



Capital Market Workshop

How to Plan and Achieve a Successful IPO

Kuala Lumpur October 2016

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Crowe Horwath International

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Introduction

- Moving a privately owned company to a public market will take time, detailed planning is required
- Accounting compliance requirements are not onerous on admission and continuing obligations are reasonable
- In accounting terms the key elements for success are:
 - sound and effective financial controls
 - timely and accurate management reporting
 - an experienced CFO
 - IFRS, US or suitable national GAAP compliant audited financial statements
 - realistic and supportable financial projections
- Taxation planning will be required at an early stage for the company and shareholders
- In commercial terms, a successful IPO candidate must demonstrate Quality, Good Governance and Value

Our Team Members' Capital Markets Track Record in Asia Pacific includes...

Reporting Accountant to
Galaysys Plc

Placing and Admission
May 2014

Operations in:
China and South East Asia



Reporting Accountant to
DagangHalal Plc

Placing and admission
April 2016

Operations in:
Malaysia



Reporting Accountant to
Green & Smart PLC

Placing and Admission
March 2016

Operations in:
Malaysia



Reporting Accountant to
Aquatic Foods

Placing and Admission
March 2015

Operations in:
China



Reporting Accountant to
MayAir Group Plc

Placing and Admission
May 2015

Operations in:
China and Malaysia



Reporting Accountant to
Fusionex International Plc

Placing and admission
December 2012

Operations in:
Singapore, Malaysia,
Thailand and the UK



Reporting Accountant to
Aseana Properties Ltd

Placing and admission
April 2007

Operations in:
Malaysia and Vietnam



Reporting Accountant to
Velosi Ltd

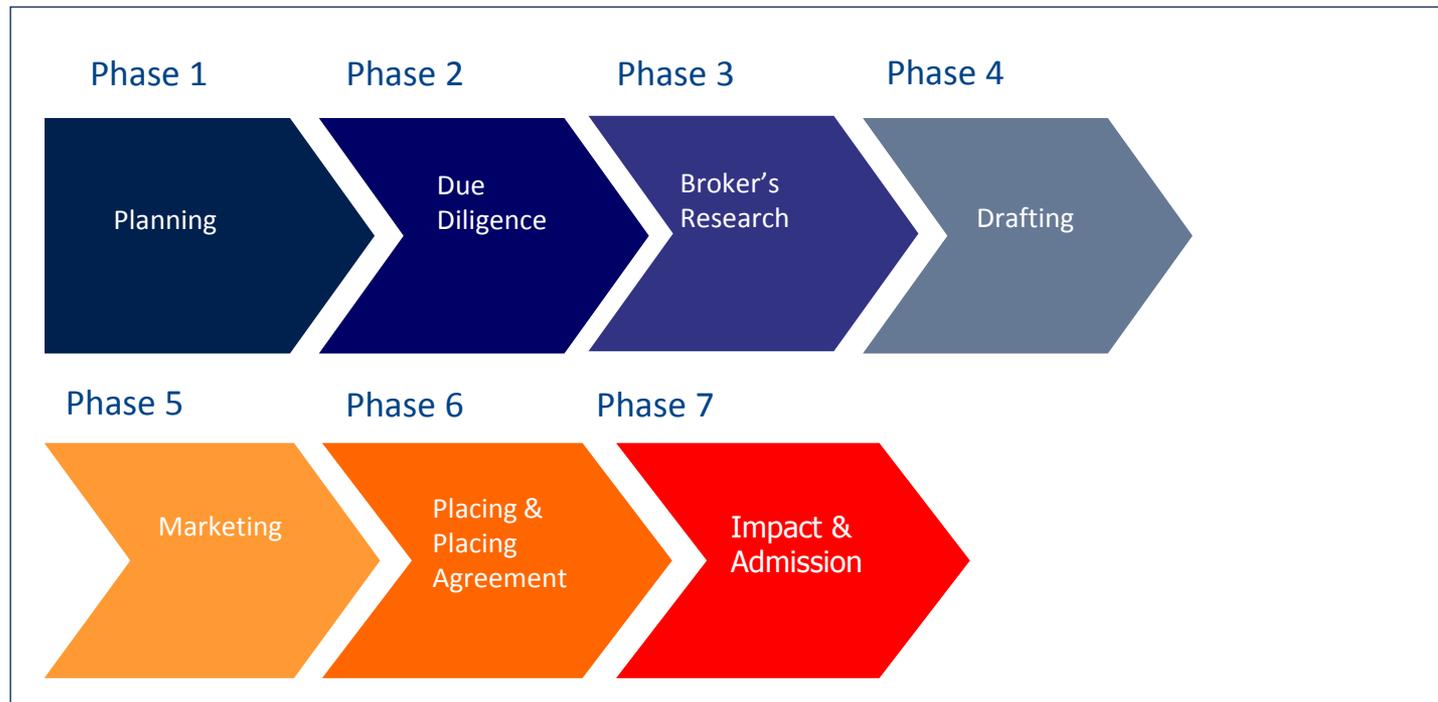
Placing and admission
August 2006

Operations in:
Europe, North America,
South East Asia and Africa



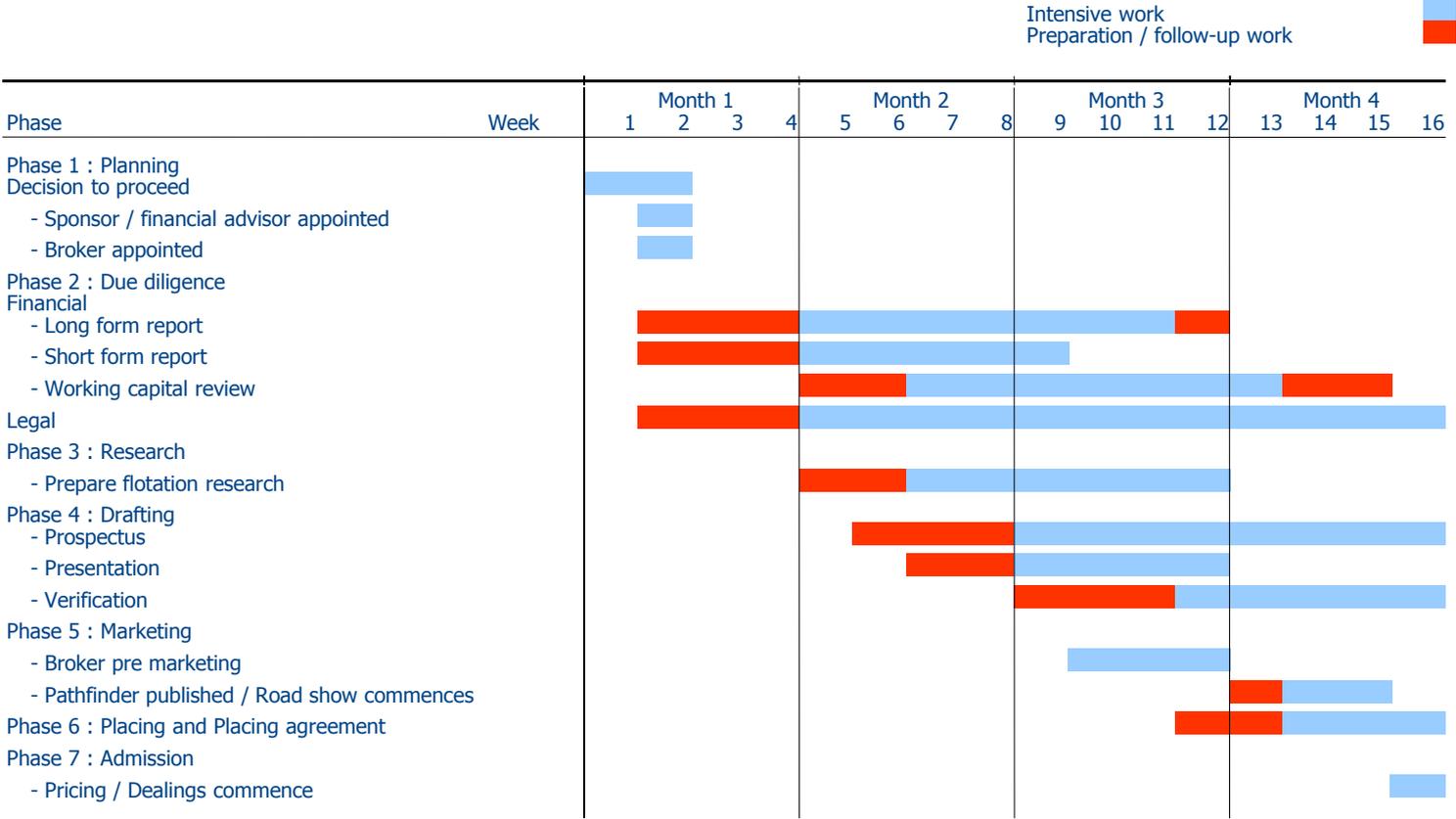
The IPO Process – An Overview

The AIM IPO process can be broken down into the following phases:



Illustrative Timetable

Note: The pre-IPO planning period can take 12 – 24 months



Planning – What are Investors Looking For?

- A growing business operating in an expanding markets
- International exposure or potential to expand overseas
- Sustainable competitive position
- Visibility of earnings
- Quality of earnings
- A committed and experienced management team
- A commitment to strong corporate governance procedures
- Sector approach based on macroeconomic factors

An IPO – Which market to Choose?

- Geographic location - Hong Kong, Malaysia, Singapore, Australia, US, Europe
- Geographic markets - One country, regional, global
- Sector Focus - Natural Resources, Technology, Logistics, BioTech, Fin Tech
- Regulation - Common approach, but consider degree of autonomy for corporate advisers
- Bureaucracy and timing - “We don’t want any failures”
- Follow-on financing - Ease, cost, track-record
- Costs - Not a logical basis of choice, you get what you pay for
- Summary - Most companies are self-selecting

An IPO – Why choose London?

- LSE is the largest International stock market in the World
- Largest and most liquid equity market in Europe
- A diverse range of markets available for emerging and for large companies
- Proven and reliable infrastructure with balanced regulation
- The largest pool of investors dedicated to international companies
- The largest exposure to analysts than any other financial centre
- 115 countries represented on London stock markets
- All economic sectors are represented, especially financials, technology and oil and gas
- Proven access to secondary funding

In summary – London can provide liquidity, profile and investors

The infrastructure and experience makes London the world's premier listing choice



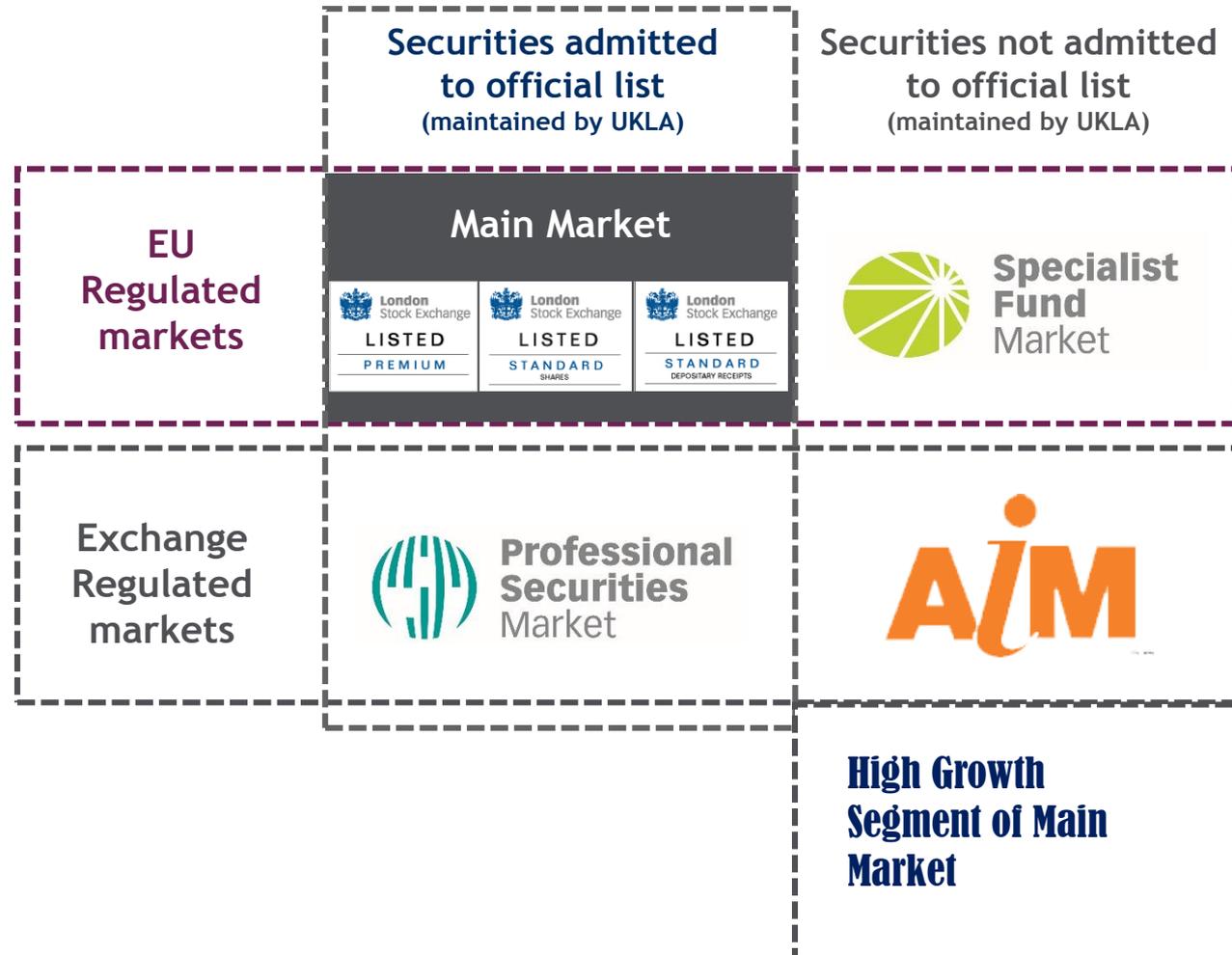
London is consistently ranked as the best financial centre to do business by The Global Financial Centres Index research conducted by Z/Yen. The research is provided for 77 centres and it draws on questionnaire and analysis of external indices. The latest report includes 26,180 financial centres assessments from 1,890 financial services professionals.

