



MyBusiness in Asia



INVESTMENT STRUCTURING AND FUND RAISING IN ASEAN

PREPARED BY

MY BUSINESS IN ASIA



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ABOUT US

MBiA - My Business in Asia is a multi-disciplinary advisory firm providing accounting, tax and corporate secretarial services to entrepreneurs and corporations for structuring and administrating their affairs.

Our services are fully integrated and digitalized to provide a high-quality and swift response to your needs.

We complement our virtual offerings with established and recognized know-how from experts able to support you.

MBiA is part of RBA Group, an award-winning group with expertise and offices in *Singapore, Hong Kong, Thailand and Vietnam*.



 **OUR LOCATIONS**





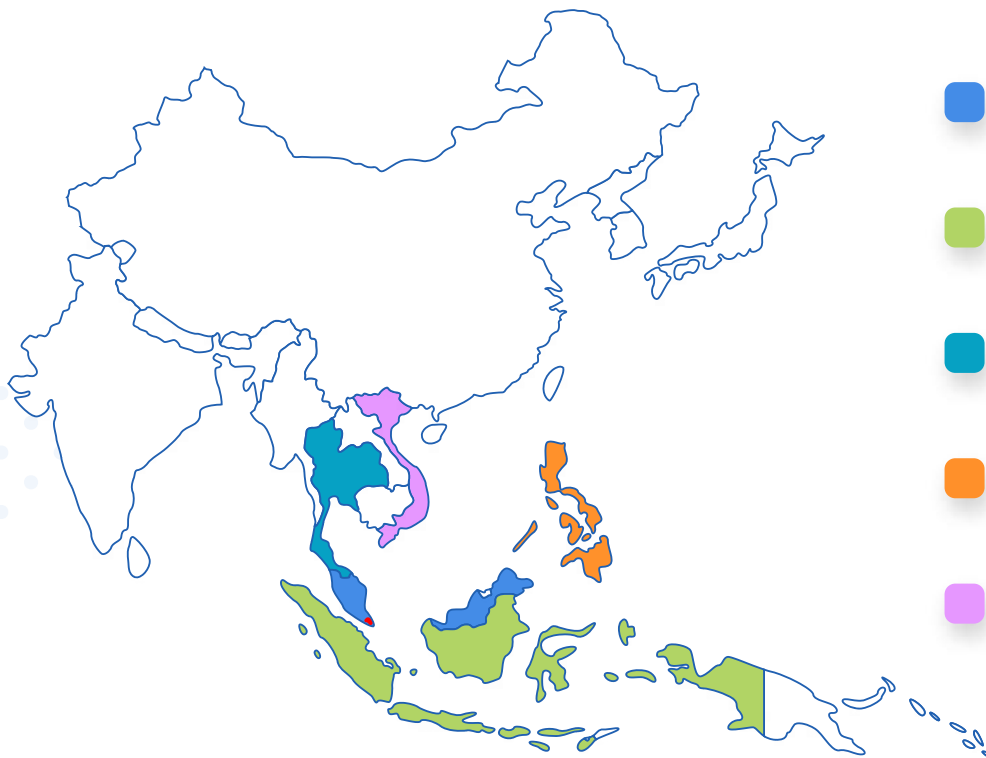
RBA



RAISING CAPITAL IN ASEAN

a. OVERALL VIEW OF START-UP ECOSYSTEMS IN ASEAN

-  **Singapore**
Ecosystem ranked 7th
-  **Indonesia**
Ecosystem ranked 38th
-  **Malaysia**
Ecosystem ranked 42th
-  **Thailand**
Ecosystem ranked 53th
-  **Philippines**
Ecosystem ranked 57th
-  **Vietnam**
Ecosystem ranked 54th



National start-up ecosystems ranked out of 100 countries in 2022

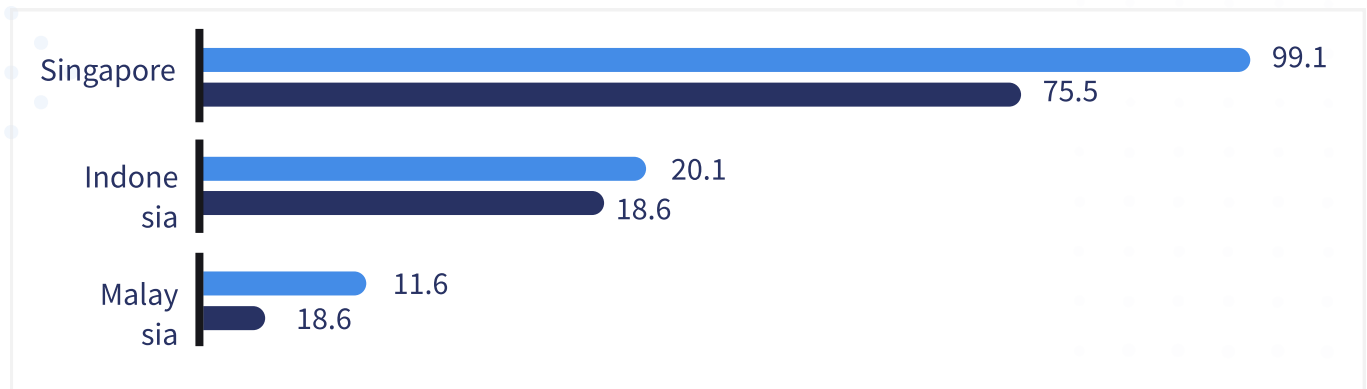
The startup ecosystem ranking is made by StartupBlink and combines three scores per country/city:

- A quantity score establishes the activity level of the startup ecosystem. It includes the number of startups, co-working spaces, accelerators, etc.
- A qualitative score reflects the results brought by the ecosystem. The qualitative score is done by analyzing the fraction of the ecosystem's top startups and reviewing "special entities" the ecosystem has produced, such as unicorns.
- A business score indicates the business and economic environment regarding the size of the cities and countries.

b. CAPITAL NEEDS FOR START UPS

Every successful startup is built on a great idea and a well-executed business plan, but the resources of the founder(s) are rarely sufficient to develop the project. Indeed, the implementation and beginning of the startup require additional funds to kick start the project and buy assets, materials, and any costs related to creating the future product or service.

Figure 1.1 FDI inflows in ASEAN Members States, **2020** and **2021** (Billions of dollars)



At later stages, the startups will require additional funding to either develop a proof of concept, acquire new customers, scale up the business, and grow overall. The fund allows for boosting the startup's growth without waiting for a lengthy organic growth.

Even after being profitable, the startup can continue to raise capital to extend its Research and development capabilities or grow through acquisitions.

Singapore, Indonesia and Malaysia represent 83% of start-ups funded with USD 1 Mn + in ASEAN.

Even after being profitable, the startup can continue to raise capital to extend its Research and development capabilities or grow through acquisitions.

With a booming startup environment, the ASEAN region has a rising demand for additional financing. Startups having raised more than USD 1 million in funding tripled in 6 years from 652 to 1,920 (2015 to 2021).

c. RAISING CAPITAL WITH A STRONG LEGAL STRUCTURE

Besides providing a solid basis for fundraising, startup founders must also demonstrate that their capital and company structure is well-built and supportive of the financing.

Among the most common recommendations are:

1. To have a limited number of classes of shares to quickly understand the capital structure of the company or holding company.
2. A stock option plan was implemented to incentivize key employees. We refer to the **Employee Stock Option Plans (ESOPs)**
3. To have well-redacted legal documents based on the local jurisdiction. Hence the shareholders' approval should be straightforward and well-defined through the **Shareholders' Agreement**.



INSIGHTS ON INVESTORS
TRENDS IN ASEAN

a. DATA OF FUND RAISING FROM PREVIOUS YEARS

i. Overview of successful start ups

While in 2014, there were just *two unicorns* in ASEAN (Grab and VNG), their number grew to *46 in 2021* (OVO, Mynt, Ninja Van, JustCo, VinaPay, etc.). The digitalization of ASEAN countries has been an enabler for unicorns and startups' success. Of the 46 ASEAN unicorns, 38 actively make cross-border regional investments, mainly through *Foreign Direct Investments and Mergers and Acquisitions*.

The ASEAN unicorns have been a driving force of regional integration through cross-border services and products, thus increasing trade with neighboring countries. Consequently, the funding needs of unicorns and startups increased, and, *Private Equity and Venture Capital funds' assets under management soared by 83% between 2017 and 2021 to USD 66 Billion*.

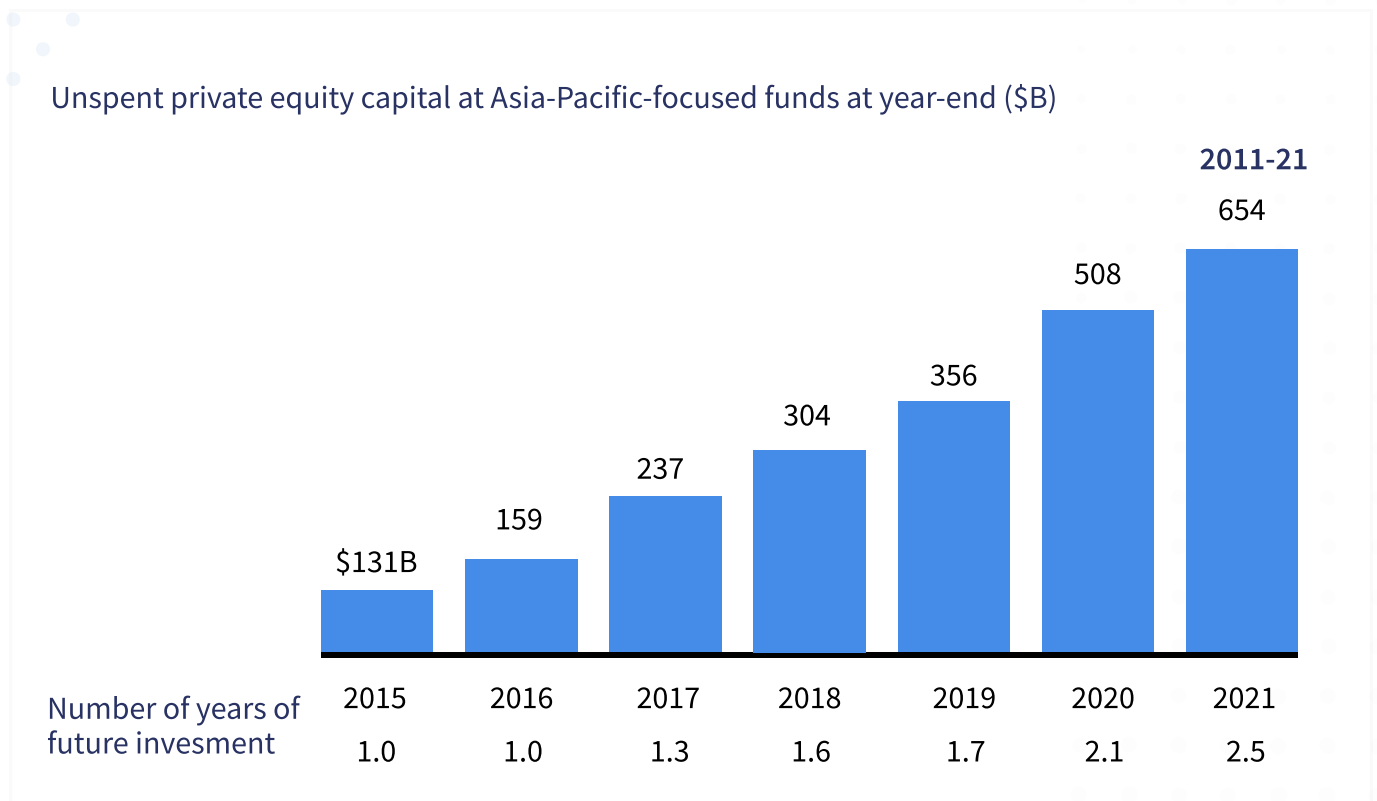
It means startups are incentivized to leverage the best of the regional ecosystem, including financial hubs resources such as Singapore!

