

CHAPTER 12
CIRCULARS AND ANNUAL REPORTS

PART I SCOPE OF CHAPTER

1201 This Chapter sets out the requirements that apply to circulars and annual reports issued to the holders of listed securities.

PART II CIRCULARS

1202 Where an issuer proposes to issue a circular to its shareholders in relation to an issue of securities or in relation to a transaction, the issuer must submit one draft copy of the circular to the Exchange for review.

1203 An issuer must submit to the Exchange for review, one draft copy of a notice of meeting if it contains a resolution relating to:-

- (1) the participation of, or grant of options to, controlling shareholders and their associates pursuant to a share option scheme;
- (2) the renewal of a share buy-back mandate; or
- (3) the proposed amendment of the issuer's Memorandum or Articles of Association or other constituent documents.
- (4) the renewal of a general mandate from shareholders pursuant to Rule 920, unless there is no change from the previous proposal.
- (5) the proposed change of auditors. The notice should incorporate:-
 - (a) Confirmation from the outgoing auditors whether or not they are aware of any professional reasons why the new auditors should not accept appointment as auditors of the issuer. If so, to provide details;
 - (b) Confirmation from the issuer whether or not there were disagreements with the outgoing auditors on accounting treatments within the last 12 months. If so, to provide details;
 - (c) Confirmation from the issuer whether or not it is aware of any circumstances connected with the change of auditors that should be brought to the attention of the shareholders of the issuer; and
 - (d) Specific reasons for the change of auditors, including but not limited to, whether the outgoing auditors resigned, declined to stand for election or were dismissed.
 - (e) Confirmation from the issuer that it complies with Rule 712, and Rule 715 or 716 in relation to the appointment of the new auditing firm.

1204 No circular or notice of meeting to be submitted to the Exchange for its review may be circulated or made available publicly until the Exchange advises that it has no objection to the issuance of the circular or notice of meeting. The Exchange will normally complete the review within 4 weeks from the date of submission. However, the time taken may be longer depending on the circumstances.

1205 Each of the directors or vendors of an issuer is required to accept responsibility for the accuracy of the information in a circular sent to shareholders and a statement to that effect, as set out in Practice Note 12.1, must be incorporated in the circular.

1206 Any circular sent by an issuer to its shareholders must:-

- (1) contain all information necessary to allow shareholders to make a properly informed decision or, if no decision is required, to be properly informed;
- (2) advise shareholders that if they are in any doubt as to any action they should take, they should consult independent advisers;
- (3) state that the Exchange takes no responsibility for the accuracy of any statements or opinions made or reports contained in the circular;
- (4) comply with specific circular requirements in the Listing Manual; and

For example:-

| Corporate Action | Rules requiring specific information to be disclosed in the circulars to shareholders |
|--|--|
| (a) Rights Issues | Appendix 8.2 |
| (b) Capitalisation Issues and Subdivision of shares | Rule 839 |
| (c) Issue of Warrants and Other Convertible Securities | Rule 832 |
| (d) Employee Share Option Schemes | Rules 855, 856, 857, 858 and 861 |
| (e) Share Buy-Backs | Rule 883 |
| (f) Scrip Dividends | Rule 862(1) |
| (g) Interested Person Transactions | Rules 920(1)(b) and 921 |

| | |
|--|--------------|
| (h) Acquisitions and Realisations | Rule 1014 |
| (i) Very Substantial Acquisitions or Reverse Takeovers | Rule 1015(5) |

- (5) include an appropriate statement if a person is required to abstain from voting on a proposal at a general meeting by a listing rule.
- (6) Name the financial adviser appointed (if any) in the circular, and where required by SGX, include a responsibility statement from the financial adviser in respect of such information contained in the circular as required by SGX, as set out in Practice Note 12.1.

PART III ANNUAL REPORTS

1207 The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least the following:-

General Information

- (1) The name of the company's secretary.
- (2) The address, telephone number, facsimile number and electronic mail address (if any) of the registered office.
- (3) The address of each office at which a register of securities is kept.
- (4) (a) A review, in as much detail as appropriate, of the operating and financial performance of the issuer and its principal subsidiaries in the last financial year.
- (b) The review must include each of the following:-
 - (i) Any development subsequent to the release of the issuer's preliminary financial statement, which would materially affect the issuer's operating and financial performance;
 - (ii) An analysis of the business outlook;
 - (iii) Prospectus-type information relating to the background of directors and key management staff; and
 - (iv) Prospectus-type information relating to risk management policies and processes.

- (c) Issuers are encouraged (but not required) to follow the OFR Guide when preparing their reviews.
- (5)
- (a) The annual audited accounts (consolidated);
 - (b) The audited balance sheet (unconsolidated) of the issuer;
 - (c) The cashflow statement (consolidated);
 - (d) A statement whether or not the financial statements are prepared in accordance with the prescribed accounting standards; and
 - (e) Disclosure of the nature and financial effect of, and justification for any deviation from prescribed accounting standards, together with the auditors' confirmation of their agreement to the deviation and a statement by the auditors that the deviation is necessary to present "true and fair" financial statements.
- (6)
- (a) The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services. If there are no audit or non-audit fees paid, to make an appropriate negative statement.
 - (b) Confirmation by the audit committee that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the audit committee's opinion, affect the independence of the auditors.
 - (c) A statement that the issuer complies with Rules 712, and Rule 715 or 716 in relation to its auditing firms.
- (7) A statement (as at the 21st day after the end of the financial year) showing the direct and deemed interests of each director of the issuer in the issuer's shares and convertible securities.
- (8) Particulars of material contracts of the issuer and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year. In the case of a loan, also state:-
- (a) the names of the lender and the borrower;
 - (b) the relationship between the lender and the borrower and whether the director or controlling shareholder is the lender or borrower;
 - (c) the amount of the loan;
 - (d) the interest rate;
 - (e) the terms as to payment of interest and repayment of principal; and
 - (f) the security provided.

