

Quality of Market and the Case for More Effective Delisting Mechanism

Corporate Finance Division and Research Department*

The following is an excerpt of the key findings. A full-version article will be published in the forthcoming SFC Quarterly Bulletin.

As of end May 2002, the Hong Kong stock market had a total market capitalization of HK\$4,081 billion. 781 companies were listed on the Main Board with a market capitalization of HK\$4,010 billion, and 133 companies on GEM, Hong Kong's second board, with a market capitalization of HK\$70 billion.

From January 1993 to May 2002, the Hong Kong market helped 60 H-share and 69 Red-chip companies raise more than HK\$652 billion. Mainland-related companies now make up a quarter of our market capitalization and generated 36% of the total market turnover last year.

In the context of global markets, Hong Kong has the 10th largest market capitalization in the world (counting the two major US stock exchanges separately) and ranked top in Asia-ex-Japan (counting the two stock exchanges in Mainland China separately). As Table 1 shows, our standing by valuation, weighting in world investment portfolios, and liquidity is not as strong.

The weighted average price/earning ratio for Hang Seng Index stocks at the end of 2001 was 15, compared to the ratio of 30 for blue chips in New York, 34 in London, and 24 in Australia.

As for our weighting in international investment portfolios, after the re-balancing of MSCI World Index to account for free float, Hong Kong now takes 0.6% in weighting, ranking 16th in the world (counting NYSE and Nasdaq separately). Australia has a weighting 2.5 times that of Hong Kong at 1.5% but a market capitalization that is 26% smaller.

The turnover velocity in the Hong Kong market (i.e., the ratio of turnover to market capitalization) is 50% – the lowest among the major markets studied. The relatively low turnover velocity and the low weighting in the MSCI index correlate to the low free float for Hong Kong stocks.

As of end May 2002, the 7 largest companies accounted for 52% of our market capitalization. They also contributed 37% of the total turnover during the first 5 months of the year.

* The team that has worked on this paper includes Laurence Li, Daisy Lai, and Kenneth Lau from the Corporate Finance Division, and Xiao Geng and Yan Yuhong from the Research Department. Jennifer Lee and Teng Hongjun of the Corporate Finance Division also contributed. The paper is the product of the authors and does not necessarily represent the views of the Securities and Futures Commission.

**Table 1 - Summary Statistics of Hong Kong and Other Major Markets
(domestic companies on main boards & parallel markets as at end 2001)**

	HKEx*	Mainland	NYSE	Nasdaq	LSE	Tokyo	ASX	SGX	Taiwan	Korea
No. of Listed Companies	857	1,154	1,939	3,618	1,923	2,103	1,334	424	584	688
Market Cap of Companies (US\$ bn)	506	526	11,027	2,740	2,165	2,265	375	117	293	194
Market Cap of Companies/GDP	310%	49%	108%	27%	152%	55%	102%	137%	104%	46%
Turnover of Companies (US\$ bn)	255	463	9,602	10,465	1,877	1,656	241	71	544	381
Turnover Velocity# (%)	50%	88%	87%	382%	87%	73%	64%	61%	186%	196%
PE Ratio of Stock Index	15.3	40.8	29.5	n.a.	33.6	64.5	24.0	11.9	17.6	n.a.
Capital Raised in 2001 (US\$ bn)	8.3	15.1	77.8	31.8	28.8	16.9	7.0	0.4	1.5	4.0

Source: HKEx, CSRC website, FIBV, World Competitiveness Yearbook 2002, Bloomberg.

*HKEx counts a company as a foreign company if it is incorporated overseas and has a majority of its business outside Hong Kong and China. The total number 857 includes all companies listed on the Main Board or GEM at end 2001, except the following foreign companies - City e-Solutions Ltd, HSBC China Fund Ltd, JF Japan OTC Fund Inc, Manulife Financial Corporation, iRegent Group Ltd, Shanghai International Shanghai Growth Investment Ltd, Star Cruises Ltd, Tan Chong International Ltd, Thai Asset Fund Ltd, and Thai-Asia Fund Ltd.

