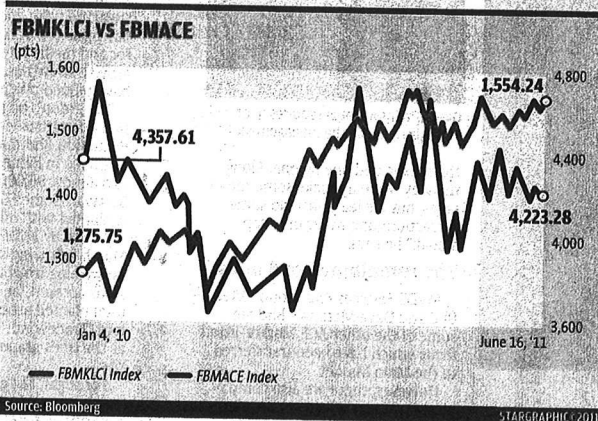
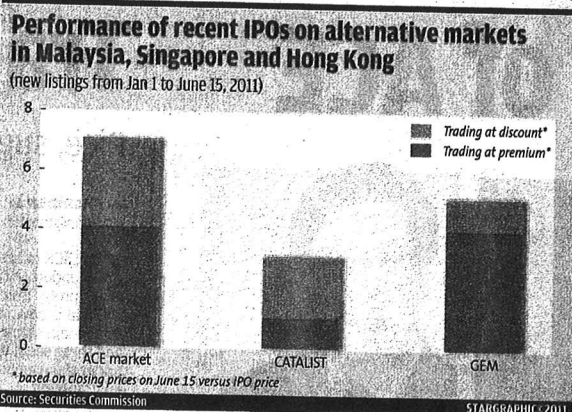


## MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD  
(Incorporated in Malaysia – Company No. 524989-M)

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( Part 3 )



helping the country to fuel its economic growth," a market observer explains.

#### Caught in the middle

Still, there are some who question whether the Malaysian venture capital industry, which is a growing alternative source of financing to many start-up and small companies in the country, could have been a better source for some ACE Market-listed companies.

"Not really. A bulk of companies making their debut on the ACE Market are SMEs that have already surpassed the minimum criteria imposed by venture capitalists. Many of these companies simply do not fit into venture capitalists' profile.

"So, where can they raise funds to support their expansion if we do not provide an alternative market like ACE? They are too big for venture capitalists and too

small to qualify for listing on the Main Market. Without capital injection, these SMEs cannot move into the 'big league'," says the investment banker.

Venture capitalists defend the need for the ACE Market for two main reasons – to provide an additional option to exit their investments and an avenue for further fund-raising to support their existing investments. This in turn will encourage further venture capitalists' activities and investments in start-ups.

As Mayban Ventures Sdn Bhd's director of private equity Andrew Ho puts it, "Venture capitalists and entrepreneurs need a vibrant ACE Market and the stock market in general, as this will promote further entrepreneurial activities through better and more efficient allocation of resources."

"The existence of ACE Market is not for venture capitalists alone. It is definitely one of the options for us to exit, but not the only avenue. ACE Market in Malaysia is more for SMEs to raise funds to finance their companies' expansion," Teak Capital managing director Chok Kwee Bee says.

On venture capitalist-funded companies that have graduated to public listed status, Chok says the number is still relatively small compared with the number of companies that have done it on their own. Nevertheless, she says, "When we make our investments in those companies, we obviously do our due diligence to understand the company's prospects going forward."

It is often argued that listed companies that have been venture capitalist-funded tend to fare better as they have been subject to financial discipline and accountability. Companies that have been funded by venture capitalists include JobStreet Corp Bhd and REDtone International Bhd.

However, analysts argue that a company's success ultimately depends largely on the entrepreneurial skills of the management, and not merely on financial discipline and accountability.

"The perception that the ACE Market comprises mainly poor quality companies is not entirely justified," an