MINORITY SHAREHOLDER WATCHDOG GROUP
*BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD*
(Incorporated in Malaysia – Company No. 524989-M)

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# ACE Market supported by strong regulatory framework

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ally harder on the regulators; while sponsors are the main gatekeepers, the regulators still play their roles in ensuring that all parties involved have disclosed all the necessary information such as potential risks and other operational issues and challenges on their documents or prospectus."

It is understood that there have been cases where the SC has even called for prospectuses of several new listings to be rewritten due to "inadequate disclosure" before those prospectuses are released to the public.

"ACE Market is indeed supported by a strong regulatory framework. As we see it, there is certainly no let up in this area," an analyst says, pointing to the case of Focus Point Holdings Bhd as an example.

Listing of the optical product and service provider was halted at the eleventh hour in July last year and deferred to a later date. According to the SC then, the deferment was to allow the company to address certain allegations against it.

To recap, prior to Focus Point's original listing date, reports came out that as at the end of 2009, 38 of the company's 64 eyecare centres were found to have been dispensing contact lenses over the counter without an optometrist or an optician qualified to prescribe or dispense them. The regulators then decided to defer the company's listing to give it time to inform the market about the impact of the new finding on its business going forward.

The company subsequently announced that it had ceased the prescription and dispensing of contact lenses from outlets that did not have either an optometrist or an optician qualified to prescribe or dispense contact lenses, and got listed at the end of August last year.

## Anti-dumping

There are also concerns over the "oversubscription" claims by new listings, which lends the impression that their shares are in high demand.

Investor education is necessary in such instances, an investment banker points out, as people have understand that the "oversubscription" claim actually only refers to the portion made available to the public, and in most cases, this portion could be just a small fraction of the entire issuance.

"In many of these listings, the bulk of shares being issued or offered for sale are going to parties under a private placement, whereby it isn't clear who these parties are," an analyst explains.

In the case of XOX, which reported an oversubscription of 13.2 times, only 7.5 million shares out of the 46.8 million IPO shares were made available to the public. The remainder were allotted for private placement and business associates.

MClean, which reported an oversubscription of more than 100 times, had only 2.7 million shares allotted to the public. The other tranche, involving 12.7 million shares, was offered for private placement and business associates.

Ideal Jacobs, which saw an oversubscription of 315 times of the two million shares offered to the public, had 28 million shares offered for private placement.

The analyst says that in most cases, parties under private placements of shares are not captured under the moratorium rules.

MSWG's Bushon concurs, saying: "Most of the selling was done by placement investors dumping their shares on opening day. A moratorium should be considered in such instances."

This phenomenon seemed akin to what hit some China-based companies listed on Bursa over the last one year.

Take Multi-Sports Holdings Ltd for instance. The company's shares tanked after its debut in August 2009, falling 59% below its IPO price within a month, due mainly to the heavy selldown by its second largest shareholder, GuoLine Group Management Co Ltd, a company linked to tycoon Tan Sri Quek Leng Chan's family.

GuoLine, which initially held a 15% stake in Multi-Sports, started to sell its shares in the open market 10 days after the stock's debut and ceased to be a substantial shareholder less than a month after the listing.

With Bursa having put in place strict real-time surveillance, an officer reiterates, "We cannot tolerate manipulation of shares. We place great emphasis on maintaining market integrity and ensuring investor protection."

"Nevertheless, we are also aware that we need to strike a balance, in that we cannot be too overly stringent, otherwise our action will stifle the capital market's growth."

## Buyers beware

All said, spotting a company with great potential requires intensive research and due diligence. As experts argue, as long as one enter the market with one's eyes wide open and is ready to do the homework, there is always a chance tha one could uncover some gems and interesting opportunities.

"Stock markets are a casino – tel me which market isn't? This is particularly true for emerging growth markets, so investors should know what they are investing in," an analyst says.

In the case of ACE Market-listed companies, no profit track record implies uncertainty of the future performance of the company. Here lies the risk to investors.

"These growth companies are early-stage companies and investo must evaluate thoroughly whethe they are able to take the risk of getting into such companies," Bushor advises.

So, the decision is really in the investors' hand.

"We believe all that is necessary has already been disclosed in the companies' documents. Investors should make informed decision by studying the prospectuses.

"It's like betting on a particular company. Who knows – the retur for taking the risk can be rewardi As they say – 'high risk, high retur says a market observer.