Turnover velocity = annual turnover / market capitalization at year-end.

Table 2 – Comparison across Selected Markets by Market Cap and Stock Price (as at end-May 2002)

(a) By Market Capitalisation

Range of Market Cap (US\$ mn)	Below 20	20+ to 100	100+ to 1,000	Above 1,000	Number of Sample Companies*
Selected Markets (main boards)	Share in Total Number of Companies (%)				
HKEx	20.2	45.5	27.3	7.0	781
Mainland	0.0	0.1	94.5	5.4	1,132
NYSE	0.5	6.6	36.5	56.4	1,650
Nasdaq	8.4	33.5	47.3	10.8	2,937
LSE	36.6	26.3	25.4	11.7	1,818
Tokyo	5.7	29.8	45.2	19.3	2,119
ASX	59.9	20.7	13.9	5.6	1,243
SGX	28.1	44.6	21.1	6.2	455
Taiwan	7.1	39.0	43.5	10.4	589
Korea	30.0	46.1	18.5	5.5	660

(b) By Stock Price

Range of Stock Price (US\$)	Below 0.2	0.2+ to 0.5	0.5+ to 1	1+ to 2	2+ to 5	5+ to 10	Above 10	Number of Sample Companies*
Selected Markets (main boards)	Share in Total Number of Companies (%)							
HKEx	72.9	15.2	5.5	3.1	1.9	1.0	0.4	781
Mainland	0.0	0.6	26.6	64.2	8.5	0.1	0.0	1,132
NYSE	0.0	0.1	0.3	1.3	5.9	8.8	83.6	1,650
Nasdaq	0.7	1.4	3.6	8.5	17.2	18.0	50.5	2,937
LSE	21.3	13.6	11.8	15.6	20.4	11.2	6.1	1,818
Tokyo	0.4	2.1	9.7	17.4	30.4	16.4	23.5	2,119
ASX	53.9	15.0	10.5	8.6	7.6	2.8	1.4	1,243
SGX	56.7	21.8	10.3	4.8	3.5	2.0	0.9	455
Taiwan	20.2	35.5	25.1	13.9	4.6	0.5	0.2	589
Korea	0.2	0.5	6.5	10.3	29.8	24.1	28.6	660

Source: Bloomberg. *Counting only common shares with quotation available from Bloomberg.

On the other hand, Hong Kong has many small listed companies with small market capitalization and low prices, i.e., the so-called penny stocks and micro caps. Table 2 provides an international comparison.

About 73% of stocks in Hong Kong's main board traded below US\$0.2, compared to 57% in Singapore, 54% in Australia, 20% in London and Taiwan, below 1% in Tokyo and Korea, and none in New York or Mainland China.

The percentage of micro cap stocks with individual market cap below US\$20 million is about 20% for Hong Kong, compared to about 60% for Australia, 37% for London, and 28% for Singapore.

This comparison shows that the size-distribution of listed companies in Hong Kong is generally consistent with those of major international markets. But the prevalence of stocks with low nominal prices is inconsistent with international standards.

Tables 3 and 4 provide more information on the distribution and performance of penny stocks and micro caps. Among all the listed companies on the Main Board, 95, or 12% of the total, have individual market capitalization of less than HK\$100 million, i.e., the minimum required for initial listing.

Table 3 also shows that as of end May 2002, there were 107 companies, or 14% of the total, trading below HK\$0.1.

Table 3 - Performance of Main Board Listed Companies by Market Cap and Stock Price									
Market Cap as at end-May 2002 (HK\$ mn)	(1) Number of Companies		(2) Aggregate Daily Turnover* (HK\$ mn)		(3) Aggregate Market Cap (HK\$ bn)		(4) Companies Reported a Net Loss		%(4)/(1)
		%		%		%		%	
Below 50	27	3.5%	4.1	0.1%	0.9	0.0%	24	88.9%	
50+ to 100	68	8.7%	12.2	0.2%	4.7	0.1%	48	70.6%	
100+ to 500	326	41.7%	278.9	4.0%	84.3	2.1%	158	48.5%	
500+ to 1,000	141	18.1%	388.7	5.6%	100.6	2.5%	51	36.2%	
1,000+ to 5,000	148	19.0%	1219.7	17.4%	323.7	8.1%	24	16.2%	
Above 5,000	71	9.1%	5091.6	72.8%	3477.0	87.1%	2	2.8%	
Total	781	100.0%	6995.3	100.0%	3991.3	100.0%	307	39.3%	
Price as at end-May 2002 (HK\$)	(1) Number of Companies		(2) Aggregate Daily Turnover* (HK\$ mn)		(3) Aggregate Market Cap (HK\$ bn)		(4) Companies Reported a Net Loss		%(4)/(1)
		%		%		%		%	
Below 0.01	10	1.3%	1.8	0.0%	1.7	0.0%	10	100.0%	
0.01+ to 0.1	97	12.4%	105.5	1.5%	20.1	0.5%	76	78.4%	
0.1+ to 0.5	249	31.9%	391.4	5.6%	95.9	2.4%	145	58.2%	
0.5+ to 1	127	16.3%	311.9	4.5%	85.3	2.1%	39	30.7%	
Above 1	298	38.2%	6184.7	88.4%	3788.4	94.9%	37	12.4%	
Total	781	100.0%	6995.3	100.0%	3991.3	100.0%	307	39.3%	

Source: HKEx Monthly Trading Statistics; including only common shares. *Based on turnover in Jan-May 2002.

As Table 4 shows, in the first 5 months of 2002, not counting companies under long suspension, 197 or about 25% of the listed companies recorded an average daily turnover of less than HK\$0.1 million. Over 55% had an average daily turnover of less than HK\$1 million.

Table 3 in its last column also shows that market cap and stock price are negatively correlated with financial performance of the listed companies. 72 out of the 95 companies with market cap below HK\$100 million were loss-makers, whereas only 2 out of the 71 companies with market cap larger than HK\$5 billion reported losses. (These numbers are stated here purely as a matter of statistics without implying any relationship of cause and effect.)

Among the 107 companies with prices below HK\$0.1, 86 or 80% were reporting losses, compared to 12% for the companies traded above HK\$1.

Table 4 - Distribution of Main Board Companies by Average Daily Turnover (for the 5 months ending 31 May 2002)				
Range of Average Daily Turnover (HK\$ mn)	Number of Companies	%	Total Market Cap (HK\$ bn)	%
0*	14	1.8%	0.1	0.0%
0+ to 0.1	194	24.8%	66.3	1.7%
0.1+ to 0.25	85	10.9%	35.5	0.9%
0.25+ to 0.5	80	10.2%	38.8	1.0%
0.5+ to 1	70	9.0%	42.1	1.1%
1+ to 10	224	28.7%	306.6	7.7%
10+ to 100	103	13.2%	1042.0	26.1%
Above 100	11	1.4%	2459.8	61.6%
Total	781	100.0%	3991.3	100.0%

Source: HKEx Monthly Trading Statistics; including only common shares.
**Including 11 companies whose trading has been suspended throughout the 5 months ended 31 May 2002.*

In addition, the pricing mechanism of the trading system works less efficiently for penny stocks than for shares with higher nominal prices. Table 5 below sets out the minimum “spreads” our trading system imposes on quoting prices for any stock. For a stock with a nominal price of HK\$0.01, the next possible quoted price is HK\$0.001 higher, giving a 10% spread. This also means a HK\$0.01 stock would theoretically take 10 transactions to double in value to HK\$0.02. For a stock with a nominal price of HK\$0.10, the spread is 1% and it would theoretically take 100 steps to double in value. Indeed, in practice spreads are usually much larger than HK\$0.001 and a few transactions would suffice to cause substantial fluctuation to stocks in the extreme low price range.

