

JUNE 2019

BTINSIGHT



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Contents

03

**Message from the
Executive Chairman**



04

The next 40
Our Group Managing Partner
shares his thoughts



06

Leaderonomics
Compassionate Leadership
Creates A Competitive Edge



10

**The EDGE: Corporate
Rescue Mechanism**



14

FLY to Pulau Banggi
A Corporate Social Responsibility
project with FLY in Malaysia

20

Baker Tilly Leadership
Our Leadership Team
in Kuala Lumpur



22

Listing in Malaysia



28

**Bites & Bytes and
Nuggets of Wisdom**

18

Common Ground

Co-Founder, Juhn Teo, shares with our
COO, Joe Heng, his take on co-working
spaces in Malaysia and beyond



30

Workplace Wellness
Ministry of Burn



32

#bestplacetowork
FAMILY | FLEXIBILITY | FUN
Just some of the things we got up
to the past few months as a family



Welcome to our **BTINSIGHT** issue for June 2019.

In line with the Baker Tilly brand refresh, this issue of **BTINSIGHT** has also taken on a whole new look and feel, which we hope you will enjoy.

Having just celebrated our 40th anniversary last year, we are now on an exciting trajectory towards the next 40 years under the able leadership of our Group Managing Partner, Andrew Heng, and the new Managing Partners for each of our business division, namely Dato' Lock Peng Kuan (Audit & Assurance), Mr Anand Chelliah (Tax Services) and Mr Patrick McPhee (Advisory & Insolvency).

In this issue, Andrew will share his thoughts on leading change and the challenges for accounting firms in the 4th industrial revolution. In line with the leadership emphasis, we have also reproduced a Leaderonomics article titled "Compassionate Leadership Creates a Competitive Edge", an article which resonates with my own philosophy.

This year, we embarked on a Strategic Partnership with Financial Literacy for Youths (FLY) Malaysia. Page 14 carries the story of FLY's first adventure.

Speaking of adventure, one of our audit managers, who was recently seconded to Perth, shares his secondment experience with us on page 24, koalas, footy and all.

I wish you all happy reading.

Thank you.

Dato' Heng Ji Keng
Executive Chairman

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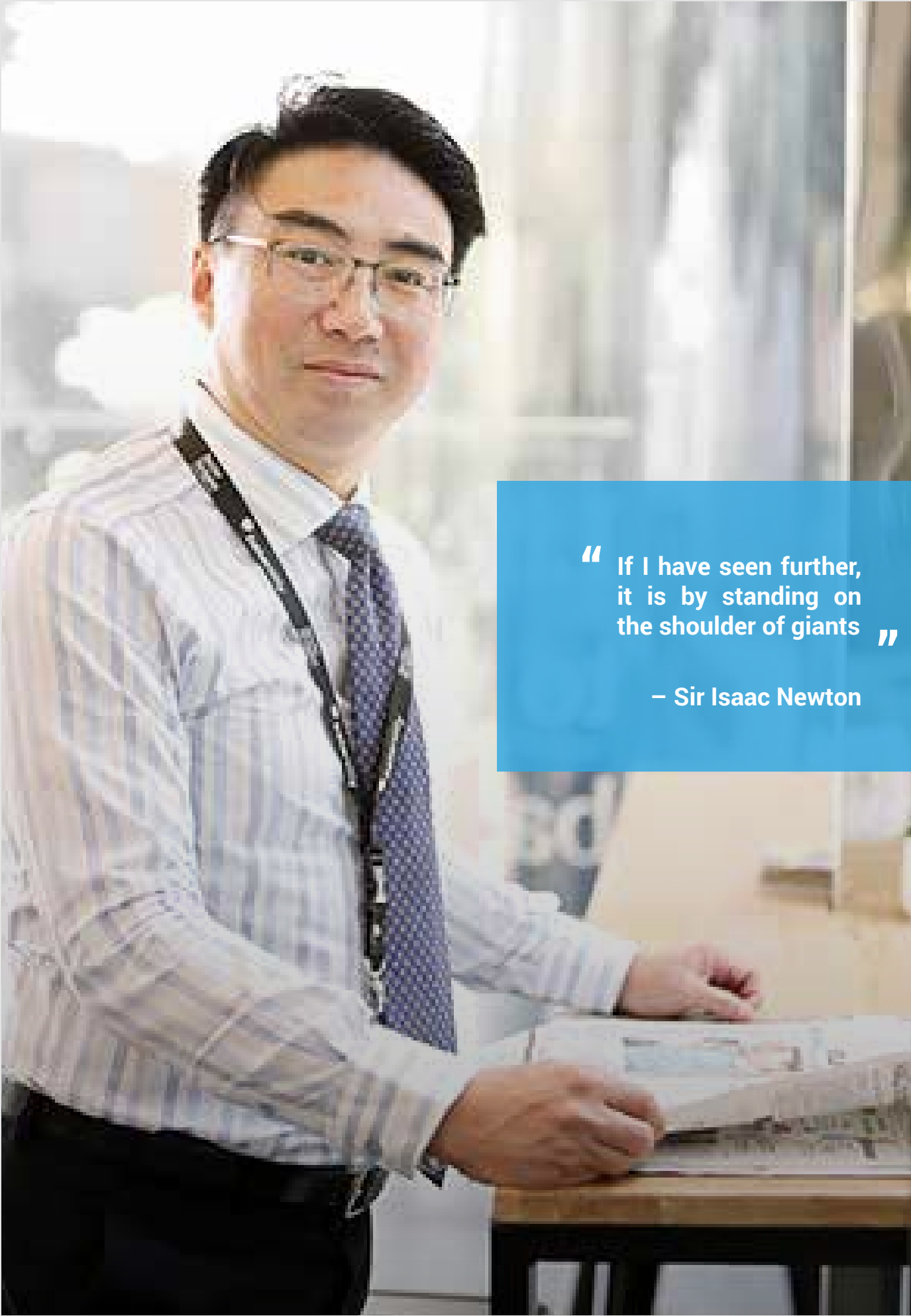
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A man with dark hair and glasses, wearing a light blue and white striped shirt and a blue patterned tie, is looking towards the camera. He is standing behind a wooden table where architectural plans are laid out. The background is a bright, out-of-focus interior space.

