

# capital

LEAD STORY

## Floating in Hong Kong

Malaysian companies make up the second largest group of foreign firms on the Hong Kong stock exchange, with three of them listing there last year. Senior officials from BDO give their take on why an IPO on the HKEx may be preferable to Bursa Malaysia.

REUTERS





# A platform to attract foreign investors

BY LIEW JIA TENG

Many Malaysians are no strangers to the Hong Kong stock market. Local fans of TVB dramas have probably watched shows centred on the ups and downs of the city's bourse.

On a more serious note, a number of prominent Malaysian tycoons have floated their companies' shares on the Hong Kong Exchanges and Clearing Ltd (HKEx). They include Tan Sri Quek Leng Chan, who listed Guoco Group Ltd in the 1980s; Tan Sri Tiong Hiew King, who floated Media Chinese International Ltd's shares in the 1990s; and Tan Sri William Cheng with Parkson Retail Group Ltd in the 2000s.

As at Jan 25 this year, there were 1,719 companies listed on the Main Board of HKEx and 270 on the Growth Enterprise Market, with a total combined market capitalisation of HK\$25,851 billion. Interestingly, there are 110 foreign companies listed on the HKEx, 15 of which are Malaysian companies — making them the second largest group after Taiwanese firms (see table).

In recent years, it appears that there has been an increasing interest among Malaysian companies in getting listed in Hong Kong. Last year alone, three Malaysian companies, namely TEM Holdings Ltd, Gemilang International Ltd and Worldgate Global Logistics Ltd, floated their shares on the HKEx.

Senior officials from BDO International Ltd tell *The Edge* that many Malaysian companies are attracted to the city's bourse due to its faster time to market, richer valuation and more diversified investor base.

Clement Chan, managing director for assurance at BDO Hong Kong, opines that the HKEx provides a platform for Malaysian companies to attract foreign investors and make a name for themselves in the international arena.

"The spread of investors in Hong Kong is very wide. You cannot even think of an international bank that doesn't have a presence here," he says.

While Chan acknowledges that there are obvious home-ground advantages of undertaking initial public offerings (IPOs) on Bursa Malaysia, he points out that the HKEx is a good alternative for Malaysian firms.

"Hong Kong has always been an open international market. As a matter of fact, the HKEx is one of the most international stock exchanges, not just in this region but in the whole world," he stresses.

Chan highlights that Malaysian companies seeking an IPO in a foreign capital market would naturally be looking at the liquidity of that market, as well as the presence of international investors.

"If you are listed in a very liquid and fluid market, you will have an advantage when you issue shares to raise fresh capital or to acquire businesses and assets for growth. The acceptability of, and accessibility to those shares ... it makes a lot of difference," he explains.

Chan heads the audit and assurance practice of BDO Hong Kong and is the immediate past president of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in the fields of audit, risk management and capital markets, and has assisted many companies in their HKEx IPO exercises.

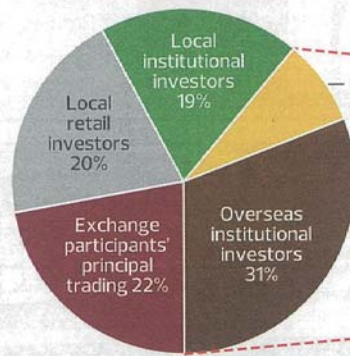
According to him, the total capital raised from IPOs in Hong Kong has topped other global markets for two consecutive years, with over US\$25 billion raised in 2016 — even more than New York and London. Every day, about US\$10 billion worth of shares are traded on the HKEx.

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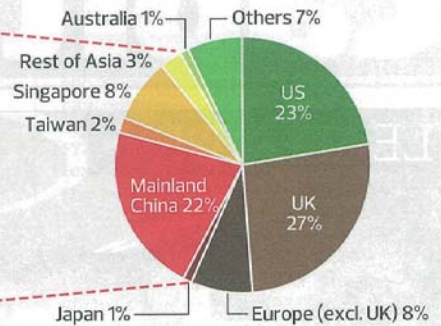
## Diverse and growing global investor base

HKEx enables access to critical mass of international institutional investor base and also Asian and Mainland Chinese investor base

Trading value distribution by investor type



Trading value distribution of overseas investors



Note: Numbers may not add up to 100% due to rounding



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Chan says Hong Kong is a well-recognised international financial centre. It has a robust legal system as well as transparent governance and listing rules, he adds.

