

Disruptive Events Advisory

Initial Public Offering in Malaysia

Key Requirements & Essential Information





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Volume 442.9M
Chg -13.96 (-1.45%)



Deposits down YTD by...
Deposits cumulative growth for...

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Going public

Turning an enterprise into a publicly traded company through an Initial Public Offering (IPO) is a significant milestone for your company. It calls for the combined efforts of advisers from the accounting, legal, financial advisory, and underwriting professions.

We have the right team with the right expertise to assist you to navigate the complex route and become a public listed company.

Our professionals can deliver immediate, comprehensive services for the Bursa Malaysia and other markets such as Mainland China, Hong Kong SAR, New York, NASDAQ, London and Singapore.

Considerations for going public

You need to consider thoroughly before making the decision to take your company public. You should assess the advantages and disadvantages of a listed company before embarking on this significant milestone for your company.

A public listed company has many advantages, including:

- Enhanced access to capital market
- Improved visibility and credibility of the company
- Reduced personal funding and guarantees
- Provide liquidity to shareholders
- Improved corporate governance
- Helps attract and retain talent

A few challenges of a public listed company that the senior management should be aware of are:

- Increased regulatory oversight
- Enhanced reporting requirements
- Increased pressure to grow
- Equity dilution

You must weigh the advantages and disadvantages of going public in tandem with the plans you have for your company. Although this is significant milestone for your company, you should consider alternatives and discuss the matter thoroughly with your accountants, lawyers and other professional advisers.

The time required for a listing varies by company. It depends on the complexity of the corporate structure and their respective activities, and also the listing requirements of the stock exchange. Any company offering securities must comply with that jurisdiction's accounting principles and disclosure requirements, as well as the rules and regulations of the regulatory authorities. There are strict interpretations and frequent changes. Failure to comply may result in, at a minimum, significant time delay to the listing process.

Are you ready to go public?

Companies that are ready to go public generally share a certain number of characteristics. Most of these companies have progressed beyond the start-up phase to a certain size and have become profitable, with prospect of further significant growth.

The public market readily accepts companies that have achieved the following:

- A track record of revenue growth
- Capable leadership
- An experienced and credible management team
- Operations in a strong industry with potential for high performance

Listing criteria on Bursa Malaysia

Quantitative criteria

	Main Market of Bursa Malaysia	ACE Market	LEAP Market
Mode of listing: (a) Profit test; (b) Market capitalisation test; (c) Infrastructure project corporation test	<ul style="list-style-type: none"> Uninterrupted profit of 3 to 5 full financial years ("FY"), with aggregate after-tax profit of at least RM20 million; After-tax profit of at least RM6 million for the most recent FY; and Have been operating in the same core business over at least the profit track record prior to submission. A total market capitalisation of at least RM500 million upon listing; and Incorporated and generated operating revenue for at least one full FY prior to submission Must have the right to build and operate an infrastructure project in or outside Malaysia, with project costs of not less than RM500 million; and The concession or license for the infrastructure project has been awarded by a government or a state agency, in or outside Malaysia, with remaining concession or license period of at least 15 years from the date of submission. 	No minimum operating track record or profit requirement.	
Public Spread	<ul style="list-style-type: none"> At least 25% of the company's total number of shares; and Minimum of 1,000 public shareholders holding not less than 100 shares each. 	<ul style="list-style-type: none"> At least 25% of the company's total number of shares; and Minimum of 200 public shareholders holding not less than 100 shares each. 	At least 10% of the company's total number of ordinary shares at admission.
Bumiputera Equity Requirement*	Allocation of 50% of the public spread requirement to Bumiputera investors at the point of listing.	<p>No requirement at the point of listing.</p> <p>Allocation of 12.5% of the enlarged share capital to Ministry of International Trade and Industry (MITI)-recognised Bumiputera investors.</p> <ul style="list-style-type: none"> within 1 year after achieving Main Market profit track record, or 5 years after being listed on ACE Market, whichever is the earlier. 	No requirement at the point of listing.

