Guidelines* must be included in the prospectus.

#### **Guidance to paragraph 11.02 – Expert's report**

1. The expert's report should be signed and dated within a reasonable time, which generally should not be earlier than the latest practicable date.



## Chapter 12

### ADDITIONAL INFORMATION

- 12.01 Disclose a summary of the provisions of the corporation's constituent document, if any, relating to—
- (a) remuneration, voting and borrowing powers of directors;
  - (b) changes to share capital;
  - (c) transfer of securities; and
  - (d) rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights.
- 12.02 If the corporation does not have a constituent document, to disclose the key provisions of the relevant laws that apply to the corporation in relation to the items under paragraph 12.01 above.
- 12.03 Describe any limitation on the right to own shares, including limitations on non-resident or foreign shareholders' right to hold or exercise voting rights imposed by law or by the corporation's constituent document. If there are no such limitations, to state the fact.
- 12.04 With respect to paragraphs 12.01, 12.02 and 12.03, if the law applicable to the relevant corporation is significantly different from that in Malaysia, explain the effect of the law in these areas.

## Share capital

12.05 Disclose the share capital, and changes during the period for the historical financial information as disclosed in the prospectus, including:

- (a) the date of allotment;
- (b) number of shares allotted;
- (c) consideration given, together with information regarding any discount, special term or instalment payment term or a negative statement thereof;
- (d) cumulative share capital; and
- (e) details of outstanding warrants, options, convertible securities and uncalled capital,

in respect of the corporation, and if the corporation is a holding company of a group, of each of the corporation's material subsidiaries and associated companies.

12.06 If more than 10% of share capital has been paid for with assets other than cash within the past three years from the latest practicable date, details must be provided.

12.07 For any capital of the corporation which is under option, or agreed conditionally or unconditionally to be put under option, indicate—

- (a) the identity of the grantees;
- (b) description and number of shares to which the option relates;
- (c) the period during which the option is exercisable including the expiry date of the option, or an appropriate negative statement;

- (d) the exercise price; and
- (e) the purchase price of the option or consideration to be given for the option.

12.08 For the purpose of paragraph 12.07, where options have been granted or agreed to be granted to—

- (a) all shareholders of the corporation;
- (b) all holders of debt securities of the corporation; or
- (c) directors and employees under a share option scheme,

it will be sufficient to state such fact without providing identity of the grantees.

## Chapter 13

### DOCUMENTS AVAILABLE FOR INSPECTION

13.01 Provide a statement that a copy of each of the following documents may be inspected for a period of at least six months from the date of issue of the prospectus at the registered office of the corporation in Malaysia, or if the registered office is not in Malaysia, at a place in Malaysia to be specified by the corporation:

- (a) The constituent document of the corporation; and
- (b) Each document referred to in the prospectus which includes the following:
  - (i) Each material contract and, in the case of contracts not in writing, a memorandum which gives full particulars of the contracts;
  - (ii) Existing or proposed service contracts between the corporation and its directors, key senior management or key technical personnel, which provide for benefits upon termination of employment;
  - (iii) All reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the prospectus. Where a summary of the expert's report is included in the prospectus, the corresponding full expert's report must be made available for inspection.
  - (iv) Each consent given by parties as disclosed in the prospectus;
  - (v) The audited financial statements of the corporation and all its subsidiaries for at least the three most recent financial years or such shorter period that the corporation has been in existence, preceding the date of the prospectus; and
  - (vi) The audited interim financial report of the corporation, where applicable.

## Chapter 14

### APPLICATION FOR SHARES

14.01 Disclose the procedures for application of shares.

14.02 Describe the manner in which–

(a) the results of the allocation of shares will be made public; and

(b) any excess application monies will be refunded to the applicants.

