

TARGET

Intelligence Report

VOLUME XXII No. 123

S A T U R D A Y

June 13, 2020

**SINGAPORE FOOD HOLDINGS LTD:
MANAGEMENT KNEW FROM THE START
THAT THE NET PROCEEDS, DERIVED FROM THE IPO,
WOULD BE FAR LESS THAN LISTING EXPENSES**

The flotation of the Shares of Singapore Food Holdings Ltd () (Code: 8496, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) represented yet another example of the senior management of a limited liability company, desperately requiring its international status to be elevated from that of a privately held company to that of a publicly listed company.

This was made very apparent on scanning the Share Offer Prospectus of the Company, dated Wednesday, April 29, 2020.

At Pages 306 through to 309 of the Share Offer Prospectus, one was informed as to Management's determination in selecting the secondary equity market (the **GEM**) of the **H**ongkong **S**pecial **A**dmistrative **R**egion (**HKSAR**) of the **P**eople's **R**epublic of **C**hina (**PRC**) to have its shares listed instead of the selection of one of the two equity markets of The Republic of Singapore.

As the name of this Company implies, Singapore Food Holdings Ltd is a Singapore-based food and beverage group, operating exclusively in the 709 square kilometre area of The Republic of Singapore, the home to some 6.21 million, men, women and children.

The Company's operations, comprising bakeries and restaurants, had, throughout its history of just seven years, relied on internal resources and external debt financing to keep creditor wolves at bay.

The Company has no bricks and mortar or other acceptable assets that could be used as collateral in order to satisfy bankers' requirements for extended financial assistance.

In the past, the two Controlling Shareholders had issued personal guarantees in order to satisfy banks' lending requirements, but there is a limit to the financial ability of the Controlling Shareholders, too.

The Singapore Exchange Ltd (SGX) operates two equity boards, the Mainboard and the Catalist.

However, Singapore Food Holdings Ltd has been unable to satisfy the criteria to be listed on either of these boards.

Hence, Management was forced to turn to the GEM in order to elevate its status to that of a publicly listed company on one of the largest, international equity markets of the world, today.

At Page 307 of the Share Offer Prospectus, one was told:

'... Having considered: (a) the inherent limitation on the amount of debt that we may be able to raise; (b) the interest expenses on debt financing that would be incurred; (c) the uncertain economic factors such as a rise in interest rate; and (d) possible covenants attached to the additional debts which may limit further financing activities, our Directors believe that equity financing is preferable to us and the Share Offer (on the GEM) represents a good opportunity for our Group to tap into the capital market which provides a more cost effective fundraising platform to support our business development plan in the future;

'Our Directors believe that upon Listing (on the GEM), our Group's corporate profile will be enhanced and our brands' awareness will be increased. Since a public company is generally viewed to have well established internal and quality control systems, prospective customers may place greater confidence in us and be more willing to try our food products. Also, our current and prospective suppliers and landlords may prefer to do business with a company listed on a credible stock exchange for the reason of its obligation to publish financial statements regularly and make announcements for any material information in respect of its business development on an ongoing basis. Further, we may even enjoy greater bargaining power in negotiating terms with our suppliers and higher success rate in obtaining a satisfactory shop from potential landlords.'

The Initial Public Offering (IPO) Of Singapore Food Holdings Ltd

On Wednesday, April 29, 2020, Management of Singapore Food Holdings Ltd published and disseminated its Share Offer Prospectus in the HKSAR.

The Share Offer comprised a total of 60 million, one-cent Offer Shares at the Indicative Offer Price Per Share, ranging from a low of 90 cents to a high of \$HK1.10.

In the Public Offer Shares tranche, HKSAR Investors were Offered the opportunity to subscribe to six million Offer Shares while 54 million Placing Shares, obviously aimed at Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with the corporate entities in which this class of investor holds equity control, were induced to subscribe to the Placing Shares tranche.

On Friday, May 15, 2020, Management of Singapore Food Holdings Ltd announced that the Offer Price Per Share had been struck at 90 cents – a lowest, acceptable level to Management insofar as the Indicative Offer Price had indicated.

In the public Announcement of the Offer Price and the Allotment Results, it was stated that the net Proceeds of the Share Offer were estimated at \$HK23.90 million.

The Public Offer Shares tranche had been 16.40 times the six million Offer Shares, initially available under this tranche.

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