Qualitative criteria

	Main Market of Bursa Malaysia	ACE Market	LEAP Market
Sponsorship	N/A	<ul style="list-style-type: none"> Engage a Sponsor to assess the suitability for listing. Sponsorship is required for at least 3 full FY post listing and the Sponsor who submitted the listing application must act as the Sponsor for at least 1 full FY following upon admission <p>*ACE Market corporations that have met the Main Market admission criteria: sponsorship is for one full FY.</p>	<ul style="list-style-type: none"> Engage an Approved Adviser to assess the suitability for listing. Secure and maintain a Continuing Adviser for at least 3 years post listing and the Approved Adviser who submitted the listing application must act as the Continuing Adviser for at least 1 FY upon admission.
Core Business	<ul style="list-style-type: none"> An identifiable core business which it has majority ownership and management control. Core business must not be holding of investment in other listed companies. 	Core business must not be holding of investment in other listed companies.	A clearly identifiable core business.
Continuity of Management	<ul style="list-style-type: none"> Must have had continuity of substantially the same management for at least 3 full FY prior to submission to the Securities Commission For market capitalisation test or the infrastructure project corporation test, since the commencement of its operations (if less than 3 full FY) 	Continuity of substantially the same management for at least three FY prior to submission or since its incorporation (if less than 3 full FY)	N/A
Financial Position & Liquidity	<ul style="list-style-type: none"> Sufficient level of working capital for at least 12 months from the date of prospectus; Positive cash flow from operating activities for listing via profit test and market capitalisation test; and No accumulated losses based on its latest audited financial statements for listing via profit test. 	Sufficient level of working capital for at least 12 months from the date of prospectus.	N/A
Moratorium on Shares	<ul style="list-style-type: none"> Promoters' entire shareholdings for 6 months from the date of admission. Subsequent sell down with conditions for companies listed under infrastructure project corporation test. 	<ul style="list-style-type: none"> Promoters' entire shareholdings for 6 months from the date of admission. Subsequently, at least 45% must be retained for another 6 months and thereafter, further sell down is allowed on a staggered basis over a period of 3 years. <p>*Promoters of ACE Market corporations that have met the Main Market admission criteria: 6 months from the date of admission.</p>	<ul style="list-style-type: none"> Promoters' entire shareholdings for 12 months from the date of admission. Subsequently, at least 45% must be retained for another 36 months.

Quantitative criteria

	Main Market of Bursa Malaysia	ACE Market	LEAP Market
Transaction with Related Parties	<ul style="list-style-type: none"> • Must be based on terms and conditions which are not unfavourable to the company. • All trade debts exceeding the normal credit period and all non-trade debts, owing by the interested persons to the company or its subsidiary companies must be fully settled prior to listing. 	<ul style="list-style-type: none"> • Must be based on terms and conditions which are not unfavourable to the company. • All trade debts exceeding the normal credit period and all non-trade debts, owing by the interested persons to the company or its subsidiary companies must be fully settled prior to listing. 	
Additional Requirements for: Mineral, Oil and Gas Exploration and Extraction Corporations or Assets.	Sufficient level of working capital for at least 18 months from the date of prospectus.	N/A	N/A
Type of Investors	Public	Public	Sophisticated Investors only (as prescribed under the Capital Markets and Services Act 2007).

*Companies with MSC status, BioNexus status and companies with predominantly foreign-based operations are exempted from the Bumiputera equity requirement.