52% of the equity funding generated in Southeast Asia was from Singapore *estimated by Enterprise Singapore for 2021.*"

Through the incentives and promotion of startups by the diverse government bodies: the Economic Development Board, Enterprise Singapore, and Startup SG, the government not only supports startups but co-invests in them.

The startup environment is also thriving, with more than 200 accelerators and thousands of startups focusing on AI, Big data, health tech, and Agritech benefiting from regional comparative strength.

ii. Assessment of PEs and VCs footprint and capabilities



(Data from the Asia-Pacific Private Equity Report 2022 by Bain & Company)

Southeast Asian startups raised USD 25.7 Billion in 2021, more than double (2.7 times) the amount of 2020's figure. The winning startups were mostly Fintechs and logistics startups due to the e-commerce surge from the pandemic. In 2021, the dry powder (capital committed but not allocated by waiting to be invested) by APAC focused funds reached a new high of USD 651 Billion.

The differentiation between early corporate investors can be broadly summarized in two categories:

Venture Capital (VC)

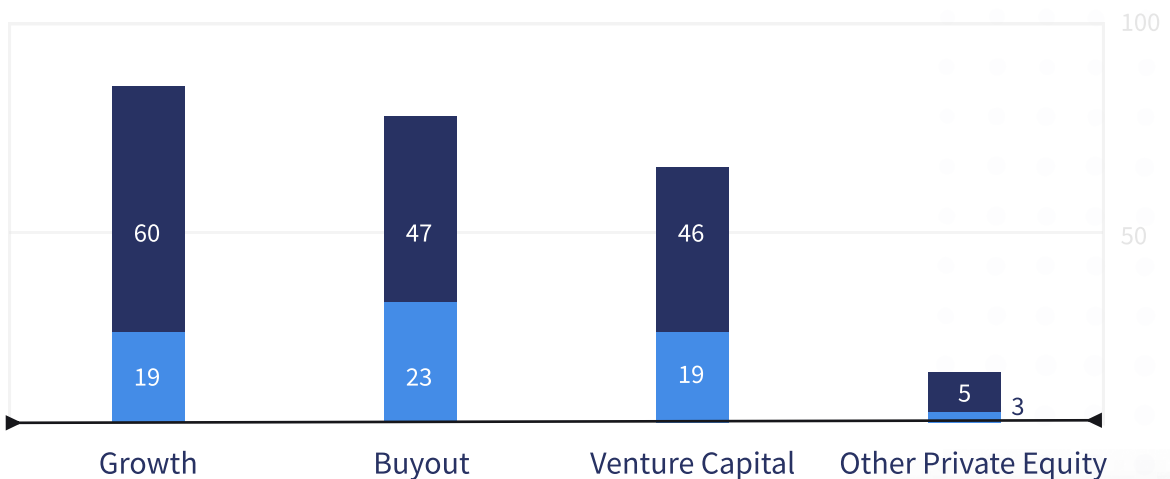
- The VCs raise money within funds that will be used to finance startups in exchange for equity with aim to foster its development and growth.
- The VCs mostly focus on early-stage companies and startups with corresponding fundings rounds: **Pre-Seed, Seed and Series A** (investment size broadly ranging from USD 100,000 to USD 5 Million).

Private Equity (PE)

- Similar to the VCs, PEs provide capital to promising companies, although they focus on later-stage startups with the following funding rounds: **Series A, Series B, Series C, Series D, Series E** (investment size broadly ranging from USD 1 Million to USD 100 Million).

At the ASEAN scale, the assets under management by PEs and VCs continued to grow until the latest reported figures of June 2021.

ASEAN-based private equity and venture capital assets under management, by fund type, 2017- June 2021 (Billions of dollars)



ASEAN-based VC and PE firms still have a significant amount of dry powder. It can be interpreted as high opportunities for startups to receive regional funding. In 2022, opportunities for raising funds remain, but more scrutiny is expected toward the profitability of startups.

ASEAN investors investing in ASEAN-focused venture capital funds, by source country, 2020 and 2021
(Number of investors and per cent)

Country	Entities with venture capital funds (Numbers)		Share of total, 2021 (%)
	2020	2021	
Singapore	54	72	60
Malaysia	14	17	14
Thailand	12	14	12
Indonesia	9	8	7
Philippines	6	7	6
Brunei Darussalam	2	2	2
Vietnam	1	1	1
ASEAN	98	121	100

iii. Post-Covid trends of funding and investments in ASEAN

Singapore remains the top location for VC funds and other investment companies in ASEAN. As the region's financial hub, Singapore is the place to go for all ASEAN startups to raise substantial capital.

