

**SINGAPORE EXCHANGE LIMITED**

**PUBLIC CONSULTATION**

**PURSUANT TO SECTION 23(2) OF THE SECURITIES AND FUTURES ACT AND  
REGULATION 19(2) OF THE SECURITIES AND FUTURES (MARKETS)  
REGULATIONS 2005, THE EXCHANGE HEREBY CONSULTS ITS  
PARTICIPANTS ON THE PROPOSED AMENDMENTS TO ITS LISTING MANUAL**

**PROPOSED INTRODUCTION OF A WATCH-LIST AND LISTING RULE  
AMENDMENT RELATING TO EXIT OFFER IN A DIRECTED DELISTING**

DATE ISSUED:	23 May 2007
DEADLINE:	20 June 2007
CONTACT PERSON (FOR QUESTIONS):	Charles Poon Wai Hong Assistant Vice President, Listings Tel: 6236 8182  Ruth Tan Senior Associate, Issuer Regulation Tel: 6236 8876  Singapore Exchange Limited 2 Shenton Way, #19-00, SGX Centre 1, Singapore 068804

## CONTENTS

<b>Introduction .....</b>	<b>3</b>
1. Scope of the Consultation Paper	3
2. Introduction of a Proposed Watch-list	3
3. Proposed Amendment to the Listing Rules	3
4. References	3
<b>Details of the proposals .....</b>	<b>4</b>
1. The Introduction of a Watch-list	4
2. Exit Offer in a Directed Delisting	7
<b>Annexure A: Proposed amendment to the Listing Rules .....</b>	<b>9</b>

**1 SCOPE OF THE CONSULTATION PAPER**

- 1.1 This Consultation Paper discusses two proposals relating to the regulation of issuers on the Official List that are currently being considered by the Exchange.
- 1.2 The Exchange invites comments on the proposals. The proposals may change in response to comments, or otherwise.

**2 INTRODUCTION OF A PROPOSED WATCH-LIST**

- 2.1 Section II of this Consultation Paper sets out the Exchange's proposal to introduce a watch-list for issuers listed on the SGX Mainboard which have recorded continuous losses for a prolonged period and are unable to maintain the proposed minimum market capitalisation.
- 2.2 A discussion of the objectives and features of this proposed watch-list is set out on pages 4 and 5.

**3 PROPOSED AMENDMENT TO THE LISTING RULES**

- 3.1 Section III of this Consultation Paper sets out the proposed amendment to the listing rules to require an exit offer to be made to the existing shareholders of an issuer in the event that the Exchange exercises its discretion to remove an issuer from the Official List. Details of the proposed listing rule amendment are set out on page 7. The listing rule (reflecting the proposal as if implemented) is reproduced in Annexure A.
- 3.2 Amendment of the listing rules is subject to the approval of the Monetary Authority of Singapore ("Authority").

**4 REFERENCES**

- 4.1 References to "listing rules" or "Rule" mean the listing rules that came into effect on 1 July 2002 and as amended from time to time.

**THE INTRODUCTION OF A WATCH-LIST****1 BACKGROUND**

- 1.1 The Exchange has adopted a disclosure-based regime for the regulation of its securities market. Our listing rules are aimed at promoting market transparency and maintaining the quality of our market place.
- 1.2 As an enhancement of our disclosure-based regime, the Exchange is considering a proposal to introduce a watch-list for issuers listed on the SGX Mainboard which have recorded continuous losses for a prolonged period and are unable to maintain a proposed minimum market capitalisation.
- 1.3 The proposed watch-list will not apply to investment funds (whether constituted as collective investment schemes or otherwise), real estate investment trusts, business trusts, global depository receipts and companies with secondary listings on the Exchange.
- 1.4 This watch-list will be made available to the public on the Exchange's website to draw investors' attention to the financial condition of issuers that are placed on the watch-list. However, this watch-list is not to be taken as an indication of the Exchange's assessment of the investment merits and/or risks of the issuer.
- 1.5 An issuer that is on the watch-list should endeavour to restore its financial health to prescribed levels in order to be removed from the watch-list.
- 1.6 If the issuer is unable to meet the criteria for removal and remains on the watch list for 2 years, the Exchange may delist the issuer or suspend trading in the listed securities of the issuer with a view to delisting it.
- 1.7 This section discusses the objectives and some proposed features of the watch-list. The Exchange would like to seek comments on how the watch-list could be implemented to achieve maximum effectiveness in the context of transparency and quality of the market.

**2 OBJECTIVES OF THE WATCH-LIST**

- 2.1 The objectives of the watch-list are:
  - (a) to draw investors' attention to the financial condition of issuers on the watch-list so that the market can be better informed; and
  - (b) to alert investors to the risk that such issuers may subsequently be delisted if they continue to record further financial losses and are unable to restore their market capitalisation to prescribed levels within 2 years.

- 2.2 For the watch-list to be effective, the following characteristics should be present:
- (a) clear and objective criteria to determine the inclusion of an issuer on the watch-list;
  - (b) a continuous monitoring system to ensure timely identification of issuers with recurring losses;
  - (c) appropriate sanctions for issuers that remain on the watch-list for a prolonged period of time, so that the management is compelled to take active steps to restore the financial health of the issuer; and
  - (d) clear conditions under which affected issuers would be removed from the watch-list.

### **3 PROPOSED FEATURES OF THE WATCH-LIST**

- 3.1 The Exchange is proposing to include an issuer on the watch-list if it:
- (a) has recorded net losses for three (3) consecutive financial years; **and**
  - (b) has an average daily market capitalisation of less than S\$40 million over the past 6 months.
- 3.2 While an issuer is on the watch-list, trading in its securities will continue, unless a trading halt or suspension is, or has been previously, effected under Listing Rules 1302 or 1303.
- 3.3 An issuer on the watch-list may apply to be removed from the watch-list if it satisfies one of the following requirements:
- (a) the issuer achieves profitability (on a pre-tax basis) for the most recently completed financial year and has an average daily market capitalisation of at least S\$40 million over the six months preceding the application; **or**
  - (b) the issuer satisfies the admission criteria for a Mainboard listing as set out in Listing Rule 210(2)(a) or 210(2)(b). The Exchange envisages that an issuer will only be able to meet the 3-years profit track record requirement of Rule 210(2)(a) if it acquires profitable assets, resulting in an enlarged entity which is able to meet the 3-years profit track record.
- 3.4 The issuer should take active steps to restore its financial health to prescribed levels in order to be removed from the watch-list. If the issuer is not able to satisfy the criteria for removal within 2 years of the date on which it was placed on the watch-list, the Exchange may remove the issuer from the Official List or suspend trading of the listed securities of the issuer, with a view to delisting it.

### **Questions for Comment**

1. Is the two-fold criteria of three (3) consecutive financial years of losses combined with a market capitalisation of less than S\$40 million appropriate for including issuers on the watch-list? If not, please give reasons.
2. Is the market capitalisation of S\$40 million an appropriate threshold? If not, should this threshold be higher or lower? Please give reasons.
3. Besides the two-fold criteria, should any other criteria be added? Please give reasons for your suggestions.
4. Is the period of 2 years adequate for an issuer to restore its financial health to a level sufficient to warrant its removal from the watch-list? If not, please give reasons.
5. If an issuer is unable to meet the criteria for removal from the watch list after 2 years, should delisting of the issuer be compulsory? If not:
  - (i) what action would be more appropriate? Please give reasons for your suggestions.
  - (ii) in deciding whether to delist the company, what mitigating factors should be considered?

**EXIT OFFER IN A DIRECTED DELISTING**

1. Pursuant to Rule 1305, the Exchange has the power to remove an issuer from the Official List under certain circumstances, including instances where the issuer is in breach of the listing rules of the Exchange and is unable or unwilling to bring itself into compliance within a reasonable period of time.
2. Currently, Rule 1307 states that if an issuer seeks to delist from the Exchange, a reasonable exit alternative (which should normally be in cash) should be offered to the remaining shareholders of the issuer.
3. The Exchange proposes to introduce a new rule to clarify that an issuer or its controlling shareholder must comply with the requirements of Rule 1307, in the event that the Exchange exercises its power to remove an issuer from the Official List.

**Question for Comment**

1. Where the Exchange exercises its discretion to remove an issuer from the Official List, should the issuer or its controlling shareholder be required to comply with Rule 1307? If not, please give reasons.

**C. PROCEDURE AND DEADLINE TO SUBMIT COMMENTS**

1. Written submissions are to be sent to the Exchange through email *and* either by post/courier or by fax:

Email: rules@sgx.com

**AND**

Post/Courier: Singapore Exchange Limited  
2 Shenton Way, SGX Centre 1  
#27-00,  
Singapore 068804  
Attn: Charles Poon Wai Hong, Listings  
Fax: 6535 5573

2. Comments should be organized in the following manner:
- (a) cover page (including the information specified in paragraph 4 of this Section);
  - (b) statement of interest
  - (c) table of contents;
  - (d) summary of major points;
  - (e) comments; and
  - (f) conclusion.
3. Supporting material may be placed in an annex. All submissions should be clearly and concisely written, and should provide a reasoned explanation for any proposed revision to the rules. Where feasible, participants should identify the specific rule on which they are commenting. In any case in which a participant chooses to suggest revisions to the text of the rules, the participant should state clearly the specific changes to the text that they are proposing.
4. All submissions should be made on or before **20 June 2007**. Submissions must be submitted in both hard and soft copies (in Microsoft Word format) and font size should be no smaller than Times New Roman 11pt. Participants submitting comments should include their personal/company particulars as well as their correspondence address, contact numbers and email addresses on the cover page of their submissions.
5. The Exchange reserves the right to make public all or parts of any written submission and to disclose the identity of the source. Participants may request confidential treatment for any part of the submission that the participant believes to be proprietary, confidential or commercially sensitive. Any such information should be clearly marked and placed in a separate annex. If the Exchange grants confidential treatment, it will consider the comments but will not publicly disclose the information. If the Exchange rejects the request for confidential treatment, it will return the information to the party that submitted it and will not consider the information as part of its review. In the interests of market transparency, participants should limit any request for confidential treatment of information submitted. The Exchange will not accept any submission that requests confidential treatment of all, or a substantial part, of the submission.

**PROPOSED AMENDMENT TO THE LISTING RULES**

The following sets out the relevant listing rule reflecting the proposal as if implemented. The purpose of the amendment is also given.

**Listing Rule 1309**

A new rule 1309 be introduced as follows.

1309 An issuer or its controlling shareholder must comply with the requirements of Rule 1307, in the event that the Exchange exercises its power to remove the issuer from the Official List.

**Purpose of amendment:** To clarify that a reasonable exit alternative (which should normally be in cash) would have to be offered to the remaining shareholders of an issuer even in circumstances when the Exchange exercises its power to remove the issuer from the Official List.