CHANGES TO THE QUARTERLY REPORTING FRAMEWORK FOR SGX-LISTED COMPANIES

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Authors and Contributors: Tan Min-Li and Jennifer Lo.

On 9 January 2020, the Singapore Exchange Regulation ("**SGX RegCo**") announced that quarterly reporting ("**QR**") will no longer be required for listed companies, and will apply only to companies associated with higher risks. These changes were introduced in response to public consultations conducted in 2017 and 2018, and intensive engagements with stakeholders, and are part of SGX RegCo's continuing efforts to take a more targeted approach to market regulation.

Existing regime on quarterly reporting

Currently, whether a company is required to report its financial results on a quarterly basis is based on its market capitalization – companies with a market value of more than S$75 million are required to issue quarterly results, and this accounted for approximately 70% of all SGX-listed companies. This approach has been criticized by market participants as being too arbitrary and not reflective of the need for higher-risk companies to be doing more frequent reