

QUESTIONS AND ANSWERS IN RELATION TO BURSA MALAYSIA SECURITIES BERHAD LEAP MARKET LISTING REQUIREMENTS

GENERAL

For the purpose of all the Questions and Answers issued by Bursa Malaysia Securities Berhad (“**Bursa Securities**”), unless the context otherwise requires, the words and expressions defined in the “Bursa Malaysia Securities Berhad LEAP Market Listing Requirements” (“**LEAP LR**”), when used in the Questions and Answers, have the meanings given in the said LEAP LR.

The Questions and Answers illustrate and clarify the relevant provisions under the LEAP LR. They are issued to aid listed corporations’ understanding and compliance with the LEAP LR. Presently the Questions and Answers are provided in relation to Chapters 2, 3, 5, 6 and 7 of the LEAP LR only.

A user of the Questions and Answers should always read the Questions and Answers together with the LEAP LR and, where necessary, seek qualified professional advice. These Questions and Answers are not a substitute for the LEAP LR or the professional advice.

In formulating the “Answers”, we have in some cases assumed certain underlying facts, summarised the relevant provisions of the LEAP LR or concentrated on one particular aspect of the question as the focal point of the issue. The “Answers” should, therefore, not be construed as being definitive and applicable to all cases where the scenario may appear to be similar. In any given case, a listed corporation must assess all the relevant facts and circumstances in complying with the LEAP LR.

The Listing Division of Bursa Securities is available for consultation where interpretation or clarification of the LEAP LR is required. Listed corporations and practitioners are welcome to contact Bursa Securities’ Listing Division should they have any query on the LEAP LR.

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(As at 16 June 2017)**

CHAPTER 2 – GENERAL

Issuance of Documents by Electronic Means

- 2.1 What are the examples of mode of communication between a listed corporation and its securities holders by electronic means as referred to in Rule 2.12?**

The examples of “electronic means” referred to in Rule 2.12 include email, the listed corporation’s website, or other electronic platforms whether maintained by the listed corporation or a third party that can host information in a secured manner for access by the securities holders.

- 2.2 Rule 2.12(1) of the LEAP LR allows a listed corporation to send any document required under the LEAP LR to be sent to its securities holders, by electronic means. What are the documents which may be sent by way of electronic means to the securities holders under the LEAP LR?**

The documents which may be sent by way of electronic means by a listed corporation to its securities holders under the LEAP LR include, among others, circulars to shareholders, notices for allotment in respect of rights issue, conversion or exercise of the convertible securities, notices of provisional allotment and rights subscription forms. The requirement under Rule 2.12(1) does not extend to other documents to be sent to securities holders pursuant to the other laws, rules or regulation. For e.g. delivery of take-over offer documents are governed under the Take-Overs and Mergers Code.

- 2.3 Pursuant to Rule 2.12(2) of the LEAP LR, in the event a securities holder requests for a hard copy of the document, the listed corporation must forward such document to the securities holder as soon as reasonably practicable after the receipt of the request. What is considered as “as soon as reasonably practicable”?**

It depends on the nature of the document and the timeframe given to the securities holders to respond to the listed corporation. Generally, the Exchange considers 2 market days from date of receipt of the request as a reasonable timeframe for a listed corporation to forward a hard copy of the document to a securities holder who has requested for the same.

- 2.4 Under Rule 2.12(3) of the LEAP LR, a listed corporation is required to separately and immediately notify the securities holders in writing if it publishes the documents on its website as a form of electronic means used to communicate with its securities holders. In this regard, what will be considered as “in writing” under Rule 2.12(3) of the LEAP LR?**

The written notification to the securities holders on the publication of documents on the listed corporation’s website may be in the form of letter, email or short messaging service.

