



SGX-ST Listing Rules

Practice Note 2.1

Equity Securities Listing Procedure

Details	Cross References	Enquiries
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1. INTRODUCTION

1. This Practice Note explains:

- the Exchange's procedure in granting listing,
- the circumstances under which the Exchange may withdraw the eligibility-to-list letter,
- the principles in dealing with comments the Exchange occasionally receives from the public on listing applications,
- general duties regarding due diligence by sponsors and investigative reports,
- the sponsorship disclosure requirement post-listing,
- director's training and connection to Singapore.

2. EXCHANGE'S PROCEDURE

2.1 When the Securities & Futures (Offers of Investments)(Shares and Debentures) Regulations 2002 came into effect on 1 July 2002, the Exchange's approach in reviewing new listing applications changed. The Exchange moved from a merit-based regime towards a disclosure based regime. Hence, we now concentrate on reviewing the listing application for compliance with the listing requirements (including specific numerical standards and qualitative factors such as the integrity of the management and controlling shareholders of the listing applicants) and disclosure (for trading in the secondary market). The Exchange does not judge (and has never judged) whether the investment would be a good one for investors.

2.2 Based solely on the information provided, including representations made at the time of application and in response to any queries from the Exchange, a conditional eligibility-to-list ("ETL") letter will be issued when it appears to the Exchange that the application satisfies the listing requirements. Listing will not be permitted until all conditions set out in the ETL letter have been satisfied.

2.3 The Exchange may withdraw the ETL letter at any time and in its absolute discretion before the listing, if

- a. it subsequently becomes aware of any information that is likely to materially affect the issuer's eligibility for a listing. In particular, circumstances having that effect include those that have an adverse material impact on the operations and viability of the issuer or may cast doubt on the integrity of the directors, its management or controlling shareholders; or
- b. information submitted at the time of application was false or misleading or there is a material omission whether or not such omission was intentional; or
- c. any subsequent material adverse event occurs that renders the issuer not meeting the listing requirements.

3. COMMENTS RECEIVED

3.1 The Exchange will give consideration to comments received on the listing application or prospectus from the public (whether anonymous or not).

3.2 All comments will be forwarded to the issue manager.

3.3 If the comments are anonymous, it would be up to the issuer manager to take such actions as it deems fit. However, the Exchange may require the issue manager to investigate and report its findings to the Exchange if:-

- a. credible material comments regarding the financial information or operations of the issuer are supplied that may affect on the issuer's eligibility for a listing; or
- b. credible material comments supported by evidence are supplied, in particular, comments regarding the integrity of the directors, management or controlling shareholders.

3.4 If the comments are not anonymous and appear credible and material, the Exchange will normally expect the issue manager to investigate and report its findings to the Exchange. The Exchange may also carry out its own investigation and, where appropriate, enter into correspondence with the person who sent the comments.

3.5 The Exchange may delay the listing until it is satisfied with the findings. The Exchange is not obliged to disclose any findings or its conclusion.

3.6 Where the prospectus has been lodged with the Monetary Authority of Singapore ("MAS"), the Exchange will forward a copy of any comments and the issue manager's findings to the MAS for its consideration on whether to register the prospectus.

4. DUE DILIGENCE

4.1 Listing Rule 114 states two principles:

- a. that an issue manager is expected to exercise due care and diligence in ensuring the completeness and accuracy of the information contained in an application, and
- b. that an issue manager must ensure that the Exchange is informed of all matters which should be brought to its attention.

4.2 Issue managers must exercise their own judgment on the nature and extent of due diligence work needed to satisfy themselves and the Exchange. As a sponsor, an issue manager must have knowledge of all relevant facts and circumstances concerning an applicant's ability to meet the Exchange's listing

requirements. This means that the issue manager will have taken all reasonable steps to verify the facts and, if requested, will readily be able to confirm them to the Exchange. It also means that the issue manager must be in a position to confirm and substantiate its opinions, such as in respect of the integrity of the management and controlling shareholders, or the applicant's viability, or that the accounts are genuine and conform to applicable standards.

