

## LISTING IN SINGAPORE

### INTRODUCTION

2003 has been an absolute boom year for the local initial public offer (“IPO”) market. In the first half of the year, Singapore was in fact the world’s fastest growing market for new offerings. This boom in the market was bolstered by a return of foreign companies seeking to list in Singapore, majority of these originating from China.

As of 30th June 2003, there are 107 foreign companies listed on the Singapore Exchange (“SGX”), whilst the number of local companies listed stands at 414. The foreign companies listed in Singapore constitute almost 40 per cent of the total market capitalization on the SGX. It is a belief amongst foreign companies that the SGX is one of the most internationalized and conducive Asian exchanges to list on.

### WHY SEEK LISTING?

More often than not, companies that are eligible for listing are not in urgent need for funds but are seeking to list so that the companies’ existing shareholders are able to realize their investments.

However, there are numerous other reasons why companies seek to list, one of which being that the proceeds from the IPO can be used as a source of financing or to pare down debt. Getting listed would also give the companies access to the capital markets whenever additional capital resources are needed, either in the form of new issuance of shares or other forms of securities. These listed shares, being more marketable, may also be used as a form of acquisition currency.

Companies get themselves listed in order to enhance their corporate image as well. Listed companies enjoy greater market visibility and this would help when they venture into overseas markets. Listed companies are also able to implement more attractive share option schemes as there is a market valuation to the shares offered by them.

### ADVANTAGES OF LISTING IN SINGAPORE

There are over 800 international fund managers and a huge supporting analyst community present in Singapore that provide companies listed in Singapore with an attractive pool of investors. The presence of such international investors guarantees a broader shareholder base and greater stability for the listed companies, particularly in volatile market conditions because they are generally more far-sighted. Companies, both foreign and local, see this as a reason to list in Singapore as they would enjoy easy access to the international investment marketplace as well as an extremely

conducive environment to raise capital for growth.

In addition, the SGX has introduced listing rules that are market-oriented, largely to make itself more conducive for companies to list in Singapore. These listing rules ensure flexibility for companies with diverse backgrounds when sourcing for public financing in Singapore. The SGX's increasing appeal to companies seeking to list is evident when in the first half of 2003, Singapore was ranked fourth in the world by the number of issues.

Listing in Singapore also has the advantage of creating greater access and liquidity for a listed company's investors all over the world as the SGX has continually invested in state-of-the-art technology, giving its trading and settlement systems greater efficiency, security and convenience.

The SGX is reputed for its market transparency and integrity, and is viewed as an efficiently regulated marketplace. A company listed on the SGX would be able to project an image of good corporate governance and disclosure. A listing on the SGX would also stand the company in good stead when it comes to level of international recognition and quality assurance, hence providing it with a springboard for global expansion and growth.

## LISTING REQUIREMENTS

A company seeking to list on the SGX would have to consider, in its initial planning and preparation stage, whether it will be listing on the SGX Main Board or the SGX Secondary Board ("SESDAQ"). The SESDAQ was established in order to give smaller companies an opportunity to list in Singapore as a SESDAQ listing does not require the fulfillment of any quantitative criteria. A company seeking to list on the Main Board would have to meet the following quantitative requirements:

### Operating Track Record

There are three different methods to fulfill the quantitative criteria for operating track record. One option is for the company seeking to list to have a cumulative consolidated pre-tax profit of at least S\$7.5million for the last three years and a minimum pre-tax profit of S\$1million for each of those three years. The second option is for the company to have a cumulative consolidated pre-tax profit of at least S\$10 million for the last one or two years. This option is created to attract fast growing companies which have short but strong profit records. Finally, there is no need for the company to show any operating track record or pre-tax profit if the market capitalization is at least S\$80 million, the calculation of which is based on the issue price and the post invitation issued share capital. The last option is tailored for companies which have yet to make profits but would have to appoint lead managers that have satisfied themselves that the companies are suitable for listing.

### Distribution

There are also three different distribution levels depending on the total offer size of the invitation shares (being the shares which are the subject of the invitation by the company to the public to subscribe for and/or purchase). If the total offer size is less than S\$75million (based on the issue price), at least 40 per cent of the invitation shares or S\$15million (whichever is lower) must be distributed to the public subscribers and/or purchasers (“investors”), and each investor must not be allocated and allotted with more than 0.8 per cent of the invitation shares or S\$300,000 worth of shares (whichever is lower). If the total offer size is S\$75million or more but less than S\$120million, at least 20 per cent must be distributed to the investors, and each investor must not be allocated and allotted with more than 0.4 per cent of the invitation shares. Finally, there are no distribution requirements for an offer size of S\$120million or more.

## Public Float

In respect of the shareholding spread, 25 per cent of the post-invitation share capital in public hands must be in the hands of at least 1,000 shareholders for companies with a market capitalization of less than S\$300million. For companies with market capitalizations of more than S\$300million, the shareholding spread will vary between 12 to 20 per cent.