**“ If I have seen further,
it is by standing on
the shoulder of giants ”**

– Sir Isaac Newton

The **next 40** and the Accounting Firm in the 4th Industrial Revolution

There are very little barriers-to-entry to start an audit/accounting/advisory/tax firm. However, it is one thing to start one, and another to grow a firm for 40 years to what it is today. So it is with Baker Tilly. Built on a foundation of integrity and respect, what began as a 2-partner firm 40 years ago, is now really a force to be reckoned with in the accounting fraternity. It is the same story with Ferrier Hodgson. Within a short span of 20 years, Ferrier Hodgson has become synonymous with Corporate Restructuring in Malaysia. Taking on the mantle from Dato' Heng Ji Keng, my boss, my father, and an industry giant, and to reach the goals that we have set for ourselves, is no easy task.

What will happen in the next 40 years is anybody's guess, especially when we are now operating in the 4th Industrial Revolution and are waiting on the brink of the 5G impact. Just when you think you have caught up with the latest way of doing anything at all, something new pops up. Our way of life, how businesses are conducted and how services are delivered is still changing rapidly. This catchup game can be both exhilarating and exhausting. That is why, the core of who we are as a firm, as a corporate citizen, as professionals, is important.

Auditors have traditionally been gatekeepers in the Governance arena. We exist in a highly regulated industry and the job requires good understanding of the different industries that exist. The 4th Industrial Revolution will see the introduction of new regulations as international borders "disappear". To survive, we must be bold to re-think and re-imagine the way we do things. We must be on top of all these changes or at least arm ourselves with the knowledge of how things are changing. Easier said, of course.

We find ourselves in a similar situation with tax laws and regulations. As borders open up, we will continue to see changes in tax and legal structures around the world as governments find ways to collect what they perceive to be rightful amounts of tax from multinationals operating in their jurisdictions. With OECD rules and efforts to avoid tax treaty and profit-shifting abuses, information is readily exchanged between tax authorities, and the world has suddenly become a much smaller place to live in!

There are also growing changes in the type and nature of taxes themselves, as governments try to tackle the issue of the digital economy and the advent of non-traditional business models. The role of indirect taxes and revenue-based taxes (as opposed to profits-based taxes) could be the 'order of the day' in the not too distant future.

We should be seeing an enhancement of cross-border sharing of expertise and resources within the Asia-Pacific and ASEAN countries, as tax systems evolve and governments cooperate with each other to protect their tax bases from erosion, whilst still trying to remain competitive for foreign investment.

On the business front, as business owners forge forward in the competitive world of the fittest and fastest, the need for Advisory services will increase. With so much information available, businesses want a team of experts, with access to a network of professionals, to help separate the wheat from the chaff, and connect the dots in the quickest possible manner, and help them see further.

I am very thankful that at Baker Tilly, I have a strong team of Partners standing alongside me in the Kuala Lumpur head office as well as in the offices around Malaysia. In this issue of BTINSIGHT, I have the pleasure of introducing my head office team on page 19 & 20 – Dato' Lock Peng Kuan, Managing Partner for Audit and Assurance, Mr Anand Chelliah, Managing Partner for Tax Services, Mr Patrick McPhee, Managing Partner for Advisory and Insolvency, Mr Joe Heng, Chief Operating Officer and Ms Lee See Ying, Chief Finance Officer. Together with the team at the head office, we also have Mr Huang Shze Jiun, Managing Partner for Johor Bahru, Mr David Hor, Managing Partner for Penang, Mr Chong Ken Vun, Managing Partner for Sabah, Mr Tan Khee Meng, Managing Partner for Cambodia and Mr Lim Huck Hai, Managing Partner for IT Consulting. With this team, I know that we will go far.

Andrew Heng
Group Managing Partner
Baker Tilly Malaysia

Compassionate **LEADERSHIP** Creates A Competitive Edge

By Naz Beheshti



Articles and keynotes about the importance of empathy and compassion are common in the business world of late. These qualities are universally acknowledged to be essential in building a winning organisational culture.

However, you will never see compassionate leadership in popular lists of the leadership styles one can aspire to. Why is that?

Most of those lists have evolved from the Situational Leadership Model developed by Ken Blanchard and Paul Hersey. Their premise is that no single leadership style works all the time.

Depending on the situation, you might need to focus on directing, coaching, supporting, or delegating leadership style.

A supporting leadership style could involve compassion, but in this model, it refers to providing employees with the right tools to get the job done.

Some would argue that coaching should also involve compassion, but there are plenty of notable coaches who would not be described as compassionate.

Compassion as a competitive advantage

One of the leading voices in support of the importance of compassion in business is LinkedIn CEO, Jeff Weiner who describes himself as a practitioner of compassionate management.

He said it took him a while to appreciate the importance of compassion, and he credits the Dalai Lama's book, *The Art of Happiness* for this insight.

In today's frantic business world, one marked by limited attention spans and the constant threat of disruptive change, efficiency is seen as a cardinal virtue. It is easy to dismiss getting bogged down in the messy world of emotions as a distraction.

Compassion need not slow you down. In fact, it can have the opposite effect.

“ The long-term value of a company is based on the speed and quality of its decision-making,” Weiner says. He credits the compassionate ethos of LinkedIn with its ability to “make important decisions in minutes or hours that some companies debate for months. ”

Compassion engenders trust, which in turn facilitates ease of communication and decision-making.

Cultivating compassion in your company is an upfront investment that pays off handsomely in the long run.

Google's Project Aristotle

Google loves data. They also recognise the critical value of teamwork.

A few years ago, they embarked on an ambitious internal study to try to decode the secret to great teams. (The name of the project is a tribute to Aristotle's quote that "the whole is greater than the sum of its parts.")

