

Taking the big LEAP to the ACE Market



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MARKETS

Wednesday, 10 Apr 2024



PETALING JAYA: While welcoming the move by the Securities Commission (SC) to accelerate the transfer process of ACE Market companies to the Main Market, analysts and investment advisers say a parallel initiative should be given to firms in the LEAP Market too.

This comes amid the general consensus among them that the speeding up of the “promotion” process comes with no compromise on the quality of companies that are seeking to move to a primary index.

The accelerated transfer process, effective since Jan 1, has received a thumbs up from managing director at Astramina Advisory Sdn Bhd Wong Muh Rong, who described the move by the SC as “better late than never”.

More importantly, however, she is hoping that the regulatory bodies could provide similar flexibility for LEAP Market companies that are intending to be promoted to the ACE Market.

She was referring to the fact that in accordance with the existing guidelines, a transfer applicant from the LEAP Market must apply to withdraw its listing from the index and accord its shareholders an exit offer or any other alternative exit mechanism, which is equitable to them.

To the credit of the regulators and the relief of LEAP companies, a transfer applicant will only be delisted from the market upon its successful transfer and listing on the ACE Market.

Wong, however, said the process could be better aligned especially in light of the flexibility given to ACE Market companies.

“We feel that similar rules that are allowing ACE players to graduate straight to the Main Market without first exiting should also be applied to LEAP companies moving to the ACE Market,” she told StarBiz.

Pointing out to the fact that the LEAP Market is limited and a selective pool of sophisticated investors, she is of the opinion that such investors would be more than capable of protecting themselves and a streamlining of the rules between the three boards should be implemented.

The LEAP Market was launched in July 2017 as a qualified market accessible only to sophisticated investors. Its establishment has provided greater opportunity to small and medium enterprises (SMEs) to access capital, while increasing their visibility and profile through their status as a public-listed company.

At the same time, Wong reiterated that the flexible acceleration of ACE Market entities to the Main Market is healthy for the country’s capital market as it would allow companies to continuously improve.

“Apart from that, it is also situationally practical to allow other promotion assessments such as the market capitalisation test, instead of just profit evaluations.

“This is because at times, technology companies, for example, may not be generating the required profit level or some firms could be experiencing a one-off negative operating cash flow, but these could be isolated events,” she pointed out. At present, a criteria of the SC’s profit test is that an applicant for a Main Market listing must have an uninterrupted profit record of three to five full financial years based on audited financial statements prior to submission to the SC.

They must have an aggregate after-tax profit of at least RM20mil and an after-tax profit for the recent financial year of at least RM6mil.

Wong said the flexibility would help improve listings on the Main Market and galvanise investment activity for the capital market, as it would improve the speed with which companies can get on the primary index.

Meanwhile, Rakuten Trade head of equity sales Vincent Lau opined that the acceleration process should not see any quality depletion of new companies getting onto the Main Market.

Interestingly, while likening a transfer to the Main Market to a football club getting promoted from Division One to the Premier League, he acknowledged the practicality of companies listing first on the ACE Market.

“The journey to the Main Market via the ACE Market affords companies a ‘graduation’ element in the corporate world.” The progress may also help to attract institutional investors,” he said.

There could be cases where potential Main-Market listers have a good profit track record but are experiencing negative operating cash flow and as such, it would be advisable for them to be listed on the ACE Market first, he said.


According to Lau, more companies are expected to apply for a transfer to the Main Market due to the more flexible policy currently.

The commission, in its website, noted that a corporation which is listed on the ACE Market may seek a transfer of listing to the Main Market if its daily market capitalisation for a one-year period ending on the last business day is at least RM500mil. Under the accelerated process, a company may apply for Main Market listing if its daily market capitalisation, for the six months immediately preceding the date of submission to the SC, is at least RM1bil.

The SC has pointed out that ACE Market corporations must demonstrate they have achieved the standards in terms of quality, size and operations to be moved up the ladder.

“The simplified and accelerated transfer process should incentivise more companies listed on the ACE Market to make continuous efforts to improve their corporate values and achieve sustainable growth for shareholders,” the commission pointed out.

In an announcement yesterday, [GFM Services Bhd](#)  said Bursa Malaysia had approved its transfer from the ACE Market to the Main Market.

On Monday, [Nationgate Holdings Bhd](#)  applied to transfer its listing and quotation for its entire issued share capital from the ACE Market to the Main Market.

The company is also expecting the proposed transfer to enhance its reputation and appeal.

“The proposed transfer will also promote NationGate’s corporate image leading to greater recognition and confidence to clients, sub-contractors, business partners, bankers, employees and shareholders,” it said.

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