Can MAS reforms halt the decline of the Singapore equities market?

BY **LEE OOI KEONG**

As the Monetary Authority of Singapore's (MAS) Equities Market Review Group approaches its August 2025 deadline, the Singapore Exchange (SGX) stands at a critical juncture. With 16 companies announcing delistings in 2025 against a solitary initial public offering (IPO) that raised a mere $6 million through private placement, the exodus of listed entities poses an existential threat to Singapore's status as a leading financial hub in Asia.

Since its formation in August 2024, the MAS Review Group, alongside SGX Regulation (SGX RegCo), has unveiled a series of measures to reverse this trend. Yet, a fundamental question persists: Do these reforms tackle the root causes of market stagnation, or are they superficial fixes that overlook investor needs?

The rescue plan: MAS and SGX reforms

The first set of measures, announced on Feb 21, included a $5 billion Equity Market Development Programme (EQDP) for co-investment with asset managers in SGX-listed equities, tax exemptions reducing the effective rate to 13.6% (from 17%) for fund managers investing in local stocks, and revisions to the Global Investor Programme (GIP) mandating $50 million investments in SGX mid-caps by new family offices.

Building on this, the latest proposals on May 15 focus on IPO processes and listing criteria. MAS seeks to streamline prospectus disclosures for primary listings by prioritising "core information that are most relevant and material for investors", while aligning secondary listing standards with the International Organization of Securities Commissions (IOSCO) framework. The removal of third-party expert confirmation for profit forecasts and legislative changes to enable earlier investor outreach aim to lower compliance costs.

SGX RegCo complements these with plans to reduce the Mainboard profit test threshold from $30 million to $10–12 million, and abolish the financial watchlist for loss-making firms, streamlining admission criteria to focus on financial position and track records while emphasising disclosures, refining suspension approaches, and adopting a disclosure-based regime with private engagement over public queries. While framed as a "pro-enterprise stance" to bolster investor confidence, critics warn that easing standards risks admitting lower-quality issuers, reminiscent of past market failures.

Collectively, these proposals target a range of beneficiaries — fund managers, mid-cap issuers, growth-stage companies, and SGX itself — by enhancing liquidity and lowering entry barriers.

ALBERT CHUA/THE EDGE SINGAPORE

MAS must reassess whether public equity is suitable for growth-stage SMEs, given high listing costs and organisational immaturity at low profit thresholds like $10–12 million

A flawed marketplace: SGX's structural challenges

To understand the broader implications, imagine the SGX as a supermarket where listed companies are suppliers, investors are shoppers, and SGX serves as both manager and quality inspector, with MAS as the overarching regulator.

Currently, this supermarket suffers from a dual crisis: suppliers are departing (16 delistings as of May 2025), and shoppers are scarce, disillusioned by substandard goods — 40% of listed issuers are loss-making. Corporate shoppers are even rarer, with only a small fraction (less than 12%) of SGX-listed issuers deemed investable by institutional standards.

Rather than enforcing stricter quality controls, MAS and SGX RegCo propose easing supplier entry (lower profit thresholds), offering subsidies (EQDP co-investments), and mandating purchases by select buyers (GIP revisions). Meanwhile, the shift to a disclosure-based regime — where suppliers self-report product flaws in fine print, places the onus on shoppers to detect issues, while scrapping the watchlist — ensures defective goods evade public scrutiny, all under a declared "pro-enterprise" and "lighter-touch enforcement" approach to attract overseas suppliers.

This strategy echoes past historical missteps, notably during the early 2000s when over 150 Chinese firms, known as S-chips, listed on SGX, only for a majority to be suspended or delisted amid fraud and governance scandals involving entities like Celestial Nutrifoods, China Hongxing and one infamous 2009 episode where China Sun Bio-Chem Technology claimed its account books were lost after the truck ferrying them was stolen.

Falling short: Critical gaps in reform efforts

What is conspicuously absent from the MAS Review Group's agenda is a robust investor protection framework. Unlike consumers safeguarded by the Consumer Protection (Fair Trading) Act (CPFTA), which offers redress through bodies like the Consumers Association of Singapore (CASE), Competition and Consumer Commission of Singapore (CCCS), Singapore Tourism Board (STB) and Financial Industry Disputes Resolution Centre (FIDReC), minority investors lack equivalent recourse. Section 216 of the Companies Act places the burden of proving oppression on investors, with no financial ombudsman or class-action mechanism available.