London Stock Exchange offers a diverse range of markets

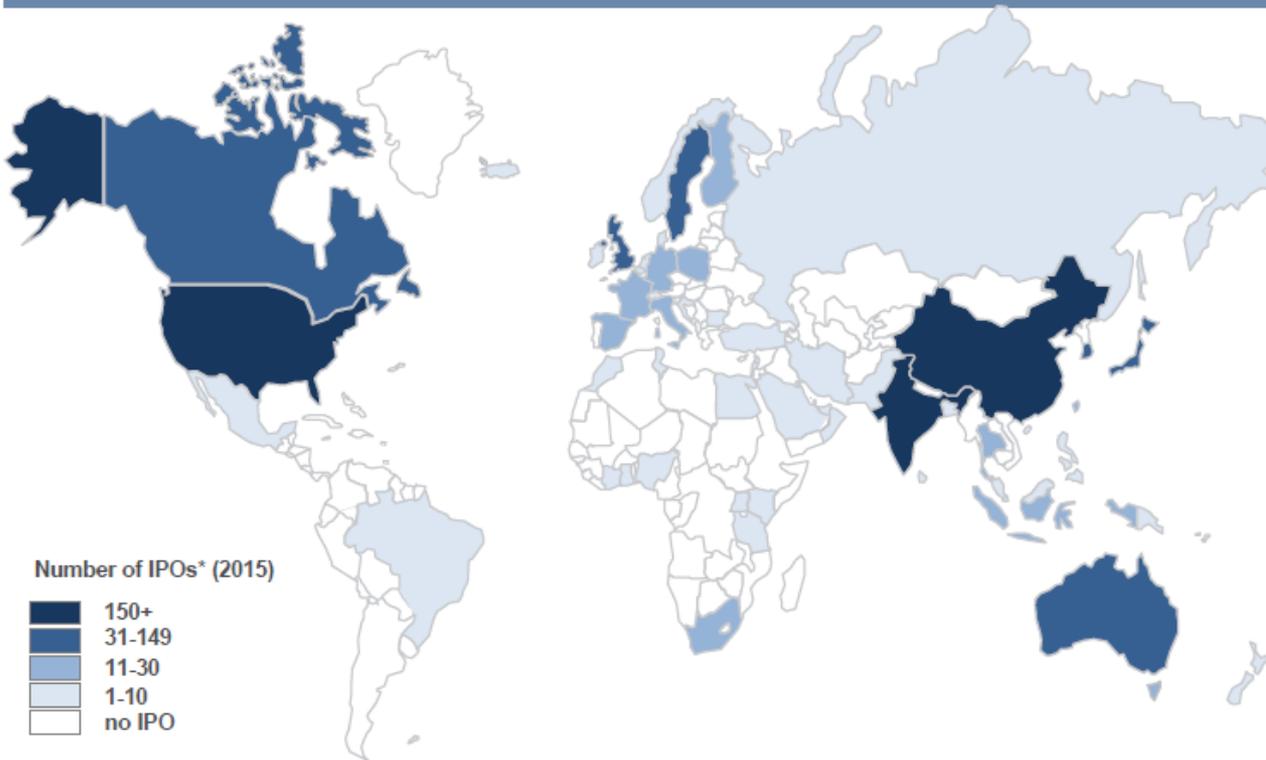
Offering choice to issuers:

The choice of market will depend on a number of factors including:

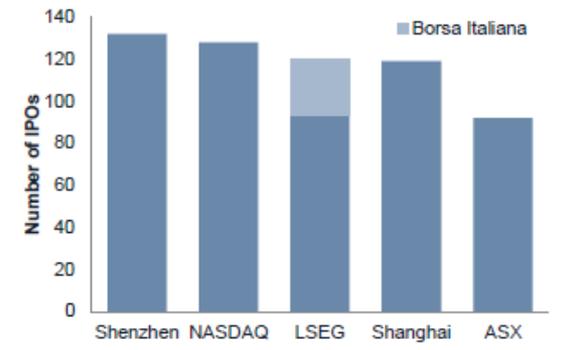
- Stage in a company's development
- Complexity of the offer and securities issued
- Target investors
- Company's size
- Company's strategy and objectives



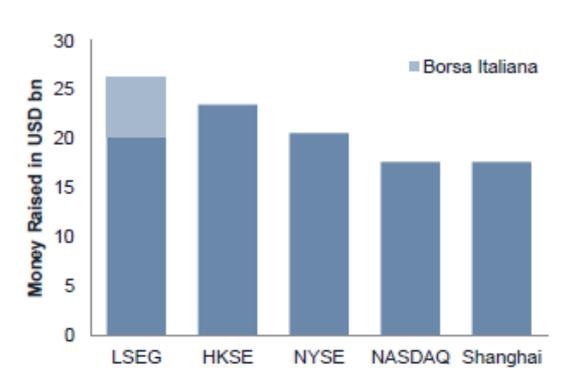
2015 – Global IPO Market Strength



Top 5 Exchanges by # IPOs 2015



Top 5 Exchanges by Money Raised at IPO 2015



- Global IPO proceeds in 2015 reached \$201.5bn compared with \$271bn in 2014. London Stock Exchange Group ranked top globally in 2015, with \$26.3bn raised in 120 IPOs (\$32bn from 166 IPOs in 2014).
- London IPOs enjoyed healthy aftermarket, with weighted performance** of 22.3% and 71% of deals trading above the issue price.
- In 2015, the Computers & Electronics sector was the most active across LSEG's equity markets with 14 IPOs raising \$7.6bn.

Source: Dealogic, LSE stats, January 2016

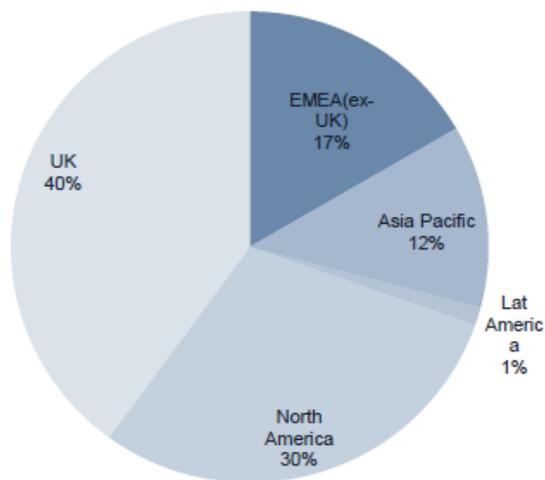
*Number of IPOs by listing venue

** Weighted by market cap at offer

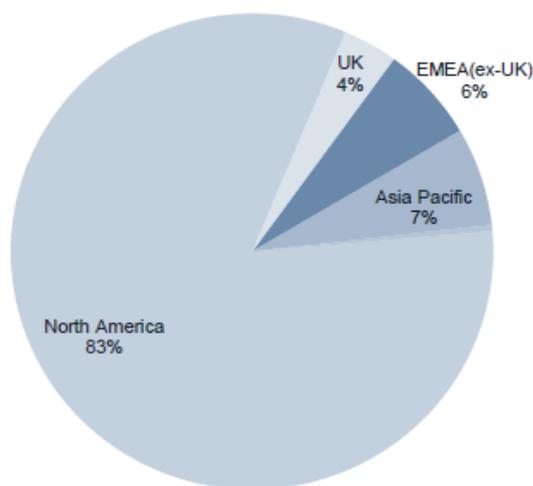
2015 – London at the heart of the Global Investment Community

