

SGX-ST Listing Rules

Practice Note 13.2

Watch-List

| Details | Cross References |
|---|----------------------------------|
| Issue date: 6 December 2007 | Chapter 13 Part V Appendix 13.1. |
| Effective date: 1 March 2007 <u>1 March 2016</u> | |

1. Introduction

1.1 ~~This Practice Note sets out the guidelines for inclusion of issuers on the watch-list. The watch-list seeks to heighten transparency of an issuer's financial and share price performance. The 2 main purposes of the watch-list are to:~~

- ~~(i) instill discipline in issuers to administer their financial and share price performance for continued compliance with the listing rules; and~~
- ~~(ii) alert investors to the risk of being invested in companies that may face delisting.~~

1.2 ~~The inclusion criteria for the watch-list are categorized as follow:~~

- ~~(i) loss-making issuers with small market capitalisation; and~~
- ~~(ii) issuers with low priced securities that fail to meet the minimum trading price requirement.~~

1.3 ~~This Practice Note sets out the guidelines for inclusion of issuers on the watch-list and removal of issuers from the watch-list.~~

2. Quarterly Reviews

2.1 Rule 1311 states that an issuer will be placed on the watch-list under either of the following:

(i) Financial Entry Criteria

Records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalization of less than S\$40 million over the last 6 months.

(ii) MTP Entry Criterion

Records a volume-weighted average price (“VWAP”) of less than S\$0.20 over the last 6 months.

For the purpose of this rule, real estate investment trusts and business trusts are subject to the MTP Entry Criterion but not the Financial Entry Criteria.

2.2 The Exchange will conduct quarterly reviews to identify issuers to be included on the watch-list. The quarterly review will take place on the first market day of March, June, September and December of each year. Upon identifying an issuer for inclusion on the watch-list, the Exchange will promptly notify the issuer of its status.

2.3 The table below shows how the inclusion criteria are applied at each of the review dates.

| <u>Watch-list Review Date</u> | <u>Financial Entry Criteria</u> | <u>MTP Entry Criterion</u> |
|--------------------------------------|---|---|
| <u>First market day of March</u> | <u>Loss-making issuers for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) with average daily market capitalisation of less than S\$40 million from 1 September – 28/29 February</u> | <u>Issuer with VWAP below S\$0.20 for the period 1 September – 28/29 February</u> |
| <u>First market day of June</u> | <u>Loss-making issuers for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) with average daily market capitalisation of less than S\$40 million from 1 December – 31 May</u> | <u>Issuer with VWAP below S\$0.20 for the period 1 December – 31 May</u> |

| | | |
|--------------------------------------|---|---|
| <u>First market day of September</u> | <u>Loss-making issuers for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) with average daily market capitalisation of less than S\$40 million from 1 March – 31 August</u> | <u>Issuer with VWAP below S\$0.20 for the period 1 March – 31 August</u> |
| <u>First market day of December</u> | <u>Loss-making issuers for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) with average daily market capitalisation of less than S\$40 million from 1 June – 30 November</u> | <u>Issuer with VWAP below S\$0.20 for the period 1 June – 30 November</u> |

- 2.4 VWAP is computed based on total value of securities traded for the 6 months under review divided by the total volume traded for the 6 months adjusted for any corporate actions. This formula applies regardless of the number of trading days during the 6-month review period (i.e. where the securities are thinly traded or trading is halted / suspended for a period of time).
- 2.5 The 6-month VWAP of the issuers are made available on the Exchange’s website. Daily updated market capitalisation figures are also made available on the Exchange’s website. Audited financial results of issuers can be found in annual reports which are available on the Exchange’s website.
- 2.6 Issuers are expected to take proactive steps to exit the watch-list. Issuers seeking to exit the watch-list via a share consolidation exercise should consolidate its shares to achieve a theoretical share price of at least S\$0.25 to cater for price fluctuations.
- 2.7 For issuers who are traded in dual currencies on SGX-ST, the issuer will be placed on the watch-list based on the MTP Entry Criterion only if the VWAP is less than S\$0.20 over the last 6 months for both counters. For issuers who are not quoted in Singapore dollars, the conversion will be based on the Reuters exchange rate as of the market day preceding the review date.
- 2.8 For issuers with dual primary listing, only the trades conducted for its listing on SGX-ST will be taken into account for calculating the 6-month VWAP.

