Global Trade Analysis, APAC Investment Outlook & IPO Guide

2019 / 2020 Report

Insights and analysis to inform companies on the global business trends impacting Asia Pacific trade and investment. Detailed guide to the IPO markets of Hong Kong Special Administrative Region (HKSAR), Singapore and Malaysia.

FOREWORD

We are pleased to release Tricor's Global Trade Analysis, Asia Pacific Investment Outlook & IPO Guide. Trade & FDI data, market research and analysis were compiled through the aggregation and synthesis of quantitative economic data and qualitative industry data from a multitude of primary and secondary research sources, including the UN Conference on Trade and Development World Investment Report, the International Monetary Fund World Economic Outlook Report and the Organisation for Economic Cooperation and Development Economic Outlook Interim Report. We also referred to a wide range of news sources, including newspapers and industry journals. We complemented this research and analysis with perspectives, insights, observations and predictions from senior Tricor executives on how, and to what extent, global trade trends may impact Asia Pacific (APAC) trade and investment in the year ahead.

The analysis in the first section of this report is part of our commitment to provide valuable insights and perspectives on the trends that are impacting global trade and influencing investment decisions made by multinational companies (MNCs) and foreign investors. Within this section, we also take an in-depth look at APAC, assess FDI trends from 2018 and offer our outlook for the remainder of 2019 and 2020 forecast. With APAC hosting the world's largest share of special economic zones (SEZs), we explore the role this plays in attracting FDI and promoting economic cooperation between governments and MNCs. In particular, we also explore how SEZs are playing a key role in stimulating FDI and accelerating Mainland China's Belt and Road Initiative (BRI). We close this section with the case study of Mainland China's Greater Bay Area initiative as an example of a region that is responding to global trade trends to continue to attract FDI.

The next section analyzes three emerging trends that are influencing APAC's position in global trade, as the region's economies collectively are anticipated to become larger than the rest of the world's economies combined in 2020.

In the third section, we explore a selection of the 6 key stock markets across APAC, Hong Kong Stock Exchange, Shenzhen Stock Exchange, Shanghai Stock Exchange, Singapore Stock Exchange, Tokyo Stock Exchange, and Bursa Malaysia, and provide insights and detailed guides for listing companies on these exchanges.

The fourth section of the report looks at the emerging IPO and stock exchange market trends across APAC, which has become the global leader for IPOs, currently listing more than half of the world's fastest growing companies. With HKSAR regaining the IPO crown from New York in 2018 - after it passed transformative listing reforms - we examine the efforts APAC's various exchanges are taking to attract listings from foreign companies and open up their markets to foreign capital. The fifth section serves as an IPO guide on the capital markets Tricor directly supports through our Investor Services business: HKSAR Stock Exchange, Singapore Exchange and Bursa Malaysia. We also include information about providing employee stock option plans (ESOP) in these markets.

The final section of this trade and investment report offers a summary of the services Tricor provides clients to accelerate their global expansion and investment goals.

At Tricor, we offer our clients access to a network of relationships that simplify operations, while ensuring efficiency and compliance.

Across our broad geographical footprint, we leverage an optional blend of in-depth industry expertise and advanced understanding of local laws and regulations to guide our clients and help them expand from incorporation to IPO.

With ~3,000 professionals and support staff, Tricor delivers critical finance, human capital management and compliance services at every stage of its lifecycle, enabling our clients' in-house teams to focus their time and efforts on core business functions.

Tricor is well positioned to unlock the potential of your business across Asia and help your company stay one step ahead of today's diverse and fast-evolving regulatory environment. We are headquartered out of HKSAR, strategically located in the heart of Asia, and operate across a network of offices in 49 cities across 22 countries / territories.

Tricor has helped ~50,000 clients navigate the myriad of administration, tax, accounting and compliance issues. Our portfolio includes over 1,300 companies listed in Mainland China and HKSAR, ~600 companies listed in Singapore and Malaysia, over 40% of the Fortune Global 500 companies, as well as a significant share of multinationals and

Tricor is Asia's leading business expansion specialist. We are proud to be at your service, providing the building blocks for and catalyzing every stage of your business growth from incorporation to IPO.

private enterprises operating across international markets.

Now, how can we be at your service?

Lennard Yong
Group CEO
Tricor Group

SECTION ABSTRACTS

Section 1: Global Trade Analysis: A World In Transition

Abstract: Global growth eased in 2018 but remains robust, according to the OECD Economic Outlook Report released in May of 2019. The report projects GDP growth of 3.2% in 2019, representing a slight slowdown from the 3.5% increase in 2018. According to the UN World Investment Report, released in June of 2019, global economic outlook is largely dampened by risks and uncertainties presented by trade protectionism, especially in regards to prolonged US-China trade tensions and Brexit.

In July 2019, the Federal Reserve announced the first federal rate cut in the U.S. since the 2008 crisis and it is possible that more rate cuts will follow. It is not often that interest rates are lowered during times of economic growth, but proponents of the rate cuts argue that the fiscal stimulus from U.S. President Donald Trump's tax cuts is largely being offset by tariffs, which are essentially a tax on trade. Low interest rates - in a slow-growing but still healthy and upwardly mobile economy - could energize investors willing to take on risk.

Other central banks around the world also hedged slow growth by implementing accommodative monetary policy. While the European Central Bank is pondering a rate cut for September, the trend is perhaps most prevalent in APAC with rate-cutting activity seen in Malaysia, India, Indonesia, Australia, the Philippines and South Korea. Japan is considering a rate cut. It is also expected that the People's Bank of China will lower interest rates later in 2019 - for the first time in four years - to stimulate the economy.

In terms of FDI, inflows to developing Asia rose by 4% in 2018 to reach a total of US$512 billion. This increased FDI inflow occurred mainly in Mainland China, HKSAR, Singapore, Indonesia and other ASEAN countries, as well as in India and Turkey. APAC remained the world's largest FDI recipient region, absorbing 39% of global inflows in 2018, as compared to 33% in 2017. Of note, FDI inflows to Mainland China - the largest developing economy recipient of FDI - soared by 4% to reach an all-time high of US$139 billion. This figure accounts for more than 10% of the world's total FDI. Confirming Mainland China's importance, foreign investors established more than 60,000 new companies in the country in 2018.

In 2019, there were at least 112 policy measures affecting foreign investment introduced in 55 countries and economies around the globe. For example, China announced the cancellation of the restrictive QFII and RQFII quotas in September of 2019, making the country more attractive for foreign institutional investors.

Developing countries in APAC led liberalization measures, passing approximately 60% of the new foreign investment policies that promote and facilitate new investments.

The global economy is seeing a boom in the number special economic zones (SEZs). There are over 5,400 zones across 147 economies today, up 35% from about 4,000 only five years ago. More than 500 new SEZs are in the development phase, which will inevitably have a significant impact on FDI trends in upcoming years. Of the world's 5,400 special economic zones (SEZs), more than 4,000 are located in developing countries in APAC. China hosts the most, with over 2,500 SEZs. This number is expected to increase, especially as China looks to advance its Belt and Road Initiative. ASEAN member countries collectively host more than 700 of these zones. Among all of the localities SEZs in APAC, the most promising ones with the largest expected economic uplift potential for leveraging SEZs to gain foreign investment are in the Greater Bay Area.

Mainland China's Greater Bay Area (GBA) initiative is luring in foreign investors in a way that could influence inflow FDI trends in 2020 and years to come for the 11 cities that part of the initiative. Currently the economies of the GBA have a combined GDP of US$1.34 trillion, which places it just behind the US$1.61 trillion GDP of Greater New York City and Greater Tokyo's US$1.78 trillion. Forecast figures anticipate major growth for the region in upcoming years and the results of this initiative are not too far in the distance - by 2030 the GDP is expected to soar to US$4.6 trillion.

Section 2: Exclusive 2020 Forecast: Top 3 Impacting Asia Pacific Trade Outlook

Abstract: From India to Indonesia, APAC is booming. OECD data predicts it will remain the fastest-growing region in the world through 2030. Of the 30 largest cities in the world, 21 are in APAC. And in 2020, APAC will also become home to half of the world's middle class.

The first trend marks what the Financial Times has called the start of the Asia Century in 2020, when APAC economies will become larger than the rest of the entire world combined. To put the trend in perspective, APAC represented just a third of global output in 2000 - showing that this movement is fueled by recent, rapid momentum.

Another emerging trend impacting the APAC market is the rise of e-commerce. There are already 993 million people shopping online in APAC but this number is expected to soar in upcoming years. As the middle class in APAC continues to expand, internet and smartphone penetrations are expected to reach 59% and 44% respectively by 2021. APAC consumers also have the highest brand-switching propensity in the world, with 47% of consumers willing to switch brands or try new products. By comparison, consumers in North America and Europe are less likely to switch brands (36% and 33% respectively). This means that new market entrants will have a greater chance of succeeding in winning over APAC customers than they may have in other parts of the world.

Another key trend in APAC is the growing focus on infrastructure improvements to better facilitate trade across new distribution channels and supply chains. Apart from rising consumer demand in APAC, ongoing trade tensions and uncertainties are prompting shifts in sourcing, supplying and manufacturing. The ability of APAC economies to sustain current growth rates will largely depend on how well they can deliver large-scale infrastructure initiatives in coming years.

Section 3: Investment Outlook: Global Exchanges Compete for Foreign Capital Flow

Abstract: Investments, capital flows and business operations are increasingly globalizing as investors embrace new centers of innovation and economic prosperity around the world. In turn, global business leaders have become more accustomed to conducting operations across multiple countries and, comfortable with listing their companies outside of their home markets.

This section looks at how stock exchanges in Mainland China, HKSAR, Singapore, Japan and Malaysia are repositioning themselves in an increasingly competitive global investment environment to attract cross-border mergers, demutualizations and IPOs.

Section 4: Exclusive 2020 Forecast: Top 3 Trends Driving IPO Activity in Asia Pacific

Abstract: Exchanges globally saw nearly 1,150 IPOs in 2018, registering a total market capitalization of over US$1.2 trillion. While the overall global figures suggest that IPO activity around the world is declining in 2019, APAC remains highly attractive for IPOs. In terms of IPO volume by number of companies, the region accounted for seven of the world's top ten exchanges in Q1 2019.

Furthermore, new regulations & programs are being launched to stimulate IPO activity in APAC. For example, the HKSAR Exchange (HKEX) implemented new rules to attract IPOs from 'new economy' sectors (e.g. biotechnology), which translated into a 300% increase for 2018 in IPO filings in HKSAR as compared with 2017. This change helped propel HKSAR to become the number one market globally for IPOs in 2018, beating out New York.

APAC's reputation for explosive growth is proliferating investment. Borrowing from baseball lingo, the term "ten bagger" in the exchange community denotes an investment that appreciates to 10 times its initial purchase price. APAC's exchanges have long had a reputation for ten baggers but the term is trending now more than ever, exciting investors around the world. 1,679 APAC companies have increased their market capitalizations by more than 10-fold over the past decade, representing more than half of all ten baggers around the world. The sectors reaching ten bagger status most frequently include technology, healthcare, pharmaceutical, financial services and consumer products.

Section 5: Tricor's IPO Guide to Select Capital Markets: HKSAR, Singapore & Malaysia

Abstract: Tricor Group's Investor Services team directly supports clients listing on Hong Kong Stock Exchange (HKEX), Singapore Exchange (SGX) and Bursa Malaysia (BM). In this section we provide key insight on each of these exchanges, looking at market trends, new regulations and developments that are prompting companies to choose each of these markets. We also analyze how many companies who list in these markets are leveraging employee stock option plans (ESOP) to attract, motivate and retain talent.

Section 6: How Tricor Group Can Help

Abstract: As the leading business expansion specialist in APAC, Tricor Group helps clients navigate global expansion and investment journeys. Our advantage comes from deep industry experience, committed staff, technology-driven processes, standardized methodologies, constant attention to changes in laws and regulations and wide industry contacts. This final section details the services and solutions Tricor Group provides to clients.

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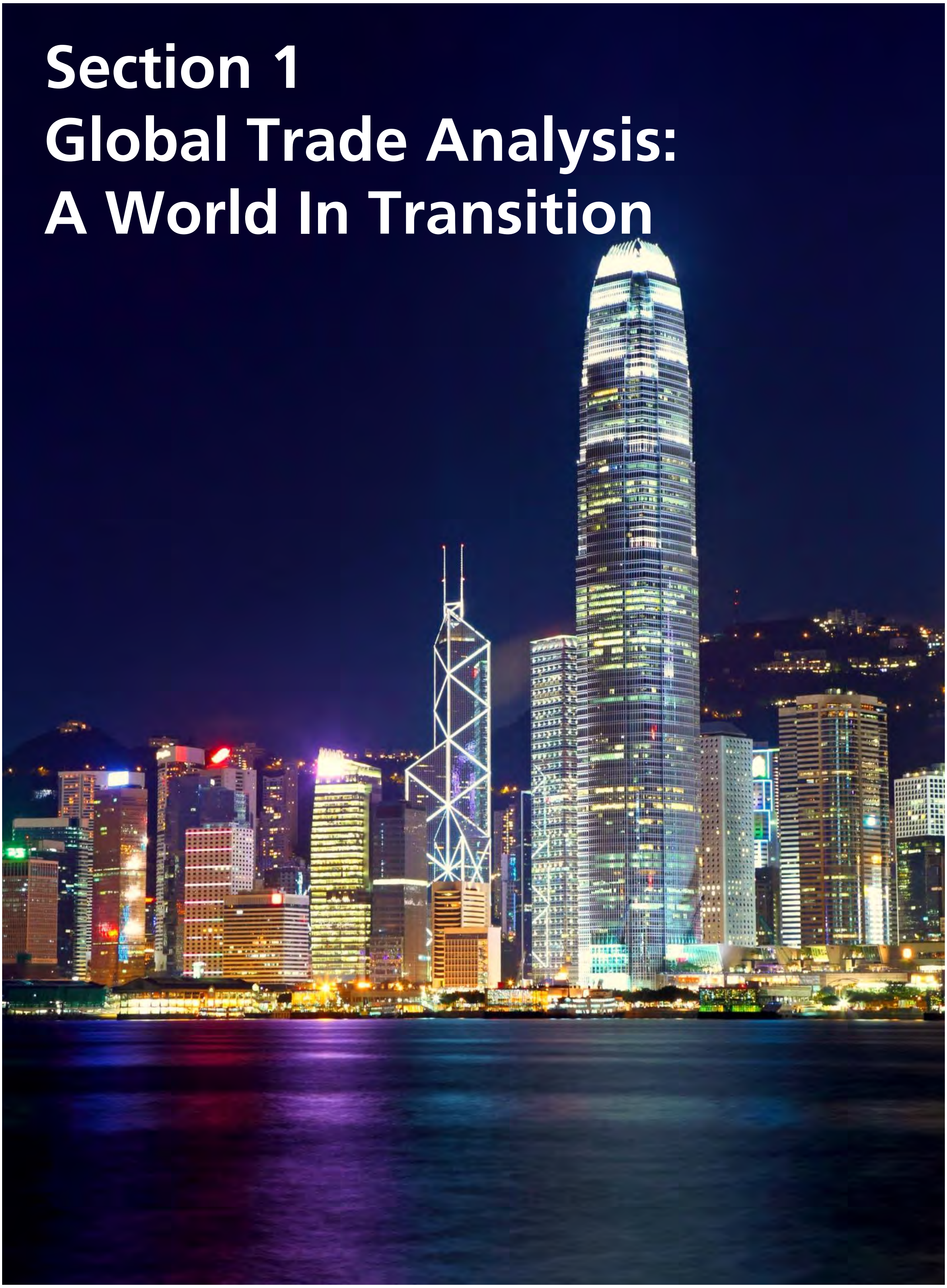
Section 1
Global Trade Analysis: A World In Transition



GLOBAL TRADE ANALYSIS: A WORLD IN TRANSITION

According to the OECD Economic Outlook Report, global growth has eased but remains robust with projected GDP growth of 3.2% in 2019.[1] This represents a slight slowdown from last year's 3.5% increase.[2] Global economic outlook is largely being dampened by risks and uncertainties presented by trade protectionism, especially in regards to prolonged US-China trade tensions and Brexit.

