

Enhancements to Continuous Disclosures

In December 2017, SGX issued a consultation on “Enhancements to Continuous Disclosures” to seek feedback on proposed amendments to the Catalist Rules, to enhance disclosures in relation to rights issue fund-raising, interested person transactions, provision of significant financial assistance to third parties as well as significant disposals of assets, alongside other amendments to provide more clarity on the application of the Catalist Rules. Subsequently, SGX had, in January 2020, released the amendments to the Catalist Rules, which will take effect from **7 February 2020**.

For the avoidance of doubt, this Regulatory Update is prepared based on the amendments to the Catalist Rules. All references to the chapters and rules are made, unless otherwise stated, in accordance to the Catalist Rules.

DEFINITIONS, CHAPTER 4 AND CHAPTER 7 – CONTINUING OBLIGATIONS

<p><i>Revised</i> “principal subsidiary” has been amended to include discontinued operations that have not been disposed</p> <p><i>New</i> “record date” has been included to replace “books closure date”</p>	<p>“principal subsidiary” a subsidiary whose latest audited consolidated pre-tax profits (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) as compared with the latest audited consolidated pre-tax profits of the group (including discontinued operations that have not been disposed and excluding the non-controlling interest relating to that subsidiary) accounts for 20% or more of such pre-tax profits of the group.</p> <p>“record date” the date fixed by an issuer for the purpose of determining entitlements to dividends, rights, allotments or other distributions of holders of its securities.</p>
<p><i>Revised</i> Rule 406(3)(d) Circumstances for directors’ independence test has been amended to include employment in the current or any of the past 3 financial years, for the director and his immediate family members</p>	<p>A director would not be independent under any of the following circumstances:</p> <ol style="list-style-type: none"> if he is employed <u>or has been employed</u> by the listing applicant or any of its related corporations <u>in</u> the current or any of the past three financial years; if he has an immediate family member who is employed or has been employed by the listing applicant or any of its related corporations <u>in the current or any of</u> the past three financial years, and whose remuneration is <u>or was</u> determined by the remuneration committee of the listing applicant.
<p><i>Revised</i> Appendix 7A, Paragraph 9 Events requiring disclosure under Rule 703</p>	<p>There have been several additions to the events requiring disclosure:</p> <ul style="list-style-type: none"> provision or receipt of a significant amount of financial assistance. involuntary striking-off of the issuer’s subsidiaries. an investigation on a director or an executive officer of the issuer. loss of a major customer or a significant reduction of business with a major customer. major disruption to supply of critical goods or services.
<p><i>Revised</i> Rule 704(16) Announcement for acquisitions under Rule 704 must state the issuer’s aggregate cost of investment in quoted securities</p>	<p>The announcement of any acquisitions of:</p> <ol style="list-style-type: none"> Shares resulting in issuer holding 10% or more of a quoted company; and Quoted securities resulting in the issuer’s aggregate cost of investment exceeding each multiple of 5% of its latest audited consolidated NTA must state: <ul style="list-style-type: none"> issuer’s <u>aggregate cost of investment</u> in quoted securities before and after the acquisition, and as a percentage of its latest audited NTA total market value of its investment in quoted securities (before and after the acquisition) amount of any provision for diminution in value of investment in quoted securities. <p>It has also been amended to state that an issuer should not include the issuer’s holdings in its subsidiaries and associated companies listed or quoted on SGX or on a foreign stock exchange when computing its investment in quoted securities.</p>