3. Removal from the Watch-List

- 3.1 An issuer which enters into the watch-list based on the Financial Entry Criteria will be removed if it meets the Financial Exit Criteria. Likewise, an issuer placed under the MTP Entry Criterion of the watch-list will be removed based on the MTP Exit Criterion. An issuer which entered into the watch-list based on the Financial Entry Criteria cannot exit from the watch-list by a transfer to Catalist. An issuer which entered into the watch-list based only on the MTP Entry Criterion can exit from the watch-list by a transfer to Catalist.
- 3.2 If the issuer is placed on the watch-list based on the Financial Entry Criteria, it will have to submit an application to the Exchange within the cure period for removal from the watch-list.
- 3.3 Review for removal from watch-list based on MTP Exit Criterion takes place on a quarterly basis on the review dates (i.e. first market day of March, June, September and December of each year). The issuer is not required to apply for removal. The Exchange will notify the issuer of the removal from the watch-list. Issuers are required to announce the removal via SGXNET upon receipt of the notification.
- 3.4 An issuer placed on the watch-list based on the MTP Entry Criterion will remain on the watch-list for at least 6 months (this will exclude the time spent on the watch-list due to the Financial Entry Criteria) before it can be considered for removal. Following the issuer's exit from the watch-list, it will not be considered for re-entry into the watch-list within the next 6 months based on the MTP Entry Criterion. The issuer will have to record a fresh 6-month period of trading activity before it will be subject to the quarterly review. For example, if the issuer exits from the watch-list in March 2017, the next period in which it may be reviewed for entry into the watch-list based on the MTP Entry Criterion is September 2017.

3.4. Extension to the 24 36-month cure period

- 3.4.1 Pursuant to Rule 1315, if the issuer fails to ~~comply with the relevant exit criteria submit an application for removal from the watch-list~~ within ~~the 24 36-months cure period of the date on which it was placed on the watch-list~~, the Exchange may either remove the issuer from the Official List, or suspend trading of the listed securities of the issuer (without the agreement of the issuer) with a view to removing the issuer from the Official List.
- 3.4.2 An issuer may apply to the Exchange for an extension to the 24 36-month **cure** period and the Exchange may, if the circumstances warrant it, grant an extension:
- (1) of up to 12 months if the issuer satisfies at least one of the requirements under Rule 1314(1) and has achieved healthy cash flow from its operating activities (based on its latest consolidated audited financial statements);

- (2) of up to 3 months if the issuer has entered into a legally binding agreement to acquire asset(s) that enable the enlarged group to comply with the requirements in Rule 210(2)(a) or (b) and the transaction is expected to be completed within 3 months; or
- (3) if trading of its securities was suspended pursuant to Rule 1303(3) during a period preceding the end of the 24.36-month cure period. The period of extension granted by the Exchange, if any, shall not exceed that which is required to compute the issuer's average daily market capitalisation over a period of ~~120 market days on which trading is not suspended or halted. (Trading is deemed to be suspended or halted if trading is ceased for a full market day.)~~ 6 months; or
- (4) if the issuer has completed a share consolidation exercise or corporate action (with the aim to raise its share price) less than 6 months before the expiry of the cure period.

4.3 An issuer's application to extend the cure period for meeting the MTP Exit Criterion must be made in blocks of 3 months so that it will correspond with subsequent review dates.

4.4 Any application for extension of time must be submitted to the Exchange at least 1 month before expiry of the cure period.

4.5 The Exchange may reject an application for exit from the watch-list if the Exchange is of the opinion that there are other factors that justify the continued inclusion of the issuer in the watch-list.

5. Illustrations on Administering the Watch-list

5.1 The illustrations below, though not exhaustive, seek to provide issuers with guidance on how the Exchange administers the watch-list.