North America

In the United States, GDP growth this year is expected to decline to 2.3%[3] - and soften further to 1.9% in 2020[4] - as the boom from the large fiscal stimulus implemented in 2018 unwinds. The expected GDP growth forecast has been lowered due to the impact of the U.S. government shutdown in addition to the lower than previously anticipated fiscal spending. Despite the downward revision, the projected pace of expansion is above the U.S. economy's estimated potential growth rate in 2019. Strong growth in domestic demand is expected to support higher imports and contribute to some widening of the current account deficit, which sat at US$747 billion in July 2019 to represent a 23% YoY increase.[5] The deficit is expected to reach US$1 trillion when the fiscal year closes on September 30,[6] representing an 11.5% increase over last year's fiscal year-end, and is projected to continue to widen by 10% in FY2020.[7]

Figure 1: Western Hemisphere Economies Real GDP, Consumer Prices, Current Account Balance, and Unemployment (Annual percent change, unless noted otherwise)

		Projections			Projections	
	2018	**2019**	**2020**	**2018**	**2019**	**2020**
North America	**2.7**	**2.2**	**1.9**	**2.7**	**2.2**	**2.7**
United States	2.9	2.3	1.9	2.4	2.0	2.7
Canada	1.8	1.5	1.9	2.2	1.7	1.9
Mexico	2.0	1.6	1.9	4.9	3.8	3.1
Puerto Rico	-2.3	-1.1	-0.7	2.5	0.3	1.3
	Current Account Balance			**Unemployment**		
		Projections			**Projections**	
	2018	**2019**	**2020**	**2018**	**2019**	**2020**
North America	**-2.3**	**-2.4**	**-2.6**	...	...	...
United States	-2.3	-2.4	-2.6	3.9	3.8	3.7
Canada	-2.6	-3.1	-2.8	5.8	5.9	6.0
Mexico	-1.8	-1.7	-1.9	3.3	3.5	3.6
Puerto Rico	...	...	...	11.0	11.0	11.2

Source: International Monetary Fund World Economic Outlook Report

Europe

In Europe, trade slowed more than expected as a combination of many factors weighed on economies across the region. Escalating trade tensions and tighter financial conditions - happening largely outside of Europe - have dampened world trade, manufacturing and foreign demand. Within Europe, several adverse temporary factors are at play in the largest economies. Specific examples of this include a global slump in the automotive sector[8], softening investment in Italy[9] , and street protests that disrupted retail and consumer spending in France[10]. The European Fiscal Policy's June 2019 report[11] cited fiscal and political uncertainty in Europe, with growing concerns about a no-deal Brexit deal threatening investment spending, while overall unemployment remains flat, but comparatively nearly two times higher than unemployment in the US.

Figure 2: European Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment (Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices		
		Projections			Projections	
	2018	2019	2020	2018	2019	2020
Europe	**2.2**	**1.2**	**1.8**	**3.2**	**2.9**	**2.8**
Advanced Europe	**1.8**	**1.3**	**1.6**	**1.9**	**1.4**	**1.6**
Euro Area	1.8	1.3	1.5	1.8	1.3	1.6
Germany	1.5	0.8	1.4	1.9	1.3	1.7
France	1.5	1.3	1.4	2.1	1.3	1.5
Italy	0.9	0.1	0.9	1.2	0.8	1.2
Spain	2.5	2.1	1.9	1.7	1.2	1.6

	Current Account Balance			Unemployment		
		Projections			Projections	
	2018	2019	2020	2018	2019	2020
Europe	**2.2**	**2.2**	**2.1**	...	...	...
Advanced Europe	**2.7**	**2.6**	**2.5**	**7.1**	**7.0**	**6.9**
Euro Area	3.0	2.9	2.8	8.2	8.0	7.7
Germany	7.4	7.1	6.8	3.4	3.4	3.3
France	-0.7	-0.4	0.0	9.1	8.8	8.4
Italy	2.6	2.9	2.6	10.6	10.7	10.5
Spain	0.8	0.8	0.8	15.3	14.2	14.1

Source: International Monetary Fund World Economic Outlook Report

Asia Pacific

While the baseline for growth in APAC remains significantly stronger than other regions of the globe, it is also being impacted by global trade trends including tariffs, fiscal policy uncertainty and tightening economic conditions. As a response, overall GDP growth in APAC is projected by the International Monetary Fund to take a slight dip down to 5.4% in both 2019 and 2020 (from 5.5% GDP growth in 2018).

Growth in the eight main economies of advanced APAC (Japan, South Korea, HKSAR, Macau SAR, Singapore, Australia, New Zealand and Taiwan, China) is expected to level off slightly to reach sustainable levels while consumer spending continues to grow. According to the Global Consumer Confidence Index.[12]

The International Institute for Management Development (IMD) has also ranked HKSAR and Singapore the two most competitive economies in the world[13] in 2019 based on an aggregation of economic performance, infrastructure, government efficiency and business efficiency.

In fact, 11 of the 14 APAC economies assessed either improved or maintain their rankings from the previous year. In particular, Indonesia soared ahead 11 places to become the 32nd most competitive economy in the world and Thailand improved five places to the 25th position.

Figure 3: Asia Pacific Economies (Advanced): Real GDP, Consumer Prices, Current Account Balance, and Unemployment (Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices		
		Projections			Projections	
	2018	2019	2020	2018	2019	2020
Asia	**5.5**	**5.4**	**5.4**	**2.4**	**2.5**	**2.8**
Advanced Asia	**1.8**	**1.7**	**1.7**	**1.3**	**1.3**	**1.6**
Japan	0.8	1.0	0.5	1.0	1.1	1.5
Korea	2.7	2.6	2.8	1.5	1.4	1.6
Australia	2.8	2.1	2.8	2.0	2.0	2.3
Taiwan Province of China	2.6	2.5	2.5	1.5	1.1	1.2
Singapore	3.2	2.3	2.4	0.4	1.3	1.4
Hong Kong SAR	3.0	2.7	3.0	2.4	2.4	2.5
New Zealand	3.0	2.5	2.9	1.6	2.0	1.9
Macao SAR	4.7	4.3	4.2	3.0	2.5	2.7

	Current Account Balance			Unemployment		
		Projections			Projections	
	2018	2019	2020	2018	2019	2020
Asia	**1.2**	**1.2**	**1.1**	...	...	...
Advanced Asia	**3.9**	**3.9**	**3.9**	**3.2**	**3.1**	**3.1**
Japan	3.5	3.5	3.6	2.4	2.4	2.4
Korea	4.7	4.6	4.5	3.8	4.0	3.9
Australia	-2.1	-2.1	-2.1	5.3	4.8	4.8
Taiwan Province of China	11.6	11.4	10.7	3.8	3.7	3.7
Singapore	17.7	17.6	17.1	2.1	2.0	2.0
Hong Kong SAR	3.5	3.2	3.4	2.8	2.8	2.8
New Zealand	-4.0	-4.4	-4.3	4.2	4.4	4.4
Macao SAR	35.0	37.4	38.7	1.8	1.8	1.8

Source: International Monetary Fund World Economic Outlook Report

Figure 4: IMD World Competitiveness ranking 2019 - One Year Change

2019	Country	2018	Change
1	Singapore	3	+2
2	Hong Kong SAR	2	-
3	USA	1	-2
4	Switzerland	5	+1
5	UAE	7	+2
6	Netherlands	4	-2
7	Ireland	12	+5
8	Denmark	6	-2
9	Sweden	9	-
10	Qatar	14	+4
11	Norway	8	-3
12	Luxembourg	11	-1
13	Canada	10	-3
14	China	13	-1
15	Finland	16	+1
16	Taiwan, China	17	+1
17	Germany	15	-2
18	Australia	19	+1
19	Austria	18	-1
20	Iceland	24	+4
21	New Zealand	23	+2
22	Malaysia	22	-
23	United Kingdom	20	-3
24	Israel	21	-3
25	Thailand	30	+5
26	Saudi Arabia	39	+13
27	Belgium	26	-1
28	Korea Rep.	27	-1
29	Lithuania	32	+3
30	Japan	25	-5
31	France	28	-3
32	Indonesia	43	+11
33	Czech Republic	29	-4
34	Kazakhstan	38	+4
35	Estonia	31	-4
36	Spain	36	-
37	Slovenia	37	-
38	Poland	34	-4
39	Portugal	33	-6
40	Latvia	40	-
41	Cyprus	41	-
42	Chile	35	-7
43	India	44	+1
44	Italy	42	-2
45	Russia	45	-
46	Philippines	50	+4
47	Hungary	47	-
48	Bulgaria	48	-
49	Romania	49	-
50	Mexico	51	+1
51	Turkey	46	-5
52	Colombia	58	+6
53	Slovak Republic	55	+2
54	Ukraine	59	+5
55	Peru	54	-1
56	South Africa	53	-3
57	Jordan	52	-5
58	Greece	57	-1
59	Brazil	60	+1
60	Croatia	61	+1
61	Argentina	56	-5
62	Mongolia	62	-
63	Venezuela	63	-

Source: IMD World Competitiveness Center

A silver lining

While many countries and businesses are caught in the crossfire of global trade tensions, global financial market conditions have eased and, in some cases, greatly improved. This trend has been partially propelled by accommodative monetary policies and the measures applied by many economies have expanded the overall money supply in the face of slightly slower global economic growth.

For example, in the U.S. - even though GDP output is currently above potential[14] (meaning the U.S. is operating and producing at a higher level than its long-run average levels) - the Federal Reserve's patient, gradual approach to monetary easing approach is appropriate considering uncertainties around U.S. tariffs, ongoing conflicts with trading partners and a tame inflation rate. The annual inflation rate for the U.S. was 1.6% for the 12 months leading up to June 2019, compared to 1.8% previously.

In July 2019, the Federal Reserve announced the first federal rate cut since the 2008 crisis[15], a move pushed by President Donald Trump.[16] It is not often that interest rates are lowered during times of economic growth, however proponents of further rate cuts argue that the fiscal stimulus from Trump's tax cuts is largely being offset by tariffs, which are essentially a tax on trade.

Furthermore, low interest rates - in a slow-growing but still healthy and upwardly mobile economy - could energize investors willing to take on risk. History tells us this could subsequently expand market capital. The last time the Federal Reserve cut rates with a similar economic backdrop - which happened in 1998 - the S&P 500 rose 3.5% in the next month and then 20.9% the following year.[17] At that time, the largest growth sectors were the tech and consumer discretionary spending categories.

Meanwhile, household income and spending levels across the major economies continue to be bolstered by increasingly favorable market conditions, such as low unemployment, rising labor market participation and nominal wage growth.

Asia Pacific led the Fed with accommodative monetary policy

Before the Federal Reserve cut interest rates, other central banks around the world are following suit to hedge slow growth with accommodative monetary policy.[18] While the European Central Bank[19] is pondering a rate cut for September, the trend is perhaps most prevalent in APAC.

Interest rate cuts have cycled to APAC's economies to encourage spending investment and economic growth across the region. In particular, rate-cutting activity has been seen in Malaysia, India, Australia and the Philippines.[20] Even South Korea,[21] whose interest rate had remained static since 2016, announced an unexpected rate cut in July. Indonesia[22] - which actually raised interest rates six times in 2018 - announced its first interest rate cut in two years. Likewise, Japan[23] - which has been hampered by weak household spending, stagnant wages and falling exports - may also explore rate cuts to boost economic growth.

Meanwhile, Mainland China is largely turning to expansionary policy in early June, the People's Bank of China (PBOC) injected 500 billion yuan (US$72.32 billion) into its economy to support smaller sized financial institutions,[24] offsetting the 463 billion yuan (US$67.27 billion) worth of loans maturing on the same day. Perhaps more importantly, it is expected that the PBOC will lower interest rates later in 2019 [25] - for the first time in four years - as a means of stimulating the economy.

A "wait & see" approach to foreign investment

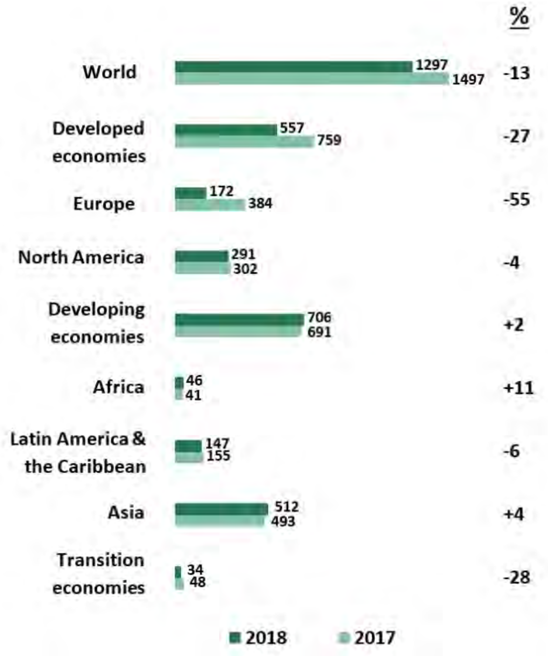
Against the backdrop of ongoing trade tensions and impending Brexit proceedings, the global economy is in a state of flux and FDI is slumping as investors largely take a "wait and see" approach.

The uncertainty amid ongoing trade friction has impacted economies throughout the world, not just the United Kingdom, United States and Mainland China. While it is unclear exactly how deals will be settled on these issues, the global business and investment community at large are carefully monitoring and keeping a steady pulse on these so they can act and adjust their international business and investment strategies accordingly.

Global foreign direct investment slides for third consecutive year while FDI inflows of developing economies increased to represent a record-breaking 54% of the total global foreign direct investment inflow, valued at US$702 billion

Global foreign direct investment (FDI) flows continued to fall in 2018, dropping by 13% to US$1.3 trillion, as reported in the UN Conference on Trade & Investment[26] (UNCTAD) 2019 World Investment Report.

Figure 5: FDI inflows, by region, 2017-2018 (Billions of dollars and percent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)

The decline - which marks the third consecutive ... at the end of 2017, which prompted large-scale repatriations of accumulated foreign earnings by United States multinational enterprises (MNCs) in the first two quarters of 2018.

The trend of sending money back to the U.S. (corporate fund repatriation) has since tapered off, which may have upcoming implications for FDI in the future as MNCs look to diversify and pursue other investment opportunities.

FDI inflows to developed economies were at the lowest point since 2004, declining by 27% (to US$557 billion), while inflows to Europe were

cut in half to less than US$172 billion. This sharp drop can be attributed to negative inflows to a few
key host countries - as a result of fund repatriation back to the U.S.- and to a sizeable drop of investment in the United Kingdom amid Brexit uncertainties. This includes a 13% drop in foreign direct investment projects in the United Kingdom.

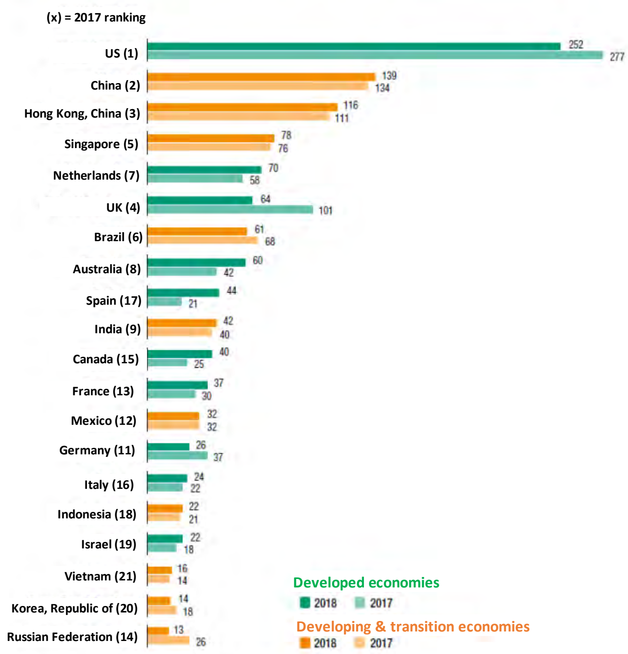
The repatriation of accumulated earnings back to the U.S. had a particularly heavy impact on inflows to European economies that host the financial functions of American MNCs, such as Ireland (down by US$65 billion to -US$66 billion and Switzerland (down by US$126 billion to -US$87 billion). Inflows to the United Kingdom also declined, by 36% to US$64 billion, while new equity investments were cut in half.

FDI inflow to the U.S. declined as well, by 9%, going down to US$252 billion - which is also the average level of FDI inflow over the last 10 years. This decline mainly stemmed from a contraction in the value of intracompany loans, which fell from -US$16 billion to -US$62 billion.

Conversely, Australia's FDI inflows surged by 43% to reach a record-breaking US$60 billion.