<p>New Rule 706A Issuer must now make periodic announcements in respect of certain acquisitions and sale of shares</p>	<p>An issuer must make an announcement, in accordance with the timelines prescribed in Rule 705 (Financial Statements) for any acquisition or sale of shares respectively resulting in:</p> <ol style="list-style-type: none"> a) a company becoming/ceasing to be a subsidiary or an associated company of the issuer, and b) the issuer increasing/reducing its shareholding percentage in a subsidiary or an associated company of the issuer, <p>for the relevant financial period reported on under Rule 705.</p> <p>Such announcement must include, in respect of each acquisition or sale of shares:</p> <ul style="list-style-type: none"> • the aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment; and • in the case of unlisted shares, the net asset value represented by such shares and in the case of listed shares, the market value represented by such shares. <p>To note:</p> <ul style="list-style-type: none"> • Issuer should make a <u>separate announcement</u> of the above information under the relevant announcement category. • <u>No announcement</u> will be required if the subsidiary/associated company undertakes a corporate action independent of the issuer, notwithstanding that there is a change in the issuer’s shareholding percentage as the issuer did not acquire or sell any shares in its subsidiary or associated company. • <u>No announcement</u> will be required if there had been a change in number of shares held by an issuer in its wholly-owned subsidiary, as there is no increase in its shareholding percentage.
<p>Revised Rule 704(22) For companies under voluntary liquidation of dormant subsidiary, no monthly updates are required</p>	<p>Under Rules 704(19), 704(20) or 704(34), monthly updates (or as and when there are material developments) regarding the issuer’s financial situation are required, including:</p> <ul style="list-style-type: none"> • the state of any negotiations between the issuer and its principal bankers or trustee; and • the issuer’s future direction, or other material development that may have a significant impact on the issuer’s financial position. <p>It has been amended to clarify that no monthly updates are required for a voluntary liquidation of a dormant subsidiary by the issuer that is announced pursuant to Rule 704(20).</p> <p><i>Rule 704(19) – Any application filed with a court to wind up the issuer or any of its subsidiaries, or to place the issuer or any of its subsidiaries under judicial management.</i></p> <p><i>Rule 704(20) – The appointment of a receiver, judicial manager or liquidator of the issuer or any of its subsidiaries.</i></p> <p><i>Rule 704(34) (Revised) – For any loan agreement or debt securities of the issuer or any of its subsidiaries, any breach of, or occurrence of any event under the terms of, the loan agreement or debt securities if it, in the opinion of the issuer’s directors, may:</i></p> <ol style="list-style-type: none"> a) have a significant impact on the operations of the issuer; or b) result in the issuer facing a cash flow problem.
<p>Revised Rule 704(30) Use of proceeds</p>	<p>In respect of the use of IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8, the rule has been amended to clarify that where the proceeds are used for general working capital purposes, the issuer must announce a breakdown with specific details on the use of proceeds for working capital.</p>

<p>Revised Rule 704(33) Loan Agreements/Issue of Debt Securities</p> <p>For the purpose of Rule 704(33) and Rule 728, a “specified condition” is a condition that makes reference to the shareholding interests of any controlling shareholder of the issuer, or a restriction on any change in control of the issuer.</p>	<p>When the issuer or any of its subsidiaries enter into a loan agreement or issue debt securities <u>with a specified condition</u>, and the breach of the specified condition will be an event of default, <u>an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the loan or debt securities</u>, significantly affecting the operations of the issuer <u>or results in the issuer facing a cash flow problem</u>, an announcement needs to be made setting out:</p> <ol style="list-style-type: none"> the details of the specified condition; and the level of these facilities that may be affected by a breach of such specified condition. <p>To note:</p> <ul style="list-style-type: none"> An issuance of debt securities containing call and put options (where the call/put event is a change in shareholding) may be discloseable as they would cause acceleration of the repayment of the principal amount of the debt securities. Loan agreements which provide that the change of shareholding event triggers a review of the loan by the bank, is, by itself, not discloseable if it does not lead to the bank requiring repayment of the principal amount of the loan. <p><u>Transitional arrangement</u></p> <p>The entry into any new loan agreements or issuance of debt securities, including renewal of existing loan agreements or debt securities issuances, after 7 February 2020, will be subject to the revised requirements above.</p>
<p>New Rule 704(34) Requirement for directors’ opinion to be announced where there had been a breach of loan agreements or debt issues</p>	<p>Where there had been a breach of the terms of loan agreements/debt issues which may have a significant impact on the operations of the issuer or any of its subsidiaries, any breach of, <u>or occurrence of events</u> under the terms of the loan agreement or debt securities if it, <u>in the opinion of the issuer’s directors</u>, may:</p> <ul style="list-style-type: none"> have a significant impact on the operations of the issuer; or <u>result in the issuer facing a cash flow problem.</u> <p><u>Transitional arrangement</u></p> <p>Notwithstanding that the loan agreement or debt securities was entered into prior to 7 February 2020, any such breach or occurrence of events after 7 February 2020 will trigger the disclosure obligation above.</p>
<p>New Rule 704(36) Restatement of financial statements required by a regulatory authority</p>	<p>Issuers must now announce immediately where there is any requirement by a regulatory authority to restate or re-file financial statements, indicating clearly the reasons for being required to do so.</p>
<p>New Rule 704(37) Public Sanctions</p>	<p>Issuers must now announce immediately any public reprimand or public sanction relating to non-compliance with applicable laws or regulations, including any applicable accounting standards.</p>
<p>New Rule 709A Auditing Standards</p>	<p>The annual financial statements must be audited by certified public accountants in accordance with Singapore Standards on Auditing, International Standards on Auditing, or US Generally Accepted Auditing Standards, as the case may be.</p>
<p>Revised Rule 728(1) Share Pledging Arrangements</p>	<p>Where any borrowings or loans of the issuer or any of its subsidiaries contains any specified condition (as defined under Rule 704(33)), the issuer must obtain an undertaking from such controlling shareholder to notify the issuer as soon as it becomes aware, of any share pledging arrangements relating to these shares, and of any event which <u>will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the loan or debt securities.</u></p>
<p>New Rule 730B Change in Financial Year End</p>	<p>Issuers must now announce any change in its financial year end, stating the reasons for the change.</p>
<p>Revised Rule 737 Proxy Forms</p>	<p>The requirement has been amended where proxy forms will allow a shareholder appointing a proxy to indicate how the shareholder would like the proxy to vote (<u>whether to vote in favour of or against, or to abstain from voting</u>) in relation to each resolution.</p>

