

New transfer framework to enhance vibrancy of LEAP and ACE Markets

BY LIEW JIA TENG

Six years after the Leading Entrepreneur Accelerator Platform — better known as the LEAP Market — was launched at Invest Malaysia Kuala Lumpur 2017, the alternative capital-raising platform for small and medium enterprises (SMEs) finally has a new transfer framework for companies wanting to migrate to the ACE Market.

The new LEAP-to-ACE transfer framework, which took effect on April 1, was a long-awaited one as industry players, including LEAP Market-listed companies and corporate advisers, had been urging the regulator to come up with a framework that would allow companies to transfer to the ACE Market in a time-saving and cost-efficient manner.

Previously, without the transfer framework, LEAP Market-listed companies had to delist and submit an application to be listed on the ACE Market. The process was considered defeating the main objective of having a LEAP Market in the first place. Moreover, as companies had to pay advisory fees twice, that may leave them with little profit.

So, does the new transfer framework resolve the problems facing the LEAP Market?

Bursa Malaysia believes the introduction of the transfer framework represents a key enhancement to what the LEAP Market has to offer as it provides a clear path for LEAP Market-listed companies to graduate to the ACE Market and reach a broader pool of investors. “None-



Astramina Advisory's Wong: The LEAP Market is like a kindergarten — you need to do your two years of foundation before you graduate to primary school

theless, the exchange will continue to develop initiatives to ensure the Malaysian capital market remains vibrant and competitive,” the bourse operator tells *The Edge*.

Bursa points out that one of the main challenges in formulating the transfer framework is the fact that the LEAP Market is a qualified market limited to sophisticated investors, while the ACE Market is open to all investors. “Due to the differing regulatory regimes and intrinsic nature of the markets, it was challenging to formulate a seamless transfer framework, unlike the transfer from ACE Market to the Main Market, where both markets serve the same pool of investors.”

On undertaking a review of the ACE Market Listing Requirements, Bursa says it conducted extensive public consultation on the various



MSWG's Devanesan: Where there are tiered markets, the ability to elevate to a more prestigious market augurs well for a vibrant capital market as a whole

proposals made and held a focus group meeting with its key stakeholders to solicit their comments and feedback.

“The exchange considered the feedback received carefully before finalising the framework. The valuable feedback received from the market enabled the exchange to refine and enhance the framework to ensure its effectiveness,” it adds.

Bursa is of the view that the announced framework, at this juncture, is the most desirable outcome that it could have achieved after considering the perspectives and feedback of its diverse stakeholders, including those from public-listed companies (PLCs) and advisers.

“The exchange believes we have achieved our regulatory goal in arriving at a balanced and pro-



Thinkat Advisory's Fredericks: The independent corporate finance advisers will find it more challenging due to the additional requirements imposed by the regulators before they gain recognised approved adviser status

portionate regulatory framework, which will promote both the LEAP Market and ACE Market to be vibrant and attractive in the Malaysian capital market in the long run. The exchange will continuously update and enhance our regulatory requirements in tandem with market developments and industry needs,” it says.

Although the wait was longer than expected, Thinkat Advisory Sdn Bhd managing director Karl Fredericks believes it is definitely the case of better late than never. “With the transfer framework formalised, this has reduced the uncertainties for LEAP Market-listed companies and advisers alike, who are overjoyed to see this finally come to fruition,” he tells *The Edge*.

Fredericks opines that the biggest problem the LEAP Market is

facing is a perception issue, which is similar to what the Mesdaq Market encountered about 20 years ago. “It took more than 10 years from the launch of the Mesdaq Market before it was seen as a viable fund-raising platform, and probably another five years before it became the sought-after exchange it is today,” he recalls.

“Apart from the merger of the Main and Second Boards in 2009, there weren’t any fundamental changes to the Mesdaq Market to justify its eventual success. So, maybe we just need time. Hopefully, the LEAP Market won’t take as long,” says Fredericks.