Despite its FDI inflow decline, the U.S. remained the largest recipient of FDI, followed by Mainland China, HKSAR and Singapore. The effect of waning trade relations between Mainland China and the U.S. are reflected by the inflows from the U.S. to Mainland China, dropping sharply from US$10 billion in 2017 to only US$6 billion in 2018.[27]

Figure 6: FDI inflows, top 20 host economies, 2017 and 2018 (USD Billions)

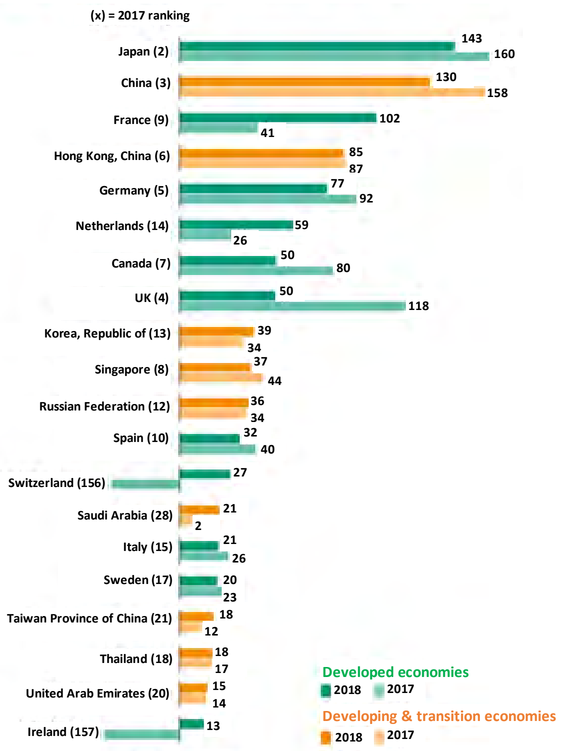


Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)

For developing countries, the inflows remained stable with a 2% increase, according to UN data. As a result of this increase - and the concurrent anomalous fall in FDI in developed countries - the share of developing countries in global FDI increased to represent a record-breaking 54%. Meanwhile, half of the world's top 20 host economies for FDI inflow are actually developing and transition economies. Inflows to developing countries in Asia, which is the world's largest recipient region for FDI, were up 4% last year to reach US$512 billion.

Japan became the world's largest investor in terms of outward flows, according to the UN data. It is trailed by Mainland China and France. The U.S. fell out of the top 20 list, due to its MNCs repatriating investment earnings in droves after the passage of the U.S. tax reform at the end of 2017.

Figure 7: FDI outflows, top 20 home economies, 2017 and 2018 (USD Billions)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)

Asia Pacific shows strength & resilience

As previously mentioned, FDI inflows to developing economies in Asia rose by 4% in 2018 to reach a total of US$512 billion. This increased FDI inflow occurred mainly in Mainland China, HKSAR, Singapore, Indonesia and other ASEAN countries, as well as in India and Turkey. APAC continued to be the world's largest FDI recipient region, absorbing 39% of global inflows in 2018, as compared to 33% in 2017.

Of note, FDI inflows to Mainland China - the largest developing economy recipient of FDI - soared by 4% to reach an all-time high of US$139 billion. This figure accounts for more than 10% of the world's total FDI. Confirming its importance, foreign investors established more than 60,000 new companies in the country in 2018. Furthermore, China announced the cancellation of the restrictive QFII and RQFII quotas in September of 2019. The move comes just as China is expected to claim the title for largest consumer market in the world.[28]

These two factors will likely play a role in attracting investments from foreign institutions in 2020.

Breakdowns of significant FDI inflows across developing APAC highlight that the largest recipient of FDI inflow, by region, is East Asia, followed by Southeast Asia and South Asia.

East Asia: Mainland China, HKSAR, Macau SAR, Taiwan, China, North Korea, Mongolia, South Korea

FDI inflows to East Asia rose by 4% to reach US$280 billion in 2018, although this number remained significantly below its 2015 peak of US$318 billion.

Despite the ongoing tariff disputes with the U.S., inflows to Mainland China increased by 4% to reach a record-breaking high of US$139 billion. Flows to HKSAR rose by 4% to US$116 billion, mostly in services sector operations. FDI to South Korea dropped by 19% to US$14 billion due to a significant decrease in intracompany loans.

Mainland China in 2019: Foreign direct investment inflow to China rose 6.9% year-on-year in January – August 2019, reaching 604.04 billion yuan (US$85.17 billion), according to data from Trading Economics. Foreign investment in high-tech industries surged 39.3% and accounted for 28.9% of the total FDI, with investment in high-tech services rising 58.4%.

Among the main sources of investment, FDI inflows to China increased mainly from South Korea (45.3%) while FDI from the countries along the Belt and Road Initiative maintained steady growth of 6.3%. FDI in August alone rose 3.6% to reach 70.89 billion yuan.

China continues to quicken the pace of its opening-up to foreign investors, as indicated by the recent cancellation of the restrictive QFII and RQFII quotas held by the State Administration of Foreign Exchange. This move will likely stimulate

FDI and make China attractive to foreign capital, against a rising anti-globalization trend being seen in other markets around the world.

In the long-term, China's FDI inflow figure is projected to trend around US$1,500 HML in 2020, according to econometric models from Trading Economics.[29]

Hong Kong in 2019: Hong Kong's FDI inflow increased by US$26.3 billion (HK$205.7 billion) in the first quarter of 2019 compared with an increase of US$24 billion (HK$187.7 billion) in the previous quarter, according to CEIC Data.[30]

Hong Kong maintains its position as an exit path for outbound mainland Chinese investment, with roughly 58% of Chinese outbound investment channeled through Hong Kong. This includes many of the funds for China's signature Belt and Road Initiative.[31]

China received US$62.9 billion (446 billion yuan) in FDI via Hong Kong in the first eight months of 2019, according to data from the People's Republic of China's Ministry of Commerce. This accounts for 70% of total inflows. To underscore the relationship between the two markets, China received US$7.53 billion (53.4 billion yuan) via Hong Kong in August of 2019. This represents a hefty rise of 29.2% over the same month in 2018.[32]

Hong Kong also continues to make investments in ASEAN countries. Notably, Hong Kong retained its crown as Vietnam's leading source of FDI in the first seven months of this year, pouring US$5.44 billion (HK$42.55 trillion) in the fast growing country according to data from Vietnam's Foreign Investment Agency.[33]

Southeast Asia: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Timor-Leste, Thailand, Vietnam

FDI inflows to Southeast Asia increased 3% to reach a record level of US$149 billion. FDI inflow growth in this region is strongly supported by robust investment from other APAC economies, including investment diversion and relocations of manufacturing activity from Mainland China. Strong intra-ASEAN investments also helped push this trend along, although Singapore played a particularly significant role as an investment hub for the region. The growth in Southeast Asia was driven by particularly strong investment in Singapore, Indonesia, Vietnam and Thailand. FDI inflows to some countries in Southeast Asia declined, such as in Malaysia and the Philippines.

In terms of industries, manufacturing and services - particularly finance, retail and wholesale trade, including the digital economy - continued to attract FDI across Southeast Asia.

South Asia: Afghanistan, Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan, Sri Lanka

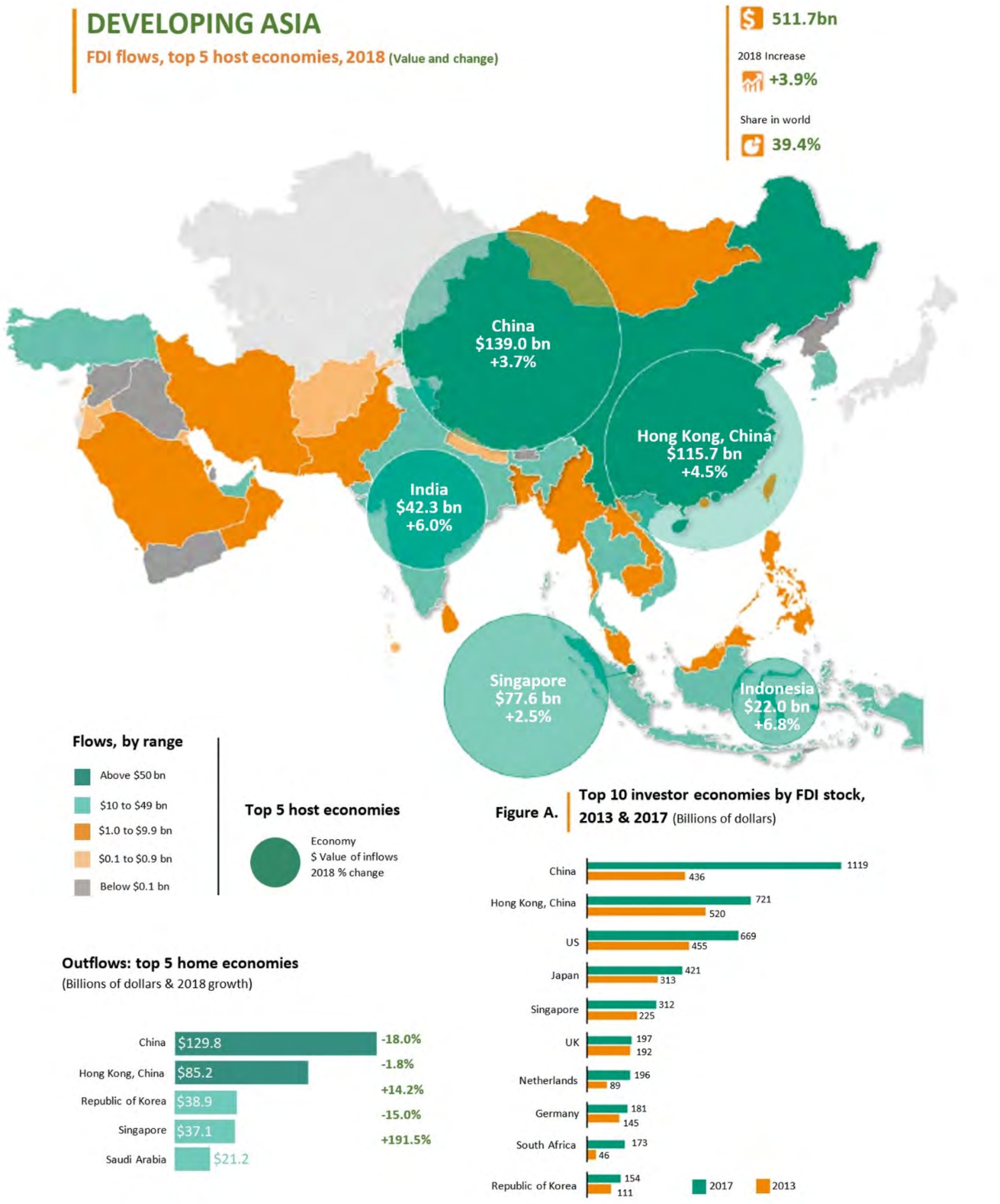
In South Asia, FDI inflows increased by 4% to reach US$54 billion. Investment in India - the sub region's largest recipient - rose by 6% to reach US$42 billion with strong inflows in the manufacturing, communication, financial services and cross-border merger and acquisition (M&A) sectors. FDI inflows to Bangladesh and Sri Lanka rose to a record level of US$3.6 billion and US$1.6 billion respectively, while Pakistan saw a 27% decline in investment at US$2.4 billion.

Japan: The UNCTAD classifies Japan as an advanced economy, considering it separately from 'Developing Asia' FDI flow. FDI inflows to Japan decreased from US$10.43 billion in 2017 to US$9.86 billion in 2018. While Japan's inflow decreased from most regions, there was a modest 3.7% increase of inflow coming from Mainland China. Meanwhile, Japan claimed the title for the world's top investor, contributing the most outflows. Of note, stalled M&A activity globally resulted in Japanese FDI outflows to the U.S. being cut in half.

Australasia: Australia, New Zealand

Australia's FDI inflows posted a record level of over US$60 billion, surging 43% from 2017 levels as foreign affiliates reinvested a record US$25 billion of their profits in the country. This figure places Australia in the world's eighth spot for FDI host economies. At the same time, Australia's FDI outflows jumped nearly 10% to reach US$3.6 billion.

In New Zealand, FDI inflow plummeted by nearly 45% to US$1.4 billion, with Australia, the U.S. Canada, Mainland China and Singapore continuing to be the top investors. The decrease can largely be attributed to a decline in approved applications and lower volumes in the agriculture sector.



Source: UNCTAD

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

Asia Pacific's decline in outflows

UN data shows that outflows from APAC declined by 3% to $401 billion - but still represented 40% of global outward FDI. This decline can mainly be attributed to the second year of reduced investments from Mainland China, spurred by policies discouraging capital outflows.

There has also been an increased screening of inward investments in Europe and the United States. In contrast, outward investment from South Korea, Saudi Arabia, the United Arab Emirates and Thailand increased.

Optimistic prospects for Asia Pacific's FDI in 2019

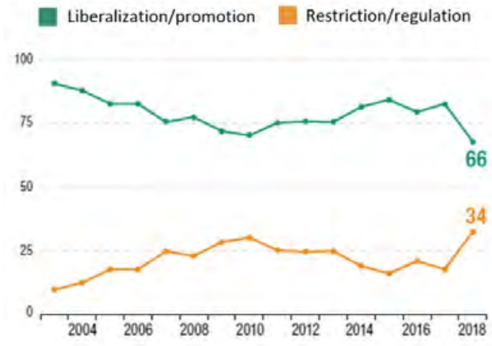
All the sub-regions in developing APAC are expected to receive higher inflows in 2019, supported by a doubling in value of announced greenfield projects. This strongly suggests continued growth potential for FDI in 2019, but the uncertainties surrounding global trade tensions could potentially sully the mood and disrupt investment activity.

To further encourage outflows, bilateral cooperation under the Belt and Road Initiative is expected to continue to encourage outward FDI along the routes, particularly in infrastructure development.

Assessment of foreign investment policies, restrictions & regulatory trends

At least 112 policy measures affecting foreign investment were introduced in 55 countries and economies around the globe, according to the UN World Investment Report. Two-thirds were measures seeking to liberalize, promote and facilitate new investments. Such liberalization measures affected several industries: agriculture, media, mining, energy, retail trade, finance, logistics, transportation, telecommunication and the internet business.

Figure 8: Changes in national investment policies, 2003-2018 (Per cent)



Source: UNCTAD, Investment Policy Hub

Developing Asia Pacific leads liberalization measures

Developing countries in APAC passed approximately 60% of the foreign investment liberalization measures. Several governments introduced measures to promote the privatization of state-owned companies, such as in Mainland China[34] and Vietnam.[35] Furthermore, an ongoing trend to simplify and streamline administrative procedures for foreign investors continued.

Numerous countries are also providing new fiscal incentives for investment in specific industries or regions. An example of such a measure would be Singapore's establishment of a new government office called Digital Industry Singapore (DISG) - which has set a goal of creating up to 10,000 jobs in the technology sector over three years.[36] In July 2019, Malaysia launched its National Entrepreneurship Policy 2030 (NEP 2030), which aims to empower SMEs and nurture a culture of entrepreneurship.[37] The policy has the potential to create over a million new jobs in Malaysia by 2030 and its success largely depends on foreign investment, with many of the policy's provisions aiming to eliminate barriers to foreign investment.

Policies in developed economies restrict foreign ownership ceilings & hinder cross-border M&A activity

As part of some of the new provisions and regulations, developed economies adopted a number of measures to address national security concerns which included new foreign ownership ceilings in certain industries or restrictions on the acquisition of residential property. New local content requirements and obligations to employ local workers were also introduced.

Numerous cross-border M&A deals (in excess of US$50 million) fell through in 2018 because of government interventions. At least 22 deals were blocked or withdrawn due to regulatory or political reasons, a figure twice that from 2017. Nine were halted for national security considerations, three were withdrawn due to concerns from competition authorities and three more were aborted for other regulatory reasons. Another seven deals were abandoned by investors after approval delays from host-country authorities.

The rapid worldwide proliferation of Special Economic Zones (SEZ)

Special economic zones (SEZs), which go by many names and come in various forms, are widely used in most developing and many developed economies to facilitate FDI. In these geographically defined areas, governments attempt to promote industrial activity through fiscal and regulatory incentives and infrastructure support.

There are over 5,400 zones across 147 economies today, up 35% from about 4,000 only five years ago. More than 500 new SEZs are in the development phase, which will inevitably have a significant impact on FDI trends in upcoming years.

The current SEZ boom is part of a new wave of industrial policies being introduced in an increasingly competitive investment landscape, where economies around the world are intensely vying for foreign investments.

Most of these zones offer fiscal incentive and business-friendly regulations when it comes to land access, permits, licenses, employment rules and administrative streamlining. They also often offer relief from customs duties and tariffs.

Furthermore, infrastructure support is another key feature of SEZs, especially in developing countries where basic infrastructure for business outside these zones might be lacking.

