

## FREQUENTLY ASKED QUESTIONS

### EQUITY GUIDELINES

- 1) With the release of the new Equity Guidelines, are the SC's existing guidelines governing the equity market still applicable?
- Yes, the 2 sets of existing guidelines for the equity market, i.e. the Guidelines on the Offering of Equity and Equity-linked Securities and Guidelines on the Offering of Equity and Equity-linked Securities for the MESDAQ Market are still applicable until 2 August 2009.
  - The new Equity Guidelines will come into effect on 3 August 2009.
  - For transitional arrangement, please refer to Questions 18 - 20.
- 2) What are the key changes introduced in the new Equity Guidelines?
- The key amendments to the entry requirements for listing on the main market are as follows:

Listing Routes	Existing Requirements	New Requirements
(a) Profit test	<p><u>Main Board:</u></p> <ul style="list-style-type: none"> <li>▪ Aggregate after-tax profit of RM30 mil over 3-5 FY, with at least RM8 mil after-tax profit for the latest FY</li> </ul> <p><u>Second Board:</u></p> <ul style="list-style-type: none"> <li>▪ Aggregate after-tax profit of RM12 mil over 3-5 FY, with at least RM4 mil for the latest FY</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aggregate after-tax profit of RM20 mil over 3-5 FY, with at least RM6 mil after-tax profit for the latest FY</li> </ul>
(b) Market capitalisation test	<ul style="list-style-type: none"> <li>▪ Market capitalisation of at least RM500 mil and at least RM30 mil after-tax profit for the latest FY; and</li> <li>▪ Operating history of at least 3 FY in the same core business</li> </ul>	<ul style="list-style-type: none"> <li>▪ Market capitalisation of at least RM500 mil remains but no profit requirement for the latest FY; and</li> <li>▪ Only need to have a minimum of 1 FY operating revenue</li> </ul>
(c) Infrastructure project corporation (IPC) test	<ul style="list-style-type: none"> <li>▪ Project cost of at least RM500 mil with a remaining concession/licence period of at least 15 years</li> </ul>	<ul style="list-style-type: none"> <li>▪ Minimum project cost of RM500 mil remains but the SC may consider a listing proposal with a shorter remaining concession/licence period for IPCs which fulfil the profit test</li> </ul>
<p>Under the new guidelines, there will no longer be any requirement on minimum issued and paid-up capital.</p>		

- 3) Do the new Equity Guidelines also cover the requirements for the ACE Market?
- No, the scope of the Equity Guidelines covers the requirements for the issues/offerings of equity securities and listings of corporations on the Main Market of Bursa Malaysia.
- 4) Other than the entry requirements, are there any other flexibilities allowed under the new guidelines?
- Other flexibilities introduced include the following:
    - Optional underwriting based on the funding needs of issuers;
    - Moratorium securities held by promoters are allowed to be used to facilitate price stabilisation mechanism;
    - Removal of additional requirements for specific companies (i.e. property development and property investment corporations etc.); and
    - Removal of quantitative requirements (i.e. at least RM1 billion market capitalisation with at least RM60 million after-tax profit for the latest FY) for secondary listing of foreign corporations
- 5) Why does the SC allow discretionary underwriting when it is mandatory for a corporation to make minimum offering to the general public under its IPO scheme? How would under-subscription issues be addressed?
- The requirement for the minimum public offering\* is to uphold public interest and to promote wealth sharing by providing an opportunity for the general public to participate in a new IPO scheme.
  - If an applicant and its principal adviser are able to meet its minimum funding objective and have a broad base shareholders in meeting the public spread requirements, it is not necessary to have underwriting arrangement in place. In this respect, the SC expects the issuer and its principal adviser to have considered all the risk factors including the reputational impact should there be an under subscription situation.
  - Where the minimum level of funding is not achieved, the IPO needs to be terminated and monies received must be immediately returned to subscribers.