14.03 Disclose a statement to indicate where investors may find details on the authorised depository agents.

14.04 The contents of the application form must not be contrary to any information that is in the prospectus.

## Chapter 15

### SPECIFIC REQUIREMENTS FOR AN INFRASTRUCTURE PROJECT CORPORATION

15.01 In addition to other information required to be disclosed in these Guidelines, where applicable, a prospectus of an infrastructure project corporation should disclose the following:

- (a) Concession/licence/basis of business
  - (i) Act/regulation under which the concession/licence is granted to corporation;
  - (ii) Nature of concession (e.g. build-operate-transfer/ build-transfer-operate/ build-own-operate, etc.);
  - (iii) Life of concession/licence;
  - (iv) Exclusivity/non-exclusivity of concession/licence;
  - (v) Critical terms and conditions under concession/licence;
  - (vi) A corporation's rights, interests and major obligations under concession/licence;
  - (vii) Effect of failure to meet concession/licence terms;
  - (viii) Circumstances leading to termination provisions under concession agreement/licence;
  - (ix) Any restriction on changes in ownership of corporation;

- (x) Major agreements underlying the basis of a corporation's business (e.g. power/assets purchase and other offtake agreements);
  - (xi) Obligations of public development authorities;
  - (xii) Any related land acquisition;
  - (xiii) List of material contracts; and
  - (xiv) Taxation;
- (b) Relationship with concession giver/licensor
- (i) Description/constitution of concession giver/licensor;
  - (ii) Nature of relationship;
  - (iii) Licensor's obligations;
  - (iv) Revenue/profit-sharing agreements; and
  - (v) Impact on business/credit agreements if relationship changes;
- (c) Regulation
- (i) Relevant regulatory authority(ies);
  - (ii) Environmental regulation/issues; and
  - (iii) Material penalties on breach of regulation;

(d) Construction risk

- (i) Status of project/progress to-date;
- (ii) Expected progress schedule;
- (iii) Nature of construction contract;
- (iv) Nature of risks and mitigating factors;
- (v) Supplier agreements;
- (vi) Implications of failure to complete/proceed according to plan;
- (vii) Provision for strikes;
- (viii) Obligations of contractors/turn-key contracts;
- (ix) Geology and construction methods; and
- (x) Terms and conditions of performance bonds and construction guarantees;

(e) Track record of corporation

- (i) Length and scope of operating history;
- (ii) Qualifications and experience of management/ licensee; and
- (iii) Summary of existing operations if the applicant is a mature corporation;



(f) Competition

- (i) Description of the industry;
- (ii) Analysis of competitors;
- (iii) Assessment of effects of competition; and
- (iv) Treatment of corporation under competition law (if a monopoly and if applicable);

(g) Operations

- (i) Special reliance on key operating and maintenance contractors or management personnel;
- (ii) Major operating contracts;
- (iii) Operating risk factors;
- (iv) Strategy for marketing product(s);
- (v) Obligations of main users; and
- (vi) Economics of project;

(h) Pricing of product;

- (i) Government pricing and terms on which price/rates may be varied;

- (j) Conflicts/dependence
  - (i) Related-party transactions including construction contracts;
  - (ii) Dependence on concession giver/licensor; and
  - (iii) Dependence on suppliers, customers, competitors, infrastructure providers;
  
- (k) Financing
  - (i) Total capital expenditure to-date and for the future;
  - (ii) Sources and uses of issue proceeds and bank loans;
  - (iii) Adequacy of funds for expected total cost of project and working capital;
  - (iv) Salient terms of bank financing and other credit/ guarantee agreements including recourse/non-recourse nature of arrangement;
  - (v) Availability and terms of supplier credit;
  - (vi) Any security arrangement entered into with loan providers or other credit suppliers including assignments of assets;
  - (vii) Tax effects;
  - (viii) Other financial arrangements with concession giver/ licensor/parent;
  - (ix) Statement of financial requirements for subsequent phases; and

(x) Availability of foreign currency during loan repayment period;

(l) Feasibility study

(i) Background of expert;

(ii) Scope of study;

(iii) Appraisal of corporation's business;

(iv) Appraisal of agreements, contracts and permits;

(v) Comments on capital expenditure plan;

(vi) Comments on adequacy of debt and equity financing;

(vii) Comments on operation and performance to-date, if applicable;

(viii) Comments on environmental impact;

(ix) Comments on industry and competition;

(x) Projections of profits and losses, balance sheet and cash flow;

(xi) Assumptions underlying the projections including the basis for valuation of existing property or projects. These may include, among others, net present value, discount rates, internal rate of return, and growth rates applied to the project;

(xii) Comments on the breakeven period;

(xiii) Insurance risk assessment;

- (xiv) Conclusion on overall feasibility of project for listing on a stock exchange; and
- (xv) Basis for monitoring of design, development and construction by expert.