Indeed, many startups based in ASEAN developing countries open a holding company in Singapore.

The holding company then owns 100% of the shares of the startups based in Vietnam, Thailand, Indonesia, Philippines, etc. A holding company can also hold the Intellectual Properties (IP) for the startup. It serves as a security guarantee for investors.

The impact of inflation and tighter monetary policies of developed economies' central banks will significantly crunch fundraising for the end of 2022 and growth in the region. Indeed, increased interest rates and pressure for VCs to recoup their investments make funding for start-ups more difficult than in previous years. Still, opportunities remain in sectors such as Sustainability and FinTech.

While Greater China is subject to concerns following geopolitical tensions and political uncertainties, Greater China-focused PE capital-raised fell in 2021 and is expected to continue decreasing in 2022 and could impact Southeast Asian countries. The uncertainty influences investors towards more caution and a wait-and-see approach for new investments.

b. THE INVESTMENT ECOSYSTEM IN SINGAPORE AND SOUTHEAST ASIA

i. Overview of the two leading global universities in Singapore



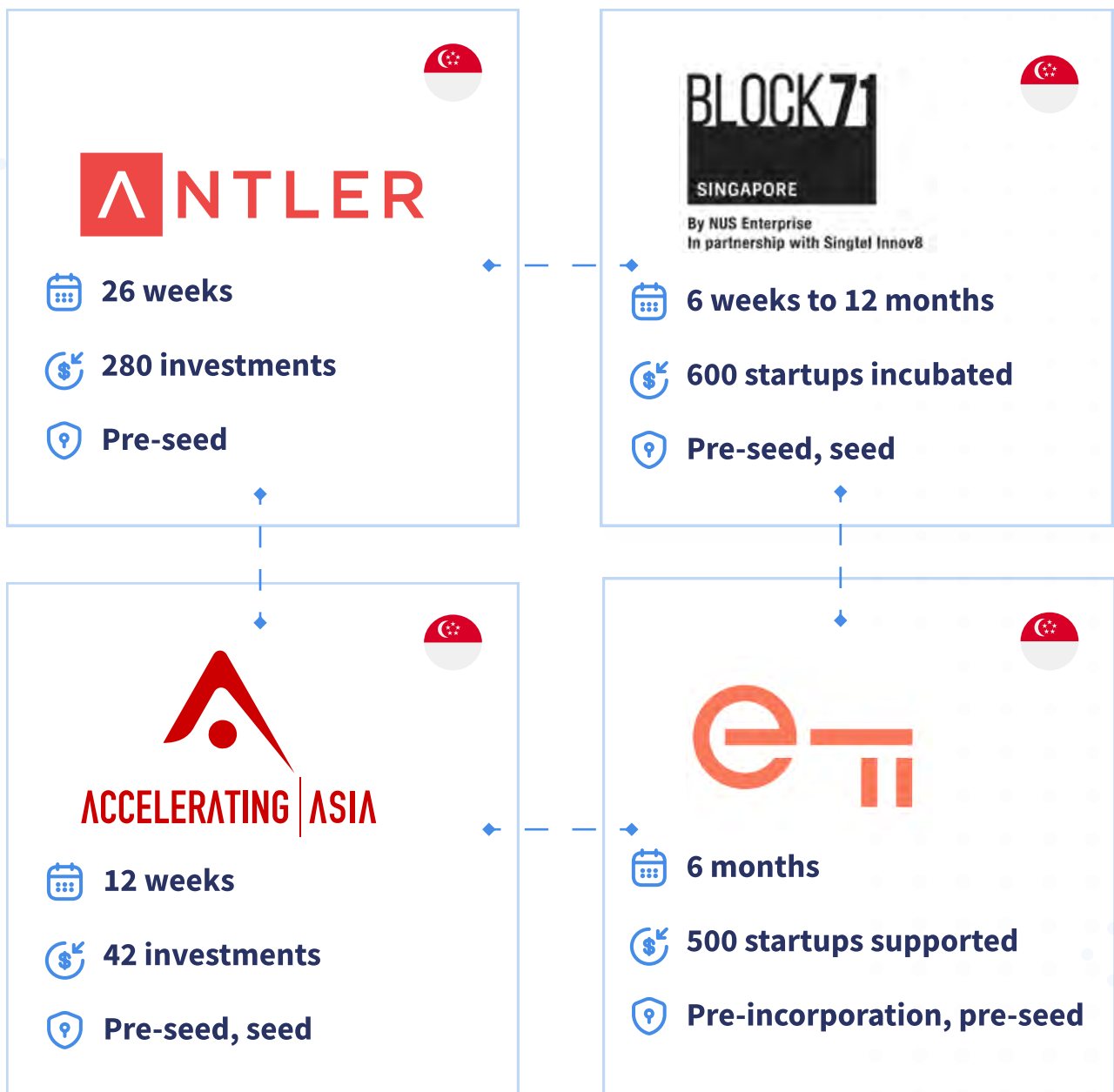
- ▲ Ranked 11th by QS
- ▲ Ranked 19th Best university in the world by THE
- ▲ Almost SGD 1 Billion of funds awarded
- ▲ 11,830 Research Publications
- ▲ 124 patents granted
- ▲ 125 spin off companies created based on NUS technology
- ▲ Creation of Block71




- ▲ Ranked 12th by QS
- ▲ Ranked 36th Best university in the world by THE
- ▲ SGD 628 Million in competitive research grants
- ▲ 230 spin off companies created based on NUS technology

ii. Major incubators and accelerators located in Singapore

Incubators are the place for founders to nurture and develop their business in an environment with access to all the resources a startup needs. More than this, the incubators represent a ground to share networks, meet new investors and challenge business and innovative ideas.



iii. Selected angels groups in Singapore



Technology

Pre-seed to Series A


Strong tech focus with mentors and investors from former tech startups.