Table 5 - Spread Table - Equity Securities

Price Range (HK\$)	Spread (HK\$)
0.01 to 0.25	0.001
0.25 to 0.50	0.005
0.50 to 2.00	0.010
2.00 to 5.00	0.025
5.00 to 30.00	0.050
30.00 to 50.00	0.100
50.00 to 100.00	0.250
100.00 to 200.00	0.500
200.00 to 1,000.00	1.000
1,000.00 to 9,995.00	2.500

Source: Rules of the Exchange, HKEx.

The size of a company is less important and less relevant than its performance. Small companies that perform well will grow big – just as many of today’s giants have done. The role of a stock market is to facilitate this growth.

The domestic economy of Hong Kong is small and relatively mature by global standards. Most of the sizeable and well-managed local companies that would be interested in going public have already been listed. This leaves 3 main groups of candidates for new listing.

The first group is Mainland enterprises, including H-share and Red-chip companies. Indeed, this has been the dominant group in recent years. In the time since 1996, the Hong Kong stock market helped raise, directly or indirectly, a total of about HK\$1 trillion, of which about HK\$600 billion were for H-share and Red-chip companies. The listing of these Mainland companies not only expanded the size of the Hong Kong market, but also broadened its coverage over a spectrum of industries. The larger scale and greater variety, in turn, helped to attract more local and international investors.

The second group of listing candidates includes the large companies in various public utility and infrastructure sectors. Listing of these entities is often in the nature of (at least partial) privatisation.

The third group for new listings in Hong Kong is the small and young companies. In the 6 years between 1996 and 2001, excluding H-share, Red-chips, and policy-driven privatisations, there were 203 new listings (not counting investment companies) on the Main Board. Of these, 149 companies, or 74%, had initial capitalization of less than HK\$1 billion. 79 companies, or 39%, were below HK\$300 million (a threshold lower than the US\$50 million required for the Nasdaq Small Cap Market).

As Table 6 shows, the amount of funds raised fluctuated widely with the global business cycles and with development in the Mainland. The portion of new equity funds raised that went to H-share and Red-chip companies increased from 26.9% in 1996 to a peak of 76.5% in 2000 (a significant part of which was the consideration shares one company issued to its parent in exchange for injection of assets), and then dropped to 42.9% in 2001.

Table 6 - New Listings Statistics for Main Board 1996-2001

	1996	1997	1998	1999	2000	2001	2002 (Jan-May)
Total New Equity Funds Raised (HK\$ bn)	100.0	247.6	38.3	148.1	451.3	58.6	13.4
- IPOs	31.2	81.7	6.0	15.6	117.3	21.6	2.6
- Rights	4.7	16.5	5.4	8.1	12.7	3.9	3.3
- Placing	46.1	78.2	16.4	69.3	106.2	11.6	3.1
- Others*	18.0	71.2	10.5	55.2	215.1	21.4	4.5
- % of Red chips/H Shares	26.9%	46.1%	54.7%	40.1%	76.5%	42.9%	16.5%
Number of Newly Listed Companies	49	82	32	31	43	31	27
- Red chips/H Shares	10	26	3	6	5	6	0

Source: HKEx. *Including warrants exercised, consideration issues, and share option schemes.

As Table 7 shows, many small cap companies listed in the last few years recorded lower earnings, lower share prices, and lower market capitalisation in the years following their initial public offering.

