

## Amendments to the Quarterly Reporting Framework

In January 2018, SGX issued a consultation on “Review of the Quarterly Reporting (“QR”) Framework” for companies listed on SGX to gather feedback regarding the QR Framework. Subsequent to the consultation, SGX announced two major changes to the QR Framework which will take effect from **7 February 2020**:

### (i) Adoption of risk-based approach towards QR

SGX will be removing the market capitalization threshold for QR, and will instead adopt a risk-based approach. Only companies that receive a qualified opinion, disclaimer of opinion or adverse opinion (collectively, “**modified opinions**”) and companies that have a material uncertainty relating to going concern, both based on their latest audited financial statements, need to comply with QR. SGX may also exercise their administrative powers to impose QR on companies with regulatory concerns.

### (ii) Strengthening the continuous disclosure regime

With the introduction of a risk-based approach, there will be greater reliance on continuous disclosures for investors to be informed on material developments of the company. As such, SGX has also updated its guidelines for the timely disclosure of material information, including further discussions on commonly-faced issues and explanation on how they could be dealt with.

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.

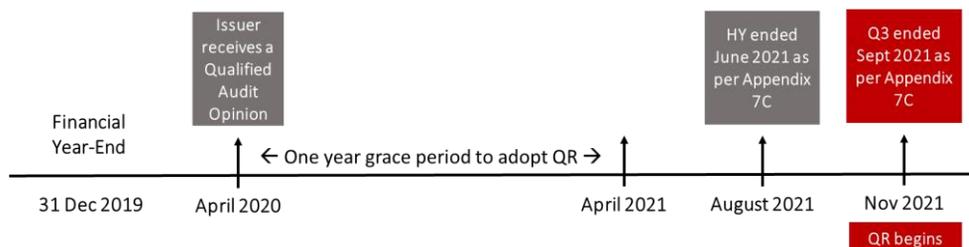
## AMENDMENTS TO CATALIST RULES

### CHAPTER 7 – CONTINUING OBLIGATIONS

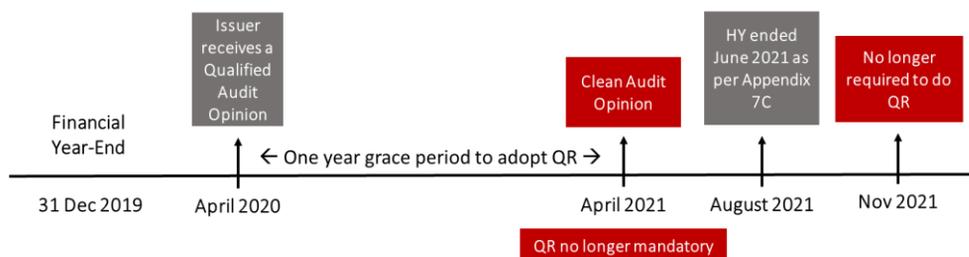
<p><i>Revised</i> <b>Rule 704</b> Immediate disclosure for modified opinions</p>	<p>An issuer must immediately announce <b>any adverse opinion, disclaimer of opinion, qualified opinion or emphasis of a matter (including a material uncertainty relating to going concern)</b> by the auditors on (i) the issuer, or (ii) any of its subsidiaries or associated companies if <i>the adverse opinion, disclaimer of opinion, qualified opinion or emphasis of a matter</i> has a material impact on the issuer’s consolidated accounts or Group’s financial position.</p>
<p><i>Revised</i> <b>Rule 704(24)</b> Amended to allow issuers to report on sales and turnover figures</p>	<p>SGX encourages issuers to provide shareholders with voluntary updates on their interim business performance and to publish financial or non-financial indicators that will allow investors to effectively understand and assess their business performance. In this regard, Rule 704(24) has been amended to allow issuers to report on their sales and turnover figures without having to also publish the full set of financial statements.</p>
<p><i>New</i> <b>Rules 705(2), 705(2A), 705(2B), 705(2C)</b> Issuers with a modified opinion or a material uncertainty relating to going concern will be required to comply with quarterly reporting</p>	<p><b><u>Compulsory Quarterly Reporting</u></b></p> <p>An issuer must announce its financial statements for each of the first three quarters of its financial year (as set out in Appendix 7C) immediately after the figures are available, but in any event not later than 45 days after the quarter end, if:</p> <ul style="list-style-type: none"> <li>(i) its auditors have issued an <b>adverse opinion, a qualified opinion or disclaimer of opinion</b> on the issuer’s latest financial statements; or</li> <li>(ii) its auditors have stated that a <b>material uncertainty relating to going concern</b> exists in the issuer’s latest financial statements.</li> </ul> <p><i>Compulsory QR is not applicable to issuers undergoing judicial management, winding up or provisional liquidation, or issuers who are cash companies. As such issuers are undergoing restructuring, they are unlikely to have significant ongoing business activity and QR might not be meaningful.</i></p> <p>In addition to above, for issuers with regulatory concerns, breach of Catalist Rules or there are audit matters which affect the veracity of financial statements, SGX reserves the right to issue a “Notice of Compliance” to issuers to comply with QR. Such issuers may include, but not limited to, (i) issuers with disclosure lapses, (ii) issuers who are not transparent in disclosures, (iii) issuers with financial statements concerns, or (iv) issuers with prior whistle-blowing incidents.</p>

**For issuers having to comply with QR:**

- a) There will be a grace period of *one year* to comply with QR, commencing on the date any condition is met (unless otherwise determined by the SGX).
- b) Must continue to comply with QR for so long as any condition is met.
- c) Must prominently include a statement on the cover page of its quarterly financial statements announcement that such an announcement is pursuant to an SGX requirement.



If the audit issues are resolved within the grace period, they will no longer be required to comply with the QR requirement. However, in exceptional circumstances where shareholders do not approve such financial statements at its AGM, SGX may intervene and require the issuer to continue QR.



**New Appendix 7C, Paragraph 3A**  
Financial Statements and Dividend Announcement

Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion, issuers to include in their financial statements announcements:

- a) Updates on the efforts to resolve each audit issue; and
- b) Board’s confirmation that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue which pertains to a material uncertainty relating to going concern. For the avoidance of doubt, if an issuer receives a modified opinion due to various factors (one of which relates to going concern), the updates and confirmation required above will only be applicable to the other factors excluding going concern issues.

<p><i>Revised</i> <b>Rule 705(3)</b> (read together with <i>New</i> <b>Appendix 7A,</b> <b>Paragraph 27(c)(vi)</b>)</p>	<p><b><u>Voluntary Quarterly Reporting</u></b></p> <p>An issuer that is not required to comply with Rule 705(2) (“<b>Exempted Issuers</b>”) must still announce its <b>first half financial statements (as set out in Appendix 7C)</b>.</p> <p>Such issuer can opt to announce the financial statements for each of the first three quarters (as set out in Appendix 7C), or if it wishes to announce its quarterly financial statements in a format other than set out in Appendix 7C, its <b>first half financial statement</b> must be in the format set out in Appendix 7C.</p> <p>Issuers should also take note of Appendix 7A, paragraph 27 (c)(vi), which have been amended to include, where press release(s) or other public announcement(s) <u>should avoid</u>, amongst other things:</p> <ul style="list-style-type: none"> <li>• Selective presentation of information without sufficient comparability across periods in periodic updates on performance.</li> <li>• Publishing performance measures that are inconsistent across periods to highlight favourable performance or omit poor performance in selected periods.</li> </ul> <div style="border: 1px solid black; padding: 5px;"> <p><b><u>Clarifications on Voluntary QR</u></b></p> <ol style="list-style-type: none"> <li>1. For Exempted Issuers who were supposed to release 1Q or 3Q results by 14 February 2020, as the new QR requirements will take immediate effect on 7 February 2020, such Exempted Issuers will no longer be required to report the 1Q or 3Q results.</li> <li>2. Exempted Issuers preparing for the upcoming financial results announcement for HY/FY-ended 31 December 2019 can decide whether they wish to present its financial figures on a 2Q/4Q basis, in addition to their half-year/full-year financial figures.</li> <li>3. As QR for Exempted Issuers will be on a voluntary basis, issuers can subsequently opt out of QR without seeking SGX’s approval. However, SGX has reminded issuers that QR should be done in a consistent manner to allow for comparability across periods, so as to provide meaningful information for investors. Such changes in practices should also be supported by a reasonable basis, and not adopted only for selected periods.</li> <li>4. Exempted Issuers who opt to do voluntary QR as per Appendix 7C will be allowed to publish their 2Q results, instead of a 6-month period, at the half-year mark. All other issuers must do semi-annual reporting.</li> </ol> </div>
<p><i>New</i> <b>CG Code 2018</b> <b>Practice Guidance 12:</b> <b>Engagement with</b> <b>Shareholders</b></p> <p>With the new QR requirements, the practice guidance in relation to issuers’ engagement with shareholders have been amended.</p>	<p>Companies should engage the shareholders on whether the company should voluntarily announce interim updates on useful and relevant information in addition to the mandatory financial statements.</p> <p>Information which shareholders would find useful include:</p> <ul style="list-style-type: none"> <li>• Discussion of the significant factors that affected the company’s interim performance,</li> <li>• Relevant market trends including the risks and opportunities that may have a material impact on the company’s prospects.</li> </ul> <p>Such information provides shareholders a better understanding of the company’s performance in the context of the current business environment. The Board should then consider whether interim updates should be provided to shareholders, and the appropriate frequency of the updates.</p>
<p><i>Revised</i> <b>Rule 1002(3)(c)</b> Significant Transactions (f.k.a Acquisitions and Disposals)</p>	<p>The net asset and net profit figures used for comparison with the transaction(s) under consideration for Chapter 10 will be taken from the latest announced consolidated accounts (<b>as set out in Appendix 7C</b>).</p>
<p><i>Revised</i> <b>Rule 1204(19)(c)</b> Dealing in securities</p>	<p><b><u>Black-out period</u></b></p> <p>An issuer and its officers should not deal in the issuer’s securities during the period commencing:</p> <ol style="list-style-type: none"> <li>a) <u>Two weeks</u> before the announcement of each of the first three quarters, if an issuer releases its quarterly financial statements on both compulsory and voluntary basis; and</li> <li>b) <u>One month</u> before the announcement of its half year and full year financial statements, if an issuer does not announce its quarterly financial statements.</li> </ol>

**AMENDMENTS TO CATALIST RULES**

*New* PRACTICE NOTE 7A – CONTINUING DISCLOSURE

<p><b>Paragraph 2</b> Interaction with the SFA</p>	<p>SGX’s continuous disclosure rules are given statutory backing under Section 203 of the SFA. <b>A breach of the SGX’s continuous disclosure obligations may be considered an offence under the SFA and may have serious legal consequences for the issuer and its officers.</b></p>
<p><b>Paragraph 3</b> Guidance on what constitutes material information</p>	<p>An issuer is required to announce any <b>trade-sensitive</b> (Rule 703(1)(a)) or <b>materially price-sensitive</b> (Rule 703(1)(b)) information known to the issuer concerning it or any of its subsidiaries or associated companies, based on the following guidelines:</p>
<p>i. <b>Materially price-sensitive information</b></p>	<p>Issuers should assess if information is <u>materially price-sensitive</u> based on the following factors:</p> <ul style="list-style-type: none"> <li>• On an ex-ante basis, if the information is likely to have a material impact to the price of its securities to foresee how investors will react to any particular information when it is disclosed.</li> <li>• The context of the issuer’s business, where the impact to the issuer would depend on its business and market expectations of the issuer’s performance.</li> <li>• Prevailing market conditions in their assessment of price impact (e.g. liquidity of the issuer’s securities, macroeconomic or sector-specific factors and the general market sentiment).</li> </ul> <p>For the purposes of assessing if a breach of Rule 703(1)(b) has occurred, SGX will examine actual market reaction to the information when it is disclosed or over a length of time suitable for the liquidity of the securities.</p>
<p>ii. <b>Trade-sensitive information</b></p>	<p>Issuers should assess if information is <u>trade-sensitive</u> based on the following factors:</p> <ul style="list-style-type: none"> <li>• The likelihood that the omission or failure to disclose such information will result in the market trading on an uninformed basis.</li> <li>• Assess if the information is expected to influence an investor who commonly invests in securities to subscribe for, or buy or sell the issuer’s securities in reliance of that information, if it had been known beforehand.</li> <li>• Information which is materially price-sensitive would likely also be trade-sensitive. However, trade-sensitive information need not necessarily have a material price impact.</li> </ul> <p><i>As defined under Section 214 of the SFA and guidelines from MAS, the term “persons who commonly invest” will include retail investors for listed shares.</i></p>