## Accounting Standard

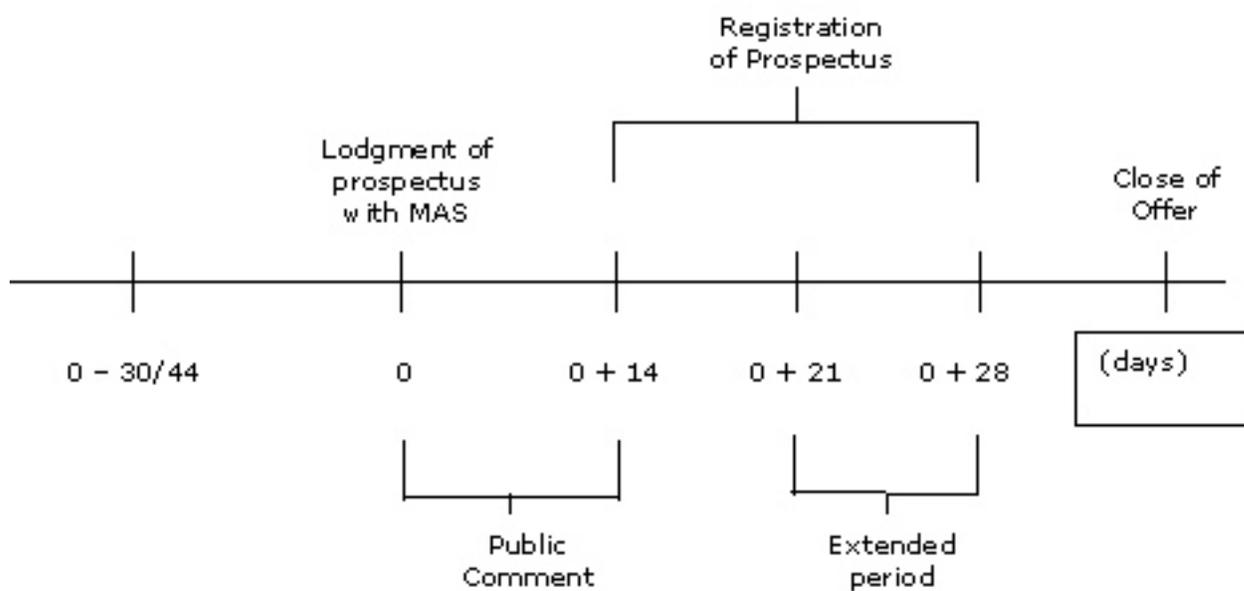
Another requirement is that financial statements submitted to the SGX with the listing application and future periodic financial reports, comprising the financial statements and the annual report, are to be prepared in accordance with either the Singapore Statements of Accounting Standard (“SAS”), or International Accounting Standards (“IAS”) or US Generally Accepted Accounting Principles (“US GAAP”).

## SGX SECONDARY BOARD (“SESDAQ”) LISTING REQUIREMENTS

Companies that do not fulfill the main board listing requirements can opt to list in the SESDAQ which has less stringent requirements. Such SESDAQ listed companies may apply to transfer their listing to the SGX Main Board when they have been listed on SESDAQ for at least two years. During that period of at least two years, the companies seeking to transfer would have time to ensure they meet the minimum requirement for pre-tax profit and other listing requirements that the SGX may prescribe (either generally or in any particular case). A company seeking to list on the SESDAQ does not have stringent criteria to fulfill. For instance, there is no specific minimum operating track record, profit or share capital requirement. However, the company has to demonstrate that it requires funds to finance a project or develop a product, which must have been fully researched and costed. In terms of the public float requirement, only 15 per cent or 500,000 (whichever is greater) of the of the post-invitation share capital in public hands must be in the hands of at least 500 shareholders. The requirements for distribution levels and the accounting standard are similar to those of a main board listing.

## SGX LISTING PROCEDURE

Below is a chart setting out the time-line for the listing application.



## SGX Listing Fees

For a Main Board listing, companies with less than S\$250million market capitalization will pay the minimum listing fee of S\$25,000. Thereafter, the listing fee increases at a rate of \$100 for every S \$1million more in market capitalization. The maximum listing fee would be S\$100,000 for companies with market capitalizations of more than S\$1billion. The listing fee payable by companies seeking to list on the SESDAQ is fixed at S\$10,000.

## CONCLUSION

Singapore has outpaced its regional stock exchange competitors, in particular Hong Kong, by the number of issues in the IPO market this year. The listing requirements in Singapore are noted to be less stringent than Hong Kong. For example, a company seeking to list in the Hong Kong Main Board has to show a three year operating record, with a net profit of more than S\$4.5million and an aggregate net profit of more than S\$6.75million for the two preceding years without fail, whereby companies seeking to list in Singapore has three options when looking to fulfill the requirement for the operating track record.

The easier listing requirements in Singapore does not necessarily translate into lower quality IPOs as Singapore has put in place good mechanisms promoting and enforcing strong corporate governance.

It remains to be seen whether Singapore will continue to triumph over its regional competitors in the volume of issues in the medium to long term. But surely the fact that Singapore leads the IPO bull charge amongst its regional competitors, in a year coming off the back of an extended recession, must bode well for the future of the SGX and that of the companies seeking to list on the SGX.

Kelvin Chia Partnership  
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Contact details:

CHEAH Swee Gim  
Email: [cheah.sweegim@kcpartnership.com](mailto:cheah.sweegim@kcpartnership.com)  
DID: (65) 6332 9349

LEE Ying Ying  
Email: [lee.yingying@kcpartnership.com](mailto:lee.yingying@kcpartnership.com)  
DID: (65) 6332 9343