Domicile of Top 50 investors in listed securities by country

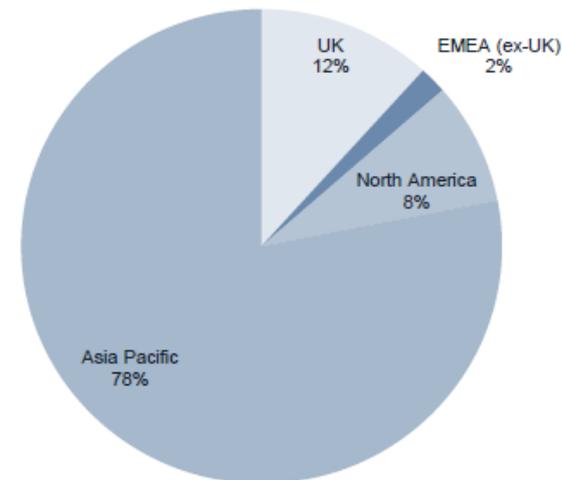
UK



US



HK



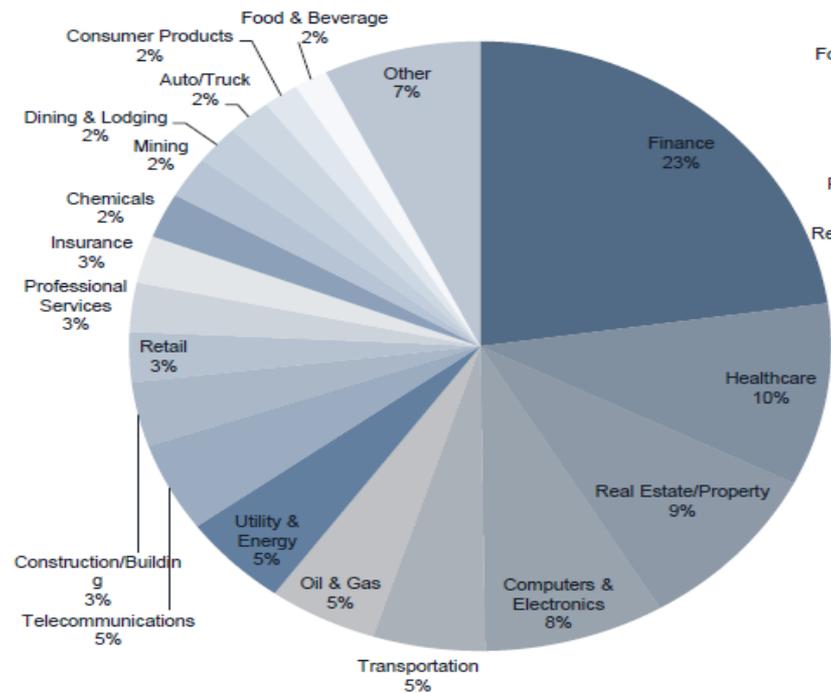
- London remains the World's Equity Market, with more international assets under management than any other global financial centre.
- Companies listing in London are able to access overseas investors through widely used and well understood capital raising routes.
- Apart from the large investor community in London, companies raising capital can also access a global investor base, including sovereign wealth funds, global institutional funds, tracker funds, specialist sectoral and geographic funds.

Source: Facset and LSE calculation, January 2016

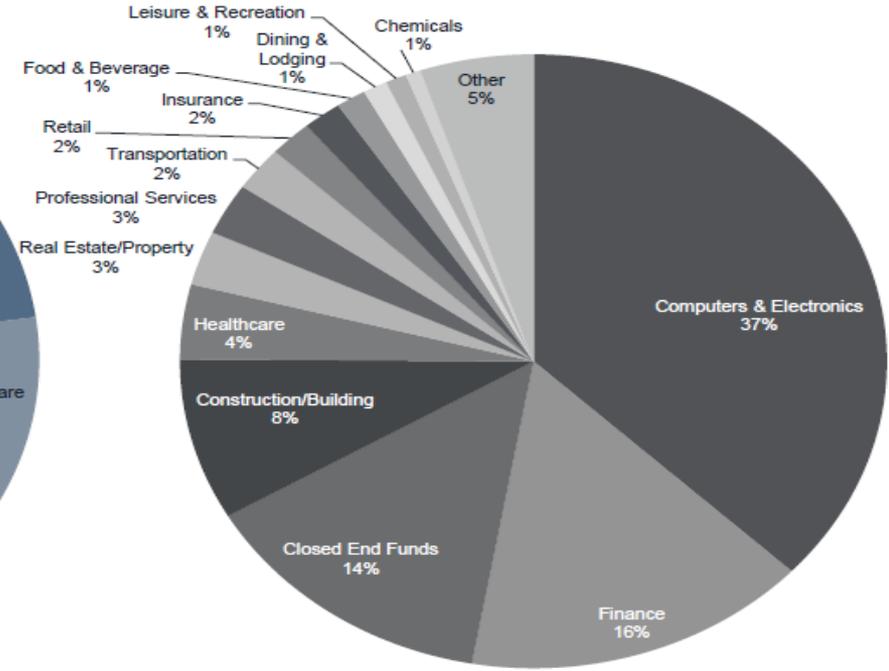
2015 – Sector Diversity Broad Across London IPOs

IPO Capital Raising by Sector

2015 Globally



2015 London



Source: Dealogic and LSE calculation, January 2016

Premium Listing on the Main Market

Key eligibility requirements

Listing Rules	<ul style="list-style-type: none"> • Compliance with the Listing Principles (LR 7) • Appointment of a sponsor • 75% of the business to be supported by a historical financial information • Control over the majority of the entity's assets • Independent business as main activity • Unqualified working capital statement • Minimum 25% shares in public hands • Minimum market capitalisation GBP 700,000 • Free transferability of securities • Eligible for electronic settlement
Accounts	<ul style="list-style-type: none"> • 3 years of audited financial information* • Latest accounts no more than 6 months old (Interims included if accounts more than 6 months old)* • EU IFRS or equivalent
Corporate Governance	<ul style="list-style-type: none"> • UK Corporate Governance
Prospectus	<ul style="list-style-type: none"> • Prospectus approved by the UKLA
Admission & Disclosure Standards	<ul style="list-style-type: none"> • Compliance with the London Stock Exchange's Admission and Disclosure Standards

Key continuing obligations

Periodic Reporting	<ul style="list-style-type: none"> • Annual Financial Report (four months after the end financial period) • Half yearly financial report • Interim Management Statement • Significant transactions (class tests)
Listing Rules	<ul style="list-style-type: none"> • Pre-emption rights extended to existing shareholders • Model code
Disclosure and Transparency Rules	<ul style="list-style-type: none"> • Inside information made public without delay • List of insiders • Major shareholder notification • Directors Dealings • Related party transactions
Corporate governance	<ul style="list-style-type: none"> • UK Corporate governance – comply or explain • Statement in the annual report
Sponsor	<ul style="list-style-type: none"> • To be retained at all time