Sector agnostic

Pre-seed to Series A


With the view to empower C-level women and bring more women to board of directors.



Technology

Seed

Investing in early stage startups located in emerging markets.



Sector agnostic

Seed to series A

Started their own funds BANSEA Fund 1 and 2 to pool investments.



Sector agnostic

Pre-seed to Series A

Offers syndicated investment opportunities for angels.

iV. Venture Capital Firms in Singapore



- > 6 Unicorns
- \$ 78 startups
- \$ SGD 1Bn*



- Seed to Series B
- \$ 43 startups in APAC
- \$ USD 368 Mn**



- Seed to Series B
- \$ 30 years in APAC
- \$ USD 1.9 Bn*



- Seed to Series B
- \$ 34 startups in SEA
- \$ USD 1 Bn*



- \$ Sector agnostic
- \$ 250 startups in SEA
- Seed to Series B

*asset under management

**amount raised



- 📍 Seed to Series A
- 📈 134 startups in SEA
- 💰 Deep tech/Sustainability



- 📍 Seed to Series B
- 📈 69 startups in ASEAN
- 💰 USD 250 Mn*

V. Selected Asian headquartered PE



- > Technology/Real estate
- 📍 Series A to IPO
- 📍 Singapore headquartered
- 💰 USD 3 Bn*



- > All sectors
- 📍 Series C to E
- 📍 Singapore headquartered
- 💰 USD 1.3 Bn*



- > Sector agnostic
- 📍 Series B to D
- 📍 Hong Kong headquartered
- 💰 USD 1.2 Bn*

**asset under management*



SINGAPORE'S
BEST BENEFITS AND BEST
LEGAL PRACTICES FOR
START-UPS

a. CREATING YOUR COMPANY AND OVERVIEW OF SHAREHOLDING REQUIREMENTS

Singapore offers several advantages to entrepreneurs willing to incorporate their startups in the city-state or raise funding.

Indeed, the most common business structure, the private limited company, offers several key advantages:

- It is a separate legal entity from its founders and shareholders. It means that the financial liabilities exposure is limited to the capital contributed.
- It can be 100% owned by foreign individuals or companies, and the minimum share capital is only 1 SGD.
- New investors can be added easily, and the issuance of shares (of a different type if required) is easy.
- Availability of local tax benefits.
- The incorporation time is around one business day.

To be fully compliant with the local jurisdictions, a company incorporated in Singapore must fulfill the following requirements:

- Have at least one natural person director and resident in *Singapore*. Still, some founders prefer to operate their companies from abroad. In that case, it is possible to use nominee director services.

- Appoint one local company secretary. Their role is to ensure compliance with the local authorities of the company as well as other tasks like maintaining books and registers.
- Have a registered office address in *Singapore*. The company's secretarial service provider can provide this service.

b. SHARE STRUCTURING AND DISTRIBUTION (ESOP, ETC.)

The company shares represent the ownership and the decisional power over the company. More than ownership rights, the shares also represent obligations to the shareholders.

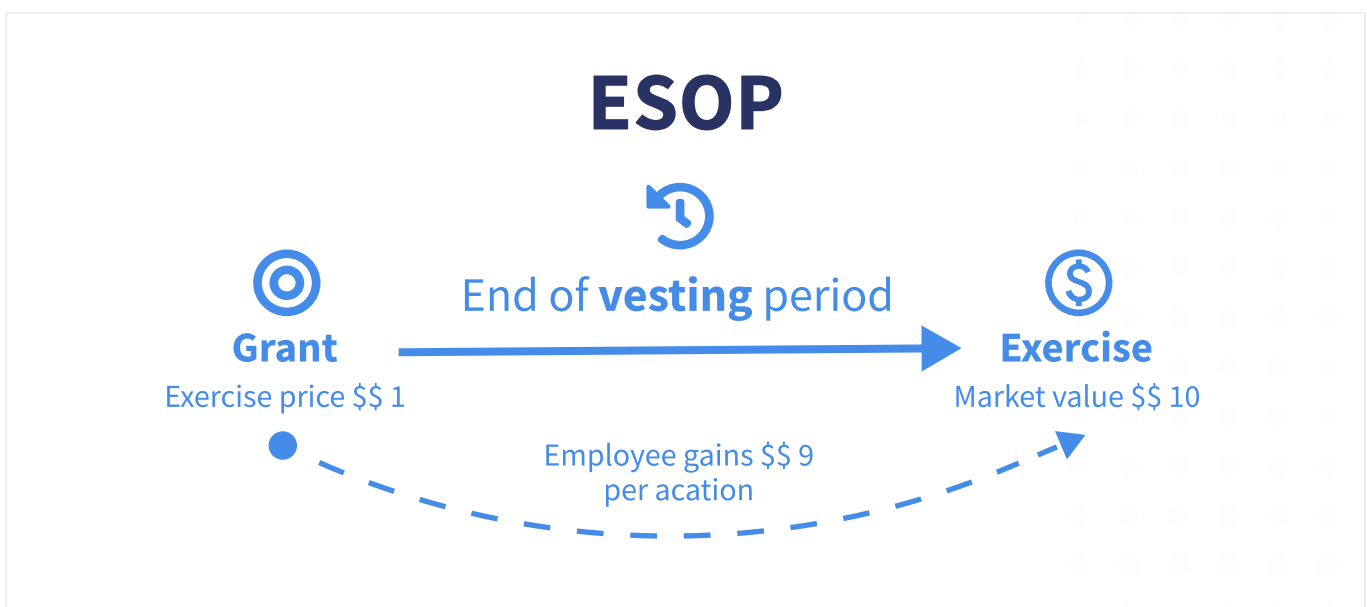
The type of shares must be defined within the constitution of the company. This document describes the company's characteristics, including the different classes of shares. In that sense, Singapore law is flexible. The creation and specific rights and obligations attached to each type of share must be defined in the company's constitution.

The most usual type of share is the ordinary share. Usually, each share will entitle the holder to 1 voting right, offer one equal participation to dividends, and one share of the rights over the excess of capital if the company is wound up.

Other types of share can be defined as:

- Non-voting shares: Although these shares allow for participation in dividends, they do not include voting rights. These shares are commonly distributed to employees of the company as incentives.
- Preference shares: Distributed with preferential rights over dividends and capital.
- Management shares: Give additional voting rights and are usually distributed to founders of the company.
- Other types of shares: Can be created with different access to voting rights, priorities over dividends or capital, etc.

Retaining top talents is a critical challenge for ambitious startups. On that aspect, financial incentives can make a significant difference. By setting up Employee Stock Options Plans (ESOPs), startups ensure high retention and motivation of their best employees.

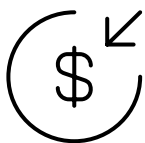


In short, an ESOP is a scheme to set aside a part of the company's equity that high-performing employees can buy after a period of time (vesting period). Then, if the employee exercises his right to subscribe to the ESOP, they can buy the defined number of shares at the exercise price. The exercise price of the shares is usually much below the current market value. It increases employees' sense of ownership towards the firm as the higher value of the startup, the higher profit from ESOP.

Setting up an ESOP requires preparing company resolutions and agreements from the board of directors. Still, the ESOP has the advantage of not affecting the current cash flow of the company.

c. A STRONG LEGAL SYSTEM

SINGAPORE RANKED 17TH OF THE RULE OF LAW GLOBAL RANKING



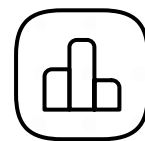
**GLOBAL
RANKING 3RD**

ABSENCE OF CORRUPTION



**GLOBAL
RANKING 3RD**

ORDER AND SECURITY



**GLOBAL
RANKING 7TH**

REGULATORY ENFORCEMENT

(2022 WJP RULE OF LAW INDEX)

d. GEOPOLITICAL NEUTRALITY AND OVERALL STABILITY OF THE CITY

In the latest issue, the doing Business profile of Singapore highlighted the city-state as the second most business-friendly place in the world. Notably, Singapore was among the best countries to start a business and obtained the best index for Enforcing contracts. For investors and entrepreneurs alike, this means Singapore is a welcoming ecosystem that ensures a business's prosperity is not affected by local governance and graft.

Starting a Business (global rank out of 190 countries)	4th
Score of starting a business (Score 0-100)	98.2
Procedures (number)	2
Time (Days)	1.5
Cost (number)	0.4
Paid-in min. capital (% of income per capital)	0.0

Enforcing Contracts (global rank out of 190 countries)	1st
Score of enforcing contracts (Score 0-100)	84.5
Time (days)	164
Cost (% of claim value)	25.8
Quality of judicial processes index (Score 0-18)	15.5

More recently, rising tensions between Western countries and China has affected trade and the flow of capital with the world's largest manufacturing economy. Long-term perspectives for investments and businesses in China are difficult to assess, resulting in reshaped supply chain models, where Southeast Asia is perceived as the leading alternative destination.

In this regard, Singapore kept a neutral political stance that could mitigate the rising geopolitical and economic risks within the region for locally based companies.

“Singapore is ready to trade with any state for mutual benefit and maintain an open market economy” - the Ministry of Foreign Affairs of Singapore



**TAXATION AND
INVESTMENT INCENTIVES
IN SINGAPORE**

a. DIFFERENT TYPES OF TAXES

In Singapore, a company is subject to two significant taxes:












- The corporate tax on profits: Set at 17%, the corporate tax rate is subject to an exemption scheme for Startups: Indeed, on the first SGD 200,000 of chargeable income, startups (meeting the minimum qualifying criteria) are subject to a reduced tax rate for the first three financial years.

Chargeable income	Tax Exemption (%)	Tax Exemption Amount
First SGD 100,000	75%	SGD 75,000
Next SGD 100,000	50%	SGD 50,000

- The Goods and Service Tax (GST): is set at 7% and is due to increase to 8% and then 9% for most services and goods sold in Singapore. Startups and other businesses can claim the GST from their expenses if they are registered in Singapore. The GST registration is compulsory past SGD 1 Million of revenues per year.
- Withholding taxes in Singapore are 0% on dividends, 10% on royalties and 15% interests.

