

SECURITIES LISTING GUIDANCE

Cambodia Securities Exchange (CSX)

Listing and Disclosure Department

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Introduction

As the first and only Securities Exchange operator of the Kingdom, the core value of the Cambodia Securities Exchange Co., Ltd (CSX) is to establish a sound, transparent and friendly working environment to all market participants especially local companies who need the capital to meet their expansion plans and in the same time to offering a robust protection for both local and foreign investors, in accordance with the Financial Sector Development Strategy 2006 - 2015 updated to 2011 - 2020 of the Royal Government of Cambodia.

Towards this end, the CSX, which is a public enterprise with majority state shareholding, is equipped with high-standard information technology and manpowered by competent staffs with direct involvement of Korean experts from the Korea Exchange (KRX), a world-class premier Exchange.

Given the positive progress of the Cambodia economy and its competitiveness, now it is an ideal time for your company to be part of the public listed fraternity. With a listing on the CSX, you open your company to both local and global opportunities.

If you are considering the option to list your company on the CSX, this guide is meant to provide you with better understanding on benefits, requirements and processes involved in a listing exercise. You will also have better understanding of the longer implications of being a listed company.

Everything considered, being a public listed company on CSX may just be a springboard taking your company to a higher level of success, and CSX is pleased to assist you in this important and meaningful transition in your corporate life.

Benefits of Listing on the CSX

The principal reason for seeking a listing is to raise new funds. For all the glamour related to going public, the fact remains that the decision to do so should be based on hard business realities.

As the owner or shareholder of a private corporation, you have to weigh the advantages and consequences of going public in the light of the plans and goals that you have set for your company. The most frequently asked questions then are why a company needs to go public and when the right time to do it is. There are no strict rules regarding these matters because the choice to go public or not depends on the company's need and interest of the shareholders. The discussion with lawyers, reporting auditors and other professional advisors will help you with better deliberation.

The followings are the main benefits of listing on the CSX:

Obtaining long-term source of fund

When designing a business expansion plan, companies will almost always face the problem of funding for its investment and working capital. Companies usually have various sources of funding from different financial institutions, yet most of them are short-term funding that may be a barrier for them to develop their long term business plan. In contrary, on the stock market, those companies can have long term funding by way of issuing and selling their shares to the public, and use it to implement their long term business plan while they need to pay back only dividend based on actual company's profit and cash availability.

Obtaining tax incentive

This is a primary incentive for companies that are looking for raising fund by way of issuance securities and listing on the CSX. According to Anukret on Tax Incentive in Securities Sector issued on January 08, 2015, all companies going public and listed on the CSX will enjoy, over a period of three years after listing of 50% reduction on corporate income tax, and this "tax holiday" period will end in January 2018. At the same time, companies will be waived all corporate income tax liabilities for the last 10 years, found by external auditors after auditing by General Tax Department. In addition, a monthly prepayment of 1% profit tax will also be suspended during a period of three years.

Realizing your investments

When you list your company, the shares of your company will be publicly traded. Just like in any marketplace, each of them will have a value. Therefore, by listing your company, you will be able to know the market value of your company. At the same time, this creation of public market of your company's shares will give you the possibility to unlock the value of your company and realize your investments.

Enhancing corporate credibility

With the requirement to comply with various disclosure and compliance rules under an established regulatory structure, a listed company's perceived risk is generally lower compared to a private held company. This enables you to conduct business on more advantageous terms. For example, a listed company has easier access to banking because banking community will know your company better through information disclosure by your company with respect to the securities law and regulations. As a result, it is relatively easier for your company to have new loans with smaller interest rate considering your company's relatively smaller credits risk compared to those of private companies.

Improving corporate profile and visibility

A listed company generally draws attention from domestic and foreign investors, the news media and the public, and its financial or operational affairs are reported on the newspaper and TV and communicated within and outside the country. This enhances the visibility and profile of your company, which further improve the awareness of your company's products and services.