"Because of the totality of these facts, it actually attracts a big cluster of institutional investors, making Hong Kong an attractive listing destination."

BDO International is among the top five largest accountancy networks in the world. Last year, BDO Hong Kong completed 15 IPOs, ranking it the fourth most active

reporting accountant on the Hong Kong IPO market with a market share of 13%.

Stephen Darley, CEO Asia-Pacific at BDO International, says the HKEx easily stands out as the stock exchange with the most diversified investor base.

"When we talk about liquidity, we have to look at what's driving that — access to the Chinese market with a population of 1.3 billion, the institutional investors who are sitting there ... that's the difference," he adds. (See pie chart.)

"Not many stock exchanges in the world enjoy the presence of these groups of investors, who serve as the backbone of the liquidity.



## Malaysia-based companies listed in Hong Kong

LISTING DATE	ISSUER	BOARD	PLACE OF INCORPORATION	INDUSTRY	MARKET CAP (HK\$ MIL)
Nov 11, 2016	Gemilang International	Mainboard	Cayman Islands	Commercial vehicles & trucks	443
July 6, 2016	Worldgate Global Logistics	GEM	Cayman Islands	Air freight & logistics	376
May 18, 2016	TEM Holdings	GEM	Cayman Islands	Industrial components & equipment	222
July 3, 2013	CAA Resources	Mainboard	Cayman Islands	Iron & steel	2,400
Feb 10, 2009	RCG Holdings	Mainboard	Bermuda	Software	1,500
Dec 22, 2008	Ding He Mining Holdings	Mainboard	Hong Kong	Other metals & minerals	617
Nov 30, 2005	Parkson Retail Group	Mainboard	Cayman Islands	Department stores	2,331
Feb 8, 2002	V.S. International Group	Mainboard	Cayman Islands	Industrial components & equipment	578
Nov 30, 2000	Genting Hong Kong	Mainboard	Bermuda	Travel & tourism	19,340
July 7, 1998	Tan Chong International	Mainboard	Bermuda	Automobiles	5,033
Oct 3, 1991	Public Financial Holdings	Mainboard	Bermuda	Banks	3,722
Mar 22, 1991	Media Chinese International	Mainboard	Bermuda	Publishing	1,822
May 3, 1983	Guoco Group	Mainboard	Bermuda	Investment & asset management	28,792
Oct 31, 1972	Lam Soon	Mainboard	Hong Kong	Agricultural products	2,166



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I don't think you will get 60% to 70% of the international investors in the Malaysian market, or even in New York, London and Sydney," says Darley.

BDO has representation across Southeast Asia, with member firms in all 10 Asean nations. As an international firm, it can assist its clients

in listing in Hong Kong, Malaysia, Singapore, Australia or anywhere else in the world — it is up to the clients to decide where they want to go, Darley remarks.

At home, BDO Malaysia is also one of the "Big 5" professional services firms, which provide audit, business services outsourcing, advi-

sory and tax services to businesses and corporations.

Datuk Feizal Mustapha, chairman and executive director of advisory at BDO Malaysia, is of the view that in the global environment today, where capital, resources and information are readily accessible, Malaysian companies — as with

companies throughout the world — have the option to list anywhere. While each listing destination has its pros and cons, companies should list in a market that presents them with the most benefits, he says.

"As a Malaysian, of course I would promote Bursa Malaysia as the preferred listing destination for Ma-

laysian companies, as my colleague, Clement, would do so for Hong Kong." The fact remains though that local companies have many choices available to them, and their decision depends on their needs as well as the listing cost, their state of readiness and presence or footprint locally, regionally or globally, says Feizal. ■