Table 7 - Post-Listing Performance

	Year of Listing						Total
	1996	1997	1998	1999	2000	2001	
Number of Total New Issues on Main Board	49	82	32	31	43	31	268
Number of Non H Shares/Red Chips/Policy Issues (Note)	38 ¹	56 ²	28	24	33	24	203
- Companies with lower market cap at end-May 2002	55%	75%	50%	41%	47%	25%	53%
- Companies with lower share price at end-May 2002	77%	92%	73%	45%	50%	33%	66%
- Companies with lower earnings for FY2001	67%	76%	86%	46%	61%	n.a.	69%
Change in Price	Average Change in Price from Listing to end-May 2002						
	- H share/red chips/policy issues	-13%	-22%	-15%	-5%	31%	14%
	- Non H share/red chips/policy issues	-40%	-64%	-17%	22%	17%	40%
	Change in Hang Seng Index in the Period						
	Overall Relative Performance to Index						
	- H share/red chips/policy issues	-16%	4%	-47%	11%	61%	27%
- Non H share/red chips/policy issues	-43%	-38%	-49%	38%	47%	53%	
Change in Turnover	Average Daily Turnover since Listing (HK\$ mn)						
	- H share/red chips/policy issues	14.19	36.27	15.07	24.19	114.58	33.51
	- Non H share/red chips/policy issues	5.20	2.25	2.36	4.53	2.96	4.09
	Average Daily Turnover in 2001 (HK\$ mn)						
	- H share/red chips/policy issues	11.78	39.33	25.01	17.65	99.30	23.69
- Non H share/red chips/policy issues	2.15	1.05	1.00	2.91	1.87	2.55	

Note: Investment companies excluded; ¹4 companies delisted as at 31 May 2002; ²1 company delisted as at 31 May 2002.

Table 8 sets out the number of new listings and delistings across the major markets. Delistings can happen on either a voluntary (due to merger and acquisition or privatisation) or involuntary basis (due to breach of relevant regulatory requirements). This table shows total figures and does not distinguish between the two different situations.

**Table 8 - Number of New Listing and Delisting
(main boards and parallel markets)**

Exchange	1996		1997		1998		1999		2000		2001	
	New Listing	Delisting	New Listing	Delisting	New Listing	Delisting	New Listing	Delisting	New Listing	Delisting	New Listing	Delisting
Hong Kong	49	8	82	7	32	10	38	10	90	8	88	11
Nasdaq	992	558	648	717	487	906	634	873	605	700	145	770
NYSE	278	98	273	171	205	194	151	254	122	286	144	214
London	397	320	254	235	202	292	187	336	399	299	245	287
Tokyo	61	19	51	19	57	32	75	30	206	45	93	48
Australian	75	63	87	58	63	60	128	63	175	56	80	76
Singapore	24	0	41	3	23	8	53	12	87	15	37	25
Taiwan	36	1	26	4	35	2	33	8	80	11	70	16
Korea	51	12	23	7	3	31	16	52	5	15	16	30

Source: FIBV statistics, Nasdaq website. Please note these figures include companies delisted voluntarily.

Statistics for regulatory non-compliance delistings are not generally available. Table 9 below sets out the Nasdaq figures. It shows that over 2,100 or 47% of the delistings were due to regulatory non-compliance.

Table 9. Number of Regulatory Non-Compliance Delistings (1996-2001)

	1996	1997	1998	1999	2000	2001
Regulatory non-compliance delistings	200	250	596	440	240	390

Source: Nasdaq.

As new listings in the Hong Kong stock market are often of small and less established companies, it is becoming more important for us to have an effective delisting mechanism to facilitate an orderly exit of companies that turn out to be poor performing. An accumulation of a large number of poorly performing penny stocks could erode the reputation of our market.

Discussion on the technical aspects of potential delisting mechanisms is beyond the scope of this paper. As a matter of simple international comparison, Appendix I and Table 10 below summarize the key quantitative requirements for admission and continuing listing in a number of leading markets. The tables provide some general pointers to areas where our current quality-control regime could be improved:

- Hong Kong's HK\$100-million minimum market capitalization for initial listing is low compared to the requirements of other major stock exchanges. In particular, it is significantly lower than the US\$50 million (HK\$390 million) required for the Nasdaq Small Cap Market.
- Furthermore, Hong Kong's 100 minimum shareholders requirement is the lowest among all markets. The standards on other exchanges are 400 for Nasdaq and Australia, 1000 for Tokyo, Mainland, Taiwan, Singapore, and 2000 for NYSE.
- While most exchanges do not have elaborate quantitative delisting criteria such as minimum trading price and minimum market capitalization, several aggressive ones, including both NYSE and Nasdaq, Neuer Markt in Germany, and the exchanges in Mainland China are following this approach for better operability.