Second, the "comply or explain" regime, often criticised for enabling superficial explanations of governance lapses, further erodes confidence in enforcement — a concern amplified by SGX RegCo's status as a wholly-owned SGX subsidiary, compromising true independence and mirroring SMRT's past challenges in balancing commercial and public service obligations. Suggestions that institutional investors can step in to enforce

CONTINUES NEXT PAGE

Analysis of the MAS review team and SGX Regco proposals and beneficiaries

Date	MAS Review Team & SGX Regco Proposal	Beneficiaries	Observations
2 Aug 2024	MAS establishes Equities Market Review Group to "recommend measures to strengthen the development of Singapore's equities market." Focus areas: a) Promote development of SGX-listed companies, b) Review regulatory approach, c) Attract primary/secondary listings, d) Facilitate product offerings and improve liquidity, e) Propose outreach strategies.		
21 Feb 2025	MAS Review Team - First Set of Measures: • **S$5 Billion EQDP fund:** "Co-investment with selected asset managers focusing on Singapore equities."	• **Fund managers** • Mid-cap **issuers** • **SGX**	• Aims to deepen liquidity and attract listings, but scale is too small to be effective (i.e. EQDP at 0.56% of SGX's S$900B market cap)
	• **Tax Incentives:** "Tax exemption for qualifying income derived by fund managers from managing or advising funds that invest in Singapore-listed equities."	• **Fund managers** • **Issuers** • **SGX**	• Reduces effective tax rate for fund managers to to 13.6% (from 17%). However, Dubai's 9% corporate tax and Hong Kong's 0% offshore fund taxes are still lower.
	• **Global Investor Programme (GIP) Revisions:** "GIP applicants investing under the family office option will now have to deploy at least $50 million into equities listed on approved Singapore exchanges."	• Mid-cap **issuers** • **SGX**	• Aims to force more investments into SGX but scale is too small to be effective (i.e. 10-15 GIP companies only adds +0.25% to ADTV)
15 May 2025	MAS Review Team Proposals - Streamlining IPO Rules & Processes: • **Primary Listings Disclosures:** "Issuers will focus on the disclosure of core information that are most relevant and material for investors." • **Secondary Listings Disclosures:** "Aligning disclosure requirements with baseline international disclosure standards… specifically, the IOSCO International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers." • **Profit Forecast Removal:** "Remove the requirement for such a third-party expert to the issuer's board to confirm an issuer's profit forecasts" • **Early Investor Outreach:** "Proposing changes to existing legislation to allow issuers to gauge investor interest earlier in the IPO process. This will support bookbuilding efforts as well as give investors more time to familiarise themselves with the issuers and their intended offers."	• Prospective **issuers** (primary and secondary listings). • **SGX**	• Reduces compliance costs and barriers to listing, potentially increasing IPO activity. • However, simplified disclosures and removal of third-party attestations may reduce investor protection and transparency.
	SGX RegCo Complementary Measures - Listing Admission and Post-Listing Disclosure Changes: • **Lower Profit Test:** "Lowering the profit test for Mainboard listings from S$30 million to S$10-12 million." • **Remove Financial Watchlist:** "Proposes scrapping watchlist for loss-making companies with continued disclosure of losses; shift from public queries to private engagement for unusual trading activity." • **Streamline admission criteria:** "maintain a prescriptive approach only in critical areas such as an applicant's financial position and the track record of its directors, management and controlling shareholders. For other matters, the emphasis would be on ensuring companies provide relevant and robust disclosures to support informed investor decisions." • **Refine Suspension Approach:** "Refining suspension approach for issuers." • **Disclosure-Based Regime:** "Moving further towards a disclosure-based regime."	• Growth, SMEs, and loss-making **issuers**. • **SGX**	• Eases listing barriers, potentially increasing listings but risks admitting lower-quality issuers (40% of listed issuers unprofitable), similar to influx of S-chips in the 1990s, most of which have blown up. • Watchlist removal and light touch enforcement reduces transparency for investors and allows poor quality companies to stay hidden for longer. • Disclosure-based system without robust investor safeguards, corporate governance and minority investor protection rights increases the likelihood of superficial and boilerplate disclosures with no avenues for minority shareholders to hold dishonest issuers accountable.

FROM PREVIOUS PAGE

standards in a disclosure-based regime lack historical support, as seen in the S-chip implosion in the 2000s and the Hyflux debacle with no intervention by institutional investors despite years of financial distress. The Catalist board, where sponsors earn fees regardless of company performance, continues to harbour zombie listings, with 57% of firms unprofitable. These precedents underscore a persistent governance deficit that current proposals fail to address.

Third, instead of lowering listing admission standards, admission standards for listed issuers should be raised. Loss-making listed companies for more than three years should be de-listed instead of being transferred to the Catalist board whether they remain as zombie companies. Simply removing the 40% of loss-making SGX-listed companies would immediately improve the overall quality of the Singapore stock market.

