

## Topic 17 - LEAP Market of Bursa Malaysia

Bursa Malaysia has recently launched a new listing market, i.e. Leading Entrepreneur Accelerator Platform (“LEAP”) Market, in addition to the existing Main Market and ACE Market. LEAP Market will provide SMEs with greater fund raising access and visibility via the capital market.

Principally, LEAP Market allows SMEs to raise funds and list in more cost efficient based on less stringent rules and regulations with prudential standards. Target processing period for the listing is said to be less than 3 months as Bursa Malaysia is the sole approving authority. Listing suitability and commercial viability assessment obligation will be undertaken by approved advisers.

I believe major investment bank based advisers will be more focus to Main and ACE Markets listing jobs and might place less emphasis in LEAP listing jobs. Hence, Bursa Malaysia may likely to continue to increase the pool of advisers after approved the six new advisers during the launch of LEAP Market few weeks back.

In Malaysia capital market landscape before the introduction of LEAP Market, the lower-class equity funding market after ACE Market is the Equity Crowdfunding (“ECF”) introduced by SC in recent years, which maximum fund raise is RM5million by each issuer. As compared to ACE Market fund raised averages approximately RM29million over the recent five years. Hence, there is a gap of RM5million to RM20million between ECF and ACE Market. Therefore, LEAP Market is expecting to fill up this gap with estimated range of fund raise from the market is about RM5million to RM20million.

LEAP Market is also another investment alternative to sophisticated investors. Investment in LEAP Market issuer may yield high returns when the issuer transfer to ACE or Main Market in the future, as Bursa Malaysia is encouraging LEAP Market issuers to transfer to ACE or Main Market if they fulfil certain requirements.

One disappointment to some retail investor is that LEAP Market is only eligible for sophisticated investors who is high net worth individual or corporation that can take up high risk investment and well-versed in early investments risks.

Sophisticated Investors	Criteria
Individual	-Owns more than RM3million net assets; or -Individual annual income more than RM300k; or -Husband and wife annual income more than RM400k
Corporation (Company, Partnership, Trust Company)	-Owns more than RM10million net assets; or -Venture Capital corporation, Venture Capital Management corporation, Private Equity corporation and Private Equity Management Corporation registered with the SC

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Prospectus is not required for listing offering documents, only required information memorandum. The information memorandum does not require pre-vetting by Bursa Malaysia or Securities Commission Malaysia. Different from Main Market and ACE Market, initial listing to LEAP Market may involve fundraising by IPO and/or placement, and may not involve fundraising by way of Introduction. Besides, listing in LEAP Market does not require profit track

record and operating history as well, which makes any local SMEs can seek for listing. Post listing, the listed issuer is only required to issue semi-annual financial reporting & annual audited accounts for continuous disclosure requirement.

	Main Market & ACE Market	LEAP Market
Continuous disclosure	-Quarterly financial reporting -Annual report with annual audited account	Semi-annual financial reporting Annual audited account Annual Report is not required
Public spread	25%	10%
Type of company	Malaysia incorporated public company	Any public company

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-Same as generally known benefit of IPO, listing in LEAP Market gives the listed issuer opportunities to access capital market and raised fund in less costly way, enhance corporate public profile, unlock shareholders' investment value and give existing investors flexibility to divestment of their investment.

-For those corporations that are seeking for listing in ACE or Main Markets but do not qualify for it, LEAP Market might provide them another alternative.

Below is the summary of the 10 potential issuers (i.e that was announced publicly that of their intention to be listed in LEAP):

Pre-money Financial Statistic based on Latest Publicly Available Information										
Potential Issuers	Sector	Net Assets			Revenue			Profit After Tax		
		A = < RM1million B = RM1-10million C = RM10-20million			D = <RM5million E = RM5-25million F = RM25-45million			G = <RM1million or loss H = RM1-2million I = RM2-5million		
		A	B	C	D	E	F	G	H	I
Aggrofresh International Group Sdn Bhd <sup>note1</sup>	Agriculture Trading and Bio-Technology	See note 1 below								
Red Ideas Holdings Sdn Bhd <sup>note2</sup>	Not available in public disclosure	See note 2 below								
Polymer Link Sdn Bhd	Manufacturer -Powered Plastics									
Trustgate Bhd	Information Technology									
Accent Wellness Global Sdn Bhd	Healthcare- customized compounding medication									
East West One Group Sdn Bhd <sup>note3</sup>		See note 3 below								
Macfeam Sdn Bhd	Manufacturer -structural tubular									
Upstream Donstream Process & Services Sdn Bhd	Engineering services – Oil and gas									
ProEight Sdn Bhd	Manufacturer engineering company- mechanical seals									
Safetyware Sdn Bhd <sup>note4</sup>	Manufacturer -industrial safety products									

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Note1: Incorporated on 9 June 2017 with an objective to be involved in plant tissue culture.

Note2: Incorporated on 7 June 2017 with objective not yet disclosed in public domain.

Note3: Incorporated on 30 December 2013, and until 30 April 2016, it has not commenced operations. However, there were two plantation schemes launched on 13 February 2017 and 8 March 2017 under East West One Consortium Bhd and East West Horizon Plantation Bhd having common directors and individual shareholders with East West One Group Sdn Bhd.

Note4: Incorporated in 2003 with three subsidiaries. The tabulation above considered only the individual company and not the consolidated results.

I will continue in my next article covering their business model, pre-money financial valuation metrics and introduced the concept of classifying investment based on value, growth and mixed investment.

The author wishes to declare that the author and Asia Equity Research do not have any share ownership in any of the companies discussed prior to this and until current date. This article is prepared by Ong Tee Chin, CFA, FRM, and represents the view of the author. He can be contacted at [general@aer.global](mailto:general@aer.global) for any further enquiries on the contents of this article.