If no material contract has been entered into, make an appropriate negative statement.

(9) A statement (made up to a date not more than 1 month before the date of the notice of the annual general meeting or summary financial statement, whichever is earlier) indicating the date of such statement and setting out:-

- (a) the number of holders of each class of equity securities and the voting rights attaching to each class;
- (b) a distribution schedule of each class of equity securities (including convertible securities) other than share options referred to in Rule 1207(16), setting out the number of holders in the following categories:-

| | | |
|-------------------------------|-----|--------------------------|
| 1 | - | 999 <u>99</u> |
| <u>100</u> | = | <u>1,000</u> |
| <u>1,001</u> 1,000 | - | 10,000 |
| 10,001 | - | 1,000,000 |
| 1,000,001 | and | above |

- (c) the names of the substantial shareholders and a breakdown of their direct and deemed interests as shown in the company's Register of Substantial Shareholders. For deemed interests, the issuer must disclose how such interests are held or derived;
 - (d) for each class of equity securities, the names of the 20 largest holders and the number held; and
 - (e) the percentage of shareholding held in the hands of public and confirmation that Rule 723 is complied with.
 - (f) the number of treasury shares held and the percentage of such holding against the total number of issued shares excluding treasury shares.
- (10) Opinion of the board with the concurrence of the audit committee on the adequacy of the internal controls, addressing financial, operational and compliance risks.

Land and Buildings

(11) In respect of land and buildings, a breakdown of the value in terms of freehold and leasehold. Where properties have been revalued, to state the portion of the aggregate value of land and buildings that is based on valuation, and to state the valuation date. Where the aggregate value for all properties for development, sale or for investment purposes held by the group represent more than 15% of the value of the consolidated net tangible assets, or contribute more than 15% of the consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the accounts:-

- (a) In the case of property held for development and/or sale:-

- (i) a brief description and the location of the property;
 - (ii) if in the course of construction, the stage of completion as at the date of the annual report and the expected completion date;
 - (iii) the existing use (e.g. shops, offices, factories, residential, etc);
 - (iv) the site and gross floor area of the property; and
 - (v) the percentage interest in the property.
- (b) In the case of property held for investment:-
- (i) a brief description and the location of the property;
 - (ii) the existing use (e.g. shops, offices, factories, residential, etc); and
 - (iii) whether the property is leasehold or freehold. If leasehold, state the unexpired term of the lease.

Provided that if, in the opinion of the directors of the issuer, the number of such properties is such that compliance with this rule would result in particulars of excessive length being given, compliance is required only for properties, which in the opinion of the directors, are material.

Directors' and Key Executives' Remuneration

- (12) The issuer should make disclosure as recommended in the Code of Corporate Governance, or otherwise disclose and explain any deviation from the recommendation.
- (13) The remuneration must include all forms of remuneration from the issuer and any of its subsidiaries. In deciding whether an item or benefit is to be included in the remuneration, regard shall be given to the taxability of that item.
- (14) The value of an item or benefit must be disclosed as the original cost or value of the amount or benefit, and not the taxable value to the recipient.
- (15) If a person served in the capacity of a director or key executive for any part of a financial period, disclosure is required of the person's actual remuneration for the period that the person had served as a director or key executive.

Employee Share Option Scheme

- (16) The information required by Rule 852 in respect of any employee share option (or share incentive) scheme.

Interested Person Transactions

- (17) The information required by Rule 907 in respect of any interested person

transactions entered into during the financial year.

- (18) The information required by Rule 710.

Dealings in Securities

- (19) A statement whether and how the issuer has complied with the following best practices on dealings in securities:-
- (a) A listed issuer should devise and adopt its own internal compliance code to provide guidance to its officers with regard to dealing by the listed issuer and its officer in its securities;
 - (b) An officer should not deal in his company's securities on short-term considerations; and
 - (c) A listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two weeks before the announcement of the company financial statements for each of the first three quarters of its financial year and one month before the announcement of the company's full year financial statements (if required to announce quarterly financial statements), or one month before the announcement of the company's half year and full year financial statements (if not required to announce quarterly financial statements).

Use of Proceeds

- (20) If applicable, a status report on the use of IPO proceeds and any proceeds arising from any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the prospectus or the announcement of the issuer. Where there is any material deviation from the stated use of proceeds, the issuer must announce the reasons for such deviation.

Mineral, Oil and Gas Activities

- (21) In the case of mineral, oil and gas companies:
- (a) a qualified person's report, dated no earlier than the end of the issuer's financial year, in accordance with the requirements as set out in paragraph 5 of Practice Note 6.3;
 - (b) details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities for the year. If there has been no exploration, development and/or production activity respectively, that fact must be stated;
 - (c) a summary of reserves and resources as at the end of the issuer's financial year as set out in Appendix 7.5 supported by a qualified person's report; and

- (d) policies and practices in relation to operating in a sustainable manner, including the information as required in paragraph 3.1(f) of Practice Note 6.3.