*Does not apply to mineral or scientific research companies

Standard Listing of Shares on the Main Market

Key eligibility requirements

Listing Rules	<ul style="list-style-type: none"> • Minimum 25% shares in public hands in one or more EEA States • Minimum market capitalisation GBP 700,000 • Free transferability of securities • Eligible for electronic settlement • 12 month working capital statement
Accounts	<ul style="list-style-type: none"> • 3 years of audited financial information (or such shorter period that the issuer has been in operation) • Latest accounts no more than 18 months old (if audited interims included) or 15 months old (if unaudited interims included). If accounts are older than 9 months, interims must be included. • EU IFRS or equivalent
Corporate Governance	<ul style="list-style-type: none"> • Domestic corporate governance code applies
Prospectus	<ul style="list-style-type: none"> • Prospectus approved by the UKLA
Admission & Disclosure Standards	<ul style="list-style-type: none"> • Compliance with the London Stock Exchange's Admission and Disclosure Standards

Key continuing obligations

Periodic Reporting	<ul style="list-style-type: none"> • Annual Report (four months after the end financial period) • Half yearly financial report
Disclosure and Transparency Rules	<ul style="list-style-type: none"> • List of insiders • Inside information made public without delay
Corporate governance	<ul style="list-style-type: none"> • Domestic Corporate governance applied • Corporate governance statement in the annual report

The AIM Market – the most active market for emerging companies in the world

Admission Rules:

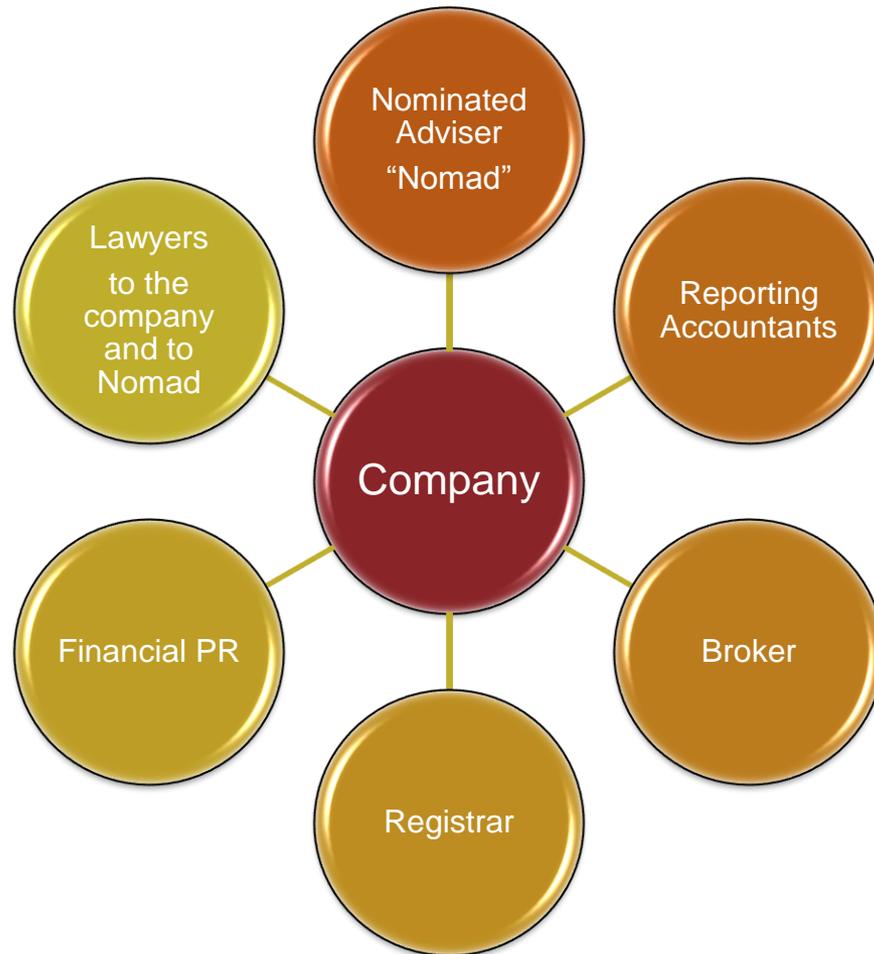
- No minimum size to be admitted
- No minimum financial history required
- No minimum amount of shares to be in public hands (in practice at least 15%)
- Other than reverse takeovers, no prior shareholder approval required for transactions
- Admission documents not pre-vetted by Exchange or UKLA but by nominated adviser
- Nominated adviser and broker required at all times

The AIM Market – the most active market for emerging companies in the world

Continuing Obligations:

- “light touch” and balanced approach
- must disclose all price sensitive information in a timely manner
- Half yearly and annual report and accounts required
- All directors accept full responsibility
- Restrictions during close periods (directors & employees)
- UK Corporate Governance standards as best practice - QCA Corporate Governance Guidelines for Smaller Quoted Companies and NAPF Guidelines for AIM Companies

The AIM Adviser Team



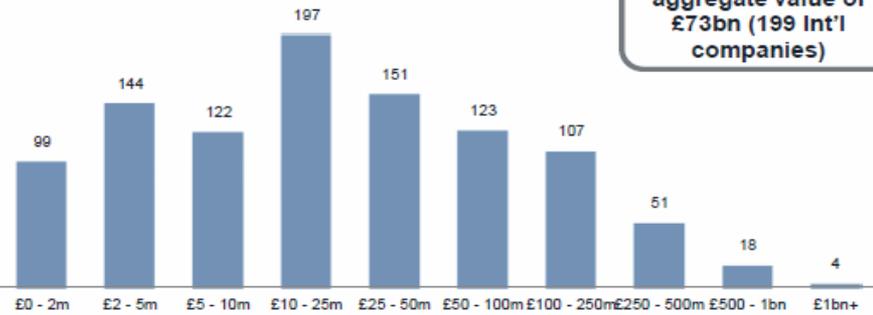
A Snapshot of AIM



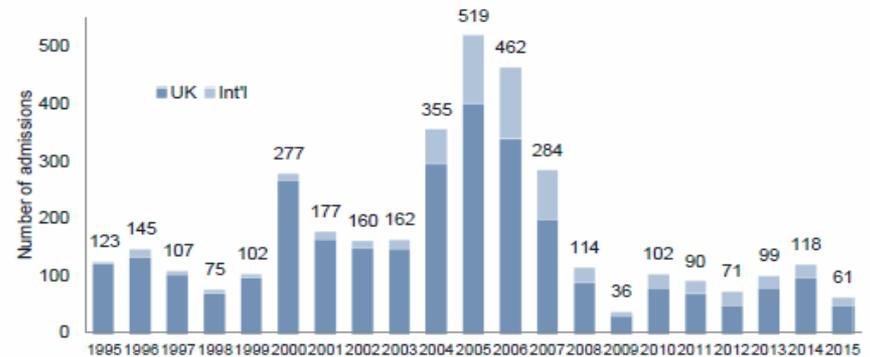
London
Stock Exchange

Profile of AIM Companies

1,044 companies*,
aggregate value of
£73bn (199 Int'l
companies)

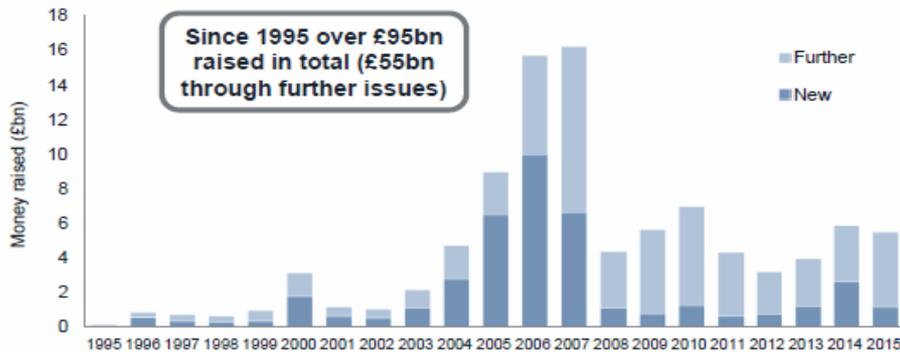


Admissions to AIM – 1995 to 2015

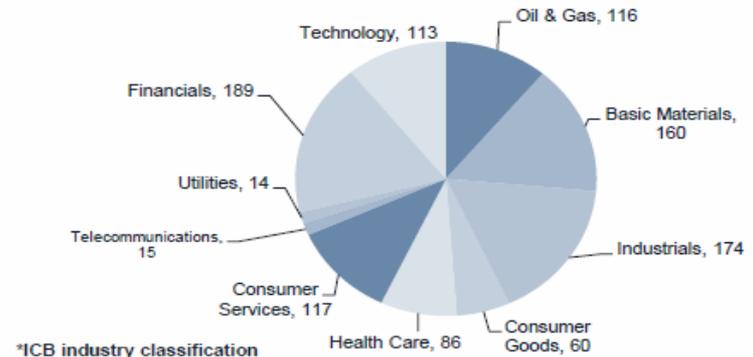


Fundraisings on AIM – 1995 to 2015

Since 1995 over £95bn
raised in total (£55bn
through further issues)



Industries* Represented – by Number of Companies



Source: LSE statistics, 31st of December 2015

*28 companies either suspended or undetermined value

A Stock Exchange Focused On Supporting SMEs

Regulated by the Financial Conduct Authority (*FCA*)

- Recognised Investment Exchange status (*RIE*)
- Recognised Stock Exchange

Our markets

- | | |
|-------------------------|-------------------------------------|
| • ISDX Main Board | Regulated Market (Official List) |
| • ISDX Growth Market | Multilateral trading facility (MTF) |
| • ISDX Secondary Market | Multilateral trading facility (MTF) |

Why ISDX?

- Access to growth capital:
 - Equity
 - Debt (Bonds, Debentures, Convertibles)
- A community focused exchange bringing together issuers and investors who are true advocates for the companies in which they invest
- Increased visibility to the market place
- Enhanced corporate profile
- Achieve a market valuation
- Partnerships with research and media platforms
- Lower overall issuing cost than equivalent exchanges such as AIM and LSE
- On-boarding process tailored to SMEs, to allow them to focus on running their business

ISDX Network

Investors have access to a wide range of UK stock broking firms, transacting prices set by market makers.

ISDX has coverage through a number of market data distributors including Bloomberg, Fidessa, Interactive Data and Thomson Reuters.

Corporate financial advisors and corporate brokers assist companies both in terms of admission to the market and fund raising.

Access to retail investors, SIPP providers, discretionary fund managers & institutional investors.

ISDX Growth Market



Capital
by
Colleagues



NEWBURY
RACQUETE

THWAITES

ADNAMS
SOUTHWOLD

Point of Care

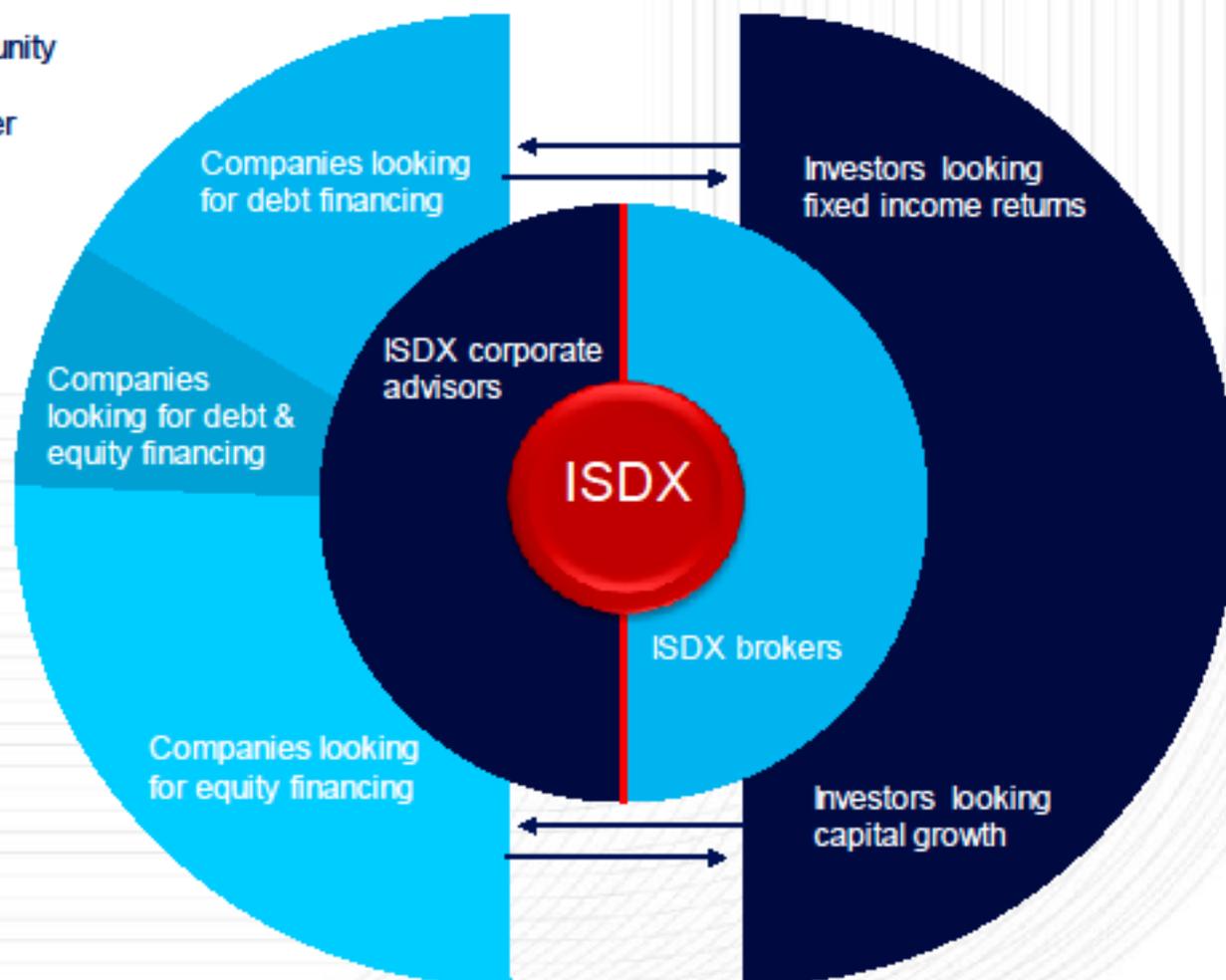


ISDX Investment Community

ISDX works closely with its community of advisors and brokers to bring together investors looking for better returns and companies looking for expansion finance