At first, Google was at a loss to explain what makes for great teams. A breakthrough came when they began to consider the idea of psychological safety, a concept first developed by Amy Edmondson of the Harvard Business School.

Although they were able to capture some of their insights in charts and graphs - they are Google after all - Project Aristotle ultimately concluded that what separates great teams from the rest of the pack are simple human qualities. These qualities are enshrined in a team's group norms, its unwritten rules of conduct.

Google found that compassion and empathy facilitate teamwork by encouraging risk-taking and making it easy for everyone to have their say. Trust may be a difficult quality to quantify, but it clearly contributes to the bottom line.

Compassionate leadership starts at the top

It is impossible to create a culture of compassion unless CEOs and top executives take the lead.

They must not only model compassion in their own behaviour, but also deliberately and mindfully cultivate the group norms that make compassion and empathy a reality and not just words in a mission or values statement.

An organisational culture with compassion at its core is marked by several key qualities:

- Risk-taking: You cannot soar in a competitive environment if you are not willing to be bold and take big risks. A culture of compassion and trust serves as a safety net that allows for high-wire risk-taking and breakthrough innovation.
- Conversational turn-taking: This is a critical indicator of group psychological safety. In teams bound by trust, conversation is never dominated by the same people every time. The baton is passed freely around the room, generously and without ego, allowing each voice to be heard.
- Vulnerability and authenticity: Sometimes we make a false distinction between work and the rest of our lives. We feel we need to adopt a work face that is apart from our true self. Great teams transcend those barriers and allow people to bring their whole self - with all its richness and complication - into the workplace. Being authentic and vulnerable cultivates deeper and more meaningful connection.



To sum it up

We must move beyond the outdated notion that compassion is somehow soft.

Evolved business leaders realise that superior organisational culture comes down to qualities that cannot be quantified, but whose importance cannot be overestimated.

The role of compassionate leadership is one we should eagerly and unapologetically embrace.

Naz Beheshti is an executive wellness coach and consultant. She empowers leaders to tap into their highest potential for creativity, vitality, and success through mindset and behaviour change. Naz is the founder of Prananz Inc. To connect with her, send an email to editor@leaderonomics.com



The EDGE: CORPORATE RESCUE MECHANISM

By Kamarul Azhar/The Edge Malaysia

WHEN a company finds itself insolvent, most of the time, it is wound up and liquidated by creditors. In such a scenario, the endgame is to ensure secured creditors and lenders are paid off, without taking into consideration whether the company can be turned around.

The new Companies Act 2016 provides financially struggling companies that have the possibility of being turned around two other corporate restructuring mechanisms (CRMs) – corporate voluntary arrangement (CVA) and judicial management.

According to Ferrier Hodgson MH Sdn Bhd managing partner Andrew Heng, the new provisions, which came into force last March, are a good way for financially distressed companies – big and small – to take a breather from creditor and lender legal action or suits.

“ The new CRMs are actually a good thing because it gives the company an opportunity to restructure. Previously, we only had liquidation, receivership and the scheme of arrangement under Section 176,” he tells The Edge.

“Liquidation means the company gets closed down. Receivership is mainly for the banks to sell the charged assets, so they only look after selected creditors. In this case, receivership only looks after the banks while [in] liquidation, most of the time, creditors get close to zero.

“With the two new arrangements, there is actually an opportunity for the creditors and shareholders to come up with a scheme to restructure and rehabilitate the company. ”

Ferrier Hodgson specialises in corporate recovery, corporate advisory, forensic accounting and forensic IT. It is among the first audit and accounting firms to have undertaken corporate restructuring cases utilising the provisions of the Companies Act 2016.

So, what are CVA and judicial management and how do they differ from liquidation and receivership?



The most substantial aspect differentiating CVA and judicial management from liquidation and receivership is the application for a moratorium, which enables the financially struggling companies to focus on restructuring and turning around their businesses.

When the moratorium is enforced, creditors and secured lenders will not be able to take legal action against the company. However, they can still wield power in the restructuring of the company as any proposal will require their support.

CVA is for small and medium enterprises that have no loans from financial institutions. As such, no lenders will be involved in the restructuring of the company as no asset is charged to any financial institutions.

“CVA has a short span of life. It is an arrangement entered into by the company with its creditors and [the firm] prepares a proposal on how to turn itself around. It is only applicable to companies that don’t have charges,” says Ferrier Hodgson associate director Kumarakuru Jai Prakash.

The first CVA case involved The Loaf, the bakery previously co-owned by Prime Minister Tun Dr Mahathir Mohamad. The Loaf found itself in financial distress and appointed Ferrier Hodgson to be its nominee under the CVA last April.


As a nominee of the company, Ferrier Hodgson ran the business to see if it could be rehabilitated. At the time, The Loaf had 13 outlets, mostly in the Klang Valley.

Under the CVA, the company is granted a 28-day moratorium, insulating it from being wound up or having its assets seized. During this period, the nominee will work with the management to come up with a restructuring proposal.

After the first moratorium, the company, through its nominee, can apply to the courts for an extension of up to a maximum of 60 days. In the case of The Loaf, Ferrier Hodgson applied for an extension of 28 days following the expiry of the first moratorium.

During that period, the nominee managed to find a white knight for the company. The new investor took over The Loaf and paid off its creditors in full.

“ If the CVA had not been allowed, the endgame for The Loaf would have been liquidation. It would not be a dollar-for-dollar return to the creditors and shareholders if the company had been liquidated as its assets were not enough to pay off the creditors, ”
says Kumarakuru.



As for bigger companies with financial charges, they can apply for judicial management. Unlike the CVA, creditors and secured lenders are allowed to apply for the affected company to be put under judicial management. There are two categories of companies that are excluded from being placed under judicial management – those that are licensed and regulated by Bank Negara Malaysia and those that are subject to the Capital Markets and Services Act 2007.

Similar to the CVA, judicial management is aimed at giving viable companies in financial distress a chance to be rehabilitated and restored to profitability, maximising returns to creditors.