<p>Paragraph 4 Exceptions to Rule 703(3)</p>	<p><b>There are exceptions from disclosure provided that <u>all</u> three conditions are met:</b></p> <ol style="list-style-type: none"> <li>a) A reasonable person would not expect information to be disclosed.</li> <li>b) Confidential information.</li> <li>c) The information either:             <ol style="list-style-type: none"> <li>i. Concerns an incomplete proposal or negotiation,</li> <li>ii. Comprises matter of supposition or is insufficiently definite to warrant disclosure,</li> <li>iii. Generated for internal management purposes, or</li> <li>iv. Is a trade secret.</li> </ol> </li> </ol>
<p>Confidential Information</p>	<p>If material, non-public information has been reported in a reasonably specific manner or from a reliable identified source, SGX is likely to consider that the information is no longer confidential. It is important for issuers to put in place strong safeguards to preserve confidentiality of its information.</p> <p>An issuer <u>must not agree</u> to a confidentiality clause with any other parties which may result in it not being able to comply with the continuous disclosure rules in the Catalist Rules (unless it will result in a breach of law to disclose the information).</p> <p>Issuers should release holding statements in the following events:</p> <ul style="list-style-type: none"> <li>• If the issuer is not ready to confirm the information that was leaked or when there is too much uncertainty (e.g. transaction is undergoing negotiation).</li> <li>• If the issuer is of the view that there has been no leak, but there is unusual market activity that could be attributable to a report, to clarify on the actual situation and deny or confirm the matters in the report.</li> </ul> <p><i>Issuers are also guided by Appendix 7A, Paragraph 22 to undertake a review to seek the causes of the unusual trading activity in its securities and take action in consultation with its sponsors.</i></p>
<p>Rumours or speculations</p>	<p>SGX generally does not expect issuers to respond to rumours or speculation unless there is a price or volume movement in the market. However, if the information is reasonably specific to suggest that the information came from an insider or a reliable source, the issuer should, where necessary, request a trading halt and release an announcement to clarify its position.</p>
<p>Information concerns an incomplete proposal or negotiation</p>	<p>Information that concerns an incomplete proposal or negotiation is excluded on the basis that the likelihood of such agreements proceeding is <b>low or uncertain</b>.</p> <p>However, issuers cannot rely on this exception for material developments or arrangements where commitments to or from the issuer have already been made (e.g. material transaction subject to conditions precedent), even if there are expected to be subsequent developments that may change the potential impact.</p> <p><u>Receipt of letter of demand or commencement of lawsuit</u></p> <ul style="list-style-type: none"> <li>• Issuers <b>to disclose</b> if amount or action claimed has a material impact, notwithstanding that negotiations on the letter of demand may be ongoing or the outcome of the lawsuit is not yet known.</li> <li>• Issuers <b>do not have to disclose</b> if the claim or action could reasonably be characterised as bound to fail (e.g. if the issuer has received legal advice to that effect).</li> </ul>
<p>Trade secrets</p>	<p>Trade secrets are <b>intellectual property</b> of the issuer, such as a specific process, system or know-how belonging to the issuer which provides it with a competitive advantage.</p> <p>The following are <u>not</u> considered trade secrets:</p> <ul style="list-style-type: none"> <li>• Information that will cause the possible erosion of issuer’s competitiveness or unfavourable impact on the issuer’s business.</li> <li>• General information that can be easily discoverable or observed.</li> </ul>