Table 10. Comparison of Delisting Criteria

Quantitative criteria	Nasdaq		NYSE	Neuer Markt	Mainland China
	National Market	Small Cap Market			
1 Trading price	√	√	√	√	
2 Market capitalisation	√*	√*	√*	√	
3 Shareholders' equity	√*	√*	√*		
4 Total assets	√*				
5 Revenue	√*				
6 Profit		√	√		√
7 Public float	√	√	√		
8 Number of shareholders	√	√	√		
9 Number of market makers	√	√	√		
Specific qualitative criteria					
1 Corporate governance	+	+	+		
2 Bankruptcy / liquidation	+	+	+	√	
3 Qualified opinion or "going concern" emphasis in accounts	+	+	+		
4 Failure to make periodic filings / reports	+	+	+		
5 Failure to observe good accounting practice			+		
6 Unsatisfactory financial conditions			+		
7 Inability to meet debt obligations/finance operations			+		
8 Abnormally low selling price or volume of trading			+		
9 Reduction in operating assets and/or scope of operation			+		

* Alternative criteria in a single test; ∅ Criterion leading to definite delisting; + Criterion leading to potential delisting.

For Hong Kong, Listing Rules Practice Note 17 refers to “companies not having sufficient operations to warrant continued listing”. In the 4 years the procedures have been in place, 6 companies have been delisted, on average taking 36 months from the time of being identified as without sufficient operations. In one case, the process took 62 months.

Some argue that delisting would deny existing shareholders the opportunity to exit. But one should consider the interest of the investing public as a whole. Furthermore, the rescue of a listed company in dire trouble typically involves issuance of a large amount of new shares at deep discount and substantial dilution to the existing public shareholders, who actually receive very little value in the end.

The future of Hong Kong as an international financial centre depends on its ability to maintain and improve the quality of its market. Quality is one of our key fundamental competitive advantages.

Market discipline helps discover well performing companies and facilitates their growth. A necessary by-product of this is the exit of poor performing companies. It is important for us to have an effective delisting mechanism to facilitate an orderly exit of companies that are no longer suitable for listing. The accumulation of a large number of these companies runs counter to the interest of the investing public and could seriously affect the reputation of the Hong Kong market.

Appendix I

Quantitative Requirements for Admission and Delisting in Major World Markets

	Capital requirements	Profit	Operating history	Minimum market cap	Minimum public float	Dispersion of shareholders	Minimum management shareholdings	Delisting criteria
Hong Kong								
Main Board	N/A	Profits of HK\$50 M in the latest three financial years (HK\$20 M in the most recent year and an aggregate of HK\$30 M for two preceding years)	3 financial years	HK\$100 M	HK\$50 M or 25% of the issued share capital, whichever is higher	Minimum 100, with not less than three holders per HK\$1M	N/A	Financial difficulties; insufficient assets; insufficient public float
GEM	N/A	Not required	2 years of active pursuits of focused line of business	N/A	20%-25%	100	35%	Similar to main board
Mainland, China								
Main Board	Rmb50 M	Profitable for three consecutive years	3 years	N/A	15%-25%	At least 1,000 each holding at least shares worth RMB1,000 (at par value of Rmb 1)	N/A	3 consecutive years of loss and no hope of recovery
Proposed new market	Net tangible asset Rmb8 M	Pre-tax profit Rmb2 M or audited aggregate revenues Rmb5 M (for latest 2 years)	2 years with focused line of business	Rmb20 M	25%	Not required	35%	Monthly share turnover ratio below 1% for 90 days; price/share remains below Rmb 1 for last 6 months, etc
Taiwan								
Taiwan Stock Exchange	Paid-in capital NT\$300 M	Pre-tax net profit for latest two years represents 6% or greater of the paid-in capital	5 years	N/A	N/A	1,000 registered shareholders; at least 500 holders holding >20% of total issued shares	N/A	Net liabilities, etc
GreTai Securities Market (formerly "Taiwan OTC Market")	Minimum paid-in capital NT\$50 M	Annual operating and pre-tax income exceeding 4% of paid-in capital and no accumulated losses for its latest fiscal year	3 years	N/A	Above 10% of total issued shares	300 registered shareholders holding 1,000 to 50,000 shares	N/A	N/A
Taiwan Tiger*	Paid-in capital exceeding NT\$30 M, or net asset value above NT\$2 Bn	No accumulative losses	1 year	N/A	N/A	300 registered shareholders holding 1,000 shares or more	N/A	N/A