Note:

- As part of an IPO scheme, the minimum public offering size through a balloting process is as follows:

Enlarged issued and paid-up capital (Nominal value)	Minimum offering to the general public
Below RM200 million	At least 5% of the enlarged issued and paid- up capital or an aggregate of RM3 million, in nominal value, whichever is the higher
RM200 million and above	At least 2% of the enlarged issued and paid- up capital or an aggregate of RM10 million, in nominal value, whichever is the higher

6) Are there any new features introduced in the new Equity Guidelines?

- Yes, under the new guidelines, we now allow the listing of SPACs on the Main Market.
- All the requirements in relation to SPACs are set out in Chapter 6 of the Equity Guidelines.

SPAC

7) What is a SPAC?

- A SPAC is basically a shell company that has no operations but goes public with the intention of merging with or acquiring operating companies or businesses with its IPO proceeds.
- SPACs could be used as a vehicle to promote private equity activities and encourage corporate mergers and acquisitions.

8) What are the requirements applicable to SPACs?

- The salient IPO requirements on SPACs are as follows:
  - A SPAC must raise a minimum of RM150 million through its IPO;
  - At least 90% of the gross proceeds from the IPO must be deposited in a trust account;
  - A custodian must be appointed to safeguard the proceeds in the trust account;
  - A SPAC must demonstrate that the members of its management team have the experience, qualification and competence to achieve the SPAC's business strategy.
- The main requirements on qualifying acquisitions by SPACs are as follows:

- A SPAC must complete a qualifying acquisition within 36 months of its listing on Bursa Securities;
- Public investors who vote against a qualifying acquisition must be entitled to receive, in exchange for their securities, a pro rata portion of the monies in the trust account, provided that the qualifying acquisition is approved and completed within the given timeframe;
- The qualifying acquisition must account for at least 80% of the amounts held in the trust account;
- If a SPAC is unable to complete the business acquisition within the specified timeframe, the SPAC must be liquidated and the proceeds held in the trust account must be distributed to the public security holders on a pro rata basis.

**9) What can a SPAC acquire as its qualifying acquisition?**

- A qualifying acquisition is the SPAC's initial acquisition of business(es) which account for at least 80% of the amount held in the trust account.
- A SPAC may acquire a business that is domiciled locally or abroad. However, the SPAC should not be acquiring a business purely for investment purposes; rather, it should acquire a sizeable business with a view that this would form its core business i.e. the business which provides the principal source of operating revenue or after-tax profits and which comprises the principal activity of the SPAC.

**10) What are the applicable requirements for a SPAC which wishes to acquire more than one business as its qualifying acquisition?**

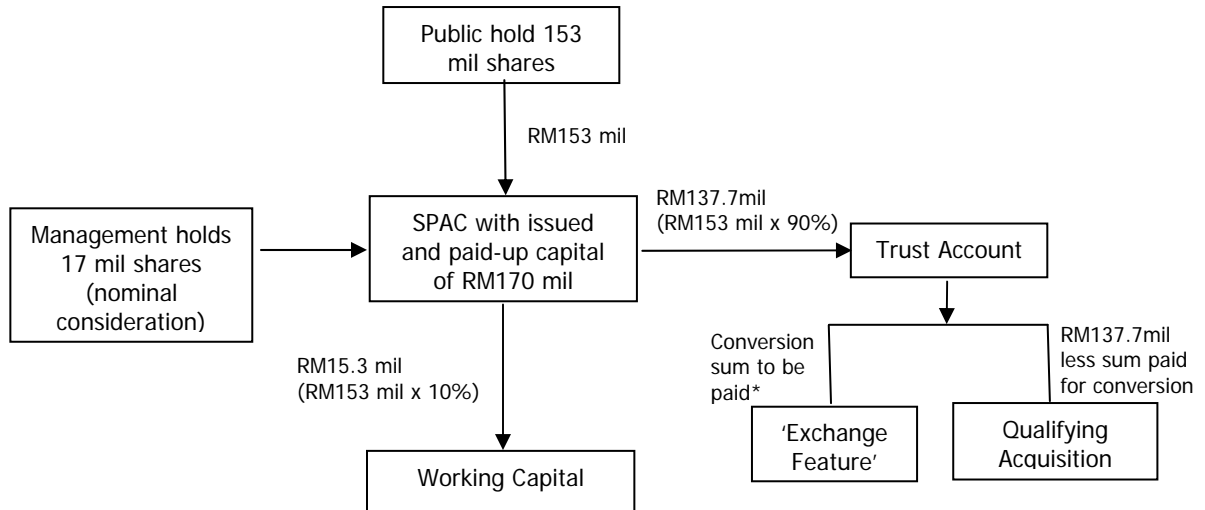
- Where the qualifying acquisition comprises more than one acquisition-
  - the acquisitions must collectively satisfy the aggregate fair market value equal to at least 80% of the aggregate amount deposited in the trust account (net of any taxes payable);
  - the sale and purchase agreements relating to each of the acquisitions forming part of the qualifying acquisition must be inter-conditional and all acquisitions must complete contemporaneously within the permitted time frame; and
  - each acquisition must be approved by the holders of voting securities.

