DEAL #1: INCLUDED IN THE TOP DOMESTIC IPOS IS SASSEUR REIT'S $300.68M FUND

DEAL #2: SLB DEVELOPMENT LIMITED RAISED $41.82M IN IPO PROCEEDS

Singapore IPOs lag Asian peers as homegrown firms rush to list abroad

Singaporean firms who opted to list abroad ballooned 300% in volume compared to domestic flotations.

When Singaporean gaming company Razer chose to list in Hong Kong last year, it did not only send a clear game-over sign to the local bourse. It started the spate of cross-border listings from other homegrown firms, and the bourse took all the blows.

Overall IPOs by Singapore issuers ballooned 78% YoY to raise US$459m in the first half of 2018 although this represents weaker activity compared to their Asian counterparts. The 12 listings in Singapore, which indicates a 20% YoY increase, also represents a gradual decline in number of listings in the last ten years, according to law firm Baker Mckenzie.

"SGX's domestic IPO activity and performance remains stable and strong," said **Tay Hwee Ling,** Global IFRS and Offering Services Leader for Deloitte Southeast Asia and Singapore.

However, with a growing number of Singapore companies choosing to list abroad, the number of cross-border listings ballooned 300% in terms of volume and 166% in terms of value compared to the 64% increase in domestic capital raising. The lion city is also losing out on profitable tech companies as gaming technology company Razer chose to list in Hong Kong last year. Less than eight months after delisting from SGX, OSIM International relisted as V3 Group in the Asian financial hub. As a result, Singapore has been steadily rolling out programmes to boost the competitiveness of the local bourse and lure tech companies to list.

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The Hong Kong GEM has emerged as the top destination for local companies seeking outside listings after accounting for two-thirds of total number of issues from Singapore with market experts attributing the close proximity of Hong Kong to China's massive market and effectively diminishing Singapore's attractiveness.

Notable deals in 2018

Included in the top domestic IPOs by Singaporean issuers in the first half of 2018, meanwhile, are Sasseur REIT's $300.68m in proceeds, through Real Estate Investment Trusts (REIT), and the $41.82m in proceeds from SLB Development Limited in the real estate sector; the $14.93m in proceeds from LY Corporation Limited in the consumer products and services sector; and the $8.22m in proceeds from Asian Healthcare Specialist in the healthcare sector. All of the mentioned domestic IPOs were listed on the Singapore Exchange (including Catalist).

Anthony Ang, chief executive officer of Sasseur REIT manager commented, "Given that the portfolio of Sasseur comprises of assets based in China, a listing in Hong Kong or the Mainland of China would have been a more direct option for Sasseur. However, a listing in Singapore was sought as the preferred option as the Sponsor believes in the importance of listing the REIT on a stock exchange that attracts quality investors and one with higher liquidity in the REIT and Business Trust (BT) space."

"In addition, Singapore has a more robust and mature REIT market compared to Hong Kong, with over 40 REITs and BTs listed on SGX including many with assets in China," Ang added. "The Sponsor is of the view that investors in SGX listed counters are more familiar with the REIT and BT product, has a global perspective, and are therefore more appreciative of what the REIT can offer. This would help to support demand and bolster the liquidity of the REIT's units."

Meanwhile, some of the top cross-border IPOs by Singaporean issuers in the first half of 2018, according to data from Baker McKenzie, include the $22.42m in proceeds by HPC Holdings Limited and the $14.01m in proceeds from Hke Holdings Limited for the industrial sector; the $20.45m in proceeds from ZACD Group Limited for the real estate sector; the $8.95m in proceeds from ISP Global Limited in the telecommunications industry; and the $8.32m from IAG Holdings Limited in the materials sector. All of the mentioned cross-border IPOs by Singaporean issuers were listed in Hong Kong (HKEx and HK GEM).

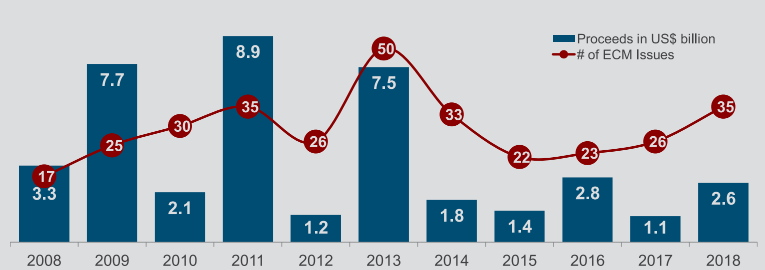
A global dilemma

This relatively mild performance from Singapore's local bourse in the first half of 2018, however, is not an isolated case, according to industry experts and observers. Deloitte's Ling noted that other major bourses around the Asia and Pacific region are relatively seeing a similar moderating trend over the first half year of 2018.

"Looking at the key exchanges in the region, there have been a year-on-year decrease in the first half of 2018," she explained, citing for example the Shanghai Stock Exchange's experience in the first 6 months of 2018, which saw 37 IPOs listed, raising around RMB64.8b. This is a 70% decline in volume from the 120 IPOs in the first half of 2017, which raised RMB76.7b, due to a fall in listing approvals.

"The Stock Exchange of Hong Kong saw a 8.6% fall in funds raised, despite seeing a 44.1% increase in the number of IPOs from 68 to 98," Ling elaborated.

Singapore Equity Capital Markets - First Half Volume Comparison



Source: http://dmi.thomsonreuters.com

Anthony Ang

Adrian Koh

Ringo Choi

Tay Hwee Ling

Adrian Koh, EY Assurance Growth Markets Leader, explained that the continued global uncertainties have hampered activities despite Southeast Asia region's dynamic growth trajectory.

"IPO activity in Singapore, like other parts of the region—Indonesia, Malaysia, the Philippines, and Thailand—with the exception of REITs, have predominantly been smaller cap listings for the first half of 2018," he mentioned.

"This is a trend we expect to continue into the second half of 2018 as geopolitical uncertainty, trade tensions, and macroeconomic conditions continue to mute IPO activity."

SGX's move

Given the highly competitive landscape of IPO activities in the Asia-Pacific—with bourses vying against each other for the lion's share of cross-border listings—industry experts and observers are in agreement that Singapore's equity market will need to up its game in order to stay competitive and attractive. Some efforts are already being rolled out to boost the competitiveness and attractiveness of Singapore's equity markets over the last two years, particularly targeting technology companies to list in the city state's bourse.

For instance, SGX partnered with Infocomm Media Development Authority in 2017 to make IPO launches easier for high-tech startups. The partnership would allow the bourse operator to organise financial support for IMDA-accredited companies in their IPO journey. SGX also signed an agreement with Nasdaq in 2017 to enable companies to list on both venues and promote each other's market—helping Asian companies to first list in Singapore as a springboard and then ease smoothly to Nasdaq as they expand their global footholds, according to analysis by Baker McKenzie.

Another effort is the decision of SGX to team up with the Tel Aviv Stock Exchange in May 2018 to get technology and healthcare companies to list on both exchanges by assisting during the pre-listing stage, facilitating the listing process, and providing issuers with post-listing support.

Staying competitive

Ling is firm that despite the challenges plaguing the local equity market in terms of staying competitive and attractive for cross-border listings in the Asia-Pacific, the city-state's local bourse will remain a hot item especially for technology firms aiming to tap into Singapore's wide investor pool. For instance, in the last five years, there were 45 Singapore companies and 40 foreign companies that listed on the SGX alone.

"The SGX continues to be an attractive listing destination of choice for both Singapore companies and foreign companies," she explained. "With the introduction of dual-class shares structures, SGX is now in a position to support high-growth companies and attract blockbuster listings from around the world, whilst broadening investment options for investors and adding to the vibrancy of Singapore's capital market."

Singapore ECM by Issue Type

Issue Date	Issuer	Proceeds (US$Mil)	Exchange	Industry
8-Mar-18	Sasseur Reit	$ 300.7	Singapore	Real Estate
11-Apr-18	SLB Development Ltd	$ 41.8	SGCatalist	Real Estate
3-May-18	HPC Holdinigs Ltd	$ 22.4	Hong Kong	Industrials
15-Jan-18	ZACD Group Ltd	$ 20.5	HK GEM	Real Estate
18-Jan-18	LY Corporation Ltd	$ 14.9	SGCatalist	Consumer Products and Services

Note: Includes original IPO issuance from Singapore-domiciled companies in local and global stock exchang

Source: http://dmi.thomsonreuters.com/

Growth drivers

Despite persistent uncertainties plaguing the global economy with the spectre of a trade war dampening growth prospects, industry experts and observers remain optimistic regarding Singapore's equities market and IPO activities. Deloitte, for instance, mentioned that the city-state's local bourse will be driven mainly by the real estate and healthcare sectors, if previous performances are to be used as basis.