Key dimensions driving SEZ success

- Strategic focus
- Regulatory framework and governance
- Value proposition for investors

New challenges facing SEZs

- Sustainable development imperative
- New industrial revolution and digital economy
- Changing patterns of international production

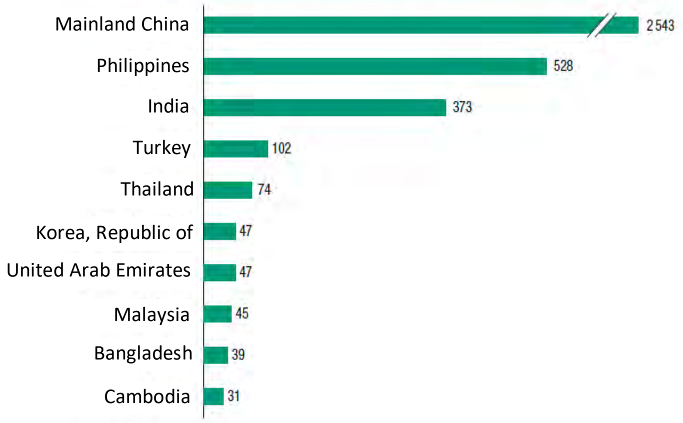
Regional integration of SEZs

Regional integration initiatives are also increasingly incorporating SEZs along regional economic corridors to facilitate investment and integrate economies. Regional development zones and cross-border zones spanning several countries or territories are becoming a feature of regional economic cooperation. This is a hallmark feature of Mainland China's Greater Bay Area initiative, which we look at in more detail in the closing case study of this section.

Asia Pacific hosts the largest share of the world's special economic zones

Of the 5,400 special economic zones in the world, more than 4,000 are located in developing countries in APAC. Mainland China hosts the most, with over 2,500 SEZs. ASEAN member countries collectively host more than 700 of these zones. Amongst all of the SEZs in APAC, the most promising ones with the largest expected economic uplift potential for leveraging SEZs to gain foreign investment are in the Greater Bay Area.[38] As the region gravitates towards economic integration and cooperation between numerous governments, SEZs are a focal point for strategically forging cross-border partnerships and investments from key industries. Indonesia - after launching three SEZs in 2019 in East Kalimantan, North Sulawesi and North Maluku[39] - is also promoting SEZs as a means of attracting foreign investment from neighboring APAC economies and beyond.

Figure 9: Developing Asia: economies with the



Source: UNCTAD

Mainland China is expected to draw future investments through its continued policy experiment in large-area special economic zones, investment facilitation measures and relaxation of foreign ownership liberalization in sectors such as finance and healthcare.

As a mechanism for supporting structural transformation, the zones in APAC are designed to attract specific industries FDI inflow from, such as manufacturing, natural resource processing or technology-intensive industries and services. These are critical in advancing a country's structural transformation, thus accelerating further investment and economic growth.

The focus of these SEZs can vary by country and region, depending on the goals, resources and infrastructure already in place. India, South Korea and the Philippines favor information and technology zones. Meanwhile, West Asia tends to focus on services. Manufacturing plays the key role in most of the SEZ focus across ASEAN.

The development of new SEZs also promotes greenfield investment activities, particularly in the construction of industrial establishments and power generation. This is particularly evident in the construction of zones in Indonesia, Thailand and Vietnam.

Belt & Road Initiative shifts SEZ landscape

Mainland China's Belt and Road Initiative (BRI) is a landmark project and the largest infrastructure scheme in our lifetime, with the potential to bring about unprecedented geopolitical and economic shifts across APAC and beyond. With multilateralism and foreign investment at the very core of its success, an integrated SEZ

strategy is a critical tool for putting the initiative into motion and fostering cross-border collaboration.

As Mainland China seeks to foster consensus and collaboration for an SEZ strategy[40], stakeholder countries find themselves in an opportune - albeit challenging - position to leverage BRI and the SEZ proliferation as a means of rebalancing and accelerating economic growth. Meanwhile shifting trade relations and tensions are increasing Mainland China's commitment to BRI, prompting unprecedented measures to develop closer ties to neighboring countries. For example, Mainland China has identified ASEAN as key for infrastructure improvements and wishes to build an SEZ on the border between Laos and Thailand. This would be the first time Mainland China lifts custom duties and VAT on cross-border transactions between countries that do not share borders with Mainland China.

The World Bank is taking BRI projects very seriously, having already invested more than US$80 billion in various infrastructure projects.[41] It has identified potential risks common to many major infrastructure projects: debt risks, governance risks in corruption/procurement, stranded infrastructure, environmental risks and social risks. The World Bank also asserts that BRI depends on regional cooperation and connectivity to generate growth and reduce poverty.[42]

Mainland China's actions indicate that a comprehensive, integrated SEZ strategy will be a top priority for activating BRI. While countries across APAC must navigate risks and pitfalls associated with BRI, the commitment Mainland China has to this project will likely open up access to favorable free trade relationships and SEZ activity for countries across APAC.

GBA Initiative Case Study: The Greater Bay Area excites foreign investors and attracts FDI

Mainland China's Greater Bay Area (GBA) initiative is luring in foreign investors in a way that could influence inflow FDI trends in 2019 and years to come for the 11 cities that are part of the initiative: HKSAR, Macau SAR, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan and Jiangmen Zhaoqing. It will also influence FDI for neighboring economies and economies across the globe that might turn to this bourgeoning region for future investment opportunities. We focus on this initiative as an example of how governments and private enterprises proactively respond to emerging FDI trends and embrace mechanisms, partnerships and SEZs that attract foreign direct investment.

Leading Mainland China's modernization

The GBA initiative is an economic development plan proposed by the government of Mainland China to integrate HKSAR, Macau SAR, Guangzhou, Shenzhen and seven other Mainland cities into one unified globally identifiable metropolis of booming economic growth, cutting-edge innovation and thriving culture. It is part of Mainland China's ongoing industrial diversification process, as it shifts from low-end manufacturing and strengthens itself as a dynamic, thriving economy energized by consumption and innovation.[43]

The initiative seeks to leverage the region's immense potential and consolidate as one hub of excellence. The end vision affirms the GBA's status as a world-class economic powerhouse, rivaling the world's principal commercial centers, namely Tokyo, London and New York City. It will be home to some of the world's leading companies, top universities, busiest ports and most cutting-edge technologies.[44]

A call for FDI

However, this lofty economic vision depends heavily on the initiative's ability to ramp up FDI - and put the GBA region on the top of the list for foreign investors. As part of the initiative, the government and private enterprise partners have strategically designated roles for each of the cities involved to comprehensively touch upon all the sectors and factors required to make it a world class region and attract investors: finance, technology, innovation, education, tourism, shipping, transportation, and real estate.[45] Furthermore, the Chinese government has pledged to implement policies - such as providing large subsidies to ease the financial burden of developing and investing in particular industries.[46]

The GBA initiative presents enormous potential and has already enticed substantial foreign investment. In fact, foreign investment in the
real estate sectors of Guangzhou and Shenzhen - two core mainland cities in the GBA initiative –
reached 7.5 billion yuan (US$1.1 billion) in the first quarter of 2019, up by nearly 50% from

last year's 5.2 billion yuan (US$750 million).[47] There are also several provisions within the GBA initiative plan that will greatly benefit the banking and insurance industry, driving increased foreign investment in these sectors. For example, the GBA plan enables more cross-border insurance sales, claims and investigations. It also includes measures to encourage insurance companies in Guangdong, HKSAR and Macau SAR to collaboratively develop innovative cross-border auto and medical insurance products, allowing policyholders in both markets to easily buy products and make claims.[48]

SEZs & strategic partnerships

The Chinese government has also announced the intention to develop a special economic zone in Shenzhen, which would support insurance innovation and further enhance connectivity between HKSAR and Shenzhen. In addition, it would also foster cooperation between Macau SAR and Shenzhen to launch special financial products and pilot innovative fintech projects.

In the Guangdong Free-Trade Zone, Mainland China has announced that it will explore the establishment of an international commercial bank to better serve the financial needs of businesses in the GBA.[49] The Chinese government will also explore offering an integrated account management system to facilitate cross-border usage of the yuan and capital account convertibility - simplifying cross-border settlements of trade and investment. The Hong Kong Exchanges and Clearing (HKEX) will also likely stand to benefit from the GBA initiative as it will enable its metal exchange platform to conduct commodities trading in Qianhai's special economic zone.[50] Such commodities trading is a key business the HKEX has been focused on strategically expanding into.

Making connections

Massive infrastructure improvements will be required in order to better connect and integrate the 11 cities of the GBA. To put these infrastructure improvements in action, the region is also raising its profile as a crossroads for global trade. The GBA is expected to play a key role in major upcoming economic development initiatives for global connectivity.

As part of the plan outlined by the Chinese government, the GBA has been identified as a key component in activating Mainland China's Belt and Road Initiative - essentially helping to pave new trade routes and connect markets across Asia, the Middle East, Europe and Africa.[51]

Many regional neighbors are also enthusiastically taking note of the GBA initiative, viewing it as a major opportunity for growth in APAC overall. Tokyo even hosted a 2019 conference on the GBA initiative to explore partnership opportunities for Japan. Experts in Japan have identified the GBA initiative as a potential springboard for Japanese companies, particularly in innovation and the smart health sector.[52]

Creating an economic powerhouse

The geography encompassed by the GBA initiative is already home to more people than the Tokyo metropolitan area (which is officially the world's largest metropolitan area in terms of total population) and is a flourishing domestic market with a rapidly urbanizing and increasingly wealthy consumer base.[53]
But it's not just the vast population size that will light up the region on the map. Currently the economies of the GBA have a combined GDP of US$1.34 trillion, which places it just behind the US$1.61 trillion GDP of Greater New York City and Greater Tokyo's US$1.78 trillion.

Forecast figures anticipate major growth for the region in upcoming years and the results of this initiative are not too far in the distance: By 2030 the GDP is expected to soar to US$4.6 trillion.[54]

Section 2

Exclusive 2020 Forecast: Top 3 Trends Impacting Asia Pacific Trade Outlook

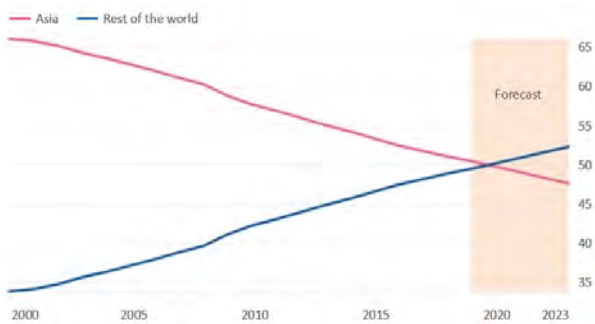
EXCLUSIVE 2020 FORECAST: TOP 3 TRENDS IMPACTING ASIA PACIFIC TRADE OUTLOOK

From India to Indonesia, APAC is booming. OECD data predicts it will remain the fastest-growing region in the world through 2030. Of the 30 largest cities in the world, 21 are in APAC. And in 2020, APAC will also become home to half of the world's middle class.[55] The burgeoning middle class is already reshaping the international economy: millions of newly empowered consumers are driving demand for digital innovations, luxury products and professional services.

Nielsen's latest figures point to strong growth in the consumer goods industry and increased GDP in APAC.[56] However, global economic uncertainty impacting the region - such as ongoing trade tensions - may threaten GDP growth in the short term.

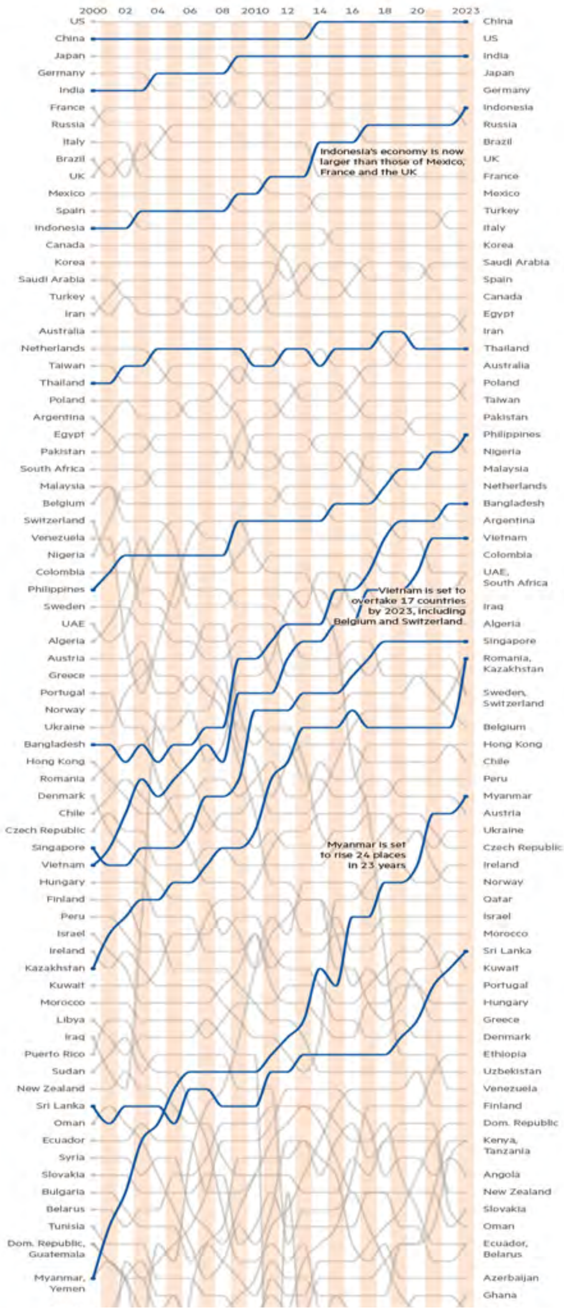
In this section, we outline the top emerging trends affecting the future of trade in APAC which companies should be aware of when developing their business expansion strategies.

Figure 10: The Asian century is about to begin (Share of world GDP at PPP)



Source: United Nations Conference on Trade and Development, International Monetary Fund, Financial Times

Figure 11: Asian economies climb the global ladder-Rank of global share of GDP (based on PPP, actual and forecast)



Source: United Nations Conference on Trade and Development, International Monetary Fund, Financial Times

The globe goes full circle: 'Asian Century' begins in 2020

APAC economies will become larger than the rest of the entire world combined in 2020. The Financial Times asserted that this dominance marks the beginning of the 'Asian Century.[57] To put the trend in perspective, APAC represented just a third of global output in 2000 - showing that this movement is fueled by recent, rapid momentum.

Regional giants Mainland China and India - the world's two largest countries by population - are receiving much of the media headlines when it comes to documenting APAC's climb up. In terms of purchasing power parity (PPP), Mainland China is now a bigger economy than the US and is anticipated to account for 19% of world output in 2019 - more than double the 7% recorded in 2000. Neighboring India is now the world's third-largest economy, registering a GDP double the size of Germany and Japan.[58]

But it is not just Mainland China and India powering APAC's rise. Much of the growth is coming from other shining stars on Asia's horizon. Indonesia is on target to become the world's seventh-largest economy by PPP in 2020, anticipated to overtake Russia as the sixth largest economy by 2023.[59] Vietnam, one of the fastest-growing economies in the world, has pulled ahead of 17 countries since 2000 - including Belgium and Switzerland - in the PPP rankings. Meanwhile, the Philippines now boasts a larger economy than the Netherlands.

APAC's recent surge, which began during Japan's recovery after World War II, may be surprising to some - but it actually marks a return to a historical standard in the East-West dichotomy of the global economy. The powerhouse economies of APAC were the subject of admiration and awe by Europeans for centuries, dominating the global economy for most of human history until the 19th century. In fact, India's share of the world economy was as big as Europe's in the 18th century.[60] But when western economies took off - powered by the Scientific Revolution, the Enlightenment and the Industrial Revolution - APAC was largely left out of much of the growth and lagged behind in development.

However, the past five decades have marked a shift for APAC with hundreds of millions of people being lifted out of poverty and many economies progressing to become middle-income or advanced economic status, according to World Bank definitions.

The globe is going full circle as we approach Industry 4.0 (or the Fourth Industrial Revolution), with APAC aptly responding to trends in global trade to propel forward. Contributing to APAC's economic surge is a "winning mix of integration with the global economy via trade and foreign direct investment, high savings rates, large investments in human and physical capital, and sound macroeconomic policies" reads the IMF's latest regional outlook.[61]

E-commerce is turning SMEs into MNCs in the world's largest marketplace

One of the most disruptive changes impacting the APAC market is the emergence of e-commerce. There are already 993 million people shopping online in APAC and this number is expected to soar in upcoming years. As the middle class in APAC continues to expand, internet and smartphone penetrations are expected to reach 59% and 44% respectively by 2021. [62] This represents millions of new users logging on to the web and owning a cell phone for the first time. By 2021, there will be 1.4 billion people in APAC shopping online, representing 53% of the population.[63]

This unprecedented growth in internet and smartphone users presents a valuable opportunity for brands to target, reach and strengthen relationships with customers. Another key finding that will impact how businesses can tap into this market is that APAC consumers have the highest brand-switching propensity in the world, with 47% of consumers willing to switch brands or try new products.[64] By comparison, consumers in

North America and Europe are less likely to switch brands (36% and 33% respectively). This means that new market entrants will have a greater chance of succeeding in winning over APAC customers than they may have in other parts of the world.