**11) How much will a holder of voting securities receive from the trust account in the event he/she votes against a qualifying acquisition and elects to exchange the securities for cash?**

- Holders of voting securities (other than members of the management team and persons connected to them) who vote against a qualifying acquisition will be entitled to receive, in exchange for their securities, a sum equivalent to a pro

rata portion of the amount then held in the trust account (net of any taxes payable and expenses related to the facilitation of the exchange), provided that such qualifying acquisition is approved and completed within the permitted time frame. An illustration is provided below.

- Upon incorporation of the SPAC, the management team holds 17 million ordinary shares of RM1 per share and the SPAC undertakes an IPO of 153 million ordinary shares at RM1 per share, as follows:



- \* Assuming no income generated, no taxes, no expenses incurred and only the IPO shares are entitled to the pro rata conversion sum under the “Exchange Feature”, the conversion sum to be paid to the shareholder is computed as follows:

$$\frac{\text{Proceeds in trust account (RM137.7 mil)}}{\text{Total number of IPO shares (153 mil)}} = \text{RM0.90 per share held}$$

- 12) How much will a holder of voting securities receive from the trust account upon liquidation of the SPAC for failure to meet the time frame for a qualifying acquisition?

- Based on the above illustration and no income generated, no taxes and no expenses incurred, the liquidation distribution will be computed as follows:

$$\frac{\text{Proceeds in trust account (RM137.7 mil)}}{\text{Total ordinary shares in issue (170 mil) – management’s shares (17 mil)}} = \text{RM0.90 per share held}$$

13) Can SPACs be listed on the ACE Market?

- No, SPACs can only be listed on the Main Market of Bursa Securities.

RTO/BDL

14) What are the key amendments on the requirements for proposals which result in a significant change in the business direction or policy (RTO/BDL) of a listed corporation?

- The definition for “significant change in the business direction or policy of a listed corporation” has been amended to mean the following:
  - an acquisition of assets such that any one of the percentage ratios\* is equal to or exceeds 100%, except the assets to be acquired are the same as those of the existing core business of the listed corporation;
  - an acquisition of assets which results in a change in the controlling shareholder of the listed corporation;
  - an acquisition of assets which results in a change in the board of directors of the listed corporation;
  - an acquisition of assets by a corporation classified as a cash corporation by Bursa Securities pursuant to Chapter 8 of the Main Market Listing Requirements to regularise its condition; or
  - a restructuring exercise involving the transfer of the listed corporation’s listing status and the introduction of new assets to the other corporation
- Under the amended definition, the SC’s approval will no longer be required for an acquisition of assets which are the same as those of the existing core business of a listed corporation, even though the acquisition triggers 100% of any one of the percentage ratios.
- In addition, disposal of assets by a listed corporation will no longer be governed by the SC even though the listed corporation is disposing its core business. Nevertheless, the SC’s approval is required at the point the listed corporation acquires a new core business.