CHAPTER 8 – CHANGES IN CAPITAL

<p>All references of “capitalisation issue” set out in Chapter 8 (Changes in Capital) has been amended to “bonus issue” for clarity.</p>													
<p>Revised Rule 806(3) New adjustment requirements for calculating the limits of the number of shares to be issued under the general mandate</p>	<p>General Mandate</p> <p>For purposes of calculating the limits of the number of shares to be issued under the general mandate, adjustments to the total number of issued shares (excluding treasury shares and subsidiary holdings) are only to be made in respect of <u>new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.</u></p>												
<p>Revised Rule 814(1) New additional disclosure requirements for Rights Issues</p>	<p>Rights Issues</p> <p>Issuers intending to undergo a rights issue need to include the following additional information in the announcement:</p> <p>✓ On the first page of the announcement, in the following format:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Principal Terms of the Issue</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>Price</td> <td></td> </tr> <tr> <td>Discount (specifying benchmarks and periods¹)</td> <td></td> </tr> <tr> <td>Allotment Ratio</td> <td></td> </tr> <tr> <td>Use of Proceeds</td> <td></td> </tr> <tr> <td>Purpose of Issue</td> <td></td> </tr> </tbody> </table> <p>¹ <i>E.g. whether the discount is pegged to 6-month VWAP and/or the last traded price.</i></p> <p>✓ a statement from the issuer’s directors on why the issue is in the interest of the issuer and their basis for forming such views including the factors taken into consideration in arriving at any discount</p> <p>✓ if the issuer undertakes the issue within 12 months from its previous equity fund raising, the following details of each fund raising exercise undertaken in the past 12 months:</p> <ul style="list-style-type: none"> • description of equity funds raised; • date of issue of new securities; • amount raised (both gross and net); • amount utilised and breakdown on use of proceeds; and • amount not utilised and how it is intended to be used. <p>A negative statement should be made if there is no such previous equity fundraising.</p>	Principal Terms of the Issue	Description	Price		Discount (specifying benchmarks and periods ¹)		Allotment Ratio		Use of Proceeds		Purpose of Issue	
Principal Terms of the Issue	Description												
Price													
Discount (specifying benchmarks and periods ¹)													
Allotment Ratio													
Use of Proceeds													
Purpose of Issue													
<p>Revised Rules 829 and 830 Adjustments to exercise or conversion price of warrants or other convertible securities have been amended to include events of rights issues, bonus issues or subdivision/consolidation of shares, and to set out the specific adjustment formula</p>	<p>Issue of Company Warrants and Other Convertible Securities (collectively known as “Convertibles”)</p> <p>To allow for market-standard adjustment provisions in the event of rights issues, bonus issues or subdivision/consolidation of shares to safeguard the holders of Convertibles from dilution, the SGX will require that the terms of Convertibles to provide for a specific adjustment formula in such events.</p> <p>Rule 829(1) provides for the minimum adjustment events. Issuers may wish to provide for additional adjustment events, provided that it is in compliance with Rule 829(3), where any material amendment to terms of Convertibles after issue to the advantage of the holders of such Convertibles is to be approved by shareholders.</p> <p>The announcement of any adjustment or amendment made to the terms of the issue must include:</p> <ul style="list-style-type: none"> • the specific formula for the adjustment; • whether the adjustment has been reviewed to be in accordance with the formula; and • the identity of the reviewer and its relationship to the issuer. 												