Total ecommerce revenue in APAC across all product categories is US$617 billion, expected to surpass US$1 trillion by 2021.[65] However, there are some industries to particularly pay attention to. Fashion is currently leading the pack, accounting for US$201 billion market share. Electronics is the second leading product category, accounting for USD $137 billion. Toys, hobby & do-it-yourself home improvement is the third leading product category, accounting for US$130 billion. By 2021, fashion will continue to be the leading product category, valued at US$357 billion. Toys, Hobby & DIY will move up the ranks to second place, reaching US$221 billion. Electronics will come in third place, expected to account for US$220 billion.

With the growth of e-commerce, companies will have an opportunity to become part of evolving distribution models and embrace new technology that expands their global footprint. While traditional trade shops are the dominant distribution channel for brands today - accounting for three-quarters of all sales - these locations pose difficulties for companies operating in APAC. With this model, companies are faced with the challenge of penetrating each of the culturally distinct markets throughout a vast, diverse geography. This has been particularly difficult for small businesses, who often lack the resources to launch in new international markets - let alone across the entire APAC region. However, new e-commerce platforms are equipping businesses with capabilities they would not otherwise have.[66] These tools include verified identities for merchants and consumers, produce/service reviews, payments and escrow, translation, logistics/delivery and virtual factory tours through VR.

Logistics & infrastructure improvements are needed to better connect Asia Pacific & the world

With the adoption of e-commerce, there will be a greater need for economies to have strong logistics and infrastructure that can better facilitate trade across new distribution channels and supply chains. Additionally, the ongoing trade tensions, impacting APAC and beyond, are prompting sourcing shifts. In turn, these shifts are demanding infrastructure improvements.

Many of APAC's economies are individually ranked among the best in the world for logistics, with Japan, Singapore, HKSAR, New Zealand, South Korea, Mainland China and Taiwan, China all populating the World Bank's top thirty ranking.[67] However the World Bank rates APAC's regional system of logistics as average, owing to many parts of the continent trailing behind when it comes to infrastructure.[68] According to the Asian Development Bank, there is an enormous US$459 billion a year financing gap for infrastructure projects in APAC[69] - a figure that is equivalent to the GDP of Thailand. If the financing needs for these infrastructure projects are not met, then this gap - and the inequality it fuels - will only widen. Trade in APAC will subsequently dampen.

Infrastructure, the backbone to any economy and a key to unlocking trade, has become a critical focus for economic development and the countries of APAC implementing strategic plans that take into account significant improvements in air, land and sea transportation.

For example, Indonesia has made enormous strides as part of its ongoing and ambitious infrastructure program. The Palapa Ring (satellite) Project, which involves an undersea fiber-optic cable network that stretches across 13,000 kilometers as well as an onshore network of nearly 22,000 kilometers, has facilitated internet access and information and communications technology installations to one of the most underdeveloped regions of the country.[70]

Indonesia has also implemented innovative and clean energy projects, including the 72-megawatt Tolo wind-farm in South Sulawesi as well as a massive urban infrastructure to enhance capital-city Jakarta's livability and competitiveness. The latter project comprises a new modern airport terminal and rail link, which would better connect the country to ASEAN members and international locations.

A bourgeoning trend in infrastructure improvement is that many countries - instead of competing - are collaborating and working together to promote connectivity for the APAC region as a whole. Additionally, public-private partnerships that engage both public agencies and private companies are helping to transform the region's infrastructure. Perhaps the largest example of this would be the Belt and Road Initiative and the proposed string of ports, railways, roads, bridges and other investments that would connect Mainland China to Europe via central and southern Asia. Though led by Mainland China, a recent report from the World Bank asserts that, if executed properly, the plan could lift 32 million people in dozens of countries out of moderate poverty conditions.[71] Such an infrastructure network would amplify APAC's important role in global trade.

Another example is the Master Plan on ASEAN Connectivity 2025, which unifies Southeast Asian countries towards building an interconnected infrastructure network.[72] The plan prioritizes key projects that promote trade such as the ASEAN Highway Network and the Singapore-Kunming Rail Link.

The ability of economies in APAC to sustain their current growth rates will largely depend on how well they can deliver large-scale infrastructure initiatives in the coming years. This includes power generation, clean water, effective utility networks and improvements in transportation networks.

Section 3
Investment Outlook: Global Stock Exchanges Compete for Foreign Capital Flow

INVESTMENT OUTLOOK: GLOBAL STOCK EXCHANGES COMPETE FOR FOREIGN CAPITAL FLOW

Investments, capital flows and business operations are increasingly globalizing as investors embrace new centers of innovation and economic prosperity around the world. It's not just the mature economies of the U.S., Europe and Japan hosting front runners of the global economy. Other flourishing markets, especially those in APAC, have also become welcoming markets for innovative companies to grow and cultivate foreign investment.

Further disrupting the global investment environment, exchanges around the world have sank sharply from 2018 to 2019 as investors mull over current events impacting global trade, unresolved U.S. trade tensions with Mainland China, Brexit proceedings and conflicting forecasts for overall economic growth. This uncertainty is prompting business leaders to evaluate decisions around not just operations and sourcing - but also capital flows and future investment focus.

Business leaders around the world have become accustomed to conducting operations across multiple countries and, to round out this trend, many are also becoming more comfortable with listing their companies outside of their home markets. A prospective company looking to list selects an exchange for its IPO based on a number of factors including the exchange's prestige, industry, investor base, listing costs, regulatory requirements, market performance and IPO market growth forecasts. In this increasingly globalizing investment environment, stock markets are ramping up efforts to attract foreign companies and gain access to foreign markets through acquisitions and alliances. In addition to actively seeking new listings, the exchanges are also deploying new technology, service offerings and mechanisms such as digital platforms and partnership links with other exchanges that make investing in their markets more convenient and beneficial for investors.

This is all being done to win market share over their rivals. Although most companies still prefer to list on their domestic exchange, more and more of today's multinational companies are shopping around the global exchanges and choosing the one that best suits their business endeavors - wherever in the world it may bring them.

This section assesses and provides an overview of how a selection of exchanges are positioning themselves in an increasingly competitive global investment environment - where geographic borders become less important - so they can attract cross-border mergers, demutualizations and, of course, IPOs.

Hong Kong Stock Exchange (HKEX)

The Hong Kong Stock Exchange (HKEX) finds itself particularly well located as a stepping stone to the world's fastest growing economy, giving investors the opportunity to be part of Mainland China's boom via an advanced, well-established stock market with decades of proven resilience and experience in comparison to Mainland China's two primary exchanges in Shenzhen and Shanghai.

As of July 26, 2019, the HKEX had a total market capitalization of HK$32.8 trillion (US$4.2 trillion) and was home to 2,010 companies on the main board of listed companies and 384 on the Growth Enterprise Market (GEM).

In 2018, the HKEX reclaimed the crown[73] (from New York) as the leading IPO market in the world, boasting the highest fundraising numbers in the last eight years. HKSAR's main board claimed a 17.6% share of the global IPO market, with 125 companies raising US$36.5 billion. This was the highest since 2010 and up 175.5% from 2017.[74]

As part of its 2019-2021 strategic plan, the HKEX has prioritized deepening the connection to Mainland China by strengthening the Stock Connect collaboration that links it to the Shanghai and Shenzhen Stock Exchanges.[75]

Technology has also become a key priority for HKEX, as evidenced by the implementation of a new listing regime for companies from emerging and innovative sectors.

The new regime, credited as being the HKEX's largest regulation overhaul in decades, allows the following types of companies to list:

1. Biotech companies even if they do not meet any of the financial eligibility tests of the main board.
2. High-growth and innovative companies with weighted voting right structures.
3. Issuers seeking a secondary listing in HKSAR.

The reforms have attracted some big names. Smart phone giant Xiaomi raised US$5.43 billion in July 2018 when it became the first dual-class shareholding company to list. And online food delivery service Meituan-Dianping netted US$4.2 billion in its mega IPO.

Shenzhen Stock Exchange (SZSE)

The Shenzhen Stock Exchange (SZSE) is the smaller of the two main exchanges operating independently in Mainland China. But it serves a very important function as it trades the shares of smaller, more entrepreneurial companies.

The growth of SMEs is a critical component of Mainland China's economic reform vision and these privately-owned businesses are more innovative and more profitable than the large state-owned companies. The SZSE has attracted many tech companies, likening many comparisons to the Nasdaq in New York. The SZSE actively promotes and markets this distinctive attribute to the global investment community, establishing the SME Board to serve companies with well-defined operations and stable profitability. Many of the small and medium-sized enterprises on this board are manufacturing companies. In fact, the SME Board is often looked at as a barometer of the country's manufacturing sector.

Another prominent feature of the SZSE is its lauded ChiNext Market,[76] which aims to attract innovative and fast-growing enterprises - especially high-tech firms. It is open to companies of various sizes that meet the criteria, but it essentially focuses on smaller innovative growth companies and startups. ChiNext's listing standards are less stringent than those of SZSE's Main and SME Boards.

The SZSE has also made efforts to gain access to more foreign capital flow, signing a memorandum of understanding (MOU) with 30 major exchanges and financial institutions across the world.[77] To further establish itself in the investment community, the SZSE is also a member of the World Federation of Exchanges (WFE) and the Asian and Oceanian Stock Exchanges Federation (AOSEF) and an affiliate member of the International Organization of Securities Commissions (IOSCO).[78]

Shanghai Stock Exchange (SSE)

The Shanghai Stock Exchange (SSE) is Mainland China's largest stock market, with most of the total market cap comprised of formerly state-run companies like major commercial banks and insurance companies. This reputation is fast changing though as the SSE tries to position itself to attract more diversified companies, especially those in the technology sector. As of late July 2019, the SSE had a market capitalization of $4.61 trillion and was home to 1,507 listed companies.

With Mainland China's rapidly expanding economy, many industries have seen unicorns and growth-oriented technology enterprises quickly secure significant market share. However, the traditional restrictions of the SSE on revenue and prospects has made it difficult for them to pursue an IPO or raise capital, hampering IPO performance on the SSE.

In June 2019, the SSE announced that it will approve its first three applicants[79] to its new Technology Innovation Board - companies in semiconductors, biotechnology and AI. Several more have applied[80] and there will be new IPO announcements in upcoming months, with most companies coming from the Shanghai area as well as cities in the Greater Bay Area given its advanced manufacturing industry. This new board relaxes some of the listing restrictions, removing some requirements. For example, companies that apply do not necessarily need to be profitable and instead they must demonstrate core technology capabilities or research objectives.

Singapore Exchange (SGX)

The Singapore Exchange (SGX) is the largest stock market exchange in the ASEAN region, with nearly half of the issuers based outside of Singapore.[81] The exchange hosts a diversity of companies with various market capitalization categories, which allows for greater investor participation.

The exchange extends its global reach via a strategic equity stake in the Bombay Stock Exchange and a partnership with Nasdaq OMX and has been engaged in serious ongoing discussions about collaborations with the Australian Securities Exchange and London Stock Exchange.[82] With the increasing globalization of electronic exchanges, the SGX's proactive management team continuously seeks out opportunities to expand its scope via co-listing partnerships and cross-ownership.

SGX has taken measures to increase the number of listings. It introduced dual-class shares in 2018 that provide some company owners with superior voting rights. Co-listing partnerships have been formed with Nasdaq Inc. and the Tel Aviv Stock Exchange.[83] An in-house research team dedicated to highlighting the exchange's small and mid-cap stocks has been formed and expanded and the government is preparing to launch a SG$75 million (US$54.7 million) grant to boost IPOs in Singapore.

Singapore has continued to strengthen its position as a leading wealth hub in Asia. Private banks oversee more than US$2 trillion in assets and provide alternative investment opportunities in structured products, real estate and private equity.[84]

Tokyo Stock Exchange (TSE)

The Tokyo Stock Exchange (TSE) is the largest exchange in APAC and the world's fourth largest, stock exchange in the world by market capitalization of its listed companies. The number of IPOs in the Japanese market has grown rapidly since the establishment of the

Mothers (market of the high-growth and emerging stocks) section in 1999, which provides startups and emerging companies with risk money and more relaxed listing requirements.

In 2018, IPO fundraising more than tripled and Tokyo ranked as the world's third market for IPOs behind only New York City and HKSAR. It also beat out all exchanges in the world for the most IPOs in the telecommunications, media and technology sector.[85]

The Japan Exchange Group (JPX), which operates the Tokyo Stock Exchange among other securities exchanges, announced an ETF partnership with the Shanghai Stock Exchange in April 2019.[86] The objective of this plan is to make it easier for investors in Japan and Mainland China to buy exchange-traded funds listed in each other's markets.

Another development for the TSE in 2019 was the announcement of a draft to realign the current four stock trading sections into three.[87] This is being done as part of the TSE's efforts to lure more investment from both at home and abroad.

Bursa Malaysia (BM)

In its 2018 Annual Report, Bursa Malaysia Bhd (BM) outlined its vision to be ASEAN's leading, responsible and globally-connected marketplace.[88] Despite growing volatility in the global financial markets these last few years, Bursa Malaysia has continued to better develop its ecosystem and capabilities as a developed market of choice for investors and IPOs.

One of the critical features of BM is its Leading Entrepreneur Accelerator Platform (LEAP) market, where wealthy investors can lend money via the capital market to small and medium-sized enterprises (SMEs). Since its launch in late 2017 to August 2019, there have been 24 companies listed on LEAP, including Metro Healthcare Bhd, Nova Pharma Solutions Bhd, Polymer Link Holdings Bhd and Amlex

Holdings Bhd. and Topvision Eye Specialist Bhd. On average, these companies raised 5.57 million
MYR (US$1.35 million) from each of their IPOs.

BM launched in 2019 BursaSustain, a comprehensive online portal designed as a one-stop knowledge and information hub on corporate governance and sustainability. The

hub aims to provide a platform for users, such as listed issuers, investors and other key stakeholders, to have easy access to the latest information on corporate governance and sustainability.

Malaysia's active participation in the Belt and Road Initiative[89] is likely to give long-term advantage to its economic growth and the establishment of Bursa Malaysia as an important catalyst for foreign direct investment and connectivity to the global market.

Section 4
Exclusive 2020 Forecast: Top 3 Trends Driving IPO Activity in Asia Pacific

EXCLUSIVE 2020 FORECAST: TOP 3 TRENDS DRIVING IPO ACTIVITY IN ASIA PACIFIC

Exchanges globally saw nearly 1,150 IPOs in 2018, registering a total market capitalization of over US$1.2 trillion.[90] These listings channeled nearly US$150 billion to the underlying economies - an important figure that confirms the crucial role exchanges play as a funding mechanism. However, 2019 has seen somewhat of a slowdown in global IPO activity and this is happening amid ongoing Brexit dealings, geopolitical tensions and trade tensions.

In this section, we examine the top trends driving IPO activity in APAC.

Asia Pacific is the engine room for global IPO activity

Since 2012, structural changes have favored APAC as the world's IPO epicenter. While the overall global figures suggest that IPO activity for exchanges around the world is slumping, the markets in APAC have continued to dominate global IPO activity in 2019. In terms of IPO volume by number of companies, the region accounted for seven of the world's top ten exchanges in Q1 2019. In terms of IPO fundraising the region accounted for four of the world's top ten exchanges in Q1 2019.

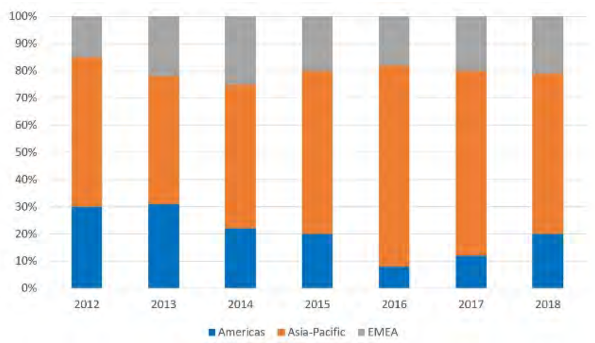
APAC, compared to other regions of the world, was also the leader in terms of volume and proceeds for the first quarter of 2019, accounting for 44% of the global investment flows raised through IPOs respectively.[91] By comparison, the Americas accounted for 29% while Europe, the Middle East and Africa (EMEA) claimed 26% of flows, according to data from the World Federation of Exchanges. Asia exchanges also hosted 63% of global IPOs.