Rather than adopting a “pro-enterprise stance” at all costs enabling growth and SME issuers to raise public funds more easily, it is more meaningful to ask whether raising public equity is the right move for a growth company given its relatively young stage of maturity. The issue is not whether any growth or SME issuer is able to list on the SGX Mainboard, but rather the ability to sustain their share price over time.

Many SMEs at a young stage of growth are simply not ready for the challenges of being a listed company, whether from an organisational, management or capital structure perspective. And with only a relatively low profit threshold of \$10–12 million, total IPO and ongoing listing costs are a heavy burden for a growth or SME company. The cost of equity is expensive, and in many cases, not appropriate for a young and growing company. However, most will fail to sustain their share price over time.

Historical precedence amplifies this concern: Catalist was launched in 2007 to enable fast-growing SMEs to tap public funding. However, 86% of Catalist stocks trade below their day one closing price, 57% are loss-making, and 40% have lost nearly all value. Over the past decade, only nine Catalist companies have advanced to the Mainboard (two have since been suspended or on watchlist). However, 17 Mainboard companies were demoted to the Catalist board over the same period, highlighting the board’s transformation from a growth platform into a repository for underperforming issuers.

Fourth, liquidity constraints compound these issues. With 95% of trading concentration of trading in stocks above \$1 billion in market capitalisation, the limited free float — 80% of listed companies in Singapore have free floats of less than one-third of their shares — stifles market depth, hampering the impact of initiatives like the EQDP. Even massive fund deployment cannot overcome the lack of tradable shares beyond index stocks, a structural barrier to revitalising SGX’s vibrancy.

Hence, rather than allowing issuers with 100% private placement and no public float to list, SGX should be mandating a minimum public free float of about 40 % to 50% in order to improve trading liquidity.

Facing the competition: Regional disparities

Regional comparisons underscore the stakes for Singapore. Hong Kong’s exchange (HKEX), despite political headwinds, benefits from mainland capital flows and a 0% offshore fund tax rate, outpacing Singapore’s 13.6% effective rate even after exemptions. HKEX’s ADTV or average daily trading volume of about \$34 billion dwarfs SGX’s \$1.2 billion — a disparity of over 28 times that of SGX— fuelling a self-reinforcing cycle of listings and trading activity in Hong Kong, a dynamic SGX struggles to replicate.

On the other hand, Bursa Malaysia exhibits stricter enforcement, historically fining 179 directors a total of RM32.4 million between 2014 and 2020, signalling a firmer regulatory stance than SGX RegCo’s less frequent actions which have been criticised as insufficiently rigorous compared to regional peers contributing to perceptions of weak regulatory oversight in Singapore.

Charting a turnaround: Essential reforms for MAS

As the Review Group nears its mandate’s end, its strategy prioritises issuer incentives over structural reform. While easing listing barriers and injecting liquidity may spur short-term interest, they sidestep the core issue: restoring investor trust.

To secure a lasting revival, MAS must pivot in its final year-end proposals with targeted measures:

1. Establish an independent enforcement body free from SGX’s commercial interests to ensure rigorous oversight.
2. Mandate profitability timelines for listed firms, delisting loss-making companies after three years rather than transferring them to Catalist.
3. Enforce a minimum 40%–50% public free float to counter trading concentration and improve liquidity, rejecting listings with 100% private placement.
4. Introduce CPFTA-style protections for minority shareholders, including a financial ombudsman and class-action mechanisms to balance the scales.

Moreover, MAS must reassess whether public equity is suitable for growth-stage SMEs, given high listing costs and organisational immaturity at low profit thresholds like \$10–12 million. Catalist’s underwhelming track record, where only a fraction advance to Mainboard while many Mainboard firms are demoted, highlights the pitfalls of premature listings.

The group’s pledge to propose further measures by year-end — focusing on shareholder engagement, retail liquidity, and investor protection — offers a glimmer of hope. Without these reforms, SGX risks remaining a marketplace of empty aisles, where suppliers peddle substandard goods as shoppers seek better venues elsewhere. For a lasting revival of the Singapore equities market, the MAS Review Team must shift from subsidising suppliers to empowering the market’s true end-customer — the investor. E

Lee Ooi Keong is a senior accredited director with 30 years of experience in investments, corporate performance and governance. He is also the founder and managing director of Clover Point Consultants, an independent Board and C-suite advisory consultancy

Parkson Retail Asia breaks dividend drought. But is it jumping the gun?

BY FRANKIE HO
frankie.ho@bizedge.com

There’s no doubt e-commerce has dealt a blow to brick-and-mortar retail worldwide. With online shopping a fixture of modern living, many department store chains have had to reduce their retail footprint. Quite a few have even packed up entirely in some places.