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- 2.5 If a listed corporation chooses to use email as the electronic means to communicate with its securities holders, does it have to procure the email address from each of its securities holders?**

No, the listed corporation may request for the email addresses of its securities holders from Bursa Malaysia Depository Sdn Bhd (“**Bursa Depository**”) as the central repository of depositors’ information. However, it is to be noted that not all securities holders would have provided email addresses.

- 2.6 Can a listed corporation choose email as the form of electronic means for communication with its securities holders if not all its securities holders have provided their email addresses to Bursa Depository?**

Yes, it can. The listed corporation may use email as a mode to send documents to those who have given their email addresses to Bursa Depository, and for those who haven’t provided any email address, the listed corporation will continue to send hard copies of the documents to such securities holders.

Qualified Market

- 2.7 ABC Bhd is listed on the LEAP Market and its promoters, Mr. X and Mr. Y are non-sophisticated investors. If ABC Bhd undertakes a rights issue to raise funds, can Mr. X and Mr. Y participate in the rights issue, since they are non-sophisticated investors?**

Yes, as existing securities holders, Mr X and Mr Y may participate in the rights issue. This is pursuant to Rule 2.24(2) of the LEAP LR and paragraph 35 of Schedule 7 of the CMSA.

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CHAPTER 3 – ADMISSION

Criteria for admission

3.1 Is SC's approval required for listing on the LEAP Market?

No, pursuant to section 212 of the CMSA, SC's approval is not required for listing on the LEAP Market. All requirements relating to admission will be governed under the LEAP LR. Bursa Securities is the single approving authority for an initial listing application on the LEAP Market. However, an applicant is still required to deposit a copy of the information memorandum with the SC pursuant to section 229 or 230 of the CMSA.

3.2 What are the types of corporations that may be listed on the LEAP Market?

Eligible small and medium-sized enterprises from all business sectors will be allowed to list on the LEAP Market except where it involves chain listing, an investment holding corporation with no immediate or prospective business operations within its group or an incubator, including a technology incubator.

Admission processes & procedures

3.3 Will Bursa Securities be providing any guidance to an applicant and its Approved Adviser on the format and content of submission in an initial listing application for listing on the LEAP Market?

Yes. The initial listing application form and the requisite supporting documents, including the template for the letter of undertakings from the applicant, directors and promoters of the applicant can be found at Bursa Malaysia's website at www.bursamalaysia.com.

Methods of offering of securities

3.4 Mr. A and Mr. B are the promoters of X Bhd, a corporation which is admitted to the LEAP Market on 15 December 2017. As at 15 August 2017 –

- the total number of issued shares of X Bhd is 500,000 ordinary shares; and
- both Mr. A and Mr. B hold in aggregate 300,000 ordinary shares representing 60% of the total number of issued shares of X Bhd.

(a) Is there a moratorium imposed on the shareholdings of Mr. A and Mr. B?

Yes. Pursuant to Rule 3.07 of the LEAP LR, a moratorium is imposed over the shareholdings of Mr. A and Mr. B in the following manner:

- (i) From 15 December 2017 until 14 December 2018 (12 months), a moratorium is imposed on the entire shareholdings of Mr. A and Mr. B amounting to 300,000 ordinary shares in X Bhd; and

(ii) From 15 December 2018 until 14 December 2021 (the following 36 months), a moratorium is imposed on the aggregate shareholdings of Mr. A and Mr. B amounting to 225,000 ordinary shares in *X Bhd* which represents 45% of *X Bhd*'s total number of issued shares.

(b) On 15 December 2021, can Mr. A and Mr. B proceed to sell their 225,000 ordinary shares in *X Bhd* previously held under moratorium if *X Bhd* has not generated 1 full financial year of operating revenue based on its latest audited financial statements at that point in time?

No, the moratorium over their 225,000 ordinary shares in *X Bhd* must remain. Mr. A and Mr. B may only sell their 225,000 ordinary shares in *X Bhd* after *X Bhd* has generated 1 full financial year of operating revenue based on its latest audited financial statements.

3.5 Mr X and Mr Y are the promoters of *ABC Bhd*, a corporation which is admitted to the LEAP Market on 1 September 2018. As at 1 September 2018 –

- **Mr. X and Mr. Y hold in aggregate 30 million ordinary shares and 10 million convertible securities which are convertible into 10 million ordinary shares, in *ABC Bhd*;**
- ***ABC Bhd* has issued a total number of issued shares amounting to 45 million ordinary shares; and**
- ***ABC Bhd* has also issued a total of 15 million convertible securities which are convertible into 15 million ordinary shares in *ABC Bhd*, including those held by both Mr. X and Mr. Y**

For purposes of Rule 3.07 of the LEAP LR, what is the amount of shares held by Mr. X and Mr. Y which are to be placed under moratorium?

The shares of Mr. X and Mr. Y which are to be placed under moratorium are as follows:

- (i) From 1 September 2018 until 31 August 2019 (12 months), the entire shareholdings of Mr. X and Mr. Y amounting to 30 million ordinary shares and 10 million convertible securities in *ABC Bhd*, must be placed under moratorium;
- (ii) Pursuant to Rule 3.07(1)(e) of the ACE LR, where the promoters also own securities which are convertible or exercisable into ordinary shares of the applicant, the promoters' shareholdings to be placed under moratorium should amount to 45% of enlarged number of issued shares of *ABC Bhd*, i.e. 60 million ordinary shares, assuming full conversion or exercise of such securities owned by the promoters.

As such, from 1 September 2019 until 31 August 2022 (the following 36 months), the aggregate shareholdings of Mr. X and Mr. Y amounting to 27 million ordinary shares in *ABC Bhd*, must be placed under moratorium;

- (iii) After 1 September 2022, Mr. X and Mr. Y may sell their entire shareholdings in *ABC Bhd* i.e. the 27 million ordinary shares held under moratorium provided that *ABC Bhd* has generated 1 full financial year of operating revenue based on its latest audited financial statements.

Others

- 3.6 Must a listed corporation undertaking a corporate proposal which will result in a significant change in the business direction or policy of the listed corporation, comply with the admission requirements under Chapter 3?**

Yes, Bursa Securities will treat such listed corporation as if it were a new applicant seeking admission to the LEAP Market.

Resignation and termination of a Continuing Adviser

- 3.7 X is the Approved Adviser who makes an application for listing on behalf of *A Bhd*. *A Bhd* is listed on the LEAP Market on 1 September 2017. Based on Rule 3.12 of the LEAP LR, *A Bhd* must secure and maintain the services of a Continuing Adviser for at least 3 full financial years after its admission to the LEAP Market, and extended to at least 1 full financial year after the applicant has generated operating revenue. *A Bhd*'s financial year ends on 31 December 2018.**

- (a) Can X resign or *A Bhd* terminate X's appointment as the Continuing Adviser of *A Bhd* before 31 December 2018?**

No, based on Rule 3.12 of the LEAP LR, X who makes a listing application on behalf of an applicant must act as the Continuing Adviser for at least 1 full financial year after admission. During the said period, X cannot resign, neither can *A Bhd* terminate X's appointment as its Continuing Adviser.

- (b) Can X resign as *A Bhd*'s Continuing Adviser after 31 December 2018?**

Yes, X may resign as *A Bhd*'s Continuing Adviser even though *A Bhd* has not found a replacement Continuing Adviser to succeed X.

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CHAPTER 5 – NEW ISSUES OF SECURITIES

Admission

- 5.1 Is a listed corporation allowed to submit its listing application for a new issue of securities to Bursa Securities on its own?**

No, pursuant to Rule 5.07(1) of the LEAP LR, a listing application in relation to any new issue of securities must be submitted to Bursa Securities through an Adviser.

- 5.2 *Y Bhd* is a company listed on the LEAP Market and it proposes to make a rights issue to raise more funds. Must *Y Bhd* submit a draft circular to Bursa Securities for review?**

No, *Y Bhd* is not required to submit a draft circular to Bursa Securities for its review prior to the issuance of the circular to the shareholders. Pursuant to Rule 4.12(1) of the LEAP LR, it is the responsibility of a Continuing Adviser to review the circulars to securities holders prior to their release to ensure compliance by the listed corporation during the Advisory Period.

General requirements for new issue of securities

- 5.3 Can a listed corporation rely on a general mandate obtained during the annual general meeting to issue shares to its directors via placement or must *A Bhd* obtain specific shareholder approval for such issuance?**

Pursuant to Rule 5.04(3) of the LEAP LR, a listed corporation may issue shares to its directors under a general mandate on a non-pro rata basis provided that –

- (a) the general mandate expressly authorises the issuance of shares to its directors;
- (b) the aggregate number of shares issued to its directors is not more than 10% of the total number of issued shares; and
- (c) such issuance of shares is approved by the board of directors and done in the best interests of the listed corporation.

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- 5.4 Pursuant to Rule 5.07(4) of the LEAP LR, when a listed corporation files the required documents for the listing and quotation of the new issue of securities with Bursa Securities, must the listed corporation receive the approval from the Bursa Securities before it issues and allots the new securities?**

Once a listed corporation has filed the required documents for the listing and quotation of the new issue of securities, the listed corporation may proceed to issue and allot the new securities 2 market days after the said filing, unless otherwise instructed by Bursa Securities. Bursa Securities will not issue any letter of approval to the listed corporation for an additional listing application relating to a new issue of securities.

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CHAPTER 6 – CONTINUING LISTING OBLIGATIONS

Continuing Listing Obligations

- 6.1 Pursuant to Rule 3.03 of the LEAP LR, an applicant must ensure that at least 10% of the total number of ordinary shares for which listing is sought are in the hands of public shareholders at admission. After listing on the LEAP Market, is a listed corporation still required to maintain the minimum public shareholding spread of 10% as a continuing listing obligation?**

No, a listed corporation is not required to maintain the minimum public shareholding spread of 10% post-listing but is encouraged to ensure there is sufficient liquidity of its securities listed on the LEAP Market.

Continuing Disclosure

- 6.2 Pursuant to Rule 6.15 of the LEAP LR, if a listed corporation intends to undertake any other new issues of securities not specified in the LEAP LR, a listed corporation is required to consult the Exchange prior to making any announcement to the Exchange on the same. What are the examples of “any other new issue of securities” used in Rule 6.15?**

Some examples of “any other new issue of securities” include share issuance scheme for employees or directors and dividend reinvestment scheme.

- 6.3 Can *A Bhd*, a company listed on the LEAP Market, undertake a share issuance scheme to offer securities to its employees and is *A Bhd* required to comply with any requirement under the LEAP LR?**

Pursuant to paragraph 21 of Schedule 7 of the CMSA, *A Bhd* is allowed to issue securities to its employees under an employee share or employee share option scheme. As such, *A Bhd* may undertake a share issuance scheme to offer securities to its employees as long as it complies with Rule 6.15 of the LEAP LR where it is required to consult Bursa Securities if it intends to undertake, among others, any other new issues of securities not specified in the LEAP LR. Such consultation with Bursa Securities must be done before *A Bhd* makes any announcement to Bursa Securities on the proposed share issuance scheme. In addition, *A Bhd* is also required to comply with the requirements and procedures for any new issue of securities as prescribed under Chapter 5 of the LEAP LR.

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CHAPTER 7 – TRANSACTIONS

Major Disposal

7.1 What is meant by “substantially all of a listed corporation’s assets” under the requirement of “Major Disposal” in Rule 7.08 of the LEAP LR?

Disposal of “substantially all of the listed corporation’s assets” refers to a disposal by a listed corporation of almost all of its assets, which is so material that upon the completion of the transaction, it will result in the listed corporation not being able to maintain its core business.

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