Sustaining Business with Stronger Corporate Governance and Internal Control

To establish a business entity, one needs to overcome many issues; yet, make it sustainable is even harder and a big challenge for business owners. Companies are usually subject to concerns over corporate governance and internal control practices. But with the status of listed company, once they stand out in the public, they will be able to improve their corporate governance by having clear structure of board of directors, who will oversee the performance of the management. In addition to this, business owners can enhance internal control in the company that will help prevent misconducts or fraud in daily business operations. As a result, good corporate governance and internal control will help companies grow sustainably.

Adoption of good corporate governance practices should better prepare Cambodian business entities to face the arrival of other ASEAN competitors with an introduction of ASEAN Economic Community at the end of 2015.

Increasing employee morale and productivity

A listed company on CSX can use an Employee Stock Ownership Plan (ESOP) as a powerful incentive to align the interest of its employee with its goals. The improved labor-management relations and employee morale will allow the listed company to enhance the productivity. The ESOP can also attract and retain high quality human resource and increase their long term affiliation and commitment to the company.

Widening shareholder/investor base

By listing your company, you create a public market of your company's shares. The public market creates the liquidity in the shares of your company. So, the shares of your company

can be sold or bought by any investors locally or abroad. This can help broaden the shareholder base. Furthermore, a listed company can attract credible professional or reputable institutional investors who may in turn facilitate wider business networks and opportunities.

Proactive to government regulations

All companies are being scrutinized by the government on their compliance with regard to tax practices, accounting records and audit etc. This shrinking “freedom” shall be in favor of an early adoption of compliance standards and getting the status of a listed company.

Parties in a listing exercise

The road to listing may be challenging but it is certainly not a lonely one. You will necessarily need advisers from different fields who will guide and assist you throughout the process. Your IPO team would normally comprise at least an underwriting firm, a legal firm, an accounting firm and an asset valuator. Besides your IPO team, you can also count on CSX as its role is to ensure that a willing company has all information related to the listing process.

So, it is important that you invest in the time and effort to evaluate and select advisers and professionals who can best meet your requirements. To do so, you will also have to understand the roles and responsibilities of each adviser in your listing process. You can get the detailed information about the authorized IPO related firms by visiting our website at www.csx.com.kh or the official website of the Securities and Exchange Commission of Cambodia at www.secc.gov.kh. Below is a snapshot of the specific responsibilities of your IPO team.

1. Underwriting firm:

Your company may initiate a listing process by appointing an underwriter. You need to choose one of the seven underwriters which are until now licensed by the Securities and Exchange Commission of Cambodia (SECC) and are the members of the CSX. The underwriter will assume an active role and prepare the company for listing. Besides managing the launch, the underwriter will also coordinate and collaborate with other IPO team members in preparing the relevant application documents and oversee the whole listing exercise including the due-diligence process.

2. Legal firm:

Lawyers are integral part of the listing process as they provide advice on all legal matters in relation to your application and disclosure documents. They will also undertake the legal due-diligence and verification exercise. A willing company needs to choose one of legal firms recognized by the SECC. Again, we suggest the willing company to visit the official website of the SECC at www.secc.gov.kh for the detail information related to the authorized legal firms in the IPO process.

3. Professional accounting firm:

The professional accounting firms are also integral part of the listing process. Your professional accounting firm will help to prepare the financial reports and information required in the disclosure document and to ensure that your financial reports comply with the Cambodia Accounting Standard and related law and regulations. Again, you also need to choose one of the accredited professional accounting firms recognized by the SECC. Please refer to the official website of the SECC at www.secc.gov.kh to get the updated information about the authorized accounting firms in the IPO process.

4. Valuation company or independent valuator:

A valuation company or an independent valuator needs to be appointed if your company possess any property, plant or equipment that need to be revalued. Your independent valuator needs to provide a valuation report which is part of the listing process. A willing company also needs to choose one of the valuation companies or independent valutors accredited by the SECC at www.secc.gov.kh.