Under judicial management, an application to the courts can be made through the company's solicitor. There are two pre-conditions for the filing of an application – in addition to its inability to pay its debt, the company must also have a reasonable probability of being rehabilitated.

After the application is filed, a 60-day interim moratorium will automatically be enforced. This interim moratorium allows for dissenting lenders and creditors to contest the judicial management application in court through their own solicitors.

After a judicial management order is made by the court, the appointed insolvency practitioner – who is called a judicial manager – will replace directors in the company. Every decision will be made by the judicial manager on behalf of the company. This differs from the scheme of arrangement under Section 176, whereby the company's directors continue to run the business even after the company has obtained a restraining order from the court to secure judicial protection from creditor actions.

A general moratorium of six months will be in place to allow the judicial manager to come up with a proposal to restructure the company. During this period, all payments for pre-existing debts will cease.

After the statement of proposal is drawn up, the judicial manager will have to present it to all shareholders, creditors and secured lenders for their decision. The proposal requires the consent of all creditors and lenders holding at least 75% of the value of the company's debt.

The proposal could be in the form of a new investor injecting money into the company, a scheme of arrangement with creditors and secured lenders, sale of businesses or assets to a third party, or a winding-up.

An example of a public-listed company that has opted for judicial management is Scomi Group Bhd, which last month went for the option for its financially distressed subsidiaries Scomi Engineering Bhd, Scomi Rail Bhd and Scomi Transit Project Brazil (Sao Paulo) Sdn Bhd.

Why should struggling businesses and interested parties understand and take advantage of the CRMs?

According to Heng, the complexity of businesses and financial instruments today means that liquidation and winding-up orders may not best serve the interests of all parties involved.

“ Some bonds today are secured against future receivables, which, in the event of a liquidation, cannot be sold for cash like a fixed asset such as a building. We are in new times, we have new instruments, we have new laws ... give this new law a chance as well. ”



FLY to PULAU BANGGI

A Baker Tilly - FLY Corporate Social Responsibility Project



On a lovely midsummer's afternoon, as story-tellers would tell it, we received an email from an enthusiastic youth from Financial Literacy for Youths: Malaysia, sharing about their vision to equip other youths with basic financial knowledge and to improve their financial literacy. Their challenge? Funding.

Taken in by their noble mission at such a young age, we agreed to support their effort, but challenged them to spread their wings beyond just college youths, and reach out at least four times in the year to underprivileged youths as well.

With the little that we gave them, and with additional support from MYCorps, a volunteering unit under the initiative of the Ministry of Youth and Sport Malaysia, these strapping youths found themselves on Pulau Banggi, Sabah, one of the poorest settlements in Malaysia.

Armed with their Bahasa Pasar, struggling to string a full sentence in Bahasa Malaysia, they shared their knowledge with 140 form 4 students from SMK Pulau Banggi. Here is their story.

Adventurer's haven, villager's nightmare

By Goh Xie Loong (Kingsley)
Internal Vice President, FLY: Malaysia

Located north of Sabah and at a size of 440.7 square kilometres, Pulau Banggi has the honour of being the largest island in Malaysia before Pulau Buit, Pulau Langkawi, and Pulau Pinang. It is about half the size of Singapore, and about four times the size of Labuan.

Under Financial Literacy for Youths Malaysia's CSR Project- **Financial Literacy Inclusivity Project (FLIP)**, I was able to embark on an interesting and meaningful journey in Pulau Banggi with the gracious help of MYCorps, an initiative under the Ministry of Youth and Sports Malaysia, and our (FLY's) one and only Official Sponsor - Baker Tilly Malaysia.

After a bumpy 3-hour car ride from Kota Kinabalu to Kudat, followed by a more comfortable one-hour-twenty-minute ferry journey across the glistening Marudu Bay, we reached the tiny town of Karakit on Pulau Banggi. We were greeted by a lovely scene of a place that seemed to have been caught in a 15-year time warp. The jetty was basic and stark, which was telling that while the island was beautiful, this beauty was rendered obsolete by the lack of economic development, including the mostly unpaved dirt roads, villagers' reliance on rainwater for daily usages, absence of a system for disaster and waste management, etc. For the adventurer, this is an explorative and expansive playground seldom found elsewhere, for the villagers, this is a classic tale of an under-developed, seemingly forgotten island.

Contrast: The abject poverty

During our 1-week reconnaissance of Kg. Laksian, Kg. Maligu, Kg. Kaligau, Kg. Pengkalan Darat, and Kg. Timbang Dayang, we had the opportunity to meet the villagers and were welcomed into their homes, many of which were dilapidated houses made with sago palm, bamboo, nibong, and coconut leaves. Behind these battered "walls", we witnessed the inhabitants' impoverished livelihoods.

Many of the villagers in Pulau Banggi lived from hand-to-mouth with little to no extra money for financial securities such as emergency funds and insurance. This exposes them even higher financial risk, especially when most of them rely primarily on physically-draining work to survive on a daily basis. Many villagers living nearby the sea are fishermen, while a good number are farmers. Noteworthy, "Kelulut" (stingless bee) honey, bird's nest farming, Mango Manila and eco-tourism were economic activities we found intriguing and plausible for further expansion.

However, as we surveyed and talked to the villagers, we found a general lack of financial knowledge and entrepreneurial mentality. One villager shared with us that many settle for having just enough to "survive", meaning that they would rather just plant vegetables for themselves instead of selling them, and simply throwing away any excess.

This could be a scenario caused by the lack guidance and clarity on the possibilities ahead as a significant percentage of SPM leavers are not able to pursue higher education due to poverty.

Financial Literacy Inclusivity Project (FLIP): A long-term discourse

As we began to understand the problems and implications of Pulau Banggi's lack of development on a grassroots level, FLY: Malaysia decided to empower the communities through what we do best - financial literacy education! We believed that whilst we are not able to make immediate changes to their living standards and conditions, we are able to equip them with skills and knowledge, in the hope that at least on a personal level, they can strive to make their own lives better through better financial management. With this, we tailored a financial literacy syllabus catered to their context and knowledge level, focusing on the fundamentals of personal finance and the motivational aspects of money mentality..

