

LEGAL UPDATE

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RULE UPDATE

SGX CONSULTATION PAPER: LISTING OF LIFE SCIENCE COMPANIES ON CATALIST

The Singapore Exchange Limited (the "SGX") has launched a public consultation on new listing rules (the "Proposed Rules") for non-commercialised life science companies to list on Catalist. A "non-commercialised life science company" ("NLSC") is defined as *"a life science company that has not commenced revenue-yielding commercial activities in its primary line of business"*, where revenue that is incidental to the primary business is excluded.

The consultation period will run from 11 February 2009 to 3 March 2009.

Purpose of the Proposed Rules

The Proposed Rules seek to make Singapore a more attractive hub for life science companies to set up business. Life science companies typically have a long gestation period before reaching product commercialisation and revenue-generation. They also carry a high investment risk. The Proposed Rules take into account the capital intensive nature of the industry and the associated risks. Additional measures have also been suggested to enhance transparency and provide for timely disclosure to investors.

Key features of the Proposed Rules

The key features of the Proposed Rules are briefly set out below.

New definitions

The term "non-commercialised life science company" has been introduced in the consultation paper (see the definition in first paragraph of this update). In addition, "life science company" has been defined as *"a company that is involved in research and development or production or commercialisation of any item using living organisms or their life processes, which is based on biology, medicine or ecology"*.

Additional listing criteria for NLSCs

In addition to the usual requirements for listing on Catalist, an NLSC applying for admission to Catalist ("NLSC listing applicant") will be required to meet additional listing criteria.

An NLSC listing applicant must have successfully raised funds from certain specified categories of persons prior to its initial public offering not

less than 6 months prior to the date of lodgement of its application. The specified categories include institutional investors, accredited investors and other relevant persons contemplated under sections 274 and 275 of the Securities and Futures Act (such as a corporation which is entirely owned by accredited investors and the sole purpose of which is to hold investments, or the spouse of a person making the offer).

Promoters of NLSC listing applicants wishing to list on Catalist have to observe a stricter moratorium requirement -- the promoter's entire shareholding at listing is to be held for at least 12 months after listing. This requirement is to be observed in place of the existing Rule 422(1) of the Catalist Rules, which states that the promoter's entire shareholding at listing must be held for at least 6 months after listing and no less than 50% of the original shareholding (adjusted for any bonus issue or subdivision) must be held for the following 6 months.

Other additional requirements which NLSC listing applicants may have to observe include possessing a sufficient track record in laboratory research and development and meeting different working capital adequacy requirements.

New offer document disclosure requirements

A new Practice Note 4C sets out offer document disclosure requirements which have to be complied with by NLSC listing applicants. These requirements are in addition to those set out in Rule 407 of the Catalist Rules.

The additional requirements include: details of the NLSC listing applicant's operations in laboratory research and development, details of the relevant expertise and experience of the NLSC listing applicant's key management, a comprehensive description of each product the development of which may have a material effect on the future prospects of the NLSC listing applicant, and others.

New continuing listing obligations

Under the new proposed Rule 705(6), a listed NLSC will be required to issue quarterly announcements on the use of funds for that quarter, projected use of funds for the next immediate quarter and material information on research and development activities undertaken. The SGX welcomes views on whether the quarterly reporting requirement is practicable, given the pace of development of NLSCs.

Sponsors to have access to technical expertise

A sponsor of an NLSC listing applicant or listed NLSC must ensure that it has access to technical expertise appropriate for the relevant field of life science and must continue to maintain access to such technical expertise for as long as it remains the sponsor for such NLSC. The sponsor must also observe disclosure requirements in respect of its reliance on the said technical expertise.

References:

1. **SGX Press Release dated 11 February 2009**
2. **Full text of the consultation paper**

If you have any queries on the consultation paper, or wish to discuss how the changes may potentially affect you or your business, please feel free to contact the corporate and finance lawyers in Drew & Napier LLC (please refer to the Directors' Profiles on our [website](#)), or any of the following lawyers:

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