4.3 Issue managers are also encouraged to continually review their due diligence procedures to see how they might be refined or improved.

4.4 The failure of an issue manager to discharge its obligations to the satisfaction of the Exchange may result in the Exchange taking such action as it thinks appropriate, including requiring the applicant to find a new issue manager as its sponsor for the listing, imposing conditions on the submission of the application by the issue manager, and censuring the issue manager (publicly or privately). If the Exchange loses confidence generally that an issue manager is properly discharging its obligations, the Exchange may decline to accept any applications sponsored by it.

5. VERIFICATION

5.1 One aspect of an issue manager being able to satisfy the Exchange that it has conducted due diligence may be the existence of independently-sourced information, by a reputable agent, on the applicant or its management or controlling shareholders. The Exchange may request an issue manager to show it the results of any independent verification undertaken.

5.2 Without affecting the issue manager's obligation to undertake due diligence, the Exchange may conduct checks using an agency it appoints. This would not normally increase the processing time for the application or add materially to the overall costs of the IPO. The cost would be borne by the applicant. If the Exchange undertook such a check, it would be likely to involve (as circumstances warranted) –

- a. 2 or 3 key persons, and their personal and business backgrounds and integrity, role in the applicant's business, interests in other companies, and any criminal or other records or links to money laundering or organized crime.
- b. the applicant's history, structure, accounts, business reputation and development, its related companies, its other businesses, and the influence of key persons.

6. SPONSORSHIP DISCLOSURE

6.1 Rule 111 states that an applicant must appoint an issue manager who will act as the sponsor for its listing on the Exchange. Rule 113 says that the sponsorship ends with the listing, although the rule adds that the Exchange recommends that the applicant retain the sponsor's services after listing.

6.2 Regardless of whether an issuer continues the sponsorship after listing, it must comply with the following disclosure requirement as a condition of listing:

- a. For one year after listing, the issuer must prominently include a statement that the initial public offering of its shares was sponsored by [name of issue manager]-
 - in all announcements made by it (on MASNET or otherwise), and
 - in all information documents issued by it to shareholders.
- b. Unless exceptional circumstances exist, 'prominently' means in print no smaller than the main text of the announcement, and positioned on the front page of the announcement. However, the statement must not be drafted or positioned in such a way as to imply that the issue manager endorses the current transaction (unless the issue manager is involved in the transaction).

6.3 Reverse takeovers must satisfy initial listing requirements, so the requirement in paragraph 6.2 extends to reverse takeovers, with necessary adaptation.

6.4 The sponsor is not required to be involved in all matters relating to the issuer's compliance with the listing rules. However, the Exchange encourages issuers to consider engaging their sponsors to assist them post listing.

7. DIRECTOR DISCLOSURE

7.1 Rule 210(5) says that directors (and executive officers) should have appropriate experience and expertise to manage the group's business. The Exchange encourages new directors (who do not have prior experience as a director of a public listed company in Singapore) to undertake training in the roles and responsibilities of a director of a listed company.

7.2 As part of the pre-quotation required of an issuer, a statement must be released on MASNET identifying, for each director, whether the person has prior experience (and what) or, if the person is a new director, whether the person has undertaken training in the roles and responsibilities of a director of a listed company.

8. FOREIGN APPLICANTS' CONNECTION TO SINGAPORE

8.1 The Exchange looks at the connection to Singapore of every foreign applicant. This is to ensure sufficient local representation and the ability to take steps in the event of a problem. Rule 221 says that a foreign issuer must have at least two independent directors, at least one of whom must be resident in Singapore. To meet the objective of sufficient connection, residence means either citizenship or permanent residence status.

8.2 The assessment of an applicant's connection to Singapore is made on a case-by-case basis, and depends on all the circumstances. In addition to rule 221, the Exchange may ask the applicant also to install company secretarial functions here, or add a second resident director.

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