Primary listing of foreign companies

If the Applicant is a foreign company seeking for primary listing in Malaysia, additional criteria are as follows:

Aspect	Main Market & ACE Market
Place of Incorporation	<p>From a jurisdiction with standards of laws and regulations equivalent to those in Malaysia, particularly with respect to:</p> <ul style="list-style-type: none"> • corporate governance; • shareholders and minority interest protection; and • regulation of take-overs and mergers. <p>The company making variations to its constituent documents to provide those standards (if the jurisdiction does not provide comparable standards above and such variations are possible).</p>
Approval of Regulatory Authorities of Foreign Jurisdiction	<p>Prior approval of all relevant regulatory authorities of the jurisdiction(s) in which it is incorporated or carries out its core business operations before issuing its prospectus.</p>
Registration	<p>Must be registered as a foreign company under the Companies Act 2016.</p>
Accounting Standards	<p>Standards in accordance with the Financial Reporting Act 1997, which include International Accounting Standards.</p>
Auditing Standards	<p>Standards applied in Malaysia or International Standards in Auditing.</p>
Translation of Documents	<p>All documents to be submitted to the authorities (including financial statements), which are in a language other than English, must be accompanied by a certified English translation.</p>
Valuation Of Assets	<p>Standards applied in Malaysia or International Valuation Standards.</p>
Currency Denomination	<p>Applicant is required to consult Bursa Malaysia and obtain approval of Bank Negara Malaysia for quotation of securities in a foreign currency.</p>
Resident Directors	<ul style="list-style-type: none"> • Companies with predominantly Malaysian-based operations must have a majority of directors whose principal or only place of residence is in Malaysia. • Companies with predominantly foreign-based operations must have at least two independent directors whose principal or only place of residence is in Malaysia and at least one of these directors must be a member of the company's audit committee.

Secondary listing of foreign companies



Qualitative criteria

Aspect	Main Market
Listing Board	Secondary listing is allowed on Main Market only.
	In addition to complying with all Additional Criteria for Primary Listing of Foreign Companies, must comply with the following:-
Additional Listing Criteria	<ul style="list-style-type: none">• Already have a primary listing on the main market of a foreign securities exchange specified by the Securities Commission Malaysia;• Fully comply with the listing rules of the said securities exchange; and• The securities exchange where the applicant is primarily listed must have standards of disclosure rules at least equivalent to those of Bursa Malaysia.

Listing of Special Purpose Acquisition Companies (“SPAC”)



Key listing criteria

Aspect	Main Market
Listing Board	SPAC is allowed to be listed on Main Market only.
Place of Incorporation	Must be incorporated in Malaysia under the Companies Act 2016.
Minimum Fund Raised	RM150 million.
Management Team Credibility	Members of its management team have the experience, qualification and competence to: <ul style="list-style-type: none"> • Achieve the SPAC's business objective and strategy disclosed in the prospectus; and • Perform their individual roles, including understanding of the nature of their obligations and those of the SPAC.
Management Team Ownership	Must in aggregate own at least 10% equity interest in the SPAC on the date of its listing.
Moratorium on Securities	<ul style="list-style-type: none"> • Management team's entire interest from date of listing until completion of the qualifying acquisition. • Upon completion of the qualifying acquisition, sell down is allowed on a staggered basis over a period of two years.
Management of Proceeds	<ul style="list-style-type: none"> • Must place at least 90% of the gross proceeds raised in a trust account and may only be released by the custodian upon termination of the trust account. • At least 80% of the amount in trust account to be used for qualifying acquisition.
Qualifying Acquisition	Must complete qualifying acquisition within 36 months from the listing date.

Timeframe

The listing process (from the time you engage an adviser/sponsor to the day of listing) will normally take four to twelve months, depending on the structure and complexity of the listing scheme. Upon approval, you will be given six months to complete your IPO process. The conceptual timeline for the listing process is as follows:

Main Market and ACE Market

Stage	Timeline	Event
Pre-submission	12 - 16 weeks (T + 12 - 16 weeks)	<ul style="list-style-type: none"> Appointment of IPO advisers (e.g. principal adviser, legal counsel, reporting accountant, company secretary, independent market researcher) Structuring of IPO Due diligence & internal control review Preparing documents for submission
Regulatory Approvals	12 - 24 weeks (T + 24 - 40 weeks)	<ul style="list-style-type: none"> Mandatory pre-submission Consultation with SC (for Main Market) or Bursa Malaysia (for ACE Market) and key stakeholders Public exposure of draft prospectus Addressing queries from regulators Visit by regulators to the company's key business premises
Post-approval	8 - 12 weeks (T + 32 - 52 weeks)	<ul style="list-style-type: none"> Appointing investor relations consultant Signing of underwriting agreement (if required) Registration & lodgement of prospectus Pre-marketing commences
Listing	4 weeks (T + 36 - 58 weeks)	<ul style="list-style-type: none"> Prospectus launch Roadshows & bookbuilding exercise Allocation of shares Listing on Bursa Malaysia / Trading commences

LEAP Market

Stage	Timeline	Event
Pre-submission	8 - 12 weeks (T + 8 - 12 weeks)	<ul style="list-style-type: none"> Appointment of IPO advisers Structuring of IPO Due diligence & internal control review Deposit / Lodgment of information memorandum
Regulatory Approval	3 weeks (T + 11 - 15 weeks)	<ul style="list-style-type: none"> Reviewing the following focus areas: <ul style="list-style-type: none"> – Corporate governance – Conflict of interest – Public interest
Listing	4 weeks (T + 15 - 19 weeks)	<ul style="list-style-type: none"> Placement of shares Listing on Bursa Malaysia / Trading commences

Major IPO steps



Due diligence process



The due diligence process itself is a period of intense activity. Major activities include:

- Submission of documents and preparing the prospectus
- Submitting the listing application
- Responding to comments from the regulators
- Issuing the prospectus to the general public

A prospectus contains full, true and plain disclosure about the company seeking a listing. Content includes a business and industry description, sales and marketing information, products and production methods, personnel information, financial information and the risks faced by the company.

Each of your advisers will go through a process of due diligence for its area to ensure there is no misleading or missing information in the prospectus.

The regulators will pose questions about the draft prospectus and other information that you submit. The draft prospectus will be modified as the company responds to the questions and requests of the regulators. Any delays in the response can result in a delay in approval. Given that the financial market is volatile, any unnecessary delays due to unfamiliarity with the listing process can close off a window of opportunity if a company cannot keep itself on track throughout the listing process.

Professionals and advisers



Listing on the stock exchange requires professionals who play important roles throughout the IPO process. Their valuable advice will ensure the company shares are successfully listed on the stock exchange. Hence, there is a professional fees to be paid to the lead managers, auditors, lawyers and public relations firms who are involved in the launch.

As going public requires careful planning and consultation with professional advisers, we recommend for professional advice be sought from an early stage in all cases. The following are the key professionals involved in the listing process:

1. Principal Adviser

The principal adviser will be the “go-to” entity throughout your listing process. A principal adviser is responsible:

- To advise you on the optimum listing structure, timing of the listing and pricing of your company as well as advises on all regulatory requirements relevant to the process.
- To coordinate and collaborate with other professionals including accountants, lawyers, market researchers and valuers in preparing the relevant application documents and to oversee the whole listing exercises which includes the due diligence process.
- For submitting the application documents to the regulators as well as submitting the Prospectus for registration and lodgement with the relevant authorities.

For listing on ACE market, the principal adviser also undertakes the role of a sponsor. A sponsor would essentially determine the suitability of an applicant to be listed. Post-listing, the sponsor will continue to advise and guide the listed ACE Market company on their responsibilities and obligation as a listed entity.

2. Reporting Accountants / Auditors

Accountants are also an integral part of the listing process. Your accountants are responsible:

- To prepare the Accountants’ Report for the listing application and Prospectus as well as undertake the due diligence on the application documents and the Prospectus on information relating to the financial information.
- To undertake the due diligence on the internal control systems of your application, as well as reviewing reports on future financial performance, if required.