Minority Shareholders Watch Group (MSWG) CEO Devanesan Evanson concurs that industry players should be happy with the latest development as it provides visibility on how companies can elevate their listing status from the LEAP Market to the relatively more prestigious ACE Market.

“It is a first-cut framework, which should cover the concerns of most stakeholders and industry players. This is due to the collaboration and feedback that the exchange would have undertaken with the relevant stakeholders and industry players before the release of the framework,” he tells *The Edge*.

Devanesan acknowledges that the framework may not be perfect at the moment as there may be areas that need to be fine-tuned in the future.

“Once implemented, there are bound to be areas for improvement, which can be addressed later. What is important is that there is a start-

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The Edge Malaysia – Monday, 10 April 2023 – Part 2 (C)

ing point before we can move on,” he stresses.

Astramina Advisory Sdn Bhd founder and managing director Datin Wong Muh Rong is pleased that the transfer framework is finally out after a long wait.

“The framework shows that Bursa heard the voices of the market. Fundamentally, there are two important things that stood out in this new framework,” she tells *The Edge*.

First, a transfer applicant will only be delisted from the LEAP Market upon its successful transfer and listing on the ACE Market.

“Previously, the LEAP Market-listed company needed to be delisted first, thus putting it at some risk of being permanently delisted should something go wrong. While this sequence in the listing process is minor, it is extremely significant and provides a lot of comfort to LEAP Market-listed companies,” Wong points out.

The second is the price discovery mechanism, where the LEAP Market-listed company needs to undertake a public issue of shares when it transfers to the ACE Market. This effectively means someone will need to underwrite the shares in order to ensure the valuation is orderly.

“A public issue also means the market decides on the pricing and whether there are buyers and sellers. Overall, this provides transparency and will give investors more confidence in the whole price discovery mechanism of LEAP Market-listed companies,” she explains.

Overall, these rules are a big step forward for all LEAP Market-listed companies, says Wong.

A more vibrant capital market

With the new transfer framework, will we see more SMEs going for listing on the LEAP Market in the future and, for that matter, more migration to the ACE Market? Will both markets be more vibrant going forward?

Thinkat Advisory’s Fredericks observes that the LEAP Market had seen its lowest number of listings in 2022 since it was launched in 2017, which may be attributed to the delay in finalising the transfer framework. He is optimistic and hopeful that the transfer framework will add fresh impetus to LEAP Market applications.

“Ultimately, however, the success of the transfer framework, and even the LEAP Market as a whole, will depend on the implementation of the transfers. We look forward to working with the regulators to ensure smooth and transparent transfers,” says Fredericks.

Astramina Advisory’s Wong foresees more transfers from the LEAP Market as the gap between the two markets has essentially vanished with the new framework.

“Nonetheless, I still see the LEAP Market as a very good starting platform for an SME looking to build

Top 10 LEAP Market companies by market capitalisation

NAME	MARKET CAP (RM MIL)	REVENUE TRAILING 12 MONTHS (RM MIL)	NET PROFIT TRAILING 12 MONTHS (RM MIL)
Uniwall APS Holdings Bhd	577.8	25.0	-3.5
CE Technology Bhd	398.0	95.1	13.9
Metro Healthcare Bhd	394.7	40.3	5.1
Alpha Ocean Resources Bhd	328.0	5.4	-1.4
DSR Taiko Bhd	284.8	9.6	0.2
Lim Seong Hai Capital Bhd	267.0	163.3	40.3
MMIS Bhd	240.0	31.8	6.5
Top Vision Eye Specialist Bhd	187.9	53.0	5.3
CC International Bhd	150.6	27.5	3.7
Sunmow Holding Bhd	147.4	87.9	5.7

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up its branding and exposure in a less overwhelming manner. The LEAP Market is like a kindergarten — you need to do your two years of foundation before you graduate to primary school,” she illustrates.

Wong believes the clarity of the framework will attract more good candidates to be listed on the LEAP Market.

“When the ACE Market was first introduced back in the day as the Mesdaq Market, it was built on the premise of catering for technology companies that wanted to get listed even though they had no profit track record. Fast forward to today and all ACE Market-listed companies have profit track records,” she says.