<p>New Rule 836A</p> <p>Issuer intending to undertake a subdivision or consolidation of shares must comply with certain conditions</p>	<p><u>Subdivision and Consolidation of Shares</u></p> <p>An issuer that intends to undertake a subdivision or consolidation of shares must:</p> <ul style="list-style-type: none"> • Make an announcement stating the terms of the subdivision or consolidation; • Make an application for the listing of the subdivided or consolidated shares; and • Obtain specific shareholder approval for the subdivision or consolidation.
<p>Revised Rule 869</p> <p>The average closing market price is now adjusted for any corporate actions which occurs during the relevant 5-day period and on the day of the purchases</p>	<p><u>Share Buy-Backs</u></p> <p>An issuer, by way of market acquisitions, can purchase shares at a price not more than 5% above the average closing market price. "Average closing market price" is defined as:</p> <ul style="list-style-type: none"> (i) the average of the closing market prices of the shares over the last 5 market days, on which transactions in the share were recorded, before the day on which the purchases are made; and (ii) deemed to be adjusted for any corporate action that occurs <u>during</u> the relevant 5-day period and the day on which the purchases are made.

CHAPTER 9 – INTERESTED PERSON TRANSACTIONS

<p>For interested person transactions (“IPTs”), SGX has the latitude to:</p> <p>New Rule 904(4A)</p> <ul style="list-style-type: none"> Deem a person or entity as an “interested person” in certain circumstances <p>New Rules 905(5) and 906(4)</p> <ul style="list-style-type: none"> Aggregate separate IPTs (including IPTs below \$100,000) entered into during the same financial year and treat them as one transaction if regard has not been given to the objectives of Chapter 9, or the economic and commercial substance of the IPT 	<p>Amendments to Chapter 9 provide express powers for SGX to:</p> <p>(i) Deem a person or entity as an “interested person” in certain circumstances Should the need arises, SGX is able to deem a person or entity as an “interested person” and to comply with the requirements of Chapter 9. Such circumstances may include IPTs with parties who may not technically be caught by the definition, but nevertheless is in a position to influence an entity-at-risk to enter into transactions that may adversely affect the interests of the issuer or its shareholders.</p> <p>(ii) Aggregate separate IPTs (including IPTs below \$100,000) entered into during the same financial year and treat them as one transaction Notwithstanding that IPTs below \$100,000 are exempted from computing the relevant materiality thresholds (the “de minimis threshold”), Rules 905(5) and 906(4) have been inserted to allow SGX to aggregate separate IPTs (including transactions below \$100,000) entered into during the same financial year and treat them as one transaction.</p> <p>In light of the above changes, issuers are reminded that they should have the relevant processes to track all IPTs, including those below \$100,000.</p>								
<p>New Rules 905(4) and 906(3)</p> <p>In computing the materiality thresholds for IPTs, SGX should be consulted on the appropriate benchmark to be used if issuer group’s latest audited net tangible assets is negative</p>	<p>In the event that the issuer group’s latest audited net tangible assets is negative, to enable issuers to compute the IPT thresholds under Rules 905(1), 905(2) and 906(1), issuers are required to consult SGX on the appropriate benchmark to use, which may be based on its market capitalisation.</p>								
<p>Revised Rule 907</p> <p>Issuer to disclose the nature of relationship of the issuer with the interested person in its annual report</p>	<p>Rule 907 now provides that issuers should also disclose the nature of relationship of the issuer with the interested person in its annual report (as shown below).</p> <table border="1" data-bbox="472 1079 1375 1328"> <thead> <tr> <th data-bbox="472 1079 618 1328">Name of interested person</th> <th data-bbox="618 1079 811 1328">*New Nature of relationship</th> <th data-bbox="811 1079 1089 1328">Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)</th> <th data-bbox="1089 1079 1375 1328">Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> <p>In disclosing the relationship, it is sufficient to state, for instance that the identified interested person is an “associate of the issuer’s controlling shareholder”.</p> <p><u>Transitional Arrangements</u></p> <ul style="list-style-type: none"> If an issuer’s annual report is issued on or after 7 February 2020, issuer must comply with revised Rule 907. In the event that the issuer is operationally constrained from including the requisite information in the annual report, e.g. due to printing deadlines, the issuer may provide information to supplement its annual report by way of an announcement on SGXNET. 	Name of interested person	*New Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000)				
Name of interested person	*New Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000)						