Singapore offers a relatively low taxation regime for individuals as there is no capital gains tax, and the personal income tax is progressive, ranging from 2% to 23%.

b. SCHEMES AND FUNDINGS FOR INVESTORS AND START-UPS

-  **Startup SG Tech**
Funding up to SGD **250,000**
-  **Startup SG Equity**
Sectorial startup fundings up to SGD **8 Million**
-  **Startup SG Founder**
Raising funds matching up to SGD **50,000**
-  **Startup SG Accelerator**
Fund accelerator programmes for startup
-  **Startup SG Loan**
Diverse Loans for startups including venture debt
-  **Enterprise SG Market Readiness Assistance**
For startups willing to expand abroad up to SGD **100,000**
-  **Enterprise SG Productivity Solution Grant**
Financial support of up to **80%** for digital productivity tools
-  **Enterprise SG Enterprise Development Grant (EDG)**
Diverse grants available
-  **Enterprise SG Fund Management Incentive (FMI)**
Fund management companies a concessionary tax rate of **5%** for a period of up to **5 years**
-  **Enterprise SG Venture Capital Fund Incentive (VCFI)**
Tax exemption on qualifying income streams for a period of up to **15 years**
-  **Singapore Economic Development Board investment (EDBi)**
Support and invest in promising startups



**EXPANSION
AND LOCATION
ASSESSMENT**

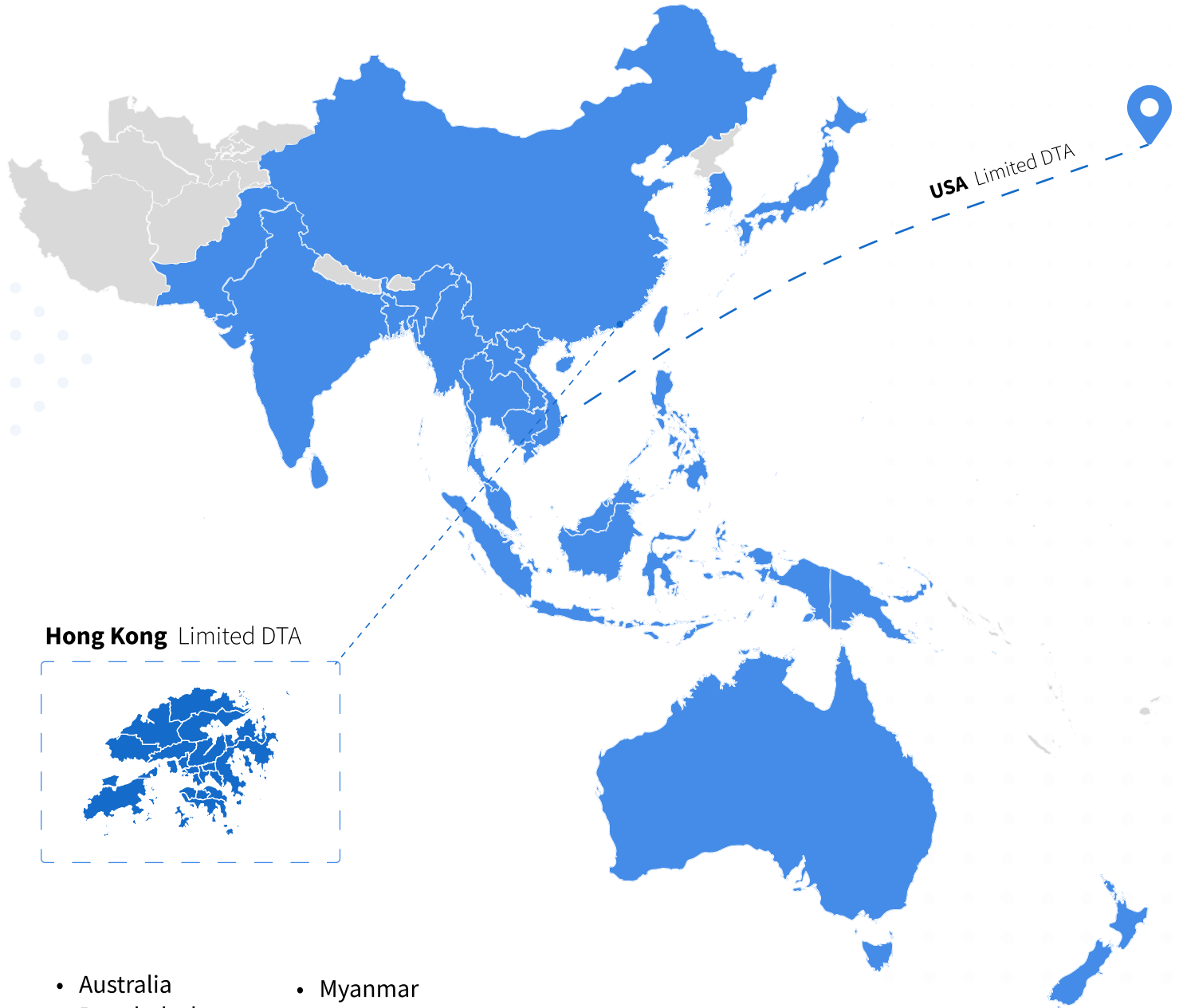
a. OVERVIEW OF DTAS WITHIN ASEAN

The Double Taxation Agreements (DTAs) are treaties mainly concluded to avoid double taxation of taxpayers' income concerning the two countries. An individual must be considered a resident in Singapore to benefit from Singapore's DTAs.

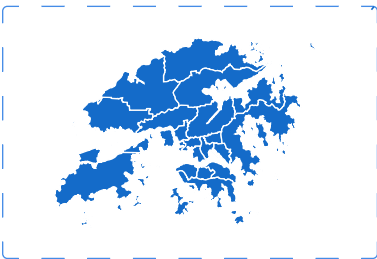
Generally, for companies to be residents in Singapore means that the control and management of the company must be exercised in Singapore. The location of exercise of control and management of a company is important and would help to define where the company is residing.