APAC also claims the crown in terms of cross-border IPOs, accounting for 80% of the total cross-border capital raised and 75% of listings in the first 6 months of 2019.[92] APAC's main markets experienced average first-day returns of around 19% and average current returns of 34%,[93] demonstrating that IPO performance in the region continues to bolster IPO investor confidence.

Nearly five years after Alibaba shattered records for the world's largest IPO ever (US$25 billion),
the company is reported to be planning a secondary listing in HKSAR.[94] Some sources

signaling the IPO could raise as much as US$20 billion by the third quarter of 2019.[95]

Figure 12: Global distribution of IPOs



New regulations & programs are being launched to stimulate IPO activity

Government policymakers and regulators around the world - and particularly in APAC countries - are also impacting IPO activity. For example, the Hong Kong Exchange (HKEX) implemented new rules to attract IPOs from 'new economy' sectors (e.g. biotechnology), which translated into a 300% increase for 2018 in IPO filings in HKSAR as compared with 2017.[96] This change helped propel HKSAR to become the number one market globally for IPOs in 2018, beating out New York. Conversely, Mainland China saw a decrease in 2018 after it passed stricter regulatory control.

In response to the positive results, most regulators in Asia are looking to model HKSAR's success. In June 2019, the two capital market regulators in Malaysia - the Securities Commission and Bursa Malaysia - announced that they will scale down regulatory discipline as market discipline begins to regulate in an effort to create a more vibrant market and attract more IPO activity.[97]

Furthermore, although tightened regulations in Mainland China restricted IPO activity in 2018, the Shanghai Stock Exchange unveiled its new

Technology Innovation Board (New 'STAR Market' board), in June 2019[98] and gave approval for the first three companies to proceed with listing. The new star board relaxes company restrictions: companies that apply don't need to be profitable - they just need to have core technology or research objectives. The
program - is intended to encourage investment in domestic tech innovators and ensure that these companies have resources to develop. It also serves to maintain an incentive for innovative companies to list at home. When a company applies to list, the security regulator only checks the legitimacy of the company. Other factors such as company industry, revenue and prospects are not mandatory for applicants. Although the application threshold is low, company details must be fully disclosed so that investors can have full access to the company's profile.

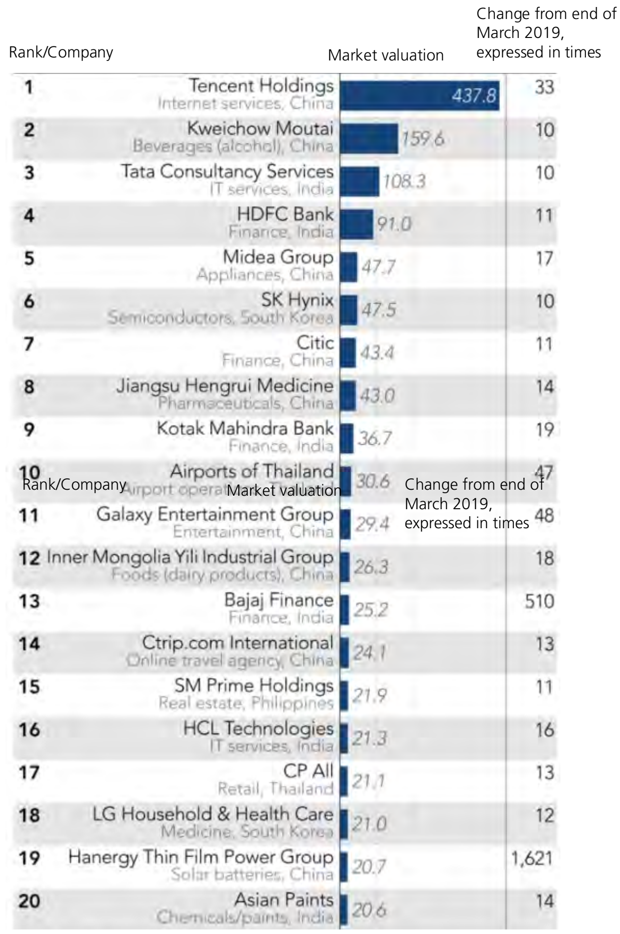
Asia Pacific's reputation for "ten bagger" growth will attract more IPOs

Borrowing from baseball lingo, the term "ten bagger" in the exchange community denotes an investment that appreciates to 10 times its initial purchase price. APAC's exchanges have long had a reputation for ten baggers but the term is trending now more than ever, exciting investors around the world.

With a growing middle class and more affluent customer base, companies in APAC have been experiencing explosive growth in the decade following the global financial crisis. As local economies in APAC mature, the next challenge for companies will be moving outside of domestic markets and pitching their products to the rest of APAC and the world.

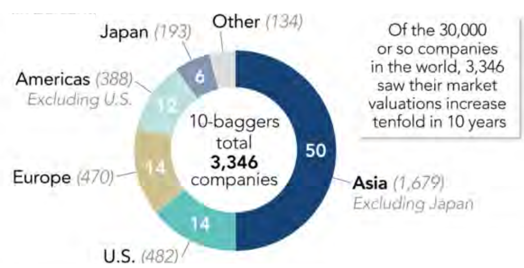
APAC companies are growing due to strong demand coming with the region's economic growth. For example, the GDP in emerging APAC economies expanded 160% over the past 10 years, according to the International Monetary Fund.[99] This figure is remarkable considering that global growth measured about 30%, meaning these economies have grown more than 50 times the global average. APAC is also luring funds from overseas investors, who are looking to make bets on its growth.

Figure 13: Asian companies whose market valuations increased more than 10 times in 10 years (USD billion)



Source: Nikkei Asian Review

Figure 14: Half of 10-baggers around the world hail from Asia (in percent)



Source: Market valuations as of end of March 2019. Chinese companies include companies listed in Hong Kong and the U.S.

1,679 APAC companies have increased their market capitalizations by more than 10 fold over the past decade, representing more than half of all ten baggers around the world.[100] There were 3,346 ten baggers around the world, just over 10% of the companies examined. Broken down by region, APAC led the way, followed by the U.S. with 482 companies and Europe with 470. These figures have major implications for IPO activity in APAC, solidifying the region's reputation for being an IPO hotbed. In particular, the sectors reaching ten bagger status most frequently include technology, healthcare, pharmaceutical, financial services and consumer products.

Section 5
Tricor's IPO Guide to Select Capital Markets: HKSAR, Singapore & Malaysia

TRICOR'S IPO GUIDE TO SELECT CAPITAL MARKETS: HKSAR, SINGAPORE & MALAYSIA

This section helps local and foreign investors navigate listing in the three capital markets and exchanges which Tricor Group's Investor Services team directly supports: Hong Kong Stock Exchange (HKEX), Singapore Exchange (SGX) and Bursa Malaysia (BM).

Hong Kong Stock Exchange: World IPO Leader

As the offshore financial hub for the world's second-biggest economy, HKEX has positioned itself as the "the Global Markets Leader in the Asian Time Zone - Connecting Mainland China, Connecting the World" according to its latest three-year strategic plan for 2019-2021.

One of the key advantages that HKSAR offers, compared to other potential listing destinations, is the HKEX's access to a deep capital pool from both Mainland China and international markets. Another hallmark strength of the HKEX is attributed to HKSAR's respected, transparent legal system and adherence to international standards and practices. It also encourages and engages active participation from both institutional and retail investors and operates with an abundance of professional expertise.

The geographical and cultural proximity for Mainland China investors - and the ability to invest via the Stock Connect channel - also provide an enhanced value proposition for mainland Chinese companies to list in HKSAR.

"HKSAR offers a unique value proposition as Mainland China's international finance center and the country's key link to global capital markets.
HKEX is playing a critical role in economic development for Mainland China as it becomes the exchange of choice for mainland companies."

Lennard Yong
Group CEO
Tricor Group

Challenges for the HKEX

As of mid-2019, HKSAR has slipped to third place in the fundraising rankings. Lack of mega-sized new listings in recent months is one of the major reasons for this. Additionally, negative sentiments created by the strained US-China trade relationship have also caused uncertain market outlook for investors.

Rising competition is also emerging quickly from Mainland China. Shanghai's new Sci-Tech Innovation Board began trading in June of 2019[101] and may pose a challenge to HKEX. The market is on watch, waiting to see if Mainland China's exchanges can persuade star companies to list on the SSE.

Among the competitors, the U.S. IPO scene remains hot with a few big listings like Lyft Inc. and Uber Technologies Inc., which launched their IPOs recently. Key reasons to list in the U.S. include the deep liquidity of the U.S. market and the potential for companies to conduct post-IPO fundraising, which is much rarer in HKSAR.

With recent changes to listing rules, the HKEX is rapidly developing itself as the leader for new financing channel and exit options for biotech companies and investors. This is evidenced by a recent wave of IPOs from Chinese biotech companies, with more lining up. Meanwhile, IPOs in HKSAR surged 40% in first half of 2019.[102]

Flexibility of the HKEX

It is traditionally perceived that the price-earnings ratios of HKEX IPOs are on average lower than in Shanghai and Shenzhen, as the mainland market is more dominated by retail investors who tend to pay higher prices and speculate with small cap stocks. Therefore, some small and mid-sized companies may prefer to list in Shanghai or Shenzhen for a better valuation.

Compared to other regional competitors, HKSAR's listing regime tends to be less restrictive and more flexible. Also the time to market and apply for an IPO application in HKSAR tends to be on average shorter than in the mainland markets, with submission being required 90 days before listing date. Comparatively, traditional IPO process on Shanghai Stock Exchange can take up to two-and-a-half years.[103]

HKEX also has plans to expand the number of jurisdictions to welcome more new listings, particularly in the emerging markets across ASEAN which have experienced significant economic development.

> ***"The recent initiatives on the Connect programs with Mainland Chinese exchanges have greatly enhanced Hong Kong's attractiveness to international investors and have brought along huge amount of liquidity to the Hong Kong market. HKEX's plan to gradually include international companies in Stock Connect and expansion of the number of acceptable jurisdictions would further enhance Hong Kong's IPO top ranking position."***
>
> *Catharine Wong*
> *Executive Director*
> *Head of Investor Services*
> *Tricor Hong Kong*

"New economy" companies impacting the HKEX

IPO activity in HKSAR has been heavily influenced by the rise of 'new economy' companies. Companies from biotech and fintech sectors, as well as more overseas-listed technology companies, are expected to list in HKSAR following the recent reform of the HKEX's Listing Rules.

Industry sectors relating to IT services and software, as well as various consumer goods, are also trending in HKEX's upcoming IPO pipeline.

> ***"IPO activity in HKSAR has been heavily influenced by the rise of 'new economy' companies. Companies from sectors such as biotech and fintech, as well as more overseas-listed technology companies, are expected to list in HKSAR following the recent reforms of HKEX's Listing Rules."***
>
> *Joe Wan*
> *CEO*
> *Tricor Hong Kong*

HKEX listings are diversifying

Following a wave of many mega-sized/state-owned mainland companies concentrated in the banking and utilities industries listing on the HKEX over the past several years, upcoming listings are expected to be private sector companies. These companies will likely represent a broad cross-section of industries, including biotech, fintech, IT and various consumer goods. There will likely still be occasional mega-sized and unicorn IPOs as well.

Shifting regulatory landscape may favour HKEX IPO scene

The political and investment climate from the US-China trade tensions may trigger a trend of more mainland companies that are currently listed in the U.S. (i.e. Nasdaq) to "come home" and list on the HKEX. As the U.S. is stepping up its efforts to cut off key American technology and products from Mainland China, there is the potential risk that mainland technology companies listed in the U.S. may face low trading volumes and high costs of maintaining compliance with U.S. reporting requirements and related laws.

HKEX is actively seeking more secondary listings by New York or London-listed companies, especially looking to attract dual-class shareholding companies and biotechnology firms. As a result, some tech giants in Mainland China that have listed in the US - such Alibaba Group - are reported to be considering a secondary listing in HKSAR.

Key listing information for the HKEX

One of the first steps for a company looking to list on the Hong Kong Stock Exchange is determining which board they will be listed on. The main board is for more established companies, including conglomerates, property developers, healthcare providers and banks. The growth enterprise market (GEM) is for small to mid-sized companies. Here are the requirements for each of these:

Figure 15: Requirement of the Main Board and Growth Enterprise market on the HKEX

Main Board			Growth Enterprise Market (GEM)
Market for more established companies. Listings range from conglomerates, banks and property developers to internet companies and healthcare providers			Market for small to mid-sized companies
Financial Requirements (satisfy one of the below test)			Financial Requirements
Profit Test	Market Cap/ Revenue Test	Market Cap/ Revenue/ Cashflow Test	
•3-Year aggregate profit ≥ HK$50m •Market cap ≥ HK$500m	•Latest year revenue ≥ HK$500m •Market cap ≥ HK$4bn	•Latest year revenue ≥ HK$500m •Market cap ≥ HK$2bn •Positive 3-year aggregate operating cash flow (OCF) ≥ HK$100m	•Positive 2-year aggregate operating cash flow ≥ HK$30m •Market cap ≥HK$150m
•25% free float minimum (can reduce to 15% if market cap > HK$10bn) •Minimum 300 shareholders •3 years management continuity •1 year ownership continuity •At least 3 independent directors and control representing at least one-third of the board •Semi-annual financial reporting			•25% free float minimum (can reduce to 15% if market cap > HK$10bn) •Minimum 100 shareholders •2 years management continuity •1 year ownership continuity •At least 3 independent directors and control representing at least one-third of the board •Quarterly financial reporting

> ***"HKSAR's well established legal system based on English common law plays a role in attracting foreign companies. It provides a strong foundation and fosters confidence and a positive environment to raise funds."***
>
> *Pamela Chung*
> *Managing Director*
> *Tricor Hong Kong*

Tricor Group's Investor Services can help guide you through the following next steps:

1. **Appoint sponsors & professional advisors:** Appointing an experienced team of professional advisors is crucial for the success of the IPO. Professional advisors typically include sponsor(s) and underwriter(s), foreign and domestic lawyers and accountants. It is required to appoint a sponsor at least two months before submission of an IPO application and to notify HKEX in writing within five business days of the appointment. The company should discuss with professional advisors whether a listing is right for the company, the time and cost, the potential issues as well as the challenges and obligations the company may face once listed.

2. **Listing preparation process:** Professional advisors conduct due diligence and assist in the drafting of the prospectus (also referred to as application proof or AP). The prospectus must contain all of the information that an investor reasonably requires to make an informed investment decision.

3. **Submitting listing application to the Listing Department:** The listing application (A1) which includes the AP is submitted to the listing department (LD). Assuming the A1 is substantially complete, LD will confirm receipt and publish both Chinese and English versions of the AP online.

4. **Vetting by the Listing Department:** LD will subsequently conduct detailed vetting of the A1 based on eligibility, suitability, sustainability, compliance of rules and sufficient disclosure.

   First round of comments will be provided within 10 business days from receipt of application. There is no pre-set time frame for a listing timetable. This will depend on the company's response time and quality of response.

5. **Hearing by Listing Committee:** The listing committee (LC) will review the application and determine if it is suitable to proceed with its IPO. This step does not apply for growth enterprise market (GEM) listed companies.

6. **Marketing period:** Underwriters typically help prepare a marketing process for the company. The marketing process can include an investor education component as well as an IPO roadshow.

7. **Listing on the HKEX:** After successfully pricing and allocating the shares to institutional investors and retail investors, the company will be listed on the HKEX for trading.

"The region is buzzing as companies launch plans to expand in the GBA. Our collaboration with BOCI will certainly help our clients expand their operations in this fast-growing market by allowing them to better manage their ESOP solutions. It's always a win-win when two market leaders join forces for the greater good of their clients. I look forward to exploring new ways to enhance our combined service offering in the strategic Greater Bay Area."

Joe Wan
CEO
Tricor Hong Kong

Exploring Employee Share Option Plans in HKSAR

The unemployment rate in Mainland China and HKSAR are at remarkably low levels. Attracting and retaining top talent has always been a challenge, and now it has just become even more competitive. Many employers are seeking to win the talent war with perks such as extended parental leave, flexible hours and fashionable offices.

Companies listed on the Hong Kong Stock Exchange have an additional advantage: Employee Share Option Plans (ESOP). ESOPs can take two forms - share option plans or share award plans - both of which seek to motivate and incentivize employees beyond the scope of traditional compensation packages.

Share option plans grant employees an opportunity to purchase a certain number of the company's shares at the exercise price, after a fixed period of time known as the vesting period. As the option exercise price is pre-determined at the time of grant, the options will no longer be attractive if the share price of the company has gone below the exercise price upon/after the options are vested.

Companies may also consider setting up share award plans as well. Share award plans grant employees actual shares in the company, either for free or for less than their market value, subject to vesting conditions. Such vesting conditions can be performance-based or tenure-based. Outstanding employees can therefore be rewarded with additional shares over time, underscoring the link between their contribution and compensation.

