

## INITIAL PUBLIC OFFERING IN SINGAPORE

### A. WHAT IS AN INITIAL PUBLIC OFFERING (“IPO”)

An Initial Public Offering, often known as an “IPO” is the process of a private company listing and becoming a publicly traded and owned enterprise.

### B. WHY LIST?

Often the reason for a listing is to raise funds for expansion although a listing could be one method for investors to exit or realise their investment in a private company.

### C. ADVANTAGES & DISADVANTAGES OF LISTING YOUR COMPANY

#### a. Advantages

- \* Alternative source of funding / financing
- \* Enhanced company image and status
- \* Unlock company share value
- \* Marketability of shares
- \* Ability to attract and retain good employees via share-related remuneration plans
- \* Ease of business succession
- \* Release of shareholders or directors personal guarantees for company bank facilities
- \* Option of using company’s shares as consideration in merger & acquisition

#### b. Disadvantages

- \* Listing costs
- \* Increased compliance costs
- \* Increased disclosure requirements
- \* Loss of autonomy in running of business
- \* Loss of privacy
- \* Shareholders’ approval required for certain decisions or transactions

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- \* Risk of losing control or of being taken-over
- \* Increased pressure on short-term financial and business performance/growth
- \* Commitment to and management of investor relationship

### D. GENERAL REQUIREMENTS TO QUALIFY FOR A LISTING

- a. Good growth prospects & value proposition
- b. Innovative product or service offering
- c. Capable management team with appropriate experience and expertise and of good character
- d. Financial position showing positive cash flow from operating activities
- e. Ability to meet financial audit and reporting requirements

### E. REQUIREMENTS FOR LISTING ON THE MAINBOARD OF THE SINGAPORE EXCHANGE

#### a. Alternative 1

- \* Pre-tax profit of S\$7.5m over 3 years; at least S\$1m each year
- \* No of Shareholders : At least 1,000 post-listing
- \* Shareholding spread
  - Market Capitalisation < S\$300m : 25%
  - Market Capitalisation > S\$300m : 12% ~ 20%

#### b. Alternative 2

- \* Pre-tax profit of S\$10m achieved in 1 or 2 years
- \* No of Shareholders : At least 1,000 post-listing
- \* Shareholding spread
  - Market Capitalisation < S\$300m : 25%
  - Market Capitalisation > S\$300m : 12% ~ 20%

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c. Alternative 3

- \* Post-listing market capitalization > S\$80m
- \* Pre-tax profit : No minimum pre-tax profit targets
- \* No of Shareholders : At least 1,000 post-listing
- \* Shareholding spread

Market Capitalisation < S\$300m : 25%

Market Capitalisation > S\$300m : 12% ~ 20%

### F. REQUIREMENTS FOR LISTING ON THE CATALIST OF THE SINGAPORE EXCHANGE

The Singapore Exchange's new second board, named "Catalist", took over from the SESDAQ and commenced operation under the new rules on 17 December 2007. The main requirements under the new rules are as follows:

- a. Company must list through a sponsor and the sponsor bringing the company to list must continue to sponsor the company for at least 3 years after the initial public offering
- b. Promoters of a company must not sell their shares at the time of the IPO if
  - (i) they collectively own less than 50% of the issued capital at the time of the IPO; or
  - (ii) such sale will cause their collective shareholding to fall below 50% of issued capital at the time of listing
- c. All pre-IPO investors are to observe a moratorium in respect of 100% of their profit portion of their shareholdings at IPO for at least 12 months after listing
- d. There is no operating track record, minimum pre-tax profit or market capitalisation requirement
- e. Number of Shareholders : At least 200 post-listing
- f. Shareholding Spread in public hands: 15%
- g. Other requirements
  - \* A viable business

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- \* Shown growth potential
- \* Company has a positive cashflow from operating activities
- \* Company's accounts must not be qualified in a material way

### G. PREPARING FOR AN IPO – AREAS TO CONSIDER

#### a. Financial

- \* Financial statements to be prepared under acceptable accounting standards (e.g. U.S. GAAP or International Financial Reporting Standards or Singapore Financial Reporting Standards as the case may be)
- \* Financial statements may be prepared using reporting currency other than Singapore Dollars (e.g. U.S. dollars, Hong Kong dollars, Australian dollars).
- \* Financial statements audited by an approved company auditor with sufficient expertise and resources.
- \* Perform due diligence
- \* Review Group structure
- \* Settle debts due from directors, substantial shareholders or affiliated parties or entities prior to listing

#### b. Human Resources

- \* To engage appropriately qualified and experienced management staff
- \* To appoint at least two independent non-executive directors

#### c. Systems

- \* To review internal control system
- \* Ensure financial reporting and management information system is able to meet reporting requirements in a timely and accurate manner
- \* Review system of risk management

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d. Others

- \* Preparing or updating non-financial information such as Business Plans containing information such as history of company, details on founders, directors and senior management, industry prospects, company's competitive strengths and value proposition.
- \* Board Memorandum
- \* Publicity and public relations
- \* Company encouraged to comply with Code of Corporate Governance

### H. PREPARING FOR AN IPO – TIMELINE

- a. The average time for a listing is between 6 months to 12 months.
- b. The listing process usually begins with the Company contacting a Merchant Banker, Sponsor or an IPO advisor who can assess the Company's readiness for an IPO.

#### Timeline to an IPO

c. Pre-IPO (12 ~ 24 months)

- \* Review stage of business growth and business objectives
- \* Seek advice & consultants
- \* Employ capable management team to prepare for IPO
- \* Prepare or update business plan
- \* Review financials, internal controls and prepare forecasts

d. IPO Preparation (6 ~ 12 Months)

- \* Appoint IPO advisors: Lead manager, legal advisor, reporting auditor, public relations consultant
- \* Due diligence: Business, Legal, Financial, Operational, Market
- \* Pre-listing structuring of Group to be listed
- \* Preparation and review of Accountants Report and Forecasts
- \* Preparation of preliminary listing application documents

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- e. Listing on SGX
- \* Submission of listing application to SGX.
  - \* SGX will take approximately 3 to 8 weeks to review listing application.
  - \* Once SGX issues an Eligibility To List letter, the Preliminary Prospectus is lodged with SGX and posted on MAS website for public consultation
  - \* Road shows and pricing of offer based on demand
  - \* Once the Prospectus is registered, the public offer is launched.
  - \* At the close of public offer, the shares are quoted and ready for trading on a date determined by SGX

### I. PROFESSIONAL ADVISORS REQUIRED

a. Issue Manager

A company licensed to manage the IPO preparation process and the preparation of listing application documents as well as liaise with SGX on all matters arising from the listing application.

b. Sponsor

An applicant for listing on Catalist must be sponsored by an approved Sponsor of Catalist. Sponsors are qualified professional companies experienced in corporate finance and compliance advisory work. They are authorised and regulated by SGX through strict admission and continuing obligation rules. These Sponsors will in turn determine the suitability of a company to list and supervise listed companies compliance with their continuing obligations in the rules

c. Reporting Auditor

A Certified Public Accountant firm experienced in IPOs to provide initial advice, financial due diligence and the preparation of the Accountants' Report on the proforma financial statements of the Company to be listed.

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d. Independent Auditor

Companies are required to be audited by a suitable firm of Certified Public Accountants with adequate resources and experience. The independent auditor and reporting auditor for an IPO is often the same firm.

e. Legal Advisor

Experienced legal advisors are needed to assist in the review of legal aspects of listing documents and other legal aspects of the IPO launch.

f. Public Relations Advisor

An experienced public relations firm having contacts with media and analysts should be engaged to help enhance the public image and appeal of the Company.

### J. HOW CAN WE HELP YOU

Our firm, Baker Tilly TFWLCL is an independent member of Baker Tilly International. Baker Tilly International is the 8th largest network in the world by fee income and is represented by 138 firms in 104 countries, with a global fee income of \$2.5 billion and 24,000 staff worldwide. Baker Tilly International has established members in all countries in the Asian region with expertise in all aspects of Accountancy, Assurance, Tax, Corporate Finance, Business Risk Advisory and Insolvency.

Baker Tilly TFWLCL has 9 partners and approximately 180 staff. Our Partners and staff hold educational and professional qualifications from Australia, Malaysia, Singapore, United Kingdom and United States.

We have acted and continue to act as statutory auditors, internal auditors, reporting auditors and tax advisors to many listed companies. We are able to assist companies wishing to list by approaching merchant bankers, investors, legal

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advisors and independent directors. We can provide pre-listing advice regarding accounting records and reports, internal controls and tax efficiency as well as group restructuring.

### **K. OUR EXPERTISE AND EXPERIENCE**

#### a. Reporting Auditor for IPO aspirants

- \* Sonic Aerospace Limited (Listed on 17 September 2003 on SGX Mainboard)
- \* Sembawang Music Holdings Limited (Listed on 02 December 2004 on SGX SESDAQ)
- \* BH Global Marine (Listed on 12 September 2005 on SGX Mainboard)
- \* Foreland Fabrictech Holdings Limited (Listed on 26 April 2007 on SGX Mainboard)
- \* China Angel Food Limited (Listed on 13 July 2007 on SGX Mainboard)
- \* Wanxiang International Limited (Listed on 19 July 2007 on SGX Mainboard)
- \* Sinotel Technologies Ltd. (Listed on 12 November 2007 on SGX Mainboard)

#### b. Statutory Audits of Listed Companies

We are statutory auditors to over 15 companies listed on the Mainboard and Catalist of the Singapore Exchange. Our clients are from varied industries including Aerospace, Hotel, Food & Beverage, Investment Holding, Logistics, Marine, Property and Retail.

#### c. Internal Audits of Listed Companies

We provide internal audit services to over 15 companies listed on the Singapore Exchange. Our clients are from varied industries and have business operations and investments in Singapore and other Asian countries such as China, Malaysia and Thailand.

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