



2007-05

PROPOSED CHANGES TO MAINBOARD AND FOR SGX-SESDAQ TO BE REPLACED WITH NEW BOARD

On 23rd May 2007, SGX announced of its plans for new listing rules. Objective of setting the new rules is to improve the competitiveness of the securities market.

SGX is proposing the development of a new board, a sponsor-supervised board tailored to create a conducive environment for growth companies to list, and to easily raise capital and acquire assets post-listing. This is similar to the Alternative Investment Market (“AIM”) of London.

The proposed changes to the mainboard and SESDAQ include the following:

MAINBOARD RULES – PROPOSED WATCH-LIST CRITERIA

| | Proposed Mainboard Requirements |
|------------------------------|---|
| <i>Pre-Tax Profit</i> | Listed Company must not have more than 3 consecutive financial years of net losses |
| <i>Market capitalisation</i> | Must maintain a daily average market capitalisation of above S\$40 million for a duration of 6 months |

If the “minimum standards” indicated above is not met, it will be included in a “Watch-list” for 2 years and may only be removed from the watch list if it fulfils the “minimum standards” or it satisfies the following criteria:

- Cumulative consolidated pre-tax profit of at least \$7.5 million for the last three years, and a minimum pre-tax profit of \$1 million for each of those 3 years.
- Cumulative consolidated pre-tax profit of at least \$10 million for the last one or 2 years.



NEW BOARD

SPONSORS

| | New Board Requirements |
|--|---|
| <i>Sponsor</i> | An intermediary role that is appointed by SGX. Any company that wishes to be listed on the New Board will need to appoint a sponsor. The sponsor acts as a key element in the listing of a company. |
| <i>Role of Sponsor</i> | Performs the necessary due diligence and ensures that the company is suitable and complies with the criteria for listing. After listing, the sponsor must remain with the listed company for a minimum of 3 years. |
| <i>Types of Sponsors</i> | Full sponsor and continuing sponsor |
| <i>Full Sponsor</i> | A full sponsor is required to bring an applicant to list on New Board as well as for continuing activities |
| <i>Continuing Sponsor</i> | A continuing sponsor will only be allowed to undertake continuing activities of an already listed company |
| <i>Criteria for sponsors</i> | Due to the centrality of the role of the sponsor, there is a strict admission process for companies that wish to become a sponsor. |
| <i>Additional criteria for Full sponsors</i> | <p>Additional requirements are needed to become a full sponsor compared to a continuing sponsor. These includes the following:</p> <ul style="list-style-type: none"> Higher base capital Experience as a lead manager either locally or overseas A minimum number of at least 3 professional out of which 2 must have experience in IPO work Need to obtain a Capital Markets Services License |
| <i>Termination of sponsorship</i> | During the first 3 years, a sponsor may terminate its relationship with the company upon the approval of SGX. 3 months notice is required for termination and during this time the sponsor is required to continue to provide support to the company. Reasons should be provided to SGX for the termination. |



APPLICANTS

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| <p><i>IPO Documents</i></p> | <p>An offer document instead of a prospectus must be presented. Sponsor is to review the admission and assess the suitability to list. It must also include a statement from the director and sponsor that the working capital of the company is sufficient for its present purposes as well as for the next 12 months from the date of listing.</p> <p>SGX has also proposed to shorten the listing process by dispensing with the review of the document by it or MAS, instead the offer document will be posted on the SGX website for 14 days for public feedback.</p> |
| <p><i>Market Capitalisation</i></p> | <p>Market capitalisation at the point of listing should not exceed S\$150 million.</p> |
| <p><i>Shareholding</i></p> | <p>As a result of the restriction to the market capitalisation stated above, the following spread requirements for shareholding had been proposed below:</p> <p>More than 15% of post invitation share capital or 500,000 shares must be in public hands</p> <p>There must be at least 200 shareholders at IPO</p> <p>At post IPO, at least 10% of shares are to be in public hands</p> |
| <p><i>Directors</i></p> | <p>At least 2 independent directors</p> <p>For foreign companies at least 1 of the independent director must be a resident of Singapore</p> |
| <p><i>Quantitative Requirements</i></p> | <p>Current quantitative requirements applicable to SGX-SESDAQ will not apply to the New Board.</p> |
| <p><i>Promoters' sales of shares</i></p> | <p>Promoters will not be allowed to sell their shares at IPO if they own less than 50% of the share capital at IPO or if the sales will result in their collective shareholdings to fall below 50% of the issued capital at the time of listing.</p> |



APPLICANTS (Continued)

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|---------------------------------------|---|
| <i>Pre-IPO Investors</i> | All pre-IPO investors will be subject to a moratorium of 12 months instead of the current 6 months |
| <i>Capital</i> | <p>If the issuer wish to issue up to 100% of the company's share capital of which shares issued on non pro-rata basis should not exceed 50%, a shareholder mandate can be obtained.</p> <p>The 50% limit can be increased to 100% through a special resolution approved on or after the first shareholders' meeting.</p> |
| <i>Disclosures and Reporting</i> | There will be no change to the current disclosures of information and reporting. |
| <i>Interested Party transactions</i> | There will be no change on the Disclosure and/or shareholder approvals for certain transactions involving interested persons. |
| <i>Acquisition and disposal rules</i> | <p>Shareholder approval is required for acquisition under the following situations:</p> <p>Acquisition of more than 75% but less than 100% of the relevant bases</p> <p>When the acquisition will result in a change in the business model</p> <p>Disposal of more than 50% of assets</p> <p>Any acquisition above 100% of the relevant bases or results in a change in control of the issuer will still be considered a substantial acquisition or a reverse takeover.</p> |

More information on the above proposed changes can be obtained from SGX website at www.sgx.com

You may also wish to click on the below link for a copy of the consultation papers http://info.sgx.com/SGXWeb_RMR.nsf/NEWDOCNAME/PC_230507



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