Once the employee's shares have fully vested, they can either decide to retain or sell them. When the shares are properly managed and supported by tax planning, they can help employees meet their long-term financial objectives or support their short-term spending requirements. In either case, shares in a successful company can significantly augment an employee's personal wealth.

When deciding whether to offer an ESOP, companies should evaluate their growth trajectory. Those in the new economy, such as biotechnology innovators, may be growing quickly, enabling them to offer attractive ESOP packages that can lure ambitious young talent. Conversely, traditional companies with proven growth trajectories may be able to secure mature talent with ESOPs that promise more stability and less volatility.

It is expected that share award plans will become more popular as stock awards are considered more effective in attracting and retaining talent. Amid the increasing demand for high-potential talent, companies that seek to attract and retain the best talent can offer ESOPs to gain a competitive advantage.

Tricor Group can help companies design and deliver their ESOPs, whether they are preparing to list or are already a constituent of the Hong Kong Stock Exchange (HKEX). Please contact us to find out more about our investor services solutions and how we help clients set up and maintain employee share ownership plans in Asia.

Singapore Exchange (SGX): Strong reputation among investors

Singapore consistently ranks at the top of numerous international business ranking lists and has earned a stellar reputation among investors thanks to its low tax environment, pro-business policies, ease of doing business and more. This is reflected in the fact that nearly half of all listed companies are actually foreign.

In recent years, the Singapore Exchange has been able to diversify its investment offerings - ranging from finance to the oil and gas industry - placing it in a strong position to withstand any single industry sector risk. In recent years, the small city state has also managed to develop its manufacturing sector, which has become critical to its economy and to the capital market.

With just 740 companies listed, investors may overlook the Singapore Exchange in favor of markets that have thousands of listed companies. However, through strategic collaborations and listing agreements with other exchanges, Singapore is building its reputation as a nexus in the east-west corridor, offering the potential for issuers to tap into significant capital pools.

"Singapore, as a 'smart nation' and global hub for innovation and development, has always been building the infrastructure and connecting it with industry and talent from all around the world."

David Ong
CEO
Singapore

Challenges for the SGX

The SGX has experienced some decline in value in recent years. Delistings have actually outnumbered listings on the SGX for the past 5 years, dropping from a peak of 782 in 2010 to 741 companies at the end of 2018.[104] In 2018, the money raised from the 15 SGX initial public offerings, excluding depositary receipts, fell to just US$710.6 million, while 19 companies departed, resulting in a net outflow of US$19.2 billion in market value. Some foreign owned companies delisting from SGX cite compliance costs even as they plan a subsequent listing elsewhere, like HKSAR. Surveyed SGX investors also expressed concerns on the lack of future growth opportunities in the market and the low trading volumes of lower-priced stocks.[105]

The SGX faces stiff competition from its exchange counterparts, particularly from other APAC exchanges. Even some local Singaporean companies are skirting around the SGX altogether in favor of other exchanges that might offer other capital tools to tap into. An example of this would be the distinguished consumer-technology gaming company Razer Inc, which decided to list in HKSAR markedly for its proximity to Mainland China and its "stock connects" that serve as cross-boundary investments with exchanges in Mainland China.

The APAC region dominated global IPO activity through 2018. But apart from other APAC exchanges, the SGX actually faces even more local competition from hot exchanges in fellow ASEAN countries. In total, ASEAN saw 135 IPOs in 2019 and this stellar showing was actually led by Vietnam (52%) and Thailand (26%) in terms of total funds raised. Meanwhile, Indonesia surpassed Singapore to conduct the most IPOs.[106]

While IPO performance lags, the SGX performed well by many measures in 2018, posting its highest revenue of SG$844.7 million (US$616.65 million) since it launched in 1999 and a 10-year high profit of SG$363.2 million (US$265.15 million). SGX also experienced growth in its foreign exchange (FX) futures, advancing SGX as APAC's largest, most diverse and fastest-growing exchange for FX futures.[107]

Strong investor perception

Despite some challenges, the SGX boasts strong investor perception when it comes to corporate governance practices and market quality. According to an investor survey, the governance practices are in line or above-average when compared to peer exchanges. Investors continue to view SGX as a trusted exchange with robust, effective corporate governance practices and cite the SGX's reputation for transparency, disclosure, accessibility and communication within the investment community.

"Singapore Exchange is positioning itself as a nexus of an east-west corridor, offering the potential for issuers to tap into significant capital pools."

David Ong
CEO
Tricor Singapore

Tech & connectivity

The long-term trend is for exchanges to become integrated platforms where a broad range of products are easily listed and traded, including products that have been traditionally traded over the counter. SGX is adapting to this trend by implementing innovations in trading platforms as well as the continued enhancements of features and functionalities to meet the expectations of industry participants.

The SGX has announced that its focus will continue to be on the development of a pan-Asian suite of products and services covering all major APAC economies, allowing listed companies and investors to tap into wider capital pools. The goal is to amplify the international reputation of SGX's as a one-stop equity and commodities hub for the world's investment community.

The SGX TITAN platform has been enhanced for increased capabilities in derivatives trading, clearing and collateral management - with the objective of providing comprehensive and streamlined self-help technology to better accommodate the increasingly international profile of the SGX's market participants. To complement the experience, the SGX launched its new TITAN OTC Pro platform at the end of 2018 to allow brokers and traders to transact with greater ease and transparency.

"Singapore Exchange is keen to create a 'Digital Marketplace for Capital', a seamless connection and exchange of capital and data - powered by technology and supported by human relationships and robust regulation - to attract more IPOs."

David Ong
CEO
Tricor Singapore

Inviting the new technology & high growth sectors

In January 2019, the Monetary Authority of Singapore (MAS) announced a SG$75 million (US$54.75 million) initiative to help boost equities research and enhance Singapore's position as a hub for equity listings.[108] Announcing the initiative, which is called the Grant for Equity Market Singapore (GEMS), Singapore's Finance Minister and MAS board member Heng Swee Keat said the grant would further Singapore's vision to serve as APAC's leading center for capital raising and enterprise financing.

The GEMS scheme offers co-funding for listing costs of companies, with special emphasis on the "new technologies" sector. For this sector - which includes companies in financial technologies, consumer digital technologies and on-demand services such as gaming services and peripherals - the grant will help fund the salaries of equity research hires by 50-70% per cent. For enterprises with market capitalization of at least SG$300 million (US$219 million) in "high-growth" sectors - which includes advanced manufacturing, hub services, logistics and healthcare - GEMS will co-fund 20% of listing expenses (to be capped at SG$500,000 /US$365,000). For enterprises from all other sectors - with no minimum market cap set - GEMS will co-fund 20% of listing expenses (capped at SG$200,000/US$146,000).

> ***"As one of the largest producers of startups in Southeast Asia, Singapore has also caught the attention of global tech companies who are revolutionizing their operations and considering SGX as a springboard for market growth and expansion."***
>
> *David Ong*
> *CEO*
> *Tricor Singapore*

Key listing information for the SGX

It is recommended to work with an experienced advisor (like Tricor Group) for your IPO on the SGX.

For a company to be listed on the Singapore Exchange Securities' Mainboard, it must meet at
least one of the following requirements:

- Profitable in latest financial year with operating track record of three years and market capitalization of at least SG$150 million (US$108 million).
- Positive operating revenue in the latest financial year and a market capitalization of at least SG$300 million (US$217 million).
- Minimum pre-tax profit of at least SG$30 million (US$21.7 million) for latest financial year and an operating track record of three years.

There are no quantitative requirements for Catalist listings. Instead the company needs to appoint a sponsor. This sponsor will assess the company's suitability to list and will advise and guide the company through the IPO process. The company must also maintain the sponsor after listing.

IPO approval process

A Mainboard listing is subject to review and approval by the SGX-ST and the Monetary Authority of Singapore (MAS). A Catalist listing is supervised and approved by its appointed sponsor. Once the prospectus is finalized for application, a Mainboard listing applicant will lodge its prospectus with MAS. A Catalist listing applicant will lodge its prospectus with the SGX-ST.

Operating track record

A Mainboard listing applicant is required to have a three-year operating track record, unless the listing is based on market capitalization of more than SG$300 million (US$217 million). A Catalist Listing does not have this requirement.

Shareholders' approvals for acquisitions & disposals

Acquisitions and disposals by a Mainboard company may only be carried out without shareholders' approval if such acquisition or disposal does not exceed 20% of the relevant size tests (as determined under Rule 1006 of the Mainboard rules). Any acquisition or disposal above 20% would therefore require shareholders' approval. A Catalist company has more flexibility in this area as shareholders' approval is only required where an acquisition exceeds 75% or where a disposal exceeds 50% of the relevant size tests (under Rule 1006 of the Catalist rules).

More about Catalist listings

The growth in Catalist listings has outpaced the Mainboard particularly over the last five years. Between 2014 and 2018, the percentage of IPOs accounted for by Catalist issuers increased from 60% to 80%. The percentage of issuers listed on Catalist has increased steadily from 20% to about 29%.[109]

A Catalist listing is bound to less stringent listing requirements, as companies do not need to meet any minimum earnings, operational track record or market capitalization requirements. It serves as a viable option for small but fast-growing companies to list and issue shares to the public for fundraising purposes. There is also greater flexibility for a company to carry out acquisitions or disposals.

Figure 16: Catalist – A Platform for Growth Companies Easier Corporate Actions for Companies Listed on Catalist

	Mainboard	Catalist
Limits to aggregate number of shares and convertible securities that may be issued	**General Mandate** Not more than 50% of the total number of issued shares excluding treasury shares	**General Mandate** Not more than 100% of the total number of issued shares excluding treasury shares
	Major transaction must be made conditional upon approval of shareholders in general meeting	
Classifications of Major Transaction	Classification of Major Transaction: Any of the relative figures as computed on the bases set out in Rule 1006* exceeds 20%	Classification of Major Transaction: Where any of the relative figures as computed on the bases set out in Rule 1006* exceeds: -Acquisition: 75%: or -Disposal: 50%

*Note: *Bases in Rule 1006 include : (i) Net Asset value of assets to be disposed (vs net asset value); (ii) net profits attributable to the assets acquired or disposed (vs group's net profits); (iii) Consideration given or received (vs Issuer's market capitalization); and (iv) Number of equity securities issued as consideration (vs number of equity securities previously in issue)*
For further details of the listing rule, please refer to SGX's Listing Manual.

Figure 17: Catalist – Sponsor-supervised regime. To be listed and remain listed on Catalist, issuers would require the services of a Catalist Sponsor

Exploring Employee Share Option Plans in Singapore

Singapore's startup ecosystem is vibrant and attracts talent from around the world. But startups in Singapore also compete for talent with multinationals and often cannot offer employees the same salaries. Companies listed on the SGX have distinct opportunity to leverage an employee share option plan (ESOP), sometimes called employee share option scheme (ESOS), as a talent development mechanism to recruit, retain and motivate employees.

For a startup enterprise, an ESOP offers companies a means of aligning employee compensation and growth with the progress of the company. An important feature, especially for startups, is that offering the ESOP conserves cash and allows for the company to reduce its monthly burn rate. From the startup's perspective, it helps to maintain liquidity. But for employees, it is a reward for longevity, loyalty and dedication.

By authorizing a certain period of time before employees are able to exercise their right to purchase the shares allocated to them, ESOPs can also be used as a tool to incentivize long-term commitments from employees. For example, instead of allowing an employee to exercise all 10,000 of his or her shares after a fixed time period, a company's ESOP may instead restrict them to exercising only 2,000 shares at 6-month intervals.

The ESOP agreement should outline provisions for what happens when an employee who holds shares from an ESOP leaves the company.

Generally, an outgoing employee forfeits all of his or her unvested options, but retains the vested options until a specified period of time.

Notably, a company is granted tax deductions on any costs it incurs in acquiring its own shares so as to transfer these shares to employees under the ESOP. This tax deduction is afforded only if the ESOP granted to the employee falls under the Qualified Employee Equity-Based Remuneration Scheme.

As the talent pool in Singapore's startup ecosystem tends to be international in scope, taxation of ownership plans may seem complicated. However, the Inland Revenue Authority of Singapore (IRAS) regulations on ESOPs are fairly straight forward. Capital gains from ESOP plans in Singapore are taxed regardless of what jurisdiction the ESOP is exercised in. This is relevant for expat workers because the taxation of ESOP gains will be connected to their employment in Singapore and the gains will be taxable if the ESOP is still active after they are no longer employed by the company in Singapore or if the employee has been transferred overseas. On the other hand, if an employee is granted ESOP during overseas employment, any capital gains derived is not considered income from Singapore and will not be subject to tax in Singapore.

An ESOP can be a critical part of your company's growth strategy. However, the considerations for how an ESOP is structured - from the duration and nature of the vesting period to how large the employee options pool should be - can be difficult to determine and you may wish to consult a local expert partner like Tricor Group to determine the right structure for your company.

Tricor Group can help companies design and deliver their ESOPs, whether they are preparing to list or are already a constituent of the Singapore Exchange (SGX). Please contact us to find out more about our Investor Services solutions and how we help clients set up and maintain employee share ownership plans.

Bursa Malaysia: Turning the tide

Malaysia, the third largest ASEAN economy, has transformed itself since the 1970s from a producer of raw materials into a multi-sector economy. In response to the growing volatility in the global financial markets these last few years, Bursa Malaysia (BM) is taking measures to improve corporate governance, deepen liquidity, implement sustainability and become ASEAN's market leader.

The Bursa Malaysia exchange includes:

- Main Market for established companies
- ACE Market for companies with growth potential
- LEAP Market for emerging companies
- A futures and options exchange
- Shariah-compliant products and services through Bursa Malaysia-i
- Shariah-compliant commodity Murabahah trading platform
- LFX offshore exchange

Though 2018 was marked with challenges for BM, greater retail investor participation and the positive reception for new products added vibrancy to the market. Meanwhile, new trading incentives and initiatives helped improve liquidity in the market.

"Bursa Malaysia is facing rising competition from both regional and international exchanges as capital markets continue to evolve and become more sophisticated. The emergence of new technologies and greater interconnectivity in the global financial markets have further intensified the competitive pressure it faces - but they have also amplified the opportunities available to investors as Bursa Malaysia responds with measures that enhance connectivity and engagement."

Yeap Kok Leong
CEO & Managing Director
Tricor Malaysia

Challenges for Bursa Malaysia

2018 proved to be a challenging year for BM. The Malaysian equity market capitalization contracted by 10.8% to 1.7 trillion MYR (US$410 billion) in 2018 from 1.9 trillion MYR (US$460 billion) in 2017.[110] Though 2017 momentum continued in the early part of 2018, investor sentiment dampened in the second half of 2018 as market conditions became more uncertain due to a number of external developments. Among the factors squeezing the market were headwinds coming in from the escalating trade tensions between the United States and Mainland China, uncertainties surrounding the tightening of US monetary policy, poor performance of emerging market economies (EMEs) and, of course, volatile oil prices.

Since Malaysia's new Prime Minister Mahathir Mohamad was sworn in May of 2018, the government has been in clean-up mode, cancelling and reviewing billion-dollar projects while replacing dozens of CEOs at state-linked companies. This austerity has negatively impacted the economy, with growth cooling down to 4.7% in 2018. Though the government has targeted 4.9% growth for 2019, many economists are predicting it to reach only 4.5%.

On the IPO front, total fundraising from Malaysian IPOs plunged to US$170 million in 2018, the lowest in 20 years.[111] But so far in 2019 Bursa Malaysia is already seeing more and higher valued IPOs come through, including poultry producer Leong Hup International.

"After a difficult 2018, Bursa Malaysia is taking steps to develop meaningful and powerful tools that empower investors through digitization, collaboration and modernization."

Yeap Kok Leong
CEO & Managing Director
Tricor Malaysia

Major growth in retail participation

A notable development for BM has been the unprecedented positive growth seen in retail participation, which has been promoted by retail investor initiatives and incentives that the exchange implemented. The number of new retail Central Depository System (CDS) accounts activated during 2018 was higher than expected while retail investors closed the year as net buyers - the first time this has happened in over a decade. In 2018, the number of new retail accounts grew 5% accompanied by a new account activation rate of 41%, well exceeding the full year activation rate target of 30%.[113] Additionally, retail investors bucked a global trend of declining retail average daily value (ADV) with retail totaling 430 million MYR (US$104.35 million) for the year. This happened despite the decline in the FTSE Bursa Malaysia KLCI (FBMKLCI).

To foster the growth of retail participation, BM implemented various on-ground and digital initiatives designed to educate and increase awareness on securities investment. It also used digital and social media marketing to extensively increase reach, while encouraging brokers to intensify their efforts in helping customers embark on their trading journey.