<p><b>Paragraph 5</b> Guidance on particular situations</p>	<p>Issuers should consider the quantitative, qualitative and circumstantial factors when deciding whether it is necessary to disclose a particular piece of information (e.g. trading history of the issuer, unexplained change in price or volume of the issuer's shares, volatility of the issuer's shares, operating environment of the issuer, and the total mix of information that is publicly available).</p>
<p>Profit guidance announcements/ Material adjustments between audited and unaudited financial statements</p>	<p>Issuers should disclose <b>immediately</b> as soon as there is clarity, and not withhold it until the scheduled release of the financial report, where:</p> <ul style="list-style-type: none"> <li>• there is firm evidence of significant improvement or deterioration in the near-term earnings prospects (Appendix 7A, paragraph 9), and/or</li> <li>• material adjustments to previously announced financial statements (Rule 704(5)).</li> </ul> <p>Issuers should also take into consideration the following, in making a profit guidance announcement or any update announcements:</p> <ul style="list-style-type: none"> <li>• Changes in prospect statements.</li> <li>• Changes in public information (including previous prospect statements made by the issuer in its financial reports).</li> <li>• Material changes in business conditions (including loss of major customer or disruption to major supplier).</li> </ul> <p>Issuers should assess, at any point, if material events or developments will require immediate disclosure and should put in place <b><u>internal controls to escalate material information to the Board expediently for consideration.</u></b></p>
<p><i>Revised</i> <b>Practice Guidance 10: Audit Committees</b> in relation to the activities the AC should report to the Board</p>	<p>Where the external auditors raise any significant issues (e.g. adjustments) which has a material impact on the interim financial statement or financial updates previously announced by the Company,</p> <ol style="list-style-type: none"> <li>i. the AC should bring this to the Board's attention,</li> <li>ii. the Board should consider whether an immediate announcement under Rule 703 is required, and</li> <li>iii. the AC should advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates.</li> </ol>
<p>Ongoing developments</p>	<p>Notwithstanding that a matter may still be developing and issuers are unable to quantify the impact, issuers should still make disclosure of material events without delay. The announcement should include:</p> <ul style="list-style-type: none"> <li>• Sufficient information for investors to understand the potential magnitude of the event and its relevance in the context of the issuer's prospects</li> <li>• Description of the risks or uncertainties</li> <li>• Mitigating measures to be taken</li> </ul> <p>Issuers should then follow up with further announcements to the market when there are subsequent developments.</p>
<p>Investigation on a director or an executive officer of the issuer</p>	<p>To be read together with:</p> <ol style="list-style-type: none"> <li>i. Rule 704(6)(a) in relation to the appointment of key persons as set out in Appendix 7F.</li> <li>ii. Rule 720(1) regarding the consideration of the character and integrity of directors and management on a continuing basis.</li> </ol> <p>Any action or conduct by directors or executive officers subsequent to their appointment that would materially affect the information previously disclosed in accordance with Appendix 7F, or that would bring into question their character and integrity must be <b>immediately disclosed</b>.</p> <p>Issuers should put in place internal controls to ensure information is escalated expediently to the Board, including the Nominating Committee, where directors or executive officers are notified by a regulatory authority that they are to be interviewed or under investigation for relevant conduct. The Board should conduct an independent assessment and not rely solely on the representations of the person(s) involved.</p> <p>In assessing if information is material for disclosure, Board to consider:</p> <ol style="list-style-type: none"> <li>a. the extent to which the interview or investigation for relevant conduct concerns the affairs of the issuer or the group;</li> <li>b. whether the director or executive officer is the subject of the investigation or merely assisting in the investigation;</li> <li>c. the extent to which the issuer is reliant on the director or executive officer for the proper oversight and management of the issuer;</li> <li>d. the extent to which the director's or executive officer's ability to oversee or manage the issuer is compromised; and</li> <li>e. the severity of the potential breach.</li> </ol>

