

FAQ for SME Co-Investment Partners (SCIP) Programme

Access to Financing Unit
Ecosystem Development Division
SME Corp. Malaysia

1. What is SCIP ?

The SCIP Programme is a co-investment initiative between the public and private sectors with the objective of crowding in private investors to invest into viable SMEs. The private sector investment will be matched with the funds from the Government through SME Corp. Malaysia.

The SCIP Programme is aimed to enhance access to financing for SMEs in all economic sectors particularly at early-stage in the form of equity, debt or a hybrid of equity and debt.

2. What are the differences between private equity investment (PE), venture capital (VC) and SCIP ?

Based on the Security Commission (SC) guideline, segregation of PE and VC investments is according to the different business stages of investments. However, PE and VC activities are similar as both involve the provision of capital and the application of expertise in providing strategic direction and vision to the venture corporations.

The general categories of PE investments include venture capital, buyouts and restructuring. Leveraged buyouts and restructuring deals are usually targeted towards more mature firms. In contrast, VC investments typically involve the provision of equity funding to younger, small and relatively high-risk companies with strong potential, which generally include venture corporations from seed to pre-IPO stages.

Under SCIP, SME Corp. Malaysia has identified and appointed Fund Management Firms (referred to as 'Investment Partners') to complement the existing financing landscape for SMEs through the following:

- Offers the choice of both equity and debt financing to meet financing needs of SMEs;
- Finance mainly early-stage SMEs as opposed to the normal venture capital and bank financing which are more inclined towards firms at the growth and expansion stages;

- Covers [SMEs in all sectors](#) including main street firms that have strong high-growth potential, innovativeness and in newly emerging areas. It is more well-spread compared to current venture capital financing which is mainly for technology-based companies; and
- Invests into viable SMEs through public-private partnership (Co-Investment) on 1:1 ratio matching basis.

3. Who are the private sector investors in SCIP ?

Private sector investors in SCIP are the Fund Management Firms (referred to as 'Investment Partners'), the non-banking funding entities that are:

- Legal entities run by those with experience in fund management but focus only on financing and developing SMEs and supported by non-financial services to enhance the success of SMEs
- Different from existing fund managers as their functions extend beyond provision of financing to include mentoring and technical assistance.

4. Why should SMEs obtain funding/investment under SCIP?

Unlike the normal private equity, venture capital and bank financing which are more inclined towards firms at the growth and expansion stages, SCIP focuses on early-stage SMEs in all sectors including brick and mortar businesses that have strong high-growth potential, innovativeness and in newly emerging areas.

Entrepreneurs will not only provide the required funding but also a wealth of business expertise, skills and contacts to help with the development and growth of the business. SMEs will also have access to other Government funding support within the SCIP programme framework.

5. What is the business stage of investment in SCIP?

Business stage of investment in SCIP is predominantly for early-stage and growth SMEs which have demonstrated evidence of market traction, particularly in terms of revenue generation and has been in operations for a period of 1 to 5 years only.

6. What type of SMEs are eligible to apply for SCIP?

To qualify for SCIP, potential SMEs must fulfil the basic criteria as follows:

- Have fulfilled the [SME definition](#) (click)
- Registered with Companies Commission of Malaysia
- Have at least 51% Malaysian equity

- In operations for a period of 1 to 5 years only
- Have evidence of market traction, particularly in terms of revenue generation

7. What is the quantum of funding provided under SCIP?

SCIP provides funding in the form of equity, debt or a hybrid of equity and debt up to RM3 million for each SME company.

8. How can SMEs apply for SCIP?

- Interested SMEs may apply by filling in the online application form through this link <http://www.smecorp.gov.my/scip/> or you may contact our Partners as follows:

| No. | SME Co-Investment Partners (SCIP) Programme - Investment Partners: |
|-----|--|
| 1 | <p>5X Capital Sdn. Bhd.</p> <p>278, Lorong Maarof, Bangsar, 59000 KUALA LUMPUR</p> <p>Contact Person: Mr. Lim Jet Liang (Partner)</p> <p>Tel. No.: +6012 – 230 9680 Email: jet@5xcapital.my</p> |
| 2 | <p>Arris Venture Management Sdn. Bhd.</p> <p>39, Jalan Kenari 17 C, Bandar Puchong Jaya, 47100 Puchong SELANGOR</p> <p>Contact Person: Mr. Loh Lim Hock (Director)</p> <p>Tel No.: +603 – 8076 3063 Email: funding@arris.com.my</p> |
| 3 | <p>Kanzun Ventures Management Sdn. Bhd.</p> <p>Level 13A, Menara Tokio Marine, 189, Jalan Tun Razak, 50400 KUALA LUMPUR</p> |

