



## Taiwan Stock Market Opens to Foreign Issuers

Cayman Islands companies have long been used as listing vehicles on the major stock exchanges, including the Hong Kong Stock Exchange (the “**SEHK**”) and the Singapore Stock Exchange (the “**SGX-ST**”) in Asia, as well as in the US and UK.

In 2008, the Taiwan Stock Exchange (the “**TWSE**”) amended its regulations governing the listing of foreign enterprises to allow securities of non-Taiwanese companies to be listed on the stock markets of Taiwan. Since then, the TWSE has grown in popularity for international businesses. According to the website of the TWSE, the market capitalization of the TWSE has almost doubled from about NT\$14,400,000 million (approximately US\$488 billion) in September 2005 to about NT\$22,800,000 million (approximately US\$772 billion) in February 2011<sup>1</sup>. It is noteworthy that a vast majority of the foreign companies listed in Taiwan on the TWSE and the GreTai Securities Market (the “**GTSM**”) are Cayman Islands companies.

### Why list in Taiwan

Taiwan’s capital markets have developed significantly in recent years, due to TWSE’s efforts to liberalize Taiwan’s capital markets, and factors such as the strengthening of economic ties between Taiwan and Mainland China, and the signing of the economic cooperation framework agreement (ECFA). The attractions of higher P/E ratio, higher turnover ratio (trading value / market capitalization) and lower listing related fees<sup>2</sup> compared to some other exchanges in the region are some of the factors why many companies now choose to list on the Taiwan stock market.

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<sup>1</sup>TWSE official website: [http://www.twse.com.tw/ch/statistics/statistics\\_week.php](http://www.twse.com.tw/ch/statistics/statistics_week.php)

<sup>2</sup>TWSE official website: [http://www.twse.com.tw/ch/listed/alien\\_business/download/plan23.pdf](http://www.twse.com.tw/ch/listed/alien_business/download/plan23.pdf);

TWSE official website: [http://www.twse.com.tw/ch/listed/alien\\_business/download/advantage.pdf](http://www.twse.com.tw/ch/listed/alien_business/download/advantage.pdf)

## Types of Listing in Taiwan

Under the current Taiwan regulations:

A foreign company that has not listed its shares on any other stock exchange may apply for listing on:

- the TWSE; or
- the over-the-counter market (the “**OTC**”), operated by the GTSM,

depending on a number of factors including the duration of corporate existence, company size, profitability, etc. of such company.

A foreign company can, subject to certain exemptions, file an application for listing on the TWSE if, among other requirements:

- it has signed a consultancy contract with the underwriters and received counsel from the underwriters in preparation for the listing application for no less than six months; or
- it has registered for trading as emerging stock on the emerging stock market (the “**ESM**”), operated by the GTSM, for no less than six months.<sup>3</sup>

Alternatively, such foreign company can, subject to certain exemptions, file an application for listing on the OTC if, among other requirements:

- at least two securities firms have submitted written recommendations in favour of such application; and
- it has registered for trading as emerging stock on the ESM for no less than six months.<sup>4</sup>

A foreign company with registered shares being traded on one of the foreign stock exchanges (such as the SEHK and the SGX-ST) approved by the Competent Authority in Taiwan, may issue Taiwan Depository Receipts (“**TDRs**”) for listing on the TWSE or the OTC, and offer them for subscription by public investors. The trading of TDRs is similar to trading of shares on these stock exchanges.<sup>5</sup>

## Why Cayman

Over the years, the Cayman Islands has gained worldwide recognition as a jurisdiction of the highest quality and continues to preserve this position as confirmed by Moody’s Investor Services report of June 2009. There are many reasons why the Cayman Islands is the jurisdiction of choice for the establishment of listing vehicles, including:

- Flexibility in structure
- Speedy incorporation procedures
- Central Time location
- Cayman Islands has no capital gains, income, profits, corporation or withholding taxes
- Availability of world-class legal, accounting and other professional services in the Cayman Islands with presence in Asia
- Trustworthy and reliable legal system
- Stable and business oriented government
- No exchange control regulations

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<sup>3</sup>TWSE official website: [http://www.twse.com.tw/ch/listed/alien\\_business/download/manual\\_firsten.pdf](http://www.twse.com.tw/ch/listed/alien_business/download/manual_firsten.pdf)

<sup>4</sup>GTSM official website: [http://www.otc.org.tw/en/link/foreign\\_ipo.php](http://www.otc.org.tw/en/link/foreign_ipo.php)

<sup>5</sup>TWSE official website: [http://www.twse.com.tw/en/listed/alien\\_business/download/manual.pdf](http://www.twse.com.tw/en/listed/alien_business/download/manual.pdf)

## Successful Listings

Appleby has acted as Cayman counsel in many successful listings on the TWSE, GTSM and ESM, as well as TDR issuances. Recent matters include acting as issuer's counsel in WISDOM MARINE LINES CO., LIMITED (Code: 2637), the first Cayman-incorporated shipping group listed on the TWSE on 1 December 2010, following its registration on the ESM on 31 August 2009, and as underwriter's Cayman counsel in INTEGRATED MEMORY LOGIC LIMITED (Code: 3638), the first Cayman company listed on the TWSE on 18 May 2010.

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