

LEGAL UPDATE

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REGULATION UPDATE

CATALIST TRANSITION MEASURES

The Singapore Exchange Limited (the "SGX") has announced two measures to assist companies listed on Catalist which have yet to appoint a sponsor ("Catalist-NS companies"). The measures are intended to provide financial assistance and time extension to Catalist-NS companies in light of the current challenging economic climate. They consist of:

- (i) a loan guarantee scheme for payment of sponsor fees; and
- (ii) an extension of transition deadline through the introduction of share trading suspension.

These measures are the latest in a series of initiatives to facilitate the transition of Catalist-NS companies into Catalist's sponsorship regime since the launch of Catalist last February. Earlier measures included an early-bird engagement discount scheme, a forward engagement scheme and the requirement for quarterly progress reports on the appointment of sponsors. Please click [here](#) to read our earlier update on the quarterly reports and other transitional requirements for Catalist-NS companies.

Loan Guarantee Scheme

Catalist-NS companies can each obtain a one-time loan of up to \$50,000 to pay for their sponsors' fees. Hong Leong Finance will provide the loans. The SGX will guarantee 90% of each loan, subject to a total loan amount of \$5 million under the entire loan guarantee scheme (the "Scheme"). Further terms and conditions of the Scheme can be found in [Appendix 1](#) of the SGX Press Release.

Catalist-NS companies who apply for a loan under this Scheme will not need to pledge any other security or provide any other guarantee. The Scheme is open to all Catalist-NS companies, including those who have already engaged a sponsor.

Extension of Transition Deadline

Under existing Catalist Rules, Catalist-NS companies have until 5 February 2010 to engage a sponsor, failing which they may be delisted. Practice Note 14A has now been revised to provide that if Catalist-NS companies do not have a sponsor on 6 February 2010, their shares will be suspended from trading until 31 December 2010 or until they engage a sponsor, whichever is sooner. Catalist-NS companies without a sponsor after 31 December 2010 will be delisted. Please click [here](#) to refer to the latest revised Practice Note 14A.

This change grants Catalist-NS companies an extension of time after 5 February 2010 to either engage a sponsor or take other corporate action to maintain their listing status. However, the companies have to continue to issue the requisite quarterly progress reports and updates during the suspension period.

Comments

The loan guarantee scheme and the extension of time to engage a sponsor are likely to be welcomed by Catalist-NS companies which may currently find it financially challenging to shoulder the costs of a continuing sponsor. It is observed that out of the total number of Catalist-NS companies at Catalist's launch, about half of them still have not engaged a sponsor. However, it is encouraging to note that a significant majority of these companies have indicated to SGX their intention to appoint a sponsor before the transition deadline. Catalist-NS companies should also bear in mind that the Catalist Rules would require them to appoint a sponsor should they wish to undertake any major corporate actions such as fund raising from shareholders or the investing public, major acquisitions and disposals of assets, interested person transactions that will require shareholders' approval and schemes of arrangement.

References

Please click [here](#) to read the SGX Press Release dated 24 July 2009.

If you have any queries on this update, or wish to discuss how it 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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The contents of this article do not constitute legal advice and should not be relied on as such. Specific advice should be sought about your specific circumstances.

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