3. Lawyers

Lawyers provide advice on all legal matters in relation to your application. The lawyers are responsible:

- To act as secretary for the due diligence working group (DDWG). They will also undertake the legal due diligence and verification exercise on the application documents and the Prospectus.
- To ensure that the due diligence review conducted are within reason while making certain that the application documents and the Prospectus are accurate and free of material omissions.
- For drafting all necessary documents including the due diligence planning memorandum, due diligence report and minutes of meetings.
- To critically review, compile and collate all relevant documents in relation to the listing application such as corporate records, licenses, agreements, permits and material litigations, amongst others.

4. Other Professional Advisers

- **Investor Relations (IR)**

IR represents an important function in the engagement with potential investors and shareholders, as well as analysts during the IPO journey and even more so as a public listed entity. Familiarity with your business operations, financial performance and position vis-à-vis your competitors, strategies and future plans will be crucial to build an effective, transparent and credible two-way communication between your company, the financial markets and external stakeholders. A well-established IR function will enable the investment community to consistently make informed judgement about the fair value of your company's shares and securities, build long-term corporate brand equity and sustain investor interests post-listing.

- **Business and Market Researcher**

An independent business or market research company can help you develop a report on your company's business prospects, market positioning and risks. This report can further enhance the credibility and appeal of your company in the eyes of potential investors.

- **Property Valuer**

An independent valuer needs to be appointed if your company's listing exercise involves any property, plant, machinery, and equipment that have been or to be revalued. The appointment of an independent valuer is a must for a property investment or property development company seeking listing.

- **Tax Adviser**

A tax adviser may be required to provide expert opinion and advisory on any tax matters, particularly if the listing exercise involves group restructuring, transfer of properties and cross border activities.

How Deloitte can help

How Deloitte can support you in your IPO journey

As your trusted adviser throughout the entire IPO journey, there are a number of areas where we can provide support and assistance (including pre-IPO preparation work, assisting on the IPO transaction, and providing support post-IPO).



IPO Readiness Advisory

IPO Planning and Readiness Assessment

The readiness preparation process typically involves getting the **core foundations** right and planning for the future.

To become "IPO ready", we can provide assistance to the management in planning for the upcoming transaction, which typically begins with a diagnostic health check, detailed gap analysis and review on remediation steps and progress.

Using our proprietary IPO Readiness Assessment tools, we can help you navigate an IPO event, covering core topics such as:

- IPO strategy and equity story
- Business plan and forecast model
- Group structure
- Accounting and financial reporting
- Corporate governance and leadership
- Internal controls and risk management
- Legal and tax matters

Key benefits

- Assess the group's readiness to list, as well as identify an optimal route and IPO timetable with critical path identified and key activities prioritized.
- Detect execution risks and challenges ahead of time to allow ample time to remediate those concerns.
- Identify what needs to be done in order to enhance the group's ability to operate as a public company.



IPO Assist

Provide professional advisory and proactive project management support for the IPO submission

- Assist to draft financial sections of the prospectus/registration document to comply with relevant listing rules (e.g. MD&A section).
- Compile financial information required by the Exchange and assist to draft responses to the Exchange's comments.
- Advise on complex accounting matters and participate in discussions with independent auditors to articulate management position.
- Project management role for all accounting and financial reporting workstreams in the IPO execution process.



Post-IPO Support

Support finance team in post-listing reporting obligations

- Support finance team with the implementation of all required Day 2 to Day 100 post-IPO activities.
- Train the finance team in post-IPO reporting obligations.
- Assist the company in issuing the first set of public financials and announcements.
- Continuous support in compliance with new accounting, financial and ESG reporting standards and listing rules.
- Support ongoing analyst liaison, investor relations and financial communication engagements.



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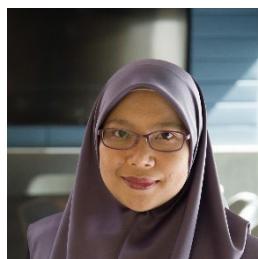


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