On the **10th of January 2019**, I led a team of 3 volunteers from MYCorps to SMK Pulau Banggi, and we conducted a **4.5-hour interactive talk** for **140 Form 4 students**, covering **5 progressive topics** on the four stages towards financial independence, the importance of saving, identifying assets and liabilities, Rich Dad Poor Dad mentality, and ways to fund higher education.

The intertwined links

It was essential for us to break down the impact of financial literacy using localised illustrations and examples so that the 140 Form 4 students can better relate it to their lives. We taught them using the Ladder of different Financial Status, from survival, security, utility, financial independence, to eventually financial freedom. Each step of the ladder is linked to a crucial personal finance skill, such as the importance of saving (security stage), identifying assets and liabilities (utility stage), and Rich Dad Poor Dad mentality (financial independence stage). We actively engaged with the students through the sharing of our own experiences.

Ultimately, this was not so much a lecture session but an intimate dialogue with the students to grow their interests and awareness in financial literacy. For example, under the session "Importance of saving", besides showing the nominal value of saving through calculative methods, such as compounding interest and reverse future earnings/retiring-fund calculation, we also shared with them personal values of saving through stories of our own struggles.

Extrapolating what's been learnt into real life scenarios

Assets and liabilities are not foreign terms to the Form 4 students in SMK Pulau Banggi as they were taking Accounting as a subject for SPM. However, they were unable to relate to these concepts.. To help them, we played a simple game of identifying assets and liabilities using common examples in their daily lives and explained to them the nature of each asset and liability. Most importantly, we taught them how identifying assets and liabilities could lead to sustainable wealth creation through conscious consumption and income from assets (e.g passive income).

Learning does not just end here

One of our key agenda was to impart the right mentality instead of a general formula. We found the Rich Dad Poor Dad mentality to be a simple and straightforward way to teach the students how to dissect different scenarios to make financial decisions.

With the right government intervention, we believe that the lives of those on the island will improve. Meanwhile, a portion of the students we met may stay on the island forever, doing the jobs passed down by their parents. We hope that even so, they can find ways to improve their lives. If they are farmers, we hope that they can find ways to improve their crop yield through sales. All of these will have to be their own initiatives, and what we can do is to tell them that, "yes it is possible - financially!"

Conclusion

I would like to take this opportunity to thank KBS Kudat, KBS Sabah, KBS Semenanjung, Wakil Rakyat, District Officer, and Assistant District Officer of Kudat for the supports and coverage on this initiative.

COMMON GROUND Co-working Spaces

by Loo Wan Ye



The concept of co-working was inspired by hackerspaces which promoted non-profit spaces to be used for the collaboration and sharing of skills, knowledge, and equipment.

In 2005, Brad Neuberg founded the first ever co-working space in San Francisco which led to a successful co-working movement around the world that eventually arrived in sunny Malaysia, where co-working spaces are rapidly increasing. One of the fastest-growing co-working spaces in Malaysia is Common Ground, which has twelve offices across Malaysia, three in the Philippines, and upcoming offices in Thailand.

Baker Tilly Malaysia is proud to have journeyed with Common Ground as their auditor since their inception in 2016. Our COO, Joe Heng, caught up with Common Ground's co-founder, Juhn Teo, one morning to have a chit-chat on the current co-working scene in Malaysia and beyond.

Q: So what is the story behind the name 'Common Ground'?

Juhn: Good question. The name actually goes back a long way. We wanted to encapsulate what we were trying to create, and that was basically a common ground for all types of people and companies to come onto – whether it be freelancers, entrepreneurs, SME's, or large corporations.

As a business owner, it's a very lonely journey. So creating an environment where people can work while sharing stories and learning from each other was what we wanted to achieve. And as soon as we thought of the name Common Ground, we agreed that 'Yep, that's the one'.

Q: What makes Common Ground unique?

Juhn: At Common Ground, we understand that it's not just about building a space and then going 'Voila! Now everyone can interact!'

We actively create touch points for members who share business or social interests. We arrange for events and activities to allow these interactions to develop further and track the success rates of these interactions.

It is always exciting to witness synergy happening and we also see established companies taking up spaces at Common Ground as they recognize the value of being in a co-working community.

Q: What are your predictions for the co-working industry?

Juhn: I think there will continue to be tremendous growth in this industry. There will also be a point where the brand and platform of the strongest co-working operators will become so valuable that real estate owners will start licensing from them to obtain their expertise, much like the hotel industry.

Around 1% of the global inventory of office space today is some form of flexible co-working arrangement. By 2030, this is expected to grow to 30%. So in the future, majority of office buildings will have flexible spaces instead of traditional office spaces.

Q: What is the co-working community in Malaysia like?

Juhn: It's very broad and diverse. We don't specifically target young startups but they do form an important part of the co-working community. The average age of our members is actually late thirties.

Yeah, it's surprising for a lot of people because the common perception is that co-working spaces are for young people. In terms of gender, it's a 50-50 split and we are pretty evenly spread in our industry profile as well.

Q: What makes co-working so attractive?

Juhn: The thing is, there's been this paradigm shift in the way people work. We're increasingly becoming an experience-driven generation, especially for the millennial workforce. They're not into cubicles with fluorescent lighting, especially when Google provides cool offices and buffets.

And obviously, with technology nowadays, people are able to work from their phones and laptops – they don't need to sit nine to five in the same spot. There's a freedom to work flexibly anywhere, so co-working meets that demand and provides a great environment and lifestyle.

Q: How has Common Ground's growth and expansion been?

Juhn: I think in Malaysia, we definitely achieved what we wanted to do in the first two years and that is to be the leading co-working operator by a country mile in terms of the brand, the size, the footprint, and the offerings.

Hopefully, when people think of co-working in Malaysia, Common Ground comes to mind first just because of the sheer size and scale in which we've executed our expansion.

When we started the company, we had ambitions to really scale quick and increase the footprint as fast as possible. Regional expansion in South-east Asia was an integral part of our plan, and in this regard, we probably would have liked to have expanded even faster.