<p>Revised Rule 908</p> <p>Aggregation principle for the IPTs with the “same interested person” includes not only summing up the IPTs of the entities of the same group (i.e. entities that are related corporations), it also includes aggregating the IPTs of:</p> <ul style="list-style-type: none"> • a primary interested person and its respective associate • 2 primary interested persons if the primary interested person is also an associate of the other primary interested person <p>New Rule 904(4B)</p> <p>“primary interested person” means a director, chief executive officer, or controlling shareholder of the issuer</p>	<p>Currently, transactions between an entity at risk and interested persons who are members of the same group (i.e. entities that are related corporations) are deemed to be IPTs with the same interested person and the IPTs are to be aggregated accordingly. For clarity, Rule 908 has been amended as follows:</p> <ul style="list-style-type: none"> • Transactions between entity at risk and a primary interested person and its respective associate are also considered IPTs with the same interested person. <i>For instance, if listed company A provides services to Director B and also to the spouse of Director B, both transactions will be deemed as IPTs with the same interested person and will be aggregated pursuant to Rules 905 and 906 to determine whether the IPTs threshold have been crossed.</i> • Transactions between entity at risk and 2 primary interested persons (if the primary interested person is also an associate of the other primary interested person) are deemed as IPTs with the same interested person. <i>For instance, listed company C receives services from its holding company D, who is also the controlling shareholder of listed company C. Director E of the listed company C holds 35% in the holding company D. During the same financial year, listed company C also obtains an interest levied loan from Director E. Both transactions will be deemed as IPTs with the same interested person and will be aggregated as the holding company D is considered an associate of Director E (as Director E holds more than 30% in holding company D).</i> • Transactions between an entity at risk and its parent company must be aggregated with transactions between an entity at risk and any of the unlisted subsidiaries of the parent company.
<p>New Rule 909(4)</p> <p>Value of the IPT (amount at risk to issuer) is the higher of the market value or book value of the disposed assets, if the consideration of the asset disposed to interested person is lower than the market value or book value of the assets</p>	<p>Rule 909 sets out some examples in considering the value of an IPT, which is the amount at risk to the issuer. Rule 909(4) seeks to make clear that the value of the IPT is the higher of the consideration from an interested person, the market value or book value of the asset to be disposed of.</p>
<p>Revised Rule 917(2)</p> <p>Issuer to disclose more details of the IPT, which include the book value, the net profits attributable to the assets and the latest available open market value in the announcement</p>	<p>Under the revised Rule 917(2), besides disclosing the details of the IPTs and the relevant terms of the transactions, issuers are also required to disclose, where applicable, the book value, the net profit attributable to the assets and the latest available open market value of the assets.</p>
<p>Revised Rule 920</p> <p>Issuer to specifically name the interested persons (i.e. the director, CEO or controlling shareholder of the issuer) covered under the IPT mandate in the circular</p>	<p>Rule 920 has been revised that any interested persons covered by the IPT mandate must be identified on a named basis.</p> <p>For clarification, in the event that there are any changes to, for example, an associate of a director or a controlling shareholder of the issuer, the IPT mandate will survive with regard to the remaining named interested person(s) in the IPT mandate. However, should the issuer seek to, for example, include a new associate of a director or controlling shareholder of an issuer within the ambit of its IPT mandate, the issuer should appoint an independent financial adviser to opine on the IPT general mandate due to a potential change in the risk profile brought on by the new interested person.</p> <p><u>Transitional Arrangements</u></p> <ul style="list-style-type: none"> • Subsequent to 7 February 2020, if an issuer is seeking to renew its existing IPT mandate on the same term, and the IPT mandate identifies, for example, “directors” or “controlling shareholders” as a class of interested persons, no further amendments will be required pursuant to the revised requirements under Rule 920. • However, any new IPT mandates to be adopted by an issuer after 7 February 2020 will have to identify the interested person on a named basis.