<p><b>Paragraph 6</b> Content of announcements</p>	<p><u>Publication of promotional material</u> All announcements should be balanced and fair:</p> <ul style="list-style-type: none"> <li>• <b>DO</b>: Disclose both positive and negative aspects of the developments or prospects without bias.</li> <li>• <b>DO NOT</b>: mislead investors with presentation or emphasis of certain favourable information, or omission of certain unfavourable key facts, or use of promotional jargon (Appendix 7A, Paragraph 27).</li> </ul> <p><u>Third party research reports</u></p> <ul style="list-style-type: none"> <li>• Issuers to avoid using SGXNET to publish third party research reports that present favourable valuation of the issuer’s shares with the aim of driving up the share price.</li> <li>• Will likely be considered by SGX as a prospect statement.</li> <li>• Report will be subject to the same requirements as any other announcements from the issuer (especially Appendix 7A, Paragraph 12, where estimates or projects should be prepared carefully, be soundly based and realistic).</li> </ul>
<p>Sufficient Information</p>	<ul style="list-style-type: none"> <li>• When announcing the award of any contract or new business arrangements, the financial impact (EPS, NTA per share) arising from the transaction must be clearly stated or, if there is no material impact, provide a statement to that effect.</li> <li>• If the issuer is not able to determine the financial impact with certainty, such as fulfilment of contract on ad-hoc basis or poor visibility as to when revenue is generated, an explanation for non-disclosure and sufficient information to allow investors to independently assess financial impact should be provided.</li> <li>• <b>To avoid generic/boilerplate statements (e.g. “expects to remain profitable”, “double digit performance”, “cautiously optimistic”)</b></li> <li>• If a transaction will only be conducted in the next financial year:             <ul style="list-style-type: none"> <li>○ Stating that the transaction is not expected to have a material impact for the current financial year will not be meaningful.</li> <li>○ Should set out the specific facts or circumstances that has affected or may affect performance, and provide insightful analysis on the impact for investors to make an informed assessment of the issuer’s prospects.</li> </ul> </li> </ul>
<p><b>Paragraph 7</b> Other issues</p>	<p><u>Information from third parties</u> Where information announced by third parties (e.g. industry regulators) will result in material impact, issuers should make the necessary disclosures, with an assessment of the impact of the event.</p> <p><u>Publication on the issuer’s website</u> Any material information released on the internet, including the issuer’s website, should have been previously released via SGXNET, or should be simultaneously released via SGXNET.</p> <p><u>Analyst briefings</u></p> <ul style="list-style-type: none"> <li>• Issuers should have in place <b>policies</b> to minimise the risk of being perceived to be practising selective disclosure (e.g. pre-release of slides/speeches prepared for the briefings and meetings via SGXNET).</li> <li>• Non-material and public information could be released on the issuer’s website with an accompanying SGXNET announcement to inform investors that additional information is available on the issuer’s website (e.g. when issuers intend to release large-sized files or provide webcast of the briefing).</li> </ul> <p><u>Response to queries from SGX</u></p> <ul style="list-style-type: none"> <li>• If an issuer fails to respond to a query issued by SGX before commencement of trading, or where there is unusual market activity, SGX may suspend trading.</li> <li>• Issue of holding announcement to state that SGX is querying the issuer is <b>not acceptable</b>.</li> <li>• Issuers may request a trading halt to facilitate release of announcements.</li> </ul>

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### RESEARCH

- Equity Research for SMEs listed on SGX
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- Corporate Flash Note
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- 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 – Review of the Quarterly Reporting Framework

<https://api2.sgx.com/sites/default/files/2020-01/Response%20Paper%20on%20Review%20of%20the%20Quarterly%20Reporting%20Framework.pdf>

### Amendments to Catalyst Rules

[http://rulebook.sgx.com/net\\_file\\_store/new\\_rulebooks/s/g/SGX\\_Catalist\\_Rules\\_February\\_7\\_2020\\_ii.pdf](http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Catalist_Rules_February_7_2020_ii.pdf)

### Amendments to Mainboard Rules

[http://rulebook.sgx.com/net\\_file\\_store/new\\_rulebooks/s/g/SGX\\_Mainboard\\_Rules\\_February\\_7\\_2020\\_ii.pdf](http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Mainboard_Rules_February_7_2020_ii.pdf)

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