In business for nearly four decades now, Parkson Retail Asia has seen its portfolio of department stores shrink by about half from its peak in 2017, when it had 70 outlets across Malaysia, Indonesia, Vietnam and Myanmar.

Today, all of the mainboard-listed department store operator’s 37 outlets are in Malaysia. In terms of total gross floor area, they take up 409,000 sq m, roughly the size of 76 football fields. That’s down from 809,000 sq m in 2017.

In addition to competition from online shopping, the Covid pandemic also played no small role in Parkson Retail Asia’s downsizing over the years. The combined impact of these two factors has been significant.

Revenue has been on a sustained decline since 2018, down 48% from \$414 million that year to \$215 million in 2024. The company returned to the black in 2021 after a four-year losing streak, but earnings have kept on falling since 2022, from \$29 million that year to \$24 million last year. As at March 31, 2025, it had \$21 million in accumulated losses.

While the pandemic is over, e-commerce still poses a threat to its stores to this day. Meanwhile, Malaysia’s rising cost of living and increasing economic uncertainty stemming from America’s trade tariffs are giving consumers reason to think twice before spending on non-essentials.

Against this backdrop, Parkson Retail Asia’s announcement on May 14 of a special interim dividend of 4 cents a share was a breath of fresh air. It reported that day a 21% increase in earnings to almost \$15 million for 1Q2025, but what really caught the attention of investors was the dividend, which will be paid on June 12. June 5 is the books’ closure date.

Parkson Retail Asia has no fixed dividend policy. The last time it declared a dividend was 2016. Besides its accumulated losses, its ability to pay dividends was also crimped by occasional short-term financial constraints.

In the last two years, for example, the company was profitable but ended up having more current liabilities than current assets. The bulk of its current liabilities are trade payables, which do not incur interest costs and are usually settled within 30 to 90 days.

Net current liabilities amounted to just over \$26 million at the end of 2023, before easing to \$0.9 million last year. The situation has since improved further. As at March 31, 2025, it had slightly more than \$17 million in net current assets. Cash and short-term deposits, totalling \$152 million, accounted for the lion’s share of its current assets. It typically has very little debt on its balance sheet.

The day after Parkson Retail Asia announced the special dividend, its share price more than doubled to 14.5 cents on huge volume. The payout of 4 cents a share, totalling \$27 million, represents half of its net asset value of 8 cents per share.

Finally on firmer footing?

Having exited the Singapore Exchange (SGX) watchlist on Oct 4 last year after being there since Dec 4, 2019, and now with its first dividend in nearly a decade, is Parkson Retail Asia finally on a much firmer footing? Or is the upcoming payout to shareholders premature?

Parkson Retail Asia is 68%-owned by Bursa-listed Parkson Holdings, whose single-largest shareholder is William Cheng Heng Jem. Cheng, 82, is the executive chairman of both companies as well as Hong Kong-listed Parkson Retail Group, a unit of Parkson Holdings that operates malls, department stores and supermarkets in China.

Cheng’s three daughters are all executive directors, each running a different company. Of the three companies, Parkson Retail Asia is the only one that showed improved revenue and profitability in the most recent quarter.

At its recent AGM on April 25, Parkson Retail Asia said its 37 department stores in Malaysia are all profitable and that it was in talks to expand its store count. All its outlets are leased on three-year terms, which can be renewed every three years for up to 15 years.

Parkson Retail Asia’s cash flows from operations are often robust. If it were to open more outlets, building up its cash pile further — currently at \$152 million — this will be helpful in servicing its lease liabilities, the largest liability on its balance sheet.

Lease liabilities made up 48% of its total liabilities of \$295 million as at March 31. Now that it is no longer on the SGX watchlist, banks may also look more favourably on the company if it needs financing.

No slowdown at Aeon

If the positive momentum of its key competitor in Malaysia is anything to go by, Parkson Retail Asia may have grounds for cautious optimism.

Bursa-listed Aeon, which operates 35 department stores, 28 malls and 47 Daiso outlets in Malaysia, is going ahead with plans to redevelop and expand Aeon Mall Kinta City in Perak. The project is expected to be completed within three years.

Development is also underway for a new two-storey mall adjacent to Aeon Mall Seremban 2. The group will also fast-track renovation works at a few department stores and malls this year.

Back to Parkson Retail Asia. While its dividend is refreshing and its exit from the SGX watchlist timely, the core challenge remains — staying competitive with e-commerce surging and rivals like Aeon continuing to push ahead. The real test starts now. Cash helps, but without bold moves and sharper execution, its rebound risks being little more than a blip. E