Note:

\* The percentage ratios are defined to mean the figures, expressed as a percentage, resulting from each of the following computations:

- The net assets value of the assets which are the subject of the acquisition divided by the net assets value of the listed corporation;
- The revenue attributable to the assets which are the subject of the acquisition divided by the revenue of the listed corporation (this is a new ratio under the new guidelines);

- The after-tax profits attributable to the assets which are the subject of the acquisition divided by the after-tax profits of the listed corporation;
- The aggregate value of the consideration for the subject acquisition (including amounts to be assumed by the purchaser, such as the vendor's liabilities) divided by the aggregate market value of all the ordinary shares of the listed corporation; or
- The number of new shares issued by the listed corporation as consideration for the acquisition divided by the number of shares in the listed corporation in issue prior to the acquisition.

**15) Given that a BDL/RTO will be treated as a new listing, what is the incentive for a corporation to enter the capital market via a BDL/RTO route?**

- Acquisitions of assets other than infrastructure project assets which result in a significant change in the business direction or policy of a listed corporation can now meet the minimum profit requirements via the enlarged group.
- Profits from the new assets can be combined with the existing assets to meet the minimum profit track record requirement. In addition, fulfilment of the profit requirements over the 3-5 FY profit period need not be on an "uninterrupted" basis.
- In addition, there are other inherent incentive of undertaking a BDL/RTO such as ease of listing as the risk of entering the market would be minimised, ready public spread and no moral hazard for placements.

**16) What is the rationale for the flexibilities stated above?**

- The flexibilities are aimed at encouraging more mergers and acquisitions in the market.

**17) Why does the SC decide not to regulate proposals by a listed corporation being classified as a "Distressed Listed Company" (DLC) by Bursa Malaysia?**

- A listed corporation which is classified as a DLC may be able to turnaround its financial position without undertaking a RTO/BDL.
- Such DLC should first be given a chance to undertake the necessary steps and submit an appropriate proposal to Bursa Malaysia to resolve its distressed condition.
- However, if the DLC has to undertake a BDL/RTO proposal to regularise its condition, then, the regularisation proposal would be subjected to the SC's approval.
- In addition, if a listed corporation is reclassified as a DLC within 3 years after it has undertaken its first regularisation proposal, the second regularisation proposal must be of a BDL/RTO nature and be subjected to the SC's approval.

**18) What is the transitional treatment prior to 3 August 2009?**

- The treatment of applications during the transitional period is as follows:
  - Applications for corporate proposals for Main Board, Second Board and the MESDAQ Market can still be made based on the existing guidelines to the SC up to 31 July 2009. From 3 August 2009 onwards, all applications must be made based on the new guidelines;
  - Proposals that have been approved but pending implementation and new applications during the transitional period can apply for variation to the current requirements, to adopt flexibilities accorded in the new guidelines;
  - Any variation to the terms and conditions of proposals approved by the SC, including extension of time, should continue to be made to the SC;
  - For proposals that have been approved for listing on the MESDAQ Market but pending implementation, the listing prospectus must be issued by 31 December 2009. Extension of time for implementation beyond 31 December 2009 may be granted by the SC on a case-to-case basis;
  - Any issuance of prospectus on or after the effective date of 3 August 2009 must comply with the new prospectus guidelines.

**19) Would corporations currently listed or have been approved for listing but pending implementation on the Main Board, Second Board and the MESDAQ Market have to apply for listing onto the new Main Market and ACE Market?**

- On 3 August 2009, corporations listed on the Main and Second Boards will be automatically listed under the Main Market.
- Likewise, corporations listed on the MESDAQ Market will be automatically listed under the ACE Market.
- All those corporations approved but pending listing on the Main Board, Second Board and the MESDAQ Market need not reapply to the SC to get listed on the Main Market or the ACE Market. These would be automatic.

**20) What would happen to existing listed corporations on the Main and Second Boards who do not meet the Main Market profit track record requirements?**

- The Main Market profit track record requirements would only be applicable to new entrants.
- The profit track record requirements are minimum entry criteria and not a continuing listing obligation.