	Capital requirements	Profit	Operating history	Minimum market cap	Minimum public float	Dispersion of shareholders	Minimum management shareholdings	Delisting criteria
US								
NYSE	US\$60 M (equity or market value of public shares)	Pre-tax income: Most recent year--US\$2.5 M; each of the preceding year--US\$2 M; Or Aggregated for the last 3 years--US\$6.5 M; Minimum in the most recent year--US\$ 4.5 M; Or Aggregated adjusted cashflow for the last 3 years-US\$25 M	N/A	US\$60 M (equity or market value of public shares)	1.1 M shares	2000 round lot holders; or 2200 total shareholders and average monthly trading volume for last 6 months > 100,000 shares; or 500 total shareholders and average monthly trading volume for last 12 months > 1 M shares	N/A	Market cap <US\$50 M; or shareholders' equity <US\$50 M; or average global market cap for 30 consecutive days <US\$15 M. Public shares <600,000; Closing price <US\$1; Round lot shareholders <400; or Total shareholders <1200 and average monthly trading volume for last 12 months < 100,000 shares
Nasdaq National Market	Standard 1-- Shareholders' equity US\$15 M	US\$1 M (pre-tax income)	N/A	N/A (Minimum bid price US\$5)	US\$8 M (or 1.1 M shares)	400 round lot holders	N/A	Asset-N/A Market cap<US\$10 M Public float<US\$5 M Shareholders<400 Minimum price <US\$1; or Market maker<2
	Standard 2-- Shareholders' equity US\$30 M	N/A	2 years	N/A (Minimum bid price US\$5)	US\$18 M (or 1.1 M shares)	400 round lot holders	N/A	Market cap/Total assets/Total revenue < US\$50 M; Public float <US\$15 M Shareholders <400 Minimum price <US\$3; or Market maker <4
	Standard 3-- US\$75 M (NAV)	N/A	N/A	N/A (Minimum bid price US\$5)	US\$20 M (or 1.1 M shares)	400 round lot holders	N/A	Must meet at least one set of continued listing standard to maintain listing
Nasdaq SmallCap	US\$750,000 (net income); Shareholders' equity US\$5 M; or market cap US\$50 M	See capital requirement	1 year	US\$50 M (Minimum bid price US\$4)	1 M shares	300 round lot holders	N/A	Net income <US\$500,000; Market cap <US\$35 M or Shareholders' equity <US\$2.5 M; Public float <500,000 shares; Minimum price <US\$1; Market makers <2; or Shareholders <300

	Capital requirements	Profit	Operating history	Minimum market cap	Minimum public float	Dispersion of shareholders	Minimum management shareholdings	Delisting criteria
Japan								
Tokyo Stock Exchange	Shareholders' equity: at least JPY 1 Bn	Pre-tax profit--- last. 2 years (i) 1 st year: JPY 100 M (ii) 2 nd year: JPY 400 M	3 years	At least 4,000 units (One unit =amount of shares with ONE voting right)	20-25%	800-1,000 shareholders	<80% at the time of listing; <75% by end of the first business year after listing	Shares <4,000 units; 75% shares held by "special few" for last 2 years; Average monthly trading volume <10 units for the recent year or no trades for last 3 months; Excess liabilities continued for last 3 years
JASDAQ 2 segments: Proper OTC Issue	Proper: JPY 200 M (NAV for latest accounting year)	Net profit for the most recent audited year	Need to submit two years audited accounts	N/A	N/A	300-500	N/A	N/A
	Special: N/A	N/A	N/A	JPY 500 M	N/A	300-500	N/A	N/A
MOTHERS	N/A	N/A	N/A	JPY 500 M	At least 1000 trading units	N/A	N/A	No. of shareholders <150 for over a year and excess liabilities for past three years
Singapore								
Singapore Stock Exchange: Three Alternatives	Alternative I: N/A	Pre-tax profit: S\$7.5 M over the last 3 consecutive years, with S\$1 M in each of the 3 years	3 years	N/A	25% if market cap <S\$300 M; 20% if market cap between S\$300 M and 400 M; 15% if market cap between S\$400 M and 1000 M; 12% if market cap larger than S\$1000 M	1,000	N/A	Public shares < 10% for 3 months
	Alternative II: N/A	S\$10 M for the latest 1 or 2 years	N/A	N/A	Same as above	Same as above	N/A	Same as above
	Alternative III: N/A	N/A	N/A	S\$80 M at IPO	Same as above	Same as above	N/A	Same as above
SESDAQ	N/A	N/A	N/A	N/A	N/A	500,000 shares or 15% held by 500 shareholders	N/A	Same as main board

	Capital requirements	Profit	Operating history	Minimum market cap	Minimum public float	Dispersion of shareholders	Minimum management shareholdings	Delisting criteria
Australia								
Australian Stock Exchange	(1) Net tangible asset at least A\$2 M for domestic entities	Aggregated profit from continuing operations for last 3 years must be at least A\$1 M, and consolidated profit from continuing operations for past 12 months before admission must exceed A\$400,000	3 years	A\$10 M	25%	400-500 holders each holding shares worth at least A\$2,000	N/A	N/A
(1) Domestic entities (2) Foreign exempt listing								
	(2) A\$50 M in net tangible asset	At least A\$10 M for each of last 3 full financial years	3 years	N/A	N/A	1,000 holders each holding shares worth at least A\$500	N/A	N/A
Korea								
KOSDAQ	Level I: Won 500 M	Net income	3 years	N/A	30%; or 10% if shares exceeding 500 M	500	N/A	N/A
Three Levels								
	Level II: shareholder equity Won 10 Bn or total asset Won 50 Bn	N/A	N/A	N/A	30%; or 10% if shares exceeding 500 M	500	N/A	N/A
	Level III: N/A	N/A	N/A	N/A	30%; or 10% if shares exceeding 500 M	500	N/A	N/A
UK								
London Stock Exchange	N/A	N/A	3 years	£700,000	25%	N/A	N/A	Public shares below 25%
Germany								
Neuer Markt	Euro 1.5 M in shareholders' equity	N/A	3 years	Euro 5 M; IPO par value Euro 250,000 and total 100,000 shares or more	25% (minimum 20% if IPO size under Euro 100 M; 10% if IPO size over Euro 100 M)	Not less than 20% if issue volume is under Euro 100 M; not less than 10% if issue volume is over Euro 100 M	N/A	Price below Euro 1 for 30 consecutive trading days, at same time market cap less than Euro 20 M, and during the next 90 trading days the issuer fails to exceed the above two threshold values for at least 15 trading days

Sources: Company Law of the PRC (29/12/1993); Draft Documents for SZSE New Market, Shenzhen Stock Exchange (06/2001); Collection of Taiwan Securities and Futures Regulations(10/2001); and websites of relevant securities regulators and stock exchanges.

*TIGER is the short form of the Taiwan Innovative Growing Entrepreneurs, officially opened on March 1, 2000 by the Taiwan OTC Market.