Illustration 1

Where an issuer's shares are not traded for a single day during the 6-month review period, review of the issuer's 6-month VWAP for entry into the watch-list will be deferred till the next quarterly review where trades are available. The deferment also applies where an issuer with 3 consecutive years' losses, resumes trading for less than 6 months after prolonged suspension (i.e. the issuer has been suspended for more than 6 months)

Illustration 2

Where an issuer's shares are traded for less than 6 months, review of the issuer for entry into the watch-list based on the MTP Entry Criterion will be based on the trades done over the 6-month period. For example, if the issuer has only 2 months of trades over the 6-month review period, it will be reviewed based on the 2 months of trades over the 6-month period.

Illustration 3

An issuer can trigger both the Financial Entry Criteria and the MTP Entry Criterion concurrently. The issuer must comply with the respective exit criteria in order to exit from the watch-list. An issuer can be in a situation where it satisfies the Financial Exit Criteria but does not satisfy the MTP Exit Criterion (and vice versa). In this regard, it will continue to remain on the watch-list.

Illustration 4

An issuer can trigger the Financial Entry Criteria and the MTP Entry Criterion at different times. An issuer's compliance with the Financial Exit Criteria and the MTP Exit Criterion is assessed independently. Accordingly, the cure period for satisfying the Financial Exit Criteria and the MTP Exit Criterion will be applied separately.

For example, an issuer is placed on the watch-list after triggering the Financial Entry Criteria on 1 March 2016. At the review 12 months later on 1 March 2017, it also triggers the MTP Entry Criterion.

- (i) The issuer will be removed from the Official List if it is unable to satisfy the Financial Exit Criteria after 3 years from the date it is placed on the watch-list due to the Financial Entry Criteria (i.e. 1 March 2019). This is notwithstanding that the 3-year cure period for the issuer to comply with the MTP Exit Criterion (i.e. 1 March 2020) has yet to expire.
- (ii) If the issuer meets the Financial Exit Criteria during the 3-year cure period but is unable to exit from the watch-list due to its inability to satisfy the MTP Exit Criterion, the end date for the cure period will be 3 years from the date it triggers the MTP Entry Criterion (i.e. 1 March 2020).

Illustration 5

An issuer is placed on the watch-list for triggering both the Financial Entry Criteria and MTP Entry Criterion.

If an extension of time to exit the watch-list is sought, the issuer must make clear which cure period they are seeking an extension for. For the avoidance of doubt, an extension of time may be sought for both cure periods concurrently.

Should the issuer apply and is granted an extension of time to satisfy the Financial Exit Criteria, the cure period to satisfy the MTP Exit Criterion will remain unchanged. The issuer will be removed from the Official List if it fails to meet the MTP Exit Criterion, notwithstanding that the extension for compliance with the Financial Exit Criteria has yet to expire. If the issuer succeeds in satisfying the MTP Exit Criterion, it must satisfy the Financial Exit Criteria before the extension expires. Otherwise, it will be removed from the Official List.

~~4.6.~~ Cash Companies and Companies Suspended Pursuant to Rule 1303(3)

- ~~4.6.1~~ For avoidance of doubt, an issuer that has been suspended pursuant to Rule 1303(2) or 1303(3) or has been allowed to trade pursuant to the requirements of Rule 1018(1) will not be included on the watch-list and will not be required to provide the notification pursuant to Rule 1312. Rules 1311 will be applicable from the date the issuer satisfies the requirements of Rules 1304 or 1018(2).
- ~~4.6.2~~ Where an issuer has been placed on a watch-list pursuant to Rule 1311 and is subsequently suspended under Rules 1303(2) or 1303(3) or is allowed to trade subject to the requirements of Rule 1018(1), it will remain on the watch-list.
- (1) For the purposes of Rule 1314(1), the average daily market capitalisation will be computed based on the period commencing from the date the issuer satisfies the requirements of Rule 1304.
 - (2) The Exchange will remove the issuer from the Official List:
 - (a) at the end of the ~~24.36~~-month cure period which commences from the time it was placed on the watch-list (subject to any extension granted); or
 - (b) before the expiry of the ~~24.36~~-month cure period if it does not meet the requirements in Rule 1304 or 1018(2).