“Thus, now, the responsibility of what the ACE Market had to shoulder is now taken over by the LEAP Market. Astramina recently listed a company on the LEAP Market — Sancy Bhd — a digital healthcare company that is looking to build its brand and presence before migrating to the ACE Market.”

MSWG’s Devanesan also expects more SMEs to seek a listing on the LEAP Market in the future as there is now a framework that allows them to migrate to the ACE Market.

“What is particularly attractive is that it may take as little as two years of listing on the LEAP Market to qualify for a transfer of listing. Where there are tiered markets, the ability to elevate to a more prestigious market augurs well for a vibrant capital market as a whole,” he says.

More opportunities for advisers and sponsors

Significant to the amendments to the LEAP Market transfer frame-



work is the introduction of a recognised approved adviser framework, which will expand the pool of sponsors or advisers in the ACE Market in respect of the transfer of listings and permitted corporate exercises.

Under the recognised approved adviser framework, an approved adviser that has completed three initial listings on the LEAP Market with at least one qualified person may seek the exchange’s approval to act as a recognised approved adviser.

Thinkat Advisory’s Fredericks says the amendments open more opportunities to corporate advisers and sponsors. However, it is more to the benefit of the larger advisers, such as the investment banks, universal brokers and special scheme advisers who will be conferred automatic approval.

“The independent corporate finance advisers will find it more challenging due to the additional requirements imposed by the regulators before they gain recognised approved adviser status,” he points out.

Astramina Advisory’s Wong also feels that Bursa is “a little stringent” on the criteria for recognised approved advisers, but this is to be expected considering it is the first framework.

“As we move along, we hope we can build more confidence and allow more entrepreneur-run advisers to get recognised. Astramina Advisory is owner-run, and we are seasoned investment bankers who have been in the industry for quite some time. Being owner-run, we have put in the sweat and hard work to make our deals happen and, in some aspects, I would say

that our reputation is of even more significance compared with a normal bank,” she says.

Newly transferred ACE Market companies perform better?

Interestingly, the share price of former LEAP Market-listed companies TT Vision Holdings Bhd and Cosmos Technology International Bhd have performed well since they were listed on the ACE Market.

TT Vision, a machine vision equipment manufacturer, saw its share price close at RM1.28 on its maiden trading day on the ACE Market on Jan 18. This was a 276% surge from its initial public offering (IPO) price of 34 sen. The counter ended at RM1.22 last Thursday, which translates into a market capitalisation of RM570.96 million.

Cosmos Technology, an integrated water technology solutions provider, also made a firm ACE Market debut on Oct 6 last year by closing at 56 sen, 37.5% or 21 sen higher than its IPO price of 35 sen. The stock ended trading at 48 sen last Thursday, giving the company a market capitalisation of RM121.91 million.

Will other companies follow suit in the future?

MSWG’s Devanesan points out that there is much exuberance over new listings, both on the ACE Market and Main Market as they enjoyed a substantial premium on their debut. However, he warns that there is no guarantee that such exuberance will continue forever.

“It is not surprising that the share prices of TT Vision and Cosmos have performed well since they listed on the ACE Market. It is thus fair to expect the other LEAP turned ACE companies to follow suit soon and for their share prices to perform well too, but there is always a risk that market dynamics may change. At least for the short term, such listing premiums and better share price performance are carrot enough to encourage new listings,” he says.

Ultimately, says Thinkat Advisory’s Fredericks, if a company has good fundamentals, track record and prospects, these will be reflected in its share price. “We prefer not to comment on individual companies, but it could be that TT Vision and Cosmos rode on the ongoing rally in ACE Market listings.”

Astramina Advisory’s Wong says the transfer of listing is just a process in raising the awareness of these companies, while everything else boils down to fundamentals.