Main Criteria to be considered

Now it is time to glance at your company situation whether you meet the main qualification for going public or you still have some parts to improve. Below are main criteria you have to consider:

Criteria	Main Board	Growth Board
Quantitative Requirements		
Shareholders' equity	≥ KHR30 billion (\$7.5 m)	≥ KHR2 billion (\$500,000)
Net profit	≥ KHR 2 billion (\$500,000) for the latest year; and ≥ KHR3 billion (\$750,000) for the latest 2 years	• Positive net income for latest year; or • Positive operating cash flow & gross profit margin ≥ 10%
Minority shareholder	≥ 200 shareholders; and ≥ 7% of the total voting shares	≥ 100 shareholders; and ≥ 10% of the total voting shares
Audited financial report	2 years	1 year
Non-quantitative Requirements		
Change of largest shareholder	The largest shareholder shall not be changed for one year until the official listing date.	
Securities deposit	All the issued securities shall be deposited at the operator of securities depository of the Cambodia Securities Exchange (CSD).	
Lock up	• 1 year for controlling shareholder (allow to sell their shares up to 50% for last 6 months) • 6 month for shareholder (15%) & strategic shareholders	

Corporate governance*

Public Limited Company

- Board members: 5 to 15
- Independent director: $\geq 1/5$ of total number of directors
- If foreign independent director: ≥ 6 months of working experiences in Cambodia

Public Enterprise

- Board Members ≤ 7
- Independent director ≥ 1 &
- Non-executive director (as a representative of the private shareholders) ≥ 1