CHAPTER 10 – SIGNIFICANT TRANSACTIONS

<p>In addition to the acquisition/disposal of assets, the provision of financial assistance by issuers to third parties, including loans and guarantees provided by the Group to third parties and joint venture entities, will now be subject to the requirements of Chapter 10 of the Catalist Rules.</p>	
<p><i>New</i> “financial assistance” has been included in the Catalist Rules</p> <p><i>Revised</i> Rule 1001 Financial assistance provided by issuer to third parties are subject to the same rules as significant acquisitions or disposals</p>	<p>“financial assistance” <i>Includes:</i></p> <p>a) <i>the lending of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and</i></p> <p>b) <i>the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another</i></p> <p><i>Excludes:</i></p> <ul style="list-style-type: none"> • Provision of insurance coverage and indemnity as well as defence funding. • Provision of financial assistance by an entity within the Group to the issuer, or its subsidiary or associated companies. <p>Notwithstanding the above exclusions, issuers are reminded to consider whether the provision of financial assistance (including intra-group transactions) constitutes material information under Rule 703 (where provision or receipt of significant financial assistance is likely to require immediate disclosure).</p> <p><u><i>Transitional Arrangements</i></u></p> <p>With effect from 7 February 2020, any provision of such financial assistance, including any renewal of existing loan agreements, is subject to Chapter 10 of the Catalist Rules.</p>
<p><i>New</i> Rule 1003(4) Computation of relative figures under Rule 1006 in the context of the provision of financial assistance</p>	<p><u><i>Computation of relative figures under Rule 1006</i></u></p> <p>For Rules 1006(a) and 1006(c), the references to “net asset value of the assets to be disposed of” and “aggregate value of the consideration given or received”, respectively, shall mean the aggregate value of the financial assistance.</p> <p>“Value of the financial assistance” means the monetary value of the relevant loan, guarantee, debt, indemnity, security provided or obligation.</p> <p>Notwithstanding the above, SGX retains the discretion to impose additional tests under Rule 1006 (with modifications) in certain circumstances, particularly where the repayment of the financial assistance is in the form of shares.</p>
<p><i>Revised</i> Rule 1014(1)(b) Provision of financial assistance is classified as major transaction at threshold of 50%</p>	<p>Where any of the relative figures as computed on the bases set out under Rule 1006, relating to the provision of financial assistance, exceeds 50%, the transaction is deemed a major transaction.</p>

Revised Rule 1007(1)
(together with Practice Note 10A,
Paragraph 4)

Applicability of Chapter 10 requirements where the relative figures computed under Rule 1006 involves negative figures.

Certain circumstances may not give a meaningful indication of the significance of the transaction to the issuer:

- Issuer with negative net asset value
- Disposal of asset with negative net asset value
- Loss-making issuer
- Acquisition or disposal of loss-making asset

With the amended Rule 1007, issuer is not required to consult SGX if any of the relative figures computed pursuant to Rule 1006 involves negative figures, under the following applicable circumstances, as set out in Practice Note 10A, Paragraph 4 of the Catalist Rules.

For an acquisition

		If the issuer is..	
		Profitable	Loss-Making
If the asset to be acquired is..	Profitable	No negative figures under Rule 1006	<p><u>No announcement:</u></p> <ul style="list-style-type: none"> • Absolute relative figure for Rules 1006(c) and (d) is 5% or less; and • Net profit attributable to the asset to be acquired is 5% or less of the consolidated net loss of issuer (absolute basis)
			<p><u>Announcement:</u></p> <ul style="list-style-type: none"> • Absolute relative figure for Rules 1006(c) and (d) does not exceed 75%; and • Net profit attributable to the asset to be acquired exceeds 5% of the consolidated net loss of issuer (absolute basis)
	Loss-Making	<p><u>No announcement:</u></p> <ul style="list-style-type: none"> • Absolute relative figure for Rules 1006(c) and (d) is 5% or less; and • Net loss attributable to the asset to be acquired is 5% or less of the consolidated net profit/loss of issuer (absolute basis) 	
		<p><u>Announcement:</u></p> <ul style="list-style-type: none"> • Absolute relative figure for Rules 1006(c) and (d) does not exceed 75%; and • Net loss attributable to the asset to be acquired exceeds 5% but does not exceed 10% of the consolidated net profit/loss of issuer (absolute basis) 	

Revised Rule 1007(1)
(together with Practice Note 10A,
Paragraph 4)

Applicability of Chapter 10 requirements where the relative figures computed under Rule 1006 involves negative figures

Certain circumstances may not give a meaningful indication of the significance of the transaction to the issuer:

- Issuer with negative net asset value
- Disposal of asset with negative net asset value
- Loss-making issuer
- Acquisition or disposal of loss-making asset

With the amended Rule 1007, issuer is not required to consult SGX if any of the relative figures computed pursuant to Rule 1006 involves negative figures, under the following applicable circumstances, as set out in Practice Note 10A, Paragraph 4 of the Catalist Rules.

