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INSIGHTS

Newsletter

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RETHINKING THE LEAP MARKET

The Leading Entrepreneur Accelerator Platform ("LEAP") Market was launched by Bursa Malaysia ("Bursa") on 25 July 2017 with the objective of acting as an alternative capital-raising platform for small and medium enterprises ("SME"), being the first of its kind in ASEAN. Since its launch, the LEAP Market has seen 43 companies listed, raising RM250 million. However, since 2020, there have been a total of 5 companies de-listed/delisting from the LEAP Market (The Edge, 2022).

The 5 de-listed/delisting companies had cited the following reasons for delisting:

- ·Lack of liquidity of the LEAP Market – Polymer Link Sdn Bhd (Cheryl Poo, 'First application to delist from platform', The Edge, 7 September 2020), MyKris International Berhad and JM Education Group Berhad (Ahmad Naqib Idris, 'JM Education, second company to withdraw listing from LEAP Market', The Edge, 22 September 2020); and

- ·Delist from the LEAP Market to list in the ACE Market - Cosmos Technology International and TT Vision Holdings Berhad (Kang Siew Li, 'TT Vision gets Bursa's nod to delist from LEAP Market, aims for ACE Market, The Edge, 25 April 2022).

In summary, the reasons for the delisting may be grouped into the following shortfalls of the LEAP Market:

- ·Exclusivity to accredited investors*, leading to a lack of liquidity and vibrancy of the LEAP Market; and

- ·The lack of a transfer listing framework, stagnating growth and leaving listed companies in 'limbo'.

Accredited investors are defined as "high net worth" individuals and entities according to Part 1 of Schedule 6 and 7 of the Capital Markets & Services Act 2007.

These shortfalls have been noted by Bursa Malaysia, however, Bursa Malaysia explained that initiatives to improve the initial public offering framework will typically require rule changes that would impact issuers, investors and other market participants, and would involve a protracted process of implementation.

Notwithstanding the shortfalls, there appears to be a consensus within the industry that the restriction of investors should be removed or revisited to determine its relevance in today's market. Some had even suggested that investments of non-accredited investors be capped at certain amounts to act as a safeguard and avoid unnecessary losses derived from uninformed decisions of non-accredited investors. Advocacy for the participation of non-accredited investors would improve the liquidity of the LEAP Market and increase its attractiveness to other up-and-coming SMEs.

Furthermore, it has been reported that a transfer listing framework is currently in development, though an indicative date for its implementation has yet to have been announced by Bursa. Nevertheless, there is a general understanding amongst stakeholders that when a transfer listing framework is established, it should propel the LEAP Market closer to its full potential.

Whilst efforts are continuing to address the above criticisms of the LEAP Market, advocates of the LEAP Market have sounded the benefits of security and transparency that the LEAP Market brings and offers to investors. Compliance with the requirements and regulations of the LEAP Market that companies are bound to offer investors more information available at their fingertips, more so available than through other fundraising exercises such as crowdfunding or peer-to-peer methods, thus further enabling investors to make informed decisions. Such compliance will in-hand amplify a company's public profile and gain market confidence.

It is also important to note that although there is no minimum operating track record or profit requirement for companies to list on the LEAP Market, out of the 43 listed companies, only 6 companies are loss-making. With only 6 companies experiencing losses out of 43 companies, it suggests that most of them are of good quality and with a potential for growth, it would also enhance the reputation and image of the LEAP Market, thereby furthering a company's appeal and profile amongst stakeholders. It may also widen a company's options for fundraising, enabling them to execute their expansion plans, and in some cases, companies may also use their shares as a commodity, such as issuing shares in lieu of cash in acquisition exercises (The Edge, 2022). Nevertheless, being listed on the LEAP Market would propel the credibility of an SME company forward due to the legitimacy and status that a listed company brings.

In spite of the delisting of 5 companies from the LEAP Market, with 2 of them delisting for the purpose of listing on the ACE Market, these 2 companies may be viewed as success stories from the LEAP Market instead of its failings.

Opinions so far have been left to conclude that the LEAP Market has yet to fully meet its expectations, but it does not suggest that it will not be able to. Bursa Malaysia had announced significant progress in developing a transfer framework and that a public consultation would be issued soon. The finalisation and implementation of the framework would increase the attractiveness of more SMEs to be listed on the LEAP Market, as this would provide SMEs with the avenue of exploring fundraising exercises whilst reaching a wider pool of investors.

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GST - FOR THE BETTER OR WORSE?

For better or for worst ? If GST 2.0 is finally reintroduced in Malaysia.

So many IF in the above . Let’s assume it is coming back.

I believe there will be some in our communities who will be welcoming this return -

A) Most businesses and enterprises in Malaysia who have been making successful claims on input tax credit for their purchases that they have incurred for their business operation. Since GST (at whatever rate) which they are charging will be a cost to the final consumer in the previous GST regime, they may like GST to return provided the refund for the zero rated suppliers can be speedier than the past refunds and so are the excess GST overpayment in the returns.

B) A minority few like the previous exempt suppliers may not welcome this tax as the GST input is a cost to them and they cannot offset this with GST output as their supply is an exempt supply.

The businesses reservation may be on the prices of their goods and services and the deemed excessive profits that they must refrain from making under the previous Price control Anti profiteering Act. The formula used to monitor the excessive profit is very complicated and cannot be understood by many businessmen and expert as well. This part of price monitoring was not well managed in the previous regime. We may need to rethink about this mechanism to control prices and perhaps let the market to decide what is the best price. In any case this is perhaps the most confusing part of the GST regime.

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