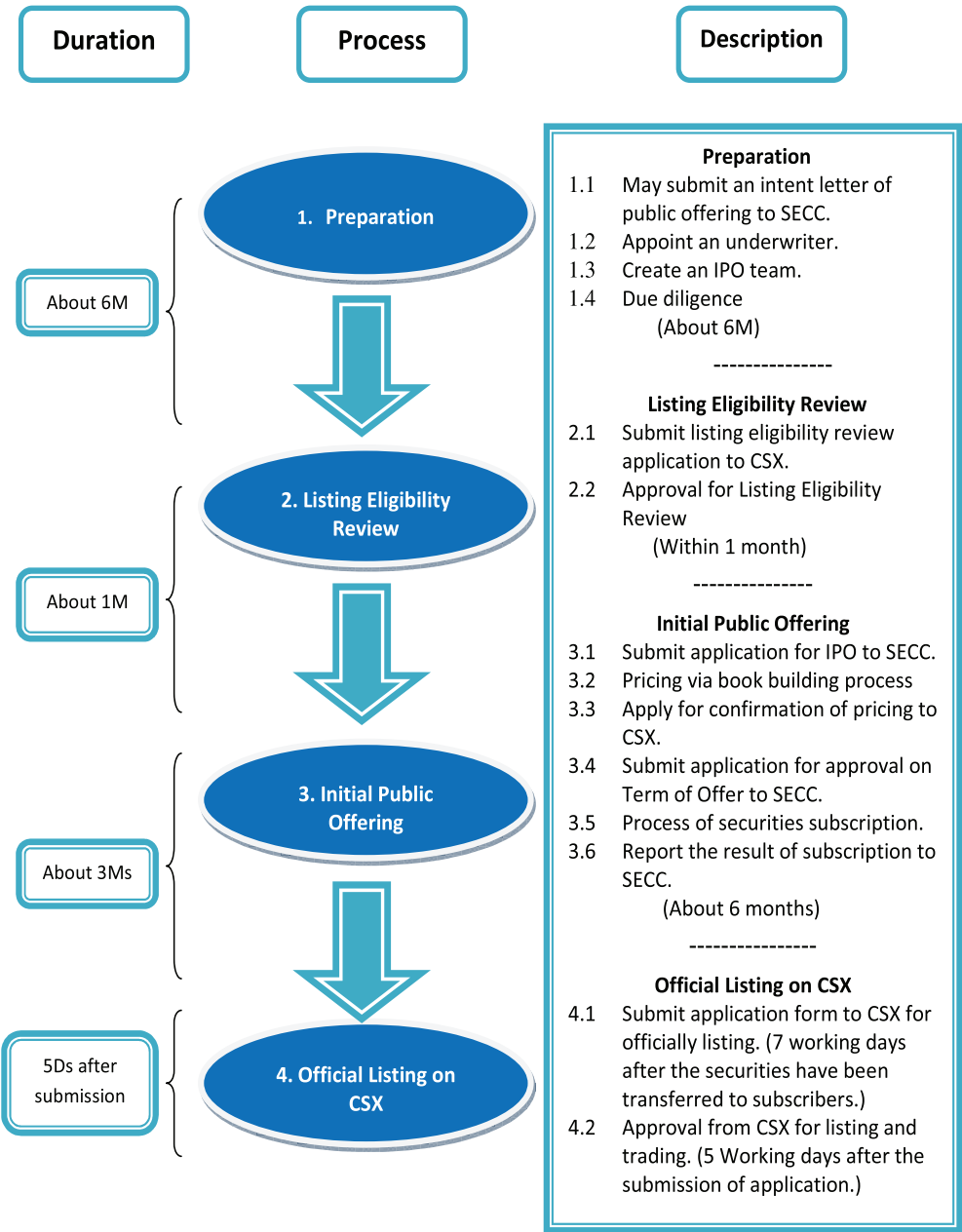
Committee of BOD

- a) Audit Committee
- b) Risk Management Committee: Assets \geq KHR200 bil. (\$50m)
- c) Nomination Committee: Board can consider to establish it and other Committees as necessary and as required by SECC.

** For more detail, please refer to Prakas on Corporate Governance for Listed Company and Listed Public Enterprise.*

You have now thoroughly considered the position of your company and assessed the benefits of a listing against various considerations and you may have decided that listing is the best route for your company.

Here is the flow chart of the listing process:



Preparation

To get yourself be ready for listing, the preparation process is very crucial. With assistance from your underwriter, you may begin the process by writing a letter of intent to SECC showing your purpose of IPO as well as the expected timetable and IPO team. Your underwriter is the main player to advice you in the preparation stage and help you appointing the IPO team.

After appointment of the responsible underwriter and other IPO team members, the most essential task your company needs to go through is the due-diligence. It is crucial in the IPO preparation because it will provide a clear understanding about your company and its business. It will also help to prepare the disclosure document. Your IPO team is the best person to assist you for further questions about due-diligence process.

You could also get consultancy service from listing incubator team of the CSX at the early stage of your IPO and listing preparation. This team will guide you to walk on the right direction toward your listing goal.

Listing Eligibility Review

The Listing Eligibility Review (LER) is a must for any company wishing to be listed on the CSX. Your underwriter shall assist you in filling the application form and preparing other required documents.

We strongly suggest the applicant and the underwriter to contact the Listing and Disclosure department of CSX prior to the submission of the LER application (pre-review stage) to have better understanding on how to fill out the form and prepare other requirements in order to accelerate the listing process.

The Listing Eligibility Review Application form is available in both hard and soft copy to facilitate the preparation of the applicant. We also prepare an instruction-guide to help the applicant to fill out the form. In the LER application form, you will need to provide the following information:

- ★ General information of the company
- ★ Listing applicant's representative information
- ★ Shareholder information
- ★ Financial information of listing applicant
- ★ Business information of listing applicant
- ★ The plan of IPO proceeds usage
- ★ Other relevant information

Initial Public Offering

Now it seems that you are ready to go public. It is time to submit the application form for public offering and disclosure document to SECC along with the approval letter from CSX proving your company is eligible for listing. Once you get the approval in principle from SECC, you can start the book-building process to determine the offering price of your securities.

After you get the offering price, you have to apply for the confirmation on pricing of your securities to CSX. The listing examination team of CSX will conduct the evaluation of pricing of your securities and confirm you the result once it is done.

When you get the confirmation on pricing from CSX, you can submit the application form on Term of Offer and update the disclosure document to SECC to get it registered. The confirmation on pricing from CSX is required to be attached with your application.

After receiving the green light from SECC, you can start the subscription. In the subscription stage, your securities will be allotted to investors who successfully subscribe your securities. Once the subscription finished, the next stage is the final one.

Official Listing

Here you go, the official listing!!! You shall fulfill the procedure for official listing with CSX within seven working days after the securities have been allotted to the subscribers.