Having Baker Tilly, a firm with long-standing reputation for quality and integrity, as our auditor, has really helped instill confidence in our stakeholders during our expansion period.



THE LEADERSHIP TEAM

DATO' LOCK PENG KUAN
Managing Partner
Audit & Assurance

LEE SEE YING
Chief Finance Officer

PATRICK MCPHEE
Managing Partner
Insolvency & Advisory



ANDREW HENG
Group Managing Partner

DATO' HENG JI KENG
Executive Chairman

ANAND CHELLIAH
Managing Partner
Tax Services

JOE HENG
Chief Operating Officer

Listing in Malaysia

By Amy Loke, Manager, Transaction Reporting

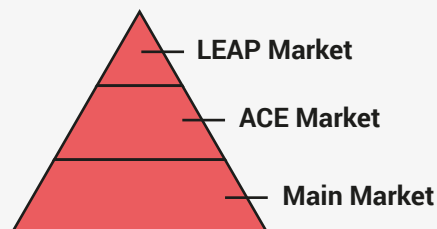


Listing in Malaysia can be achieved through any of the three available markets on the only stock exchange in Malaysia, Bursa Malaysia Securities Berhad ("Bursa Securities"). The three markets are, the Main Market, the Access, Certainty, Efficiency ("ACE") Market and the Leading Entrepreneur Accelerator Platform ("LEAP") Market.

Main Market - For established companies with an aggregate profit track record of at least RM20 million for the latest 3 to 5 years where the latest year's profit is at least RM6 million.

ACE Market - Sponsor-driven and for fast-growing companies with no requirements on historical profit track record.

LEAP Market - Platform for small and medium enterprises ("SMEs") which have not met the requirements of the ACE Market to raise funds. The LEAP Market is only accessible to Sophisticated Investors. Sophisticated Investors are entities with net assets exceeding RM10 million or individuals with net personal assets exceeding RM3 million or whose gross annual income exceeds RM300,000.



The inverted triangle depicts the accessibility of funds from the public but also the level of scrutiny faced by the entities.

Why list your privately-owned company?

- Raise capital for expansion of existing business
- Enable the current investors to realise their investments, i.e. cashing out their investments
- Attract, motivate and retain key employees
- Provide liquidity to company shares
- Increase corporate transparency to access funds through borrowings
- Succession planning
- Better profiling and market presence as a listed company to new suppliers/customers/employees

What are the drawbacks of listing?

- Loss of ultimate control
- Greater accountability to shareholders and general public
- Increased level of scrutiny from shareholders and the public
- Increased disclosure and reporting requirements
- Upfront costs of listing

How long does the listing process take?

The listing process of each entity varies depending on the readiness of the company or the complexity of the company's business. The submission must be made to the approving authority no later than six months from the latest financial year end.

Pre-submission

- Appointment of advisors and building the due diligence working group ("DDWG")
- Due diligence process

Submission

- Submission of listing application and prospectus for approval no later than 6 months from the financial year end

Approval

- Public exposure of Prospectus for public comments
- Addressing queries from approving authority

Post approval

- Update of prospectus
- Registration and lodgement of prospectus

IPO

- Launch of prospectus to the public
- Roadshows to market the company's shares

Listing

- Officially trading on Bursa Securities

Post listing

- Quarter/bi-annual reporting
- On-going investor relations

Who are members of the DDWG?

- Promoters
- Principal advisors
- Independent market researchers
- Lawyers
- Reporting accountants
- Company secretary

Now that you have decided to embark on this journey to list your company, is your company ready?

Your company will be put up to mark to two benchmarks:

Regulatory benchmark - A set of rules and guidelines under the Securities Commission's Equity Guidelines and Bursa Securities' ACE Market and LEAP Market listing requirements.

Market benchmark - Your company will be compared against its peers in the industry it operates.

Basic regulatory requirements

	Main Market	ACE Market	LEAP Market
Approving authority	Securities Commission Malaysia	Bursa Securities	Bursa Securities
Mode of listing Profit test	<ul style="list-style-type: none"> • Aggregate group PATAMI of RM20million over 3 to 5 years. At least RM6million for the latest year. 	<ul style="list-style-type: none"> • No minimum requirement. 	<ul style="list-style-type: none"> • No minimum requirement.
Market capitalisation test	<ul style="list-style-type: none"> • Total market capitalisation of at least RM500million upon listing. 	<ul style="list-style-type: none"> • No minimum requirement. 	<ul style="list-style-type: none"> • No minimum requirement.
Infrastructure project corporation test	<ul style="list-style-type: none"> • Have rights to build and operate an infrastructure project in or outside Malaysia with project cost of at least RM500million • Concession awarded by a government/state agency with at least 15 years remaining. 	<ul style="list-style-type: none"> • Not applicable. 	<ul style="list-style-type: none"> • Not applicable.
Public shareholder spread	25%	25%	10%
Moratorium on Promoters	<ul style="list-style-type: none"> • Must maintain entire shareholding for the first six months after listing. 	<ul style="list-style-type: none"> • Must maintain entire shareholding for the first six months after listing. • Must maintain at least 45% shareholding for the next six months. • Promoters can dispose of the remaining shareholding up to a maximum of 1/3 per annum. 	<ul style="list-style-type: none"> • Must maintain entire shareholding for the first twelve months after listing. • Must maintain at least 45% shareholding for the next thirty-six months. • Must maintain 45% shareholding until the company generates one full year of operating profits.

Baker Tilly Malaysia is registered with the Audit Oversight Board and is eligible to act as Reporting Accountants. For enquiries, please contact Paul Tan at paul.tan@bakertilly.my or Amy Loke at amy.loke@bakertilly.my

**SECONDMENT
EXPERIENCE**

PERTH



One of the benefits of being part of an international network is the opportunity for an international secondment. Teng Siang, a manager in our Audit & Assurance division shares with us his secondment experience in Perth, Australia.

1

What made you decide to take a secondment?