| | |
|---|---|
| | <p>or</p> <p>ADVISE 119, Innovation Incubation Center, Level 2, Resource Center, Technology Park Malaysia, Bukit Jalil, 57000 KUALA LUMPUR</p> <p>Contact Person: Ms. Wan Fara Idayu W Ahmad (Co-Founder/Chief Investment Officer)</p> <p>Tel. No.: +603 - 2717 3418 (Menara Tokio Marine) +603 - 8992 3000 (Technology Park Malaysia) +6 011-1120 2747</p> <p>Email: fara@kanzuncapital.com azrai@kanzuncapital.com aminudinshuib@gmail.com mardhiah293@gmail.com</p> |
| 4 | <p>Intrasys Sdn. Bhd.</p> <p>17-1, Wangsa Delima 10, D'Link Wangsa Maju, 53300 KUALA LUMPUR</p> <p>Contact Person: Mr. Jasmani Abbas</p> <p>Tel. No.: +6012 – 201 1187</p> <p>Email : jasmani@intrasys9.com haris@intrasys9.com zack@intrasys9.com (Please email your application to all the email addresses above)</p> |

9. Who are the appointed Investment Partners under SCIP?

- [Arris Venture Management Sdn. Bhd.](#)
- [5X Capital Sdn. Bhd.](#)
- [Kanzun Ventures Management Sdn. Bhd.](#)
- [Intrasys Sdn. Bhd.](#)

10. Can SMEs apply for funding under SCIP after getting investment elsewhere?

Yes, SMEs may apply for funding under SCIP after getting investment from other investors. However, the investment decision is subject to SME Corp. Malaysia's approval.

11. What are the documents for submission for SCIP application?

Documents required will be as per request by the Investment Partners for assessment, including the following but not limited to:

- i. Company Profile - Background, Products & Services
- ii. Regulatory Compliance documents (If applicable):
 - a. SSM Registration
 - b. Business Premises License
 - c. Other related licensing
- iii. Latest Audited Financial Statements (minimum 1 year)

12. Is there any processing fees for SCIP applications?

There is no processing fee for SCIP applications. However, the Investment Partners may charge fees to the applicants for due diligence activities required for the assessment during the application process up to the approval stage.

13. What is the general process flow for SCIP applications?

In general, the process flow is as follows:

A. Application via SME Corp. Malaysia:

- i. SMEs to fill in the online SCIP application form through the link <http://www.smecorp.gov.my/scip/> (click)
- ii. Secretariat to make pre-assessment of application to ensure fulfilment of basic eligibility criteria
- iii. SMEs that fulfil the criteria will be scheduled to participate in the SME Invest Series (Pitching Session) conducted by SME Corp. Malaysia
- iv. Evaluation by Investment Partners during the SME Invest Series
- v. Investment Partners to proceed with assessment of selected applicants
Applicants to undergo processing by Investment Partners as in (B) below

B. Processing by Investment Partners:

- i. Evaluation and investment approval by Investment Partners of selected applicants prior to propositioning to SME Corp. Malaysia
- ii. Submission of Memorandum of Investment document to SME Corp. Malaysia by Investment Partners

iii. SME Corp. Malaysia to verify and validate information given in the Memorandum of Investment document

C. Approval, Risk Management & Disbursement:

i. Presentation by SMEs in Investment Committee Meeting for investment approval

ii. Issuance & Acceptance Letter of Offer by Investment Partners

iii. Full Due Diligence Exercise & Report submission by Investment Partners

iv. Drawdown approval from Investment Committee

v. Signing of Legal, Contract & Shareholding Agreement

vi. Disbursement of funds

14. What is the percentage of equity held by investors under SCIP?

On average the percentage of equity held by investors is in the range of 10% to 30%. However, it is subject to factors such as market valuation and negotiation between the SMEs and Investment Partners

15. To what extent will the investors under SCIP be involved with the SMEs?

Once the investments has been made, SME Corp. Malaysia and the Investment Partners are legally viewed as investors and shareholders of the SMEs. In terms of the management position, this may come in the form of a seat on the company's board of directors or via contributions to management decisions. It is the goal of SME Corp. Malaysia and its Investment Partners to see positive progress in the initial investments which will be reviewed annually. SMEs must implement proper growth plans to meet investors' expectations.

16. What is the investment holdings duration for SCIP investors in the companies?

The holding duration for investors in the companies is expected to be between 3 and 5 years.

17. Who will assess the SMEs during the investment period?

SME Corp. Malaysia through the Investment Partners will monitor and assess SMEs based on the contractual covenants made and this may be done on a monthly, quarterly or yearly basis.

18. What is the payback scheme for the funding?

The payback scheme for the funding will be in the form of dividends as returns to the investors upon exiting the business in accordance to the agreements made between the SMEs and the investors.

19. Will the SCIP investors exit from the companies?

Yes, the investors will exit from the companies within 3 to 5 years from the initial investment dates depending on the agreements and future directions of all parties.