The application for official listing form is also available in both hard and soft copy to facilitate the preparation of the applicant. Like LER form, we also provide the instruction-guide to help the applicant to fill out the form. Once again, your underwriter is the key person to assist you in filling the form and prepare other required documents. In the official listing application form, you will need to provide the following document:

- ★ Disclosure documents already registered at SECC
- ★ Documents proving the securities subscription settlement
- ★ Copy of the contract with securities transfer agent
- ★ Copy of the contract with securities paying agent
- ★ Securities allotment report
- ★ Letter confirming securities deposited at the Operator of Securities Depository.
- ★ Listing application form

In addition to the application for official listing, the applicant shall submit the below agreements prior to its official listing:

- ★ Lock-up agreement states about lock-up shares of controlling shareholder(s), shareholder(s) hold more than 15% and strategic shareholder(s) with reference to above non-quantitative requirement.
- ★ Securities listing agreement between the CSX and the listed company on the fees, terms and conditions which shall be valid from the date of initial listing.

Listing Fees

a. LER Examination Fees:

- LER examination fee for Main Board: KHR4 million
- LER examination fee for Growth Board: KHR2 million

b. Initial listing Fees:

Main Board

Market Capitalization	Fee Charge
From 0 Riels to KHR12,000,000,000	KHR 10,000,000
From KHR12,000,000,001 to KHR40,000,000,000	0.030 %
From KHR 40,000,000,001 to KHR 200,000,000,000	0.025%
From KHR 200,000,000,001 to KHR 400,000,000,000	0.015%
Greater than to KHR 400,000,000,000	0.010%

Growth Board

- Minimum fee: KHR4,000,000 ; or
- 0.025% of the total market capitalization calculated by the price of the initial public offering, whichever is larger.

c. Annual Listing Fees:

Main Board

Market Capitalization	Fee Charge
From 0 to KHR12,000,000,000	KHR3,000,000
From KHR12,000,000,001 to KHR40,000,000,000	0.020 %
From KHR40,000,000,001 to KHR200,000,000,000	0.015%
Greater than KHR200,000,000,000	0.005%

Growth Board

- Minimum fee: KHR4,000,000 ; or
- 0.015% of the total market capitalization at year end, whichever is larger.

Note: for first listing year, the total market capitalization will be based on based price or first executed price of first trading day.

d. Other Fees

- Underwriting fee
- Audit fee
- Asset valuation fee
- Legal fee
- Others

After successful listing

Congratulations!!!! Your company is now successfully listed on the Cambodia Securities Exchange, so your company will be able to enjoy the benefits of listing on the CSX.

However, your successful listing is not an end. A public listed company has a continuous obligation in terms of disclosure and communications to the public. According to the Prakas on corporate disclosure, (please refer to the CSX website at www.csx.com.kh for more information about the Prakas on corporate disclosure), there are four type of disclosure that a listed company needs to comply with:

1. Timely disclosure

The listed company is required to disclose information that may impact its share price or the trading activities of its shares.

2. Periodic reports

As a listed company, you need to disclose the financial information on a regular basis which is quarterly, semi-annually and annually.

3. Special disclosure

The listed company also needs to disclose the information related to stock buy-back and cancellation, tender offer, merger and acquisition, and takeover.

4. Requested disclosure

Finally, the listed company must disclose information related to the rumor, news or information that may affect its share price, the trading volume of its shares, the interest of investors or other cases requested.

Besides the compliance with the disclosure obligations, the newly listed company also has to be mindful that you have now a higher profile in the investment community, in the media as well as in the perception of the general public. The way it positions in the heart of its stakeholders is important to benefit the full advantage of being a listed company. That is why you need to maintain a robust investor relation and embrace good corporate governance.

The After all, a company that is perceived to be well-run, transparent and committed towards building long-term value for its shareholders will be the one who would be able to maintain investors' attention and compete for capital amongst the many available investment options.

Conclusion

It is understandable that making decision to list is not an easy one. However, if you believe that your company has reached a certain stage of development and that the capital market is the road for you to take your company to the next level, now is the time to get your securities listed. It will be a challenging avenue but a worthwhile one.

We trust you found this guide to be informative but not investment and/or listing advice. To help you take your next step, please contact your underwriter.

However, you always can count on CSX for more information and consultation on listing your company on the Cambodia Securities Exchange, please feel free to contact our ***listing incubator team***.

Good success in your preparation!!!!

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