For a disposal

		If the issuer is..	
		Profitable	Loss-Making
If the asset to be disposed is..	Profitable	No negative figures under Rule 1006	<p>No announcement:</p> <ul style="list-style-type: none"> • Absolute relative figure for Rules 1006(a), (c) and (e) is 5% or less; and • Net profit attributable to asset to be disposed is 5% or less of consolidated net loss of issuer (absolute basis) • IF the disposal results in a loss on disposal, the sum of the loss on disposal and net profit attributable to asset, is 5% or less of the consolidated net loss of issuer (absolute basis)
			<p>Announcement:</p> <ul style="list-style-type: none"> • Absolute relative figure for Rules 1006(a), (c) and (e) does not exceed 50%; and • Net profit attributable to asset to be disposed exceeds 5% but does not exceed 10% of the consolidated net loss of issuer (absolute basis) • IF the disposal results in a loss on disposal, the sum of the loss on disposal and net profit attributable to asset exceeds 5% but does not exceed 10% of the consolidated net loss of issuer (absolute basis)
	Loss-Making		<p>No announcement:</p> <ul style="list-style-type: none"> • Absolute relative figure for 1006(a), (c) and (e) is 5% or less; and • IF the disposal results in a loss on disposal, the loss on disposal is 5% or less of the consolidated net profit/loss of issuer (absolute basis)
			<p>Announcement:</p> <ul style="list-style-type: none"> • Absolute relative figure for Rules 1006(a), (c) and (e) does not exceed 50%; and • IF the disposal results in a loss on disposal, the loss on disposal exceeds 5% but does not exceed 10% of the consolidated net profit/loss of issuer (absolute basis)

For the disposal of an asset (either or both the asset and the issuer has negative net asset value):

No announcement:

- Absolute relative figure for Rules 1006(b), (c) and (e) is **5% or less**; and
- **IF** the disposal results in a loss on disposal, the loss on disposal is **5% or less** of the consolidated net profit/loss of issuer (absolute basis)

Announcement:

- Absolute relative figure for Rules 1006(b), (c) and (e) **does not exceed 50%**; and
- **IF** the disposal results in a loss on disposal, the loss on disposal **exceeds 5% but does not exceed 10%** of the consolidated net profit/loss of issuer (absolute basis)

<p>Revised Practice Note 10A Broader range of <u>significant acquisitions</u> which are being subject to Chapter 10 rules</p> <p>New “Existing principal business”: An asset is considered to be part of the issuer’s existing principal business if the asset, among others, contributes more than 20% of the issuer’s net profits or total assets and has been reported in the issuer’s latest audited financial statements</p>	<p>Shareholders’ approval is not required if an acquisition results in an expansion of an issuer’s existing core business. However, if the acquisition changes the risk profile of the issuer, shareholders should be given an opportunity to vote on the transaction, despite that the acquisition will not change the main business of the issuer.</p> <p><u>Ordinary course of business</u> An acquisition of asset is regarded in, or in connection with, the ordinary course of an issuer’s business, if:</p> <p>(a) the asset to be acquired is part of the issuer’s existing principal business; and (b) the acquisition does not change the issuer’s risk profile.</p> <p><i>Disposal of business will usually not be considered to be in the ordinary course of business.</i></p> <p><u>Indicators of a change to risk profile (not exhaustive or conclusive)</u></p> <ul style="list-style-type: none"> ✓ Acquisition reduces the issuer’s net profits or net asset value by 20% or more (based on the latest audited financial statements and assuming that the proposed acquisition had been effected at the end of that financial year). ✓ Asset to be acquired is loss-making or is in a net liability position. ✓ Acquisition will have a significant adverse impact on issuer’s gearing. ✓ Expansion into a new jurisdiction that will expose issuer to significant new risks. ✓ For MOG companies: Acquisition which will result in an expansion into a new resource or commodity type, or into a new jurisdiction, is likely to require a reconsideration of the applicable risks.
<p>Revised Practice Note 10A Clearer guidelines on the computation of consideration and net asset value used to compute the relative figures under Rule 1006</p>	<p>Under the revised Practice Note 10A, in computing the aggregate value of consideration under Rule 1006(c), an issuer should consider the following:</p> <ul style="list-style-type: none"> • other than any deferred consideration that may be payable or receivable by the issuer in the future, any additional amounts related to the transaction, including loans or guarantees extended by the purchaser or the provision of other forms of security should be included in the aggregate value of consideration; • any additional liabilities (whether actual or contingent) to be assumed by the purchaser or waived by the seller under the terms of the transaction should be included in the aggregate value of consideration; and • if the business to be acquired has negative net asset value, the absolute value of the negative net asset value shall be taken into account in computing the aggregate value of the consideration. <p>Further, in computing the net asset value of a business to be disposed under Rule 1006(a), if there is a capitalisation, or waiver or write-off of the loan extended by the issuer to the business, the amount of loan, waiver or write-off shall be added to the net asset value of the business.</p>