“What we need to understand here is that a lot of LEAP Market companies are good. It does not mean that just because they delisted from the LEAP Market and relisted on the ACE, hence they are good. LEAP Market companies are good because they are fundamentally sound in the first place — they have good business models, committed entrepreneur-owners and are as transparent as ACE and Main Market-listed companies. This gives confidence to investors.” **E**

Mixed views on further liberalisation

Other than the long-awaited transfer framework, one of the things that industry players would like to see is the liberalisation of the LEAP Market. Many have debated whether the restrictions placed on it – essentially that it is accessible to only sophisticated or accredited investors – should be lifted so that the general public can also invest in these companies.

Now that we have a new listing transfer framework – which essentially means retail investors may have a chance to invest in companies that get their start on the LEAP Market in the future, provided that these make it to the ACE Market – should there be further liberalisation so that the LEAP Market is made accessible to the general public?

Opinions are mixed on this point.

Thinkat Advisory Sdn Bhd managing director Karl Fredericks admits that naturally, most people would prefer further liberalisation, whether in terms of market access or otherwise, of the LEAP Market.

"However, with the emergence of the transfer framework, I don't believe this is a must. In fact, if the LEAP Market were fully accessible to all investors, some issuers would question the need to transfer to the ACE Market or other full-fledged markets," he argues.

Astramina Advisory Sdn Bhd founder and managing director Datin Wong Muh Rong insists that the LEAP Market "should definitely be liberalised" to all investors.

"However, I do have one qualification. It is the responsibility of the authorities to impose a limit on how much the investor can invest. Let's say a maximum of RM20,000 or RM50,000 that an investor can put into a LEAP Market company," she suggests.

Wong points out that as it is, investors are allowed to invest in peer-to-peer (P2P) financing and equity crowdfunding (ECF) platforms.

"If investors can put in money in these schemes, then why shouldn't they be allowed to invest in LEAP Market companies, which have [stronger] fundamentals, are a lot more established and are a lot more transparent? If the authorities allow ordinary investors to invest in Bitcoin and other cryptocurrencies, which have a much higher risk, why can't retail investors invest in LEAP Market companies?" she points out.

Wong feels it is "fundamentally an infringement of a constitutional right" for the regulators to make it difficult for any investor to buy and sell shares on the LEAP Market. "We are, in fact, preventing investors' access to good companies," she argues.

Nevertheless, Minority Shareholders Watch Group (MSWG) CEO Devanesan Evanson is of the view that with the implementation of the transfer framework, there should be less pressure on the regulators to open up the LEAP Market to all types of investors. "This is because LEAP Market companies can access all types of investors when they are elevated to the ACE Market, and this elevation can take as little as two years of listing on the LEAP Market," he opines.

Devanesan says it is understandable that the regulators have taken a paternalistic approach in that only sophisticated or accredited investors are allowed to invest in LEAP Market companies, given the greater risks involved when compared with the ACE and Main Markets.

Bursa Malaysia highlights that at most exchanges around the world, the shares of smaller businesses generally tend to have less liquidity, higher uncertainty in terms of business performance and perhaps take on more risks than larger, more established companies.

The stock exchange regulator adds that the LEAP Market was established to serve a very specific segment, namely to enable small businesses and start-ups to raise funds from

the public. Typically, these companies either have not made a profit or are barely making a profit and do not have a proven track record.

"Since such companies are still at the early stages of development and commercialisation, it is only natural that we limit access to such investments to sophisticated investors, who typically have a higher capacity for increased risk," it explains.

Bursa points out that the current regulatory framework for the LEAP Market is also designed to enable SMEs to raise funds from the capital market in a cost-effective and timely manner. Therefore, in lieu of a prospectus, only an information memorandum is required to be issued in conjunction with an initial listing. Moreover, the continuous listing obligations imposed on a listed company of the LEAP Market post-listing are more principle-based.

"In view of the above, the LEAP Market is more suited for sophisticated investors who are able to make better informed investment decisions based on the available information. As these LEAP Market-listed companies grow and arrive at a desired level of maturity, they may then graduate to the ACE Market and offer more shares to the public or retail sector and reach a wider audience of investors," says the regulator.