Malaysia is playing a key role in the Belt and Road Initiative

The market should be helped by the government's step away from austerity measures and renewed interest in reviving public works projects to improve infrastructure, especially when it comes to critical linkages related to Mainland China's Belt and Road Initiative (BRI).

After renegotiating a new deal in April 2019 with Mainland China to construct the East Coast Rail Link (ECRL) in Malaysia, Malaysian Prime Minister Mahathir Mohamad pledged full support for (BRI) going forward.[112] When completed, the ECRL project will connect the South China Sea - a waterway that contains many jurisdictions and some disputes over ownership rights - with around half a dozen other Southeast Asian nations. This project is a key part of BRI because it enhances movement, mobility and connectivity of the entire region. The government also announced it would revive Bandar Malaysia, a property and transport hub worth 140 billion MYR (US$34 billion).

After the announcement in April, shares of Iskandar Waterfront City Bhd. surged 19% to the highest level since April 2018. Overseas investors poured a net US$84 million into the nation's stocks in the first week of June, the most since late January.

This success, being spurred largely by a shift from austerity to public spending on infrastructure, indicates a possible market turnaround for BM.

"Malaysia's critical role in the Belt and Road Initiative - especially as new infrastructure is announced - has the potential to lure more companies and investors to Bursa Malaysia."

Yeap Kok Leong
CEO & Managing Director
Tricor Malaysia

"Bursa Malaysia has been focusing on initiatives aimed at facilitating easy access into its marketplace - especially from foreign capital pools - to deepen liquidity and establish itself as ASEAN's leading marketplace."

Yeap Kok Leong
CEO & Managing Director
Tricor Malaysia

Linking to other ASEAN exchanges

In February 2019, regulators from Singapore and Malaysia announced that they are working together to develop a stock market trading link between SGX and BM. Such a link would enable investors on both sides of the Johor Causeway to trade and settle shares listed on each other's stock market more conveniently and cost-efficiently. Regulators also announced that the initiative will likely be expanded later to include other stock markets in the region, a move which industry observers said would make ASEAN's stock market exchanges more vibrant and interconnected. There was previously an ASEAN Trading Link - a regional system connecting stock markets in Malaysia, Singapore and Thailand - but it was quietly decommissioned in 2018 after five years. However, the new bilateral link between SGX and BM will extend beyond trading to also cover post-trade activities such as the clearing and settlement of the stocks traded. Apart from lowering costs and making it more convenient for investors, the link is also poised to deepen the liquidity of both markets.

New tech to empower investors

BM has highlighted tech and digital innovations to help power its platform and facilitate trade. An example of this would be the newly launched Bursa Anywhere, a new mobile app that allows individual investors to access a wide range of CDS accounts anywhere, anytime. Bursa Anywhere, first launched in June of 2019, is the first-of-its-kind mobile depository services in ASEAN and the second in APAC, after Taiwan, China. Bursa Anywhere aims to become the one place for retail investors to go and manage elements of their CDS accounts, ushering in a new era of empowerment and control.

Key listing information for BM

An IPO on BM requires the aid of experienced professionals (like Tricor Group) and an assessment to verify a company's readiness and suitability to list. To determine readiness, companies are assessed against two benchmarks: the regulatory benchmark and the market benchmark.

Regulatory benchmark

To qualify for an IPO, a company needs to meet a set of prescribed rules under the Securities Commission Malaysia's Equity Guidelines and Bursa Malaysia's Listing Requirements. This set of prescribed rules is also known as the regulatory benchmark. It is divided into two sets of rules to determine whether a company is best suited for a Main Market listing or an ACE Market listing. Main Market is mainly for established companies and an ACE Market listing is for startups and emerging companies.

Market benchmark

Apart from the regulatory benchmark, every company seeking a listing will also be assessed using the market benchmark. There is no set of prescribed rules for the market benchmark, unlike the regulatory benchmark, and is instead formulated on market expectations. This is the perceived (as opposed to actual) value of the company, derived from the prospects of the company - key attributes that are deemed critical to investors.

Here are some of the attributes that impact a company's prospects:

- Financial performance in comparison to other companies of similar business and operations
- Track record of promoters, directors and the company's management team
- Stage of development for the company (i.e. industry's business cycle)
- Position in the industry often determined by market share

These attributes are only four of many that are taken into consideration to gauge a company's appeal to investors and potential advisers.

Figure 18: Comparing Bursa Malaysia Market Listings

Main Market	ACE Market
For established companies with a profit track record of 3-5 full financial years or companies conducting sizeable business.	An alternative sponsor-driven market designed for companies from all business sectors that have been identified for excellent growth potential.
A company is assessed in terms of quality, size, operations, management experience /expertise, integrity of directors/key personnel and public interest by the SC before being approved for Main Market listing.	An ACE Market listing can only be done through a sponsor. Bursa Malaysia relies on the sponsor to determine the company's suitability to list.
A company seeking Main Market listing must also possess the following: • Identifiable • Effectively managed by people with experience and qualification and with management continuity in place • No conflicts of interest • Positive cash flow from operating activities and sufficient working capital for at least 12 months • Good corporate governance policies and practices	A company seeking ACE listing must possess the following: • Visible growth trajectory for the foreseeable future • Leadership team that has demonstrated the capability to grow a business • Sufficient systems, procedures, policies, controls and resources in place to ensure continuous compliance with relevant rules and regulations • Responsible directors • Possess internal control and risk management systems • Good corporate governance policies and practices

Figure 19:
IPO Timeline for Bursa Malaysia Listings

Pre-Approval	T + 11 weeks	• Appoint principal advisor • Form due diligence working group • Implement organizational changes and appoint independent directors • Finalize IPO proposal • Prepare valuation report (if required) • Draft listing application and Prospects
Approval	T + 21 weeks	• Public exposure of Prospectus for 16 market days • Address queries from regulators • Visit from regulators to company premises • Obtain letter of approval for the IPO and approval-by-principal for the prospectus • Finalize underwriting agreement (if necessary)
Post-Approval	T + 25 weeks	• Update prospectus • Register and lodge prospectus • Commence pre-marketing
IPO	T + 26 weeks	• Launch prospectus with the offer opened for at least 5 market days • Roadshows, briefings and presentations to potential investors
Listing	T+29 weeks	• Allocate shares • Commence trading

Exploring Share Grant Plans (SGP) in Malaysia

As the hiring landscape in Malaysia becomes increasingly competitive, the war for talent is heating up. While salary packages and medical insurance used to be one of the most powerful magnets for talent, the standard benefit packages are not enough in Malaysia's current human resource climate. Startups face particular challenges, often not able to pay salaries as high as larger competitors. This is where Share Grant Plan comes in, where in Malaysia it is more popular and slowly replacing Employee stock ownership schemes (ESOS).

In an ESOS, employees are given the contractual right to acquire – without obligation - allotted shares during predetermined periods at predetermined, discounted prices, with no link to performance. The objective here is that employees contribute to long-term corporate earnings and objectives, and are expected to gain from share price increases.

In a Share Grant Plan, free shares are allocated to employees who have achieved identified performance targets by given deadlines, contingent on the company's expectation of the employees. In the case of failure to meet performance targets in an SGP, the laws on the termination of an employment contract without just cause are currently biased towards the employee. Therefore, an effective SGP would require rigorous human resources strategies to convert corporate objectives into performance targets and measurable performance reporting. If this process fails on grounds such as integrity, objectivity, transparency and reasonableness, then the SGP may become counterproductive.

In addition, there are factors for consideration for an SGP:

- A review of the existing employee demographic factors and skill sets
- Corporate financial indicators and performance
- Potential corporate exercises such as mergers, privatization exercises, takeovers, and new business strategies

Given the potential costs in managing the SGPs, every company is different and depending on a company's structure, an SGP might be a great tool to incorporate into the benefits package. For many listed companies, a well-structured SGP can incentivize employees and serve as a critical tool for growth.

Working together with HR and corporate consultants, Tricor Group assists in the professional implementation of an effective SGP in Malaysia. Please contact us to find out more about our investor services solutions and how we help clients set up and maintain an SGP in Asia.

Section 6
How Tricor Group Can Help

HOW TRICOR GROUP CAN HELP IN ASIA & BEYOND

Tricor Group (Tricor) is Asia's leading business expansion specialist, with global knowledge and local expertise in business, corporate, investor, human resources & payroll, corporate trust & debt services, and governance advisory. Tricor provides the building blocks for clients' business growth, from incorporation to IPO. Tricor has had a rapid expansion through organic growth and development as well as partnerships, mergers and acquisitions. Tricor has a dominant footprint in Asia Pacific and a strong global presence.

Strategically headquartered in Hong Kong SAR, we operate out of 22 countries/territories and across a network of 49 offices. Tricor serves ~50,000 clients globally, including ~20,000 clients in Mainland China, and ~2,000 companies listed in Hong Kong SAR, Mainland China, Singapore and Malaysia. Over 40% of the Fortune Global 500 companies and a significant share of multinationals and private enterprises trust us to guide and streamline their operations across international markets. With ~3,000 employees, of which 630 are certified professionals, including qualified accountants and company secretaries, our expert teams deliver critical tax, accounting, finance, business advisory, human capital management, and compliance services through each phase of the business life cycle to help ambitious companies accelerate their growth in Asia and beyond.

Tricor's advantage comes from deep industry experience, committed staff, technology-driven processes, standardized methodologies, constant attention to changes in laws and regulations and wide industry contacts. Tricor is uniquely positioned to unlock the potential of your business, and help you stay one step ahead of today's diverse and fast evolving regulatory environment.

HOW TRICOR GROUP CAN HELP WITH GLOBAL EXPANSION

While the growing APAC region offers marketplaces of tremendous opportunity, any business entering these unique, complex economies should be aware of the potential difficulties, missteps and obstacles along the way. When making moves into APAC, investors should consider the following:

- Developing a strategy for entering an individual APAC market or multiple markets
- Overcoming language and cultural barriers
- Understanding the government's role in business as this varies across the markets
- Registering your business and furnishing the required upfront capital, documentation, resources and personnel for the structure you select
- Complying with labor, payroll and hiring policies
- Navigating visa requirements for you and staff
- Filing taxes and learning regulations
- Maximizing incentives, deductions and tax strategy
- Opening up banking facilities
- Knowing what to look for local partners & investors
- Streamlining operations

Despite regulatory obstacles and cultural barriers, the rewards of successfully navigating this vibrant region are immense. Whether you are looking to enter the APAC market for the first time or streamline current operations, we can help you.

HOW TRICOR GROUP CAN HELP WITH IPO & INVESTOR SERVICES

Tricor Group is no stranger to helping clients navigate their IPO journey. We know that every company has its own growth story and that every company needs to embark on its own path for a successful IPO. Our investment services team helps support our client's end-to-end needs for IPO planning and execution in HKSAR, Singapore and Malaysia. Here is a breakdown of the IPO services we offer:

Pre-IPO

- Prepare share certificates, refund cheques, securities seal, etc.
- Advise IPO logistics
- Review Listing documents including the prospectus, application forms and other related documents
- Set up electronic application platform (i.e. HK eIPO White Form Services)

IPO

- Provide electronic subscription service
- Prepare consolidated subscription reports
- Process applications and identify suspected multiple applications
- Reconcile application details with the receiving bank
- Prepare balloting schemes
- Review allocations / results announcement
- Print and despatch share certificate and refund cheque
- Despatch e-Auto refund payment instructions
- Provide allotment results publication service / online and hotline enquiry services
- Handle brokerage, exchange trading fees and SFC transaction levy
- Attend to cross-border removal / transfer of shares (if applicable)
- Deposit borrowed shares / sales shares into CCASS (if applicable)

Post-IPO

- Set up registers of shareholders
- Handle claims of non-receipt of share-certificates and refund cheques
- Despatch corporate communications to securities holders
- Arrange for cash dividend payments
- Attend to claims for dividends or bonus shares/warrants from securities holders
- Provide company holding information and analysis reports to listed clients and portfolio management facilities to registered securities holders through the Tricor Investor Services Centre (www.tricoris.com)
- Provide a call center for securities holders and the public
- Attend to public enquires relating to the register of members and members' holdings
- Attend to the registration of probates, powers of attorney and lost certificates
- Provide holder information to clients' principal / branch registrar as applicable
- Act as scrutineer for poll voting on resolutions at all general meetings held locally or overseas
- Assist in all kinds of corporate actions such as company restructuring, rights issue, open offer, cash offer, etc.
- Attend to all other matters within the scope of duties of a registrar and transfer agent under the relevant jurisdiction, as applicable, and/or exchange listing rules as the client may reasonably require

Tricor is the leading IPO, share registry, and company secretarial services provider in HKSAR, offering a broad range of customizable and personalized integrated solutions for our clients. We provide full suite, end-to-end services to our listed clients from one dedicated client service team.

Key Investor Services

IPO / NEW ISSUE → REGISTRY MANAGEMENT → SHAREHOLDER COMMUNICATIONS → DIVIDEND PAYING AGENT → CORPORATE ACTIONS → MEETING MANAGEMENT & POLL SCRUTINEER SERVICES → WEBSITE SET UP & ANNOUNCEMENT → INVESTOR SERVICES SELF-SERVICE PORTAL

Key Corporate Services

ENTITY FORMATION & BUSINESS ESTABLISHMENT → CORPORATE GOVERNANCE, COMPLIANCE & SECRETARIAL → LISTED ISSUER & NAMED COMPANY SECRETARY → TRUST & FIDUCIARY SERVICES (INCLUDING EMPLOYEE SHARE INCENTIVE PLANS) → FUND SECRETARIAL & COMPLIANCE → PROCESS AGENT & ESCROW AGENT → DUE DILIGENCE & CORPORATE HEALTH CHECK → LIQUIDATION, DISSOLUTION & CESSATION OF BUSINESS

In Asia, Tricor supports ~50,000 clients with a wide array of services across accounting, payroll and tax services for multinationals and small and medium enterprises; corporate governance, administration and secretarial services for both listed and unlisted companies; and investor and share registry services; among others.

Client Success Story: ZhongAn Online P&C Insurance Co., Ltd

Company Background	ZhongAn Online P & C Insurance Co., Ltd. (ZA Online) (Stock Code: 06060.HK) operates as a Chinese online-only insurance company based in Shanghai, China. The Company develops and sells health, airline, and automotive insurance, and other products. It also offers online consumer finance services. Founded in 2013 by Mr. Ma Yun, Executive Chairman of Alibaba Group, Mr. Ma Huateng, Chairman of Tencent, and Mr. Ma Mingzhe, Chairman of Ping An Insurance, ZA Online became Mainland China's first and largest insurance company that offers and sells insurance products over the internet. SoftBank's Vision Fund, the largest private equity fund in the world, is partnering with ZA Online, to explore new and innovative ways to expand its business outside of Mainland China. As of December 2018, ZA Online has a total market capitalization of HK$36.82 billion (US$4.7 billion).
Client Needs	ZhongAn Online P & C Insurance Co., Ltd., the first and only company in Mainland China with an Internet insurance license, aims to reshape traditional insurance by applying internet thinking across the insurance value chain from product design and claims servicing. As one of the mega-sized IPOs in HKSAR, ZA Online received over 120,000 applications and was 390 times oversubscribed. ZA Online was in need of a reliable and professional services provider with sufficient manpower to process all applications and assist throughout the entire listing process, handle corporate governance related matters and compliance with the appropriate local Listing Rules and other legal and regulatory requirements.
Solutions	Tricor provided both investor services and corporate services, including offering advisory on pre-IPO planning, IPO timetable, logistics, human resources support to handle a heavily oversubscribed IPO. Tricor's investor services team helped to manage IPO and share registration matters while the corporate services team ensured compliance with relevant requirements in Listing Rules, Companies Ordinance and Part XV of SFO. They also advised on corporate governance and best practices, as well as delivered on-going company secretarial services. One stop-shop solution has been successfully provided.
Benefits	Being the first publicly listed China-based online insurance company (a new economy company), ZA Online was 390 times oversubscribed with over 120,000 applications, and a market valuation of over HK$85 billion. With the support of Tricor's dedicated, integrated and collaborative investor services and corporate services teams the entire IPO journey was streamlined end-to-end. ZA Online became the largest Fintech Company IPO in HKSAR ever, with reference to the Offer Price of HK$59.70 (US$7.61) per share. US$1.5 billion (HK$11.76 billion) was raised with a valuation of US$11 billion. Tricor completed data input of over 6,800 White and Yellow physical application forms within 6 hours during the night of the closing date and three rounds of checking and amendments within nine hours on the following day. The team also ensured that all share certificates and refund checks were printed accurately and seamlessly. The result was maximum client satisfaction, optimal business results and the efficient handling of a mega-sized IPO in HKSAR.

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