In a separate report, Ling noted a bullish trend seen in the healthcare industry with healthcare IPOs showing a growing price earnings ratio on listing over the last five years. "At Deloitte, we continue to see a healthy pipeline of domestic and cross-border IPOs," she noted. "We are cautiously optimistic that there will be more listings in the second half of 2018."

Outlook

Regionally, EY data showed that listing activity in Asia-Pacific is expected to remain robust in the second half of 2018 despite a slight drop in IPO activity in the first six months of the year. **Ringo Choi,** EY Asia-Pacific IPO Leader, highlighted Asia-Pacific's' strong macroeconomic fundamentals and investor appetite as an effective counterbalance to the otherwise volatile performance of IPO activity across the region. After all, Asia-Pacific still accounted for a 46% share of global share sales and 31% of global IPO proceeds in the first half of 2018 on the back of blockbuster listings in Vietnam and Japan, with tech and financial firms taking the lead.

"Following the general declines in IPO performance in the first six months of 2018, largely resulting from recent interest rate increases as well as global political and economic uncertainties, we expect to see a rebound in the deal size of the IPOs in the second half of the year as a number of mega IPOs begin to hit the market," he said.

In terms of the outlook of global IPO activity, which will inevitably have an impact in the region's (and Singapore's) equity market performance, EY's Steinbach reckoned a more accommodating global economic environment for the rest of 2018. "The good news is that economic conditions continue to be encouraging, equity valuations are high in many parts of the world, and interest rates remain low," he explained. "As a result, we expect a resurgence in IPO activity during the second half of 2018."

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HONG KONG VIEW

Where are the mega-IPO deals?

Hong Kong's IPO activity and performance continued to be vibrant in the first half of 2018 with a total of 108 new listings, which is around a 59% increase in volume compared to the 68 new IPO listings from the same period last year. In terms of value, however, total funds raised of the new listings in the first half of 2018 reached HK$50.4b, which is around an 8% decrease from the HK$54.8b funds raised from the listings in the first six months of 2017.

Hong Kong's GEM board, meanwhile, posted a stronger performance, which recorded 50 IPOs that raised HK$3.4b of total funds, according to data from PwC. This is a significant increase, 43%, in volume of companies listing in the bourse, whilst the increase in total funds raised from the same period last year is 31%. The main board, on the other hand, raised a total of 58 new listings in the first six months of 2018, with total funds raised reaching HK$47b, which is a 57% increase in the number of Main board IPOs but a 10% decrease in total funds raised.

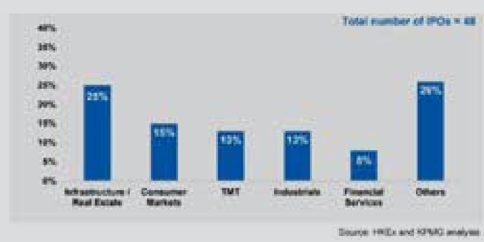
"Looking back at the market performance in the first half of 2018, we can see the IPO activities are very active, with the number of IPOs reaching a new record high," **Ringo Choi**, EY Asia-Pacific IPO Leader said. "Whilst in terms of funds raise, due to the lack of mega-IPOs, the global IPO ranking of the Hong Kong market reaches only the fifth place temporarily. As a matter of fact, all the top 10 IPOs were not listed in Hong Kong."

Edward Au, Co-Leader of the National Public Offering Group of Deloitte China, noted that part of the decline in terms of value in most new IPO listings in Hong Kong is because of the dominance of small and medium-sized issuers in the territory's local bourse—something that may eventually a boon for Hong Kong's equity market in the long-run.

Notable deals

Some of the largest domestic IPOs by Hong Kong issuers in the first half of 2018 include medical provider C-MER Eye Care Holdings Limited's $83.99m in proceeds in HKEx in early January. Other top deals include the $66.74m in proceeds from Tsit Wing International Holding in the consumer staples sector; the $29.42m in proceeds from Time Interconnect Technology Limited in the industrials sector; the $28.53m in proceeds from Thing On Enterprise Limited in the real estate sector; and the $28.04m in proceeds from LH Group Limited in the retail sector.

2018 H1: Top 5 sectors - by numbers of IPOs



Source: KPMG