GREEN & SMART CASE STUDY

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Background

Green & Smart Holdings plc operates in the renewable energy sector in Malaysia, focusing on the generation of power from biogas captured through the treatment of Palm Oil Mill Effluent. The G&S Group constructs, operates and owns biogas power plants providing electricity to the Malaysian National Grid.

The G&S Group has an established track record in delivering waste water solutions to the palm oil industry. Over the last 30 years, it has delivered numerous projects in Asia, including a World Bank-funded project and four biogas capture facilities for Felda Palm Industries Sdn Bhd, a subsidiary of Felda Global Ventures which is the world's largest crude palm oil producer.

Green & Smart Holdings plc successfully listed on AIM, London on 12 May 2016. In this article, Leon Santos of Collas Crill (Singapore) looks back at some important considerations which faced the G&S Group when considering a London IPO.

What was Collas Crill's role in advising Green & Smart Holdings plc

Leon Santos, a Group Partner, led Collas Crill's team who advised G&S on the Jersey corporate law aspects of its listing on the AIM segment of the London Stock Exchange.

Collas Crill is a law firm that advises on structuring vehicles in Jersey, Guernsey and the Cayman Islands for IPOs on the London Stock Exchange and other major exchanges, including pre-IPO funding, employee benefit schemes and pre-IPO trusts. We also advise clients in the areas of investment funds, banking and finance, mergers and acquisitions and private wealth.

What were the advantages for the G&S Group to seek an AIM listing?

Flexibility and certainty are two factors that make AIM an attractive home for growth companies. AIM is a market dedicated to growth companies. This is reflected in the flexible listing requirements. There are no hard and fast rules regarding trading history, minimum share capitalisation or free float (shares issued to the public). However, companies that can show a few years of steady revenue and profit growth will be more attractive to the market. The structure of many AIM listed growth companies from Asia permits the founders or major shareholders of those companies to retain control of the company after listing – this is key to the continuing success of businesses such as G&S.

The process for listing on AIM is led by a Nominated Adviser (NOMAD) appointed by the company. It is the NOMAD that effectively regulates the company and determines its suitability for listing. This is favourable as companies can work through the various listing requirements without having long and drawn out discussions with regulators. As an example, G&S had certain valuable contracts with high profile organisations in Malaysia. These required to be restructured or finalised in many cases, in order to ensure full disclosure and protection for investors in the company following listing. G&S worked very closely with its NOMAD and advisers to achieve this.

What are the reasons why local Asian companies like G&S would seek a listing on an international stock exchange?

Apart from the benefits of a streamlined process for listing on AIM, the London Stock Exchange offers access to one of the deepest capital markets in the world. This means that companies can, with the right advisors, access investors who really understand their business.

The profile and reputational benefits of listing on an international market like London can also be significant. This was one of G&S' stated reasons for pursuing an AIM listing. It should be noted, however, that companies need to continue to work hard to communicate with the market after listing to give them the best chance to enhance their profile.

Companies also choose London when they are considering cross border expansion or a potential exit or investment down the track by international investors. This gives them a solid platform to attract such investment.

Why are international financial centres, such as Jersey, preferred for structuring listing companies?

When listing on an international exchange, companies need to comply with the corporate governance and legal requirements applicable to that exchange. While certain companies may choose to form an English company and have an office in England, for others there is not enough connection with the UK to come within its tax and legal framework.

Jersey and other international financial centres offer a range of benefits for cross border structuring. They have been used for many years and have a track record of being recognised by international investors and the investor community in London. The reasons behind this are that the corporate laws of Jersey are based on English law, but are much more flexible. This allows companies to put in place a corporate structure that can meet the requirements of the London Stock Exchange, while giving flexibility in matters such as board composition, repatriation of profits and carrying out of corporate actions (shareholder votes etc). There are no taxes levied in Jersey for companies carrying on international business.

Finally, Jersey is on the doorstep of London, a 45 minute flight away in the English Channel. Its proximity to London adds to the level of comfort that advisers and investors in London have with it. Guernsey (located very close to Jersey) and the Cayman Islands are also used as listing vehicles. They have much in common with Jersey but there are also differences that companies should consider with their advisers when structuring an AIM listing.

What is the Jersey legal framework governing companies like Green & Smart Holdings plc?

Jersey offers a strong legal and corporate governance framework for companies looking to list in London. The Companies (Jersey) Law 1991 was updated as recently as 2014 to introduce some key benefits for companies.

Listed companies are established as public companies in Jersey. Public companies are those that have at least 30 shareholders, have issued a prospectus or are market traded. Jersey companies must submit an annual return each year with certain corporate information and public companies must prepare annual audited financial statements.

Listed companies will typically issue some sort of prospectus in relation to the offering of its securities. The Companies (Jersey) Law 1991 requires certain details to be included in a prospectus. However, these comprise of items that one would usually expect to find in such a document, for example, details of the offer of securities and material contracts. A prospectus must be submitted to the Jersey Financial Services Commission and approval received for the issuing of a prospectus. Approval usually takes approximately a week to be granted.

Perhaps the greatest benefit for listed companies is the balance between recognised standards of corporate governance based on English law principles and flexible Jersey legislation. In the case of G&S, we assisted with drafting into its Memorandum and Articles various investor protections and commercial requirements arising from the nature of its business. This demonstrates the adaptability of the laws in Jersey to a variety of circumstances.

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