I've always wondered what it feels like to live and work in Australia. So, when an opportunity for a secondment to Perth opened up, I took the leap immediately. This turned out to be one of my best decisions and the most exciting experience in my career.



2

What type of work were you doing while on secondment?

In 2018, Baker Tilly International rolled out a new audit methodology. Malaysia was one of the first countries to adopt this new methodology for our December 2017 year-end clients. With the knowledge and experience gained from our early adoption of the new methodology, I was able to support the Audit Division in Pitcher Partners (Perth) ("PP") who were just implementing the new methodology then. I also had the opportunity to conduct a couple of training sessions on the new audit methodology for PP.

PP had a large number of listed clients with June year-ends. This provided me with the opportunity to be involved in audit for listed entities. Additionally, I was also involved in a special audit assignment involving the joint venture operation of two very large companies, which was very exciting for me.

3

How has/will this secondment opportunity impact your career?

The secondment opened up my eyes to an entirely new world and environment, and helped sharpen my soft skills in dealing with clients, colleagues and superiors from all walks of life. Essentially it pushed me out of my comfort zone and tested my knowledge, skills, flexibility and adaptability as an employee. These are valuable take aways that I can apply in Malaysia whenever possible.

5

How did you make friends during your secondment?



Making friends wasn't hard especially when you have friendly colleagues. They had several social events during my time there, such as football (or footy), rugby and family day during my secondment. My first ever footy match was The Dockers vs Hawthorns! What a treat!

On occasions such as birthday celebrations, there were opportunities for everyone to socialise and get to know each other better over tea and pastries.

PP's family day was held at a school farm and we had barbeque for lunch! It's definitely the Aussie way - having great sausages and burgers while making new friends -and I am glad I had a taste of it.



4

What was the best thing you experienced during your trip, that you wouldn't have been able to do without your host firm?

It was PP's first day at their new office on my first day of work there, and it looked amazing. I bet they have the best view of Elizabeth Quay. The view from the balcony was absolutely breath-taking, and there was even a table tennis table at the pantry. I am so glad to have been part of this new-office experience.

6

What was the highlight of living in the city, as opposed to visiting as a tourist?

I lived within the city, just behind Kings Park! I enjoyed walking to work every day and also grabbed the opportunity for an evening walk after work whenever I could at Kings Park. I also loved visiting Woolworths after working hours because the things sold in Australia are just so different! You can get different types of fruits and vegetables that you don't usually see at home. My friend also took me out fishing at Woodmen Point. How often does a tourist get to do all these things?

7

What was the best thing you ate during your secondment?

Its definitely unfair to pick just one food. My first meal in Perth was KFC and it was the best KFC I ever had. I also had one of the best fish and chips ever in Fremantle, chicken parmigiana in Captain Sterling Restaurant, pizza and tiramisu in Ciao Italia Restaurant and don't even get me started on the chocolates! I must also add that the doughnut and popcorn chicken at Fremantle Market are pretty awesome too.

8

What has been your most memorable or valuable experience at your secondment?

My whole secondment experience was memorable. I now have a stronger network and more LinkedIn contacts than I can count! More importantly, we have strengthened our international connection between the two firms.

On a more personal note, I also proposed to my girlfriend when she visited me during my secondment. It all took place in South Perth Foreshore, with the help from my new friends that I made.

I have cycled around Rottnest Island, visited koalas, fed kangaroos, had pictures taken with quokas and wombats and also watched dolphins swimming around Elizabeth Quay. To sum it up, Perth is just so beautiful and has so much to offer!

I would like to thank Baker Tilly Malaysia and PP for such a valuable opportunity and rewarding experience.



BITES

Global Presence

2018 Revenue
(U.S. dollars)

\$3.6 billion

145 Territories



746 Offices



34,713 People



Recent appointments to Statutory/Regulatory Bodies



Andy Lee

Appointed to the MFRS
Application and
Implementation
Committee



Andrew Heng

- Elected to the Council of the
Malaysian Institute of
Accountants (MIA)

- Member of MIA Financial
Statements Review Committee

- Member of MIA Valuation
Committee

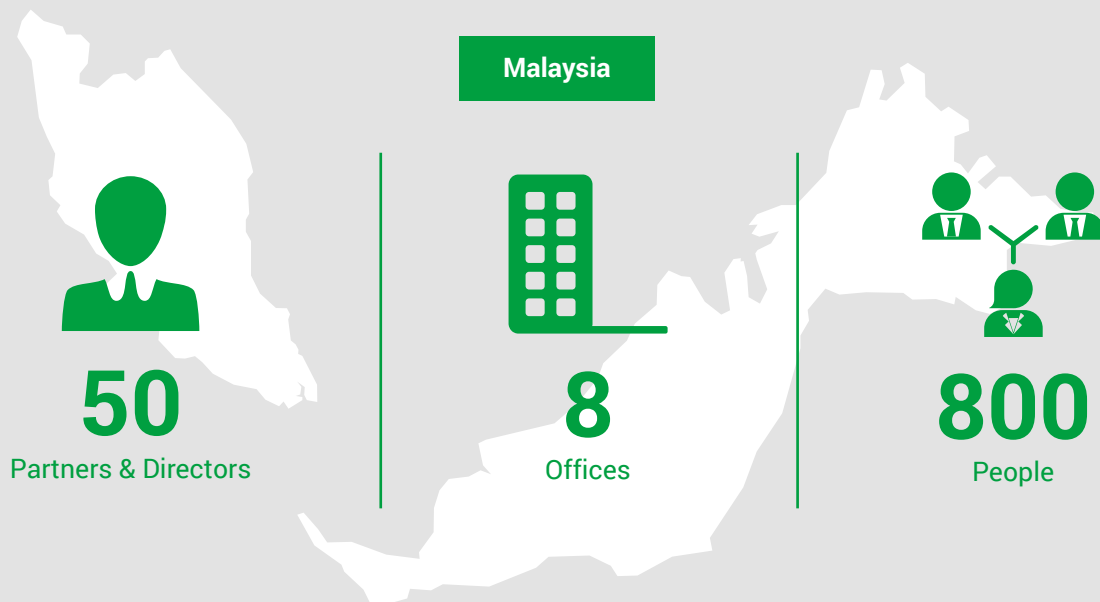
- Member of MIA Insolvency
Committee



Huang Shze Jiun

Elected as Vice President
of the Malaysian Institute
of Accountants

You learn nothing from life
if you think you're right all the time.