The above should be guided by the requirements of Chapter 11;

(m) Financial projections by corporation until expiry of concession/ licence

- (i) Financial projections by corporation;
- (ii) Assumptions and bases of projections; and
- (iii) Return to investor and sensitivity analysis.

The above should be guided by the requirements of Chapter 9;

(n) Other disclosures:

- (i) Shareholders' agreement;
- (ii) Control of corporation;
- (iii) Criteria for future investment in projects;
- (iv) Insurance arrangements;
- (v) Business development strategy;
- (vi) Privileges of shareholders;

- (vii) Underwriting arrangements in respect of the issue/offer of securities;
- (viii) Political risks if applicable; and
- (ix) Other risks.

## Chapter 16

### SPECIFIC REQUIREMENTS FOR A SPECIAL PURPOSE ACQUISITION COMPANY

16.01 Other than the information required to be disclosed in these Guidelines, where applicable, the prospectus should disclose the following:

- (a) Qualifying acquisition
  - (i) Indicative target sector and/or geographical area in which SPAC intends to acquire target business;
  - (ii) Criteria/factors that the management team may consider in the selection of target business; and
  - (iii) The existence of a prospective target, if any, including details of any agreement entered into, whether written or oral, binding or non-binding;
- (b) Valuation
  - (i) Valuation method(s) intended to be used in valuing the qualifying acquisition, if known;
- (c) Time frame for completion
  - (i) Time required to complete the qualifying acquisition;
- (d) Management capability
  - (i) Discussion of how the experience, qualification and competency of each member of the management team will contribute to the SPAC achieving its business strategy.

The above should be guided by the requirements of Chapter 4 of these Guidelines;

- (e) Approval for qualifying acquisition
  - (i) Percentage of holdings held by holders of voting securities required to proceed with a qualifying acquisition;
  - (ii) Circumstances in which the corporation will not be able to proceed with a qualifying acquisition;
  - (iii) Rights of holders of voting securities who vote against the qualifying acquisition including disclosure on the basis of computation for their pro rata entitlement; and
  - (iv) Rights of holders of voting securities in the event that the qualifying acquisition is not completed within the stipulated time frame;
  
- (f) Proceeds placed in trust account
  - (i) The amount and percentage of proceeds placed in the trust account;
  - (ii) The proposed nature of permitted investments for the SPAC's funds in the trust account; and
  - (iii) The intended use of amounts not deposited in the trust account.
  
- (g) Promoters/management agreement
  - (i) The nature of management team's compensation arrangement and remuneration, if any; and
  - (ii) The terms of the initial investment (i.e. investment prior to the listing of the SPAC) by the management team in the SPAC.

- (h) Custodian
  - (i) Roles and responsibilities of the custodian appointed by the SPAC; and
  - (ii) Salient terms of the custodian agreement.
- (i) Delisting and liquidation
  - (i) Circumstances when SPAC may be delisted or liquidated;
  - (ii) The liquidation distribution feature of SPAC; and
  - (iii) Time frame for public shareholders to receive liquidation distributions.
- (j) Other salient terms of the SPAC's constituent documents
  - (i) Approval of holders of voting securities to complete a qualifying acquisition;
  - (ii) Rights of holders of voting securities; and
  - (iii) Liquidation of a SPAC.



## Chapter 17

### **SPECIFIC REQUIREMENTS FOR A CORPORATION WITH MOG EXPLORATION OR EXTRACTION ASSETS**

17.01 Other than the information required to be disclosed in these Guidelines, the prospectus must disclose the following where applicable.

17.02 Where a disclosure on MOG exploration or extraction assets is included, such disclosure must be presented in accordance with the MOG reporting standards, which must be applied in a consistent manner.

17.03 A disclosure under paragraph 17.02 must include:

- (a) An estimation of volume, tonnage and grade of the MOG exploration or extraction assets, which must be presented in a tabular format that is readily understandable to a non-technical person;
- (b) Material assumptions and statements in relation to paragraph (a) above;
- (c) Where production targets are disclosed, prominent cautionary statements must be included;
- (d) For O&G resources, production targets disclosed must only be based on Proved Reserves and Probable Reserves, and not Possible Reserves, Contingent Resources or Prospective Resources; and
- (e) For mineral resources, production targets disclosed—
  - (i) must not be based on Inferred Resources; and

- (ii) must not be based on Indicated Resources and Measured Resources and not included in economic analyses unless–
  - (A) sufficient work has been done on the Modifying Factors;
  - (B) the basis on which they are considered to be economically extractable is explained; and
  - (C) they are appropriately discounted for the probabilities of their conversion to Proved Reserve or Probable Reserve.

