

LEGAL UPDATE

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LEGISLATION UPDATE**PROPOSED ALTERNATIVE LISTING RULES FOR LIFE SCIENCE COMPANIES****SGX's extensive consultation paper sets forth new listing rules for life science companies, amongst other proposed rule changes**

On 10 July 2008, the Singapore Exchange Limited (the "SGX") released a public consultation paper (the "**Consultation Paper**") that addressed various issues, including the alternative listing criteria for the listing of life science companies with no financial track record. Life science companies are capital intensive in nature and require funding at various stages of their business cycle. In view of Singapore's bid to become a hub for life science companies and in consideration of the unique business model of such companies, the SGX has proposed the implementation of a set of listing rules which are subject to public consultation. The closing date for the consultation is **7 August 2008**.

Listing Criteria

The proposed listing criteria applicable to life science companies are set out below:

- (a) the applicant must demonstrate its ability to attract funds from institutional investors, accredited investors or such other persons as contemplated under sections 274 and 275 of the Securities and Futures Act prior to its initial public offering ("**IPO**");
- (b) it must have a market capitalization or valuation of at least S\$30 million six months prior to the listing;
- (c) it must have as its primary reason for listing, the use of proceeds of the IPO to bring identified products to a stage where they can generate significant revenues; and
- (d) it must demonstrate that it has a three-year record of operations in laboratory research and development, and submit to the SGX the following:
 - (i) details of patents granted or details of progress of patent applications; and
 - (ii) information on the successful completion of, or the successful progression of, significant testing of the effectiveness of its products.

There is no need for an applicant to satisfy minimum profit criteria or have positive operating cashflow. However the applicant would still have to comply with other equity listing requirements under Rule 210 of the Singapore Exchange Securities Trading Limited Listing Manual (the "**Listing Manual**").

For example, it would have to ensure that all debts owing to the applicant and its subsidiaries and guarantor company, if any (collectively known as the “**Group**”) by the Group’s directors, substantial shareholders and companies controlled by them must be settled. “Debts”, in this context, has been clarified in the Consultation Paper to include third party indebtedness (such as contingent liabilities for guarantees and indemnities). The directors, management and controlling shareholders of the applicant would also have to demonstrate that they have the appropriate experience and expertise to manage the Group’s business and have to satisfy the Listing Manual’s character and integrity requirements.

Prospectus Disclosure Requirements

An applicant must disclose the following matters in its prospectus:

- (a) details of its operations in laboratory research and development, to the extent material to investors, including details of patents granted and in relation to its products, the successful completion of or progression of significant testing of the effectiveness of its products. If there are no relevant details, a negative statement should be provided. Where applicable, this information shall be provided in the line item of research and development, patents and licences;
- (b) details of the relevant collective expertise and experience of the key technical staff;
- (c) information on whether the applicant has engaged in collaborative research and development agreements with organisations of high standing and repute within the industry, to the extent material to investors. In the absence of such agreements, there should be an explanation on how such absence could affect the standing or quality of the applicant’s research efforts; and
- (d) a comprehensive description of each product, the development of which may have a material effect on the future prospects of the applicant.

Continuing Listing Obligation

An applicant that qualifies via the proposed listing rules must provide a quarterly announcement on its use of funds in the last quarter and its projected use of funds for the immediate quarter.

If you have any queries on this update or would like to provide your comments on the Consultation Paper to the SGX, please feel free to contact the banking and 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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The content of this article does not constitute legal advice and should not be relied upon as such. Specific advice should be sought about your specific circumstances.

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