To illustrate the benefits of a DTA, let's take the case study of a Brazilian investment in Indonesia remitting their profits through Singapore. If the investors were to execute a direct remittance to Brazil, they would be subject to Indonesia's CIT rate of 22 percent in addition to a 20 percent withholding tax (WHT) rate applied to dividends, interest, and royalties, due to Indonesia and Brazil not having a DTA. Thus, the realized profit is only 62.4 percent of total gross income. When routing the same investment through Singapore, investors would be subject to the same CIT rate but benefit from Singapore's DTA with Indonesia which reduces withholdings on all fronts. Singapore's DTA with Indonesia means that dividends from Indonesia are taxed at 10 percent while there is no tax on dividends under the Singapore-Brazil DTA. The realized profit is, therefore, higher compared to the direct remittance to Brazil.

HIGHLIGHT OF SINGAPORE'S DTA IN ASIA



Hong Kong Limited DTA



- Australia
- Bangladesh
- Brunei
- Cambodia
- China
- India
- Indonesia
- Japan
- Korea
- Kazakhstan
- Laos
- Malaysia
- Mauritius
- Myanmar
- New Zealand
- Pakistan
- Papua New Guinea
- Philippines
- Seychelles
- Sri Lanka
- Taiwan
- Thailand
- Turkmenistan
- Vietnam
- **Hong Kong – Limited DTA**
- **USA – Limited DTA**

b. BUSINESS STRUCTURING OVERVIEW FROM THAILAND AND VIETNAM

Singapore has been consistently acknowledged as a global business hub – one that features developed infrastructure, political stability, open business policies, a skilled workforce, the use of English as the main working language and respect for intellectual property rights.

Global businesses will find it advantageous to site their headquarters in Singapore and Venture capital and Angel investor funding in Singapore for startups has been on the rise even during Covid for many reasons. Business owners all over the world regard Singapore as an ideal location to grow their businesses, with many of them using the country as a springboard to tap into other emerging markets in Asia - the most sought-after benefits of having a holding company in Singapore:

- The reputation of Singapore as a business-friendly environment, strong rule of law, easiness to create operate a business, and possibility to send profits and dividends abroad
- Singapore does not have a minimal capital requirement for companies
- Local companies can be 100% owned by foreigners
- Licenses are not required for most type of business activities
- Foreigners can be hired with Employment Pass (easiest procedure) and benefit from world class living standards

Vietnam and Thailand are two of the most dynamic markets in ASEAN for entrepreneurs and investors. Still, the funding rounds are mostly conducted from Singapore to ensure the smoothest possible business operations and mitigation of legal risks.

Singapore is a preferred destination for local and regional business willing to kick start their business. My Business in Asia accompanies its clients from Singapore to the rest of Asia and facilitates the integration of all its services digitally.

VIETNAM	THAILAND
Minimum Capital requirements to set up a local company?	
Depending on business activity No minimum capital At least 6 months of expenses recommended.	Depending on business activity Minimum capital is 15 Bahts At least 100,000 Bahts recommended
100% foreign ownership of a local company	
Depending on the activities of the company: - opened to 100 % foreign investment - a mix investment with Vietnamese local - totally closed to foreigners	Trading businesses require a Foreign Business License to have a 100% foreign-owned business. Some business types are not allowed to hold 100% foreign ownership.
Licenses required to conduct business	
All foreign investment companies need at least an IRC (Investment Registration Certificate) Additional licenses depending on the business activities	Foreign Business License Additional licenses depending on the business activities
Hiring foreign employees	
Foreign employees can be employed with a work permit. Deliverance is controlled by the Vietnamese authorities, it must be proven that the position cannot be fulfilled by a Vietnamese citizen.	Based on a minimum paid up capital and later and based on corporate income tax paid. One expatriate can be hired for every 2,000,000 Bahts of capital but not more than 10 expatriates.



CONCLUSION

CONCLUSION

Successfully growing a start-up is a work of art that requires sheer focus and dedication. In this eventful journey, raising funds is critical to enabling the company's future success. Start-ups based in Southeast Asia and, more specifically, in ASEAN countries benefit from a large, expanding, and highly digitized prospective user base. Although, most countries of the region are still in an economic development phase, which can scare off foreign investors.

Hence, many investors prefer to place their investments in strong jurisdictions with a reputation for reliability and stability. Singapore is the core of the investment ecosystem for start-ups in Southeast Asia and even more since it emerged from COVID as the top choice for regional headquarters.

This brochure is designed to give an overview of the primary considerations for entrepreneurs willing to expand their business in the region through Singapore. Focusing on their growth also means working with reliable partners, which MBiA - My Business in Asia strives to be for many Small and Medium staged start-ups.

Our consultants and experts are available to help companies structure their expansion, hire foreign talents, integrate new investors, and deal with regulatory compliance such as accounting, taxes, and returns. Working with MBiA - My Business in Asia is a guarantee to future-proof your start-up by ensuring smooth capital increase and expansion of your business in the region.



CONTACT

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Singapore

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#11-04 SIF Building,
Singapore 068899
Singapore



Hong-Kong

Unit 1904-5, 135
Bonham Strand
Trade Centre,
135 Bonham Strand,
Sheung Wan, Hong
Kong



Vietnam

TMS Building, 8th
Floor, Hai Ba Trung,
Da Kao, District 1, Ho
Chi Minh City,
Vietnam



Thailand

UBC2 Building, 20th
Floor, 591 Sukhumvit
Road, Wattana,
Bangkok 10110,
Thailand