17.04 In addition to the requirements of paragraph 17.03, a prospectus of a corporation with significant MOG operations must contain the following:

- (a) A competent person's report prepared in accordance with MOG reporting standards; and
- (b) A statement that no material changes have occurred since the effective date of the competent person's report.

17.05 Where a valuation of the mineral asset or O&G asset is disclosed in the prospectus–

- (a) the valuation must be supported by a competent valuer's report prepared in accordance with MOG valuation standards; and
- (b) the competent valuer's report must be included in the prospectus; and
- (c) Where applicable, a statement that no material changes have occurred since the effective date of the competent valuer's report.

## **Competent Person's Report and Competent Valuer's Report**

17.06 Where a competent person's report or a competent valuer's report is included in a prospectus, such report must—

- (a) be dated not more than six months from date of the prospectus;
- (b) be signed by the expert responsible in the preparation of the report;
- (c) be updated where there are material changes; and
- (d) comply with the requirements of paragraph 17.07 or paragraph 17.08.

## **Content of Competent Person's Report**

17.07 A competent person's report must include, but is not limited to, the following information:

- (a) Name and address of the corporation;
- (b) Purpose of the report;
- (c) Scope of work;
- (d) The effective date of the estimates;
- (e) The MOG reporting standard adopted and statement to affirm reference and compliance with the standard;
- (f) A statement on the health, safety, security and environment policies governing the operations of the MOG assets;

- (g) Identification and description of the MOG assets including–
  - (i) geological overview;
  - (ii) the legal nature and extent of the corporation’s rights of exploration and extraction and a description of the assets to which the rights attach, with details of the duration and other principal terms and conditions of these rights including environmental obligations, and any necessary licences and consents including planning permission;
  - (iii) any other material terms and conditions of exploration and extraction including host government rights and arrangements with partner corporations;
  - (iv) historic production or expenditures;
  - (v) infrastructure and facilities; and
  - (vi) environmental and social obligations;
- (h) Method of assessment of MOG resources adopted;
- (i) Explanation on the analyses of data;
- (j) The estimates on the MOG resources based on the classification provided by the MOG reporting standard in a tabular format;
- (k) Explanation on the results of the MOG resources reported and interpretation on the assessment of the MOG resources;
- (l) Information regarding the sources of the data used and site visit, where applicable;
- (m) Maps, plans, tables and diagrams showing material details featured in the text;

- (n) Name, address, qualifications and professional membership of the expert;
- (o) A statement on the independence of the expert;
- (p) Information on any factor which may have a material impact on ownership or operating rights, including any legal opinion obtained, and how this material impact was considered in the assessment; and
- (q) An executive summary.

### **Content of Competent Valuer's Report**

17.08 A competent valuer's report must include, but is not limited to, the following information:

- (a) Name and address of the corporation;
- (b) Purpose of valuation including brief description of the corporate proposal undertaken by the corporation;
- (c) Scope of work;
- (d) Basis of valuation;
- (e) The effective date of the valuation;
- (f) Statement to affirm reference and compliance with relevant and applicable MOG valuation standards;
- (g) Identification of the MOG assets including details on the ownership;
- (h) A description of the MOG assets;

- (i) The assessment of the MOG resources adopted and its source of information in a tabular format;
- (j) Method of valuation adopted together with explanation;
- (k) Sufficient information that will allow the reader to understand how the valuation was carried out;
- (l) Information regarding the sources of the data used and site visit, where applicable;
- (m) Market value;
- (n) Name, address, qualification and professional membership of the expert;
- (o) A statement on the independence of the expert;
- (p) A summary of the estimation of the MOG resources by the competent person relied upon for the valuation;
- (q) Information on any factor which may have a material impact on the valuation; and
- (r) Sensitivity analysis.

**Guidance to paragraph 17.07(p) - Impact on ownership or operating rights**

1. The factors that could have a material impact on ownership or operating rights include title restrictions, encumbrances, native rights, production quotas, drilling restrictions and selling restrictions.