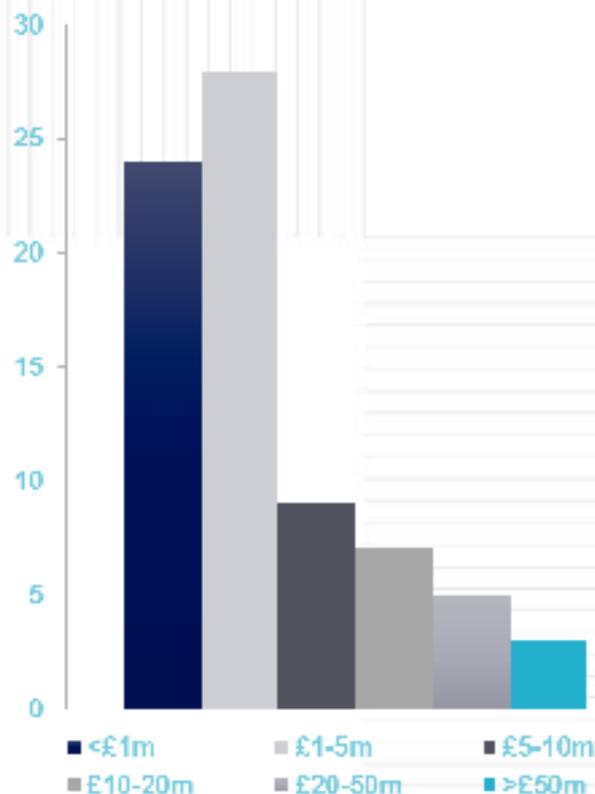
- 90 Securities quoted
- 61 broker members
- 25 corporate advisors firms
- 300 firms receiving ISDX market data

ISDX is able to offer a trading venue for both debt and equity securities.

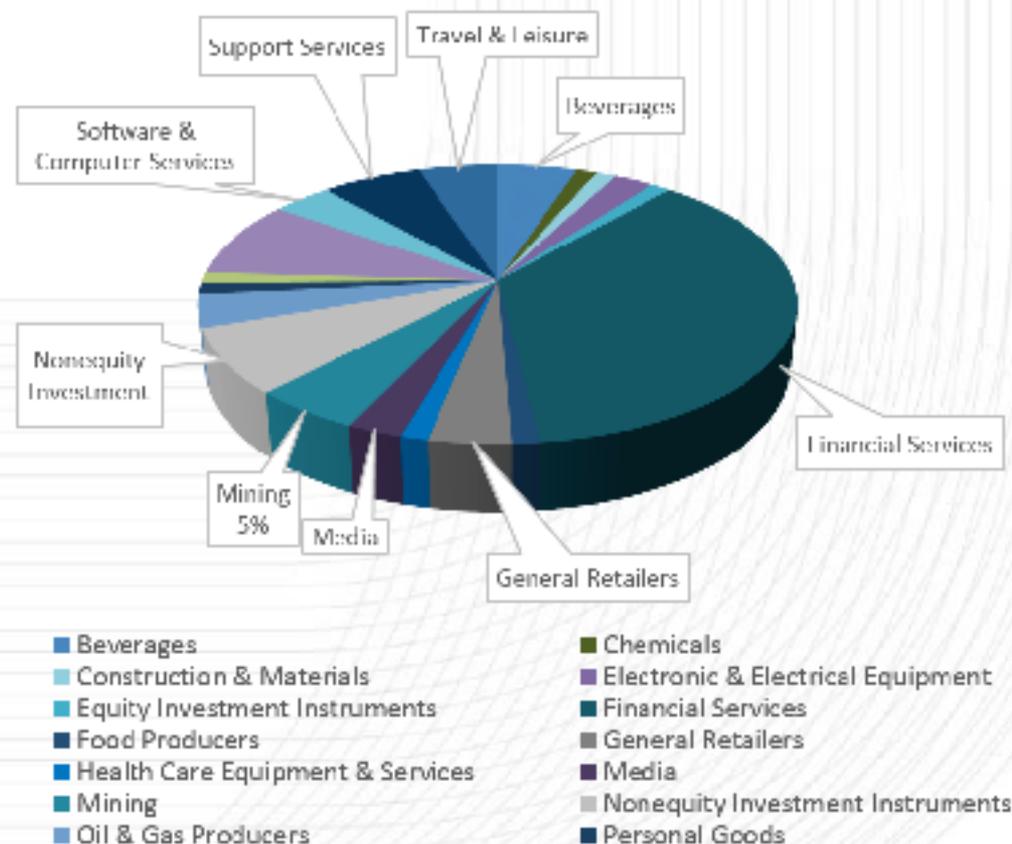


Our Diverse Market

Companies by market cap.



Companies by sector



Case Studies – Fusionex International

- Sector:** Technology – Provider of enterprise software solutions, servicing the business intelligence market, notably in relation to the management of Big Data. Clients in Asia, US and Europe.
- Market:** Joined AIM in December 2012
- Funds Raised:** £12m on the IPO with a market capitalisation of £64.5m
- Reasons for IPO:** Raising profile and raising funds to expand overseas
- Lessons:**
- ◆ Pre-IPO planning took more than 2 years - waiting for markets to improve and for the Company to grow
 - ◆ Took advice from an experienced advisor team
 - ◆ Recruiting additional team members to separate the IPO team from the operational team
 - ◆ Use of “Test Marketing” to financial investors in the UK
 - ◆ Fairly priced, significantly over subscribed by institutional investors and private individuals in the UK
 - ◆ Has maintained regular communications with the London markets
 - ◆ “Market” demand has taken the business valuation forward

Case Studies – MayAir Plc

- Sector:** A leading provider of air filtration and advanced clean air technologies and products that create “cleanroom” environments in the industrial, commercial and residential markets
- Market:** Joined AIM via a Placing in May 2015
- Funds Raised:** £16.2m on admission with a market capitalisation of £55m
- Reasons for IPO:** To enhance profile with existing and new customers, to support the brand in Asia and globally, to finance expansion into the commercial and residential property sectors, to finance R&D and expand production capacity
- Lessons:**
- ♦ An exceptionally strong and experienced management team with a proven and successful strategy;
 - ♦ Took the time required to become investor ready and to consider alternative markets and financing routes; and
 - ♦ Committed resources to the IPO process to allow the operational growth to continue

Case Studies – DagangHalal plc

- Sector:** The world's first global e-commerce platform to provide Halal verification. Allows Halal suppliers and consumers to deal in confidence knowing that the products and services being purchased are Halal. Also provides an online repository for Halal and certificates, organising trade fairs and training Halal applicants.
- Market:** Joined ISDX Growth Market in April 2016
- Funds Raised:** £4.6m
- Reasons for IPO:**
- ♦ Increase financial credibility.
 - ♦ Raise profile within the food industry and with consumers.
 - ♦ Raise the Group's international profile.
 - ♦ Providing access to new investors and capital.
- Lessons:**
- ♦ The geographic location of new investors can be crucial as regards free float.
 - ♦ The ISDX rules provide more certainty than AIM.
 - ♦ ISDX can provide the required profile and liquidity for emerging companies.