“ Integrity is the most valuable and respected quality of leadership. Always keep your word ”

Brian Tracy

Are You a **BOSS** or a **LEADER**?

BOSS	LEADER
A know it all	Always willing to learn
Talks more than they listen	Listens more than they talk
Gives answers	Seeks solutions
Criticizes	Encourages
Point out weaknesses	Recognizes natural gifts
Directs	Coaches
Defends their ego	Reveals vulnerability
Focuses on themselves	Focuses on the team
Puts blame on others	Takes responsibility
Demands results	Inspires performance



Workplace Wellness with

by Loo Wan Ye



The World Health Organization explains that wellness is 'a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity.' It is also 'a conscious, self-directed and evolving process of achieving full potential.' (National Wellness Institute).

It can thus be understood that establishing wellness in a workplace enhances the physical and mental well-being of an individual while contributing to their drive to improve and grow. This is increasingly important as most of the world's 3.4 billion workers are unwell in some aspect – be it chronic diseases, stress, mental illnesses, or significant economic insecurity.

In Malaysia, a survey done by Regus found that 70% of working adults suffer from diseases stemming from rising stress levels at work. However, workplace wellness programs are still in its infancy, with only a small number of local companies taking steps to implement wellness initiatives.

As the fitness instructor steps into the room, people start climbing onto their spinning bikes, adjusting the heights and placing weights according to personal preferences. The instructor greets the class enthusiastically as music starts to play from the speakers.

He starts to cycle slowly, beckoning the class to follow, and providing examples of arm thrusts along with the rhythm of the music. The instructions are easy to understand and it is an intensive but fun workout. After forty-five minutes, the class ends with people looking exhausted but satisfied from a day of good exercise.

At Baker Tilly Malaysia, we recognize that a company succeeds when its people succeed. That is why we take an active approach in our wellness initiatives, one of which is physical exercise.

Apart from Yoga and Metafit classes held every Wednesday at our staff space, O@s1s, for those preferring more rigorous exercise, Baker Tilly has partnered with the Ministry of Burn (MOB), a boutique gym, to provide specialized Ride, Row and Move classes. In fact, MOB's Row classes are the first of its kind in Malaysia.

With MOB, staff can take a break from work, head out together or individually for a quick workout at MOB, which is housed on the ground floor of our Baker Tilly Tower in Bangsar South, then return to work refreshed or just head home. This short break to work out is especially important during peak periods when staff have to work longer hours to meet Regulatory demands. Most days of the week, you will see our staff trudging on the bikes, or having a go at the rowing machine at the end of the work day.



Janice Lee
Ministry of Burn

As Janice Lee, the Operations Manager of MOB, shares, “MOB’s rhythmic indoor cycling and rowing classes are designed to be a social fitness experience where people can be one with their squad as they exercise together. Working out is an important form of stress relief and certainly, for people who may have to work longer hours during peak periods, a short break from work is an important part of mental health and wellness.”

She continues, “MOB’s specially designed #RIDE or #ROW classes are unique and have inspiring trainers who provide the optimum full body exercise within a short period of time. People step into a class and dedicate 45 minutes purely to themselves and sweat it out to heart pumping music, being able to burn up to 700 calories in one session. It really is quite an experience and we are happy to be able to play a part in helping people achieve greater balance and wellbeing. We welcome people of all fitness levels, be it a first timer or a seasoned fitness goer, all our classes are designed to fit your needs.”

Dressed in fitness wear and bright laceless cycle shoes, our employees converse casually with a sense of calm. “It’s important to exercise and be healthy but it takes time and dedication,” Hui Kee says, “It’s good that we have a gym right below our office to motivate us to do that.”



Hui Kee
Baker Tilly



Zu Wei
Baker Tilly

“Exercising helps me relax,” Zu Wei Ng explains, “Even though I’ve only been to MOB a few times, I enjoy exercising with my colleagues. It helps to bring us together as a team.”

“It’s actually my first time here,” Jentzen Ewe laughs, “But I’ve heard good things about it so I’ve decided to come experience it for myself.”



Jentzen Ewe
Baker Tilly





Annual Dinner 2019



Chinese New Year 2019



Ice Cream Pit Stop Party 2019



Tropical Fruity Day 2019



Network Conference 2019





Yoga & MetaFit



Christmas Party 2018





IAFG 2018





Protecting Your Employees Is An Advantage For Everyone

Group insurance provides supplemental coverage to better ensure the physical, mental and financial health of insured members and their families. Knowing they can benefit from such coverage is reassuring for both employers and employees.

FOR EMPLOYEES

- **Increase Productivity & Morale:**
The protection that Group Insurance offers, provides employees with financial peace of mind, leading to better productivity.
- **End-to-end Support From Group Insurance Provider:**
Employees will have peace of mind during their recovery as all medical claims will be managed between the employer and the insurance provider.
- **Value Added Benefits**
With Prudential, employees will automatically be entitled to selected lifestyle benefits and privileges offered under the PRUBiz Beyond solution.

FOR EMPLOYERS

- **Protect Your Investment In Your Employees:**
Group disability insurance and group health insurance protects your investment when an employee becomes ill or is injured.
- **Helps in Retention of Employees:**
Corporate health insurance has become one of the most preferred benefits to attract and retain talented employees. The group policies also cover the family members of the employees, making the employees feel more attached to the organization.
- **Cost Control**
Group insurance is usually more cost effective and it is seen as managing high-risk coverage at low cost, easing the financial burden of the company.
- **Tax Benefits**
Employers get tax benefits on a group health insurance, and the policy can help in reducing their tax liability.

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