<p>Revised Rule 1013(2)(a) Confirmation from the auditors that the basis of preparation of the profit guarantee or the profit forecast is consistent with the accounting policies of the issuer</p>	<p>In order for any profit guarantee or profit forecast provided to be consistent with the accounting policies of the issuer, the issuer needs to obtain, and include in its circular, a confirmation from the auditors that the basis of preparation of the profit guarantee or the profit forecast is consistent with the accounting policies of the issuer.</p> <p>The confirmation may be provided by either (i) the auditors of the business or assets to be acquired, or (ii) the issuer’s auditors.</p>
<p>Revised Rule 1014(2) New valuation requirements for major transactions, i.e. acquisition (75% but less than 100%) or disposal (exceeds 50%)</p> <p>New Rule 1014(5) New valuation requirements for significant disposal (above 75%)</p>	<p>Under the revised Rule 1014(2), for major transactions, if there is no valuation available for the acquisition or disposal of assets (excluding shares), the issuer must provide an explanation on why it did not commission a valuation.</p> <p>Notwithstanding the above, where there is a disposal of assets and if any of the relative figures as computed on the bases set out in Rule 1006 exceeds 75%, the issuer must appoint a competent and independent valuer to value the assets to be disposed.</p> <p>If the disposal of the assets was conducted through a bid process, the issuer may consult SGX as to whether a valuation is still required to be performed on the assets.</p>

CHAPTER 13 – TRADING HALT, SUSPENSION AND DELISTING

<p>Revised Practice Note 13A, Paragraphs 13 and 14 (together with Appendix 7A, Paragraph 23) Amendments to the lead-in notice time for trading halt and suspension of trading</p>	<p>To provide sufficient time for the market to absorb the information, issuers must allow at least 30 minutes of dissemination time after a material announcement is made before trading resumes. Trading can only resume on the <i>quarter-hour</i> during trading hours.</p> <p>For trading halt – at least 15 minutes of dissemination time for the <i>request for the lifting of trading halt announcement</i> before trading resumes.</p> <p>For suspension – at least 30 minutes of dissemination time for the <i>request for the resumption of trading from suspension announcement</i> before trading resumes.</p>
<p>New Practice Note 13A, Paragraph 18 Half-yearly updates to be provided by issuers under suspension of trading</p>	<p>Issuers whose listed securities are suspended from trading (excluding cash companies or issuers who are unable to continue as a going concern), should provide updates on a half-yearly basis on their developments via SGXNET. If there have been no updates since the previous update, the issuer may state so in its subsequent update.</p> <p>This rule was instituted as SGX is of the view that although the issuer’s shares are suspended from trading, shareholders must be kept updated regularly on material developments, particularly on efforts undertaken to allow the listed securities to resume trading.</p>

Please Contact or Find us at:

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542
Telephone: (65) 6232 3210
Fax: (65) 6232 3244

www.saccapital.com.sg

Our Services



CAPITAL MARKETS

- Underwriting for IPOs and Rights Issues
- Private Fund Raising
- Public Share Placement
- Mergers and Acquisitions
- Buyout Initiatives
- Vendor Sales



LISTINGS

- Initial Public Offerings
- Reverse Takeovers
- Dual and Secondary Listings
- Spin-off of Subsidiaries



FINANCIAL ADVISORY

- Acquisition/ Disposal
- Restructuring
- Rights Issue
- Corporate Transactions
- Privatisation



FUND MANAGEMENT

- Investment Management Services covering Most Asset Classes
- Provision of Sustainable Investment Solutions
- Portfolio and Wealth Management Services



RESEARCH

- Equity Research for SMEs listed on SGX
- Industry-specific Research
- Corporate Flash Note
- Singapore Weekly Report
- Initiation Report
- Non-rated Report
- Knowledge Hub



CATALIST SPONSORSHIP

- Advising on Compliance to Listing Obligations and Corporate Governance Code
- Review and Approve Announcements, Annual Reports and Circulars
- Intermediary between Company and SGX

Useful References:

SGX Response to Comments on Consultation Paper – Enhancement to Continuous Disclosures

<https://api2.sgx.com/sites/default/files/2020-01/Responses%20to%20Comments%20-%20Enhancements%20to%20Continuous%20Disclosures%20%28SGX%2020200109%29.pdf>

Amendments to Catalyst Rules

http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Catalist_Rules_February_7_2020.pdf

Amendments to Mainboard Rules

http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Mainboard_Rules_February_7_2020.pdf

This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Capital Private Limited. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited.

Please note that whilst the information in this Regulatory Update is correct to the best of our knowledge at the time of writing, it is only intended as a general guide and should not be taken as professional advice for any particular course of action. Before acting on the contents of this Regulatory Update, readers are encouraged to seek professional advice. In this regard you may contact us at (65) 6232 3210.