How To Become Investor Ready

Improve the “quality” of your profits by:

- ▶ A strong and complete management team with clear succession planning
- ▶ A scalable business model, growing organically or by acquisition
- ▶ A move to higher value and higher margin products
- ▶ Build barriers to entry based on technical excellence, market knowledge or scale
- ▶ Robust and reliable accounting and management information system
- ▶ Enhance corporate governance and appoint non-executive directors early
- ▶ Capital restructuring or reorganisation, consider share incentives, regulatory approvals
- ▶ Build defensible rights over intellectual property
- ▶ Dispose of non-core activities and assets
- ▶ Identify strategic acquisitions and mergers
- ▶ Adopt International Financial Reporting Standards or local equivalent
- ▶ International Audit Standards Compliance
- ▶ Tax review of compliance and planning issues, national and international
- ▶ Reduce dependence on particular customers, products, suppliers or staff
- ▶ Review terms of trade and strengthen credit management
- ▶ Appoint experienced advisers

IPO Capital Structure

Use of an offshore Listco – decision based upon:

- ▶ Reputation
- ▶ Skill pool
- ▶ Tax transparency
- ▶ Flexible corporate laws

Other considerations

- ▶ Takeover code
- ▶ Uncertificated shares
- ▶ Pre-emption rights
- ▶ Shareholder disclosure
- ▶ Geography

Overall choice

- ▶ Make it easy for new investors to invest and understand

The Role of the Reporting Accountant

Major work streams

- ▶ Long Form Accountants' (Due Diligence) Report
- ▶ Short Form Accountants Report
- ▶ Working Capital Report
- ▶ Financial Position and Prospects Memorandum
- ▶ Pro Forma Financial Information
- ▶ Consent and Comfort Letters
- ▶ Taxation advice

However, often the greatest value is added during the pre-IPO “investor-ready” stage

Potential Accounting Issues

These may include:

- ▶ Recognition and completeness of income
- ▶ Credit management and Terms of Trade, e.g. timing of debtor collections and stockholding periods
- ▶ Accounting for Group reconstructions
- ▶ Share based payments – effect on reported profits
- ▶ Non-recurring income and expenditure
- ▶ Historic tax compliance, future tax structure
- ▶ Developing acceptable accounting systems and controls and timely and effective reporting procedures
- ▶ Visibility of forecasting
- ▶ Enhancing the accounting team and corporate governance framework

Potential Taxation Issues

- Historic compliance record – corporate, income, employment, VAT, stamp taxes
- Impact of any prior year adjustments
- Planning issues for company and shareholders, taxation and cross border implications
- Capital restructuring and approvals may be required
- Impact of withholding taxes on interest and dividends, double taxation agreements
- Transfer pricing issues across borders
- The importance of determining from where central management and control is exercised
- Intra-group funding and “thin capitalisation” issues
- Expatriate tax issues for group employees
- Potential use of UK VCT and EIS tax structures in qualifying companies to widen the potential investor base

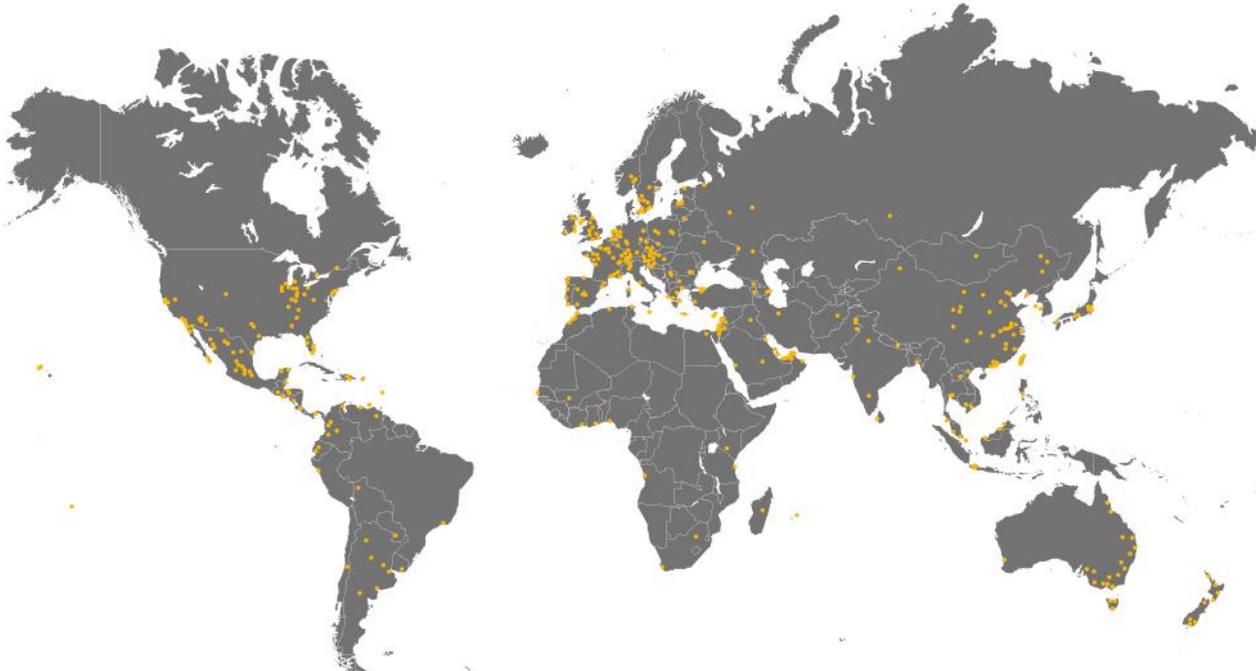
Conclusions

- Demonstrate **Quality, Good Governance** and **Value**
- Moving a privately owned company to a public market will take time, detailed planning is required
- Increasing the “Quality” of profits will increase the value of your business
- The value of the business on IPO is less important than the value 12 months later, do not over value
- Admission to a market is the start of a process, not the end
- Liquidity and valuations must be developed – “Invest time and effort in the market and the market will invest in you”

Crowe Horwath International

- Global professional services alliance with more than **150** independent member firms
- Services provided include: audit and assurance, taxation, accountancy, corporate finance, consultancy, financial planning
- Our corporate finance services include pre-IPO planning, reporting accountant services, due diligence, M&A , company disposals, raising finance and MBO's
- Based on integrated and high quality service delivery and common core values
- Operating in 130 different countries, annual revenues **US\$3.5 billion** and approximately **33,000** professional staff
- Over **8,500** staff in Asia Pacific
- In the UK a leading accountancy firm established in 1843, strong international and public company experience

Crowe Horwath International: Global Profile



Crowe Horwath International Statistics*	
Member Firms & Business Associates	209
Countries	130
Offices	752
Partners	3,700
Partners & Staff	33,200
Revenue	US\$ 3,507

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