

LEGAL UPDATE

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LEGISLATION UPDATE

SGX INTRODUCES WATCH-LIST FOR MAINBOARD COMPANIES

The Singapore Exchange Limited (the “**SGX**”) yesterday announced that it would be setting up a “watch-list” for companies listed on the SGX Mainboard (the “**watch-list**”).

The stated objective of the watch-list is to alert investors to the financial developments of listed companies under the watch-list and in so doing, heighten market transparency, improve the overall quality of listings and boost investor confidence in the marketplace.

New rules relating to the watch-list (the “**Rules**”) will be incorporated into the Singapore Exchange Limited Securities Trading Listing Manual (the “**Listing Manual**”).

The watch-list and Rules will take effect on **1 March 2008**.

The Rules

The Rules will be introduced in a new Part V of Chapter 13 of the Listing Manual.

Applicability

The Rules will apply to all issuers (“**Qualifying Issuers**”) listed on the SGX Mainboard other than investment funds (whether collective investment schemes or otherwise), real estate investment trusts, business trusts, global depository receipts and companies with secondary listings on the SGX.

Pre-watch-list announcements

Should a Qualifying Issuer record a pre-tax loss for the third consecutive financial year (based on the latest announced full year consolidated accounts, but excluding exceptional or non-recurrent income and extraordinary items), it must immediately announce this fact.

Placement on the watch-list

The SGX will place a Qualifying Issuer on the watch-list if it records both:

- (a) pre-tax losses for the 3 most recently completed consecutive financial years (based on the latest announced full year

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consolidated accounts, but excluding exceptional or non-recurrent income and extraordinary items); and

- (b) an average daily market capitalisation of less than \$40 million over the last 120 market days on which trading was not suspended or halted for a full market day.

Continued trading in securities

While the Qualifying Issuer remains on the watch-list, investors can continue to trade in its securities, unless a trading halt or suspension is or has been effected.

Post-watch-list announcements

A Qualifying Issuer which has been placed on the watch-list (a “**Watch-List Issuer**”) must:

- immediately announce this fact; and
- for the duration in which it remains on the watch-list, provide the market with quarterly updates on its financial situation (including its future direction or other material developments) and immediately announce any material development that occurs between such quarterly updates.

Removal from watch-list

A Watch-List Issuer can apply for removal from the watch-list if:

- it records a consolidated pre-tax profit for the latest completed financial year (based on the latest announced full year consolidated accounts, but excluding exceptional or non-recurrent income and extraordinary items) and has an average daily market capitalisation of \$40 million or more over the last 120 market days on which trading was not suspended or halted for a full market day; or
- it satisfies the SGX Mainboard admission criteria in Rule 210(2)(a) or 210(2)(b) of the Listing Manual (that is, by having either: (a) a cumulative consolidated pre-tax profit of at least \$7.5 million for the last 3 years and a minimum pre-tax profit of \$1 million for each of those 3 years; or (b) a cumulative consolidated pre-tax profit of at least \$10 million for the last 1 or 2 years).

The SGX has the discretion to reject the application for removal from the watch-list even if a Watch-List Issuer meets the above criteria if the SGX is of the view that there are other factors which justify keeping the Watch-List Issuer on the watch-list.

Delisting

Watch-List Issuers are encouraged to meet the criteria that justify their removal from the watch-list. If a Watch-List Issuer fails to submit an application for removal from the watch-list within 24 months of being placed on the watch-list, the SGX may either delist the Watch-List Issuer or suspend its securities with a view to delisting.

References

Please click on the links below for the following details:

1. [The SGX news release](#); and
2. [The new Rules \(Part V of Chapter 13 of the Listing Manual\)](#).

If you would like more information about this update or wish to discuss how the changes may potentially affect you or your business, please feel free to contact the corporate lawyers in Drew & Napier LLC (please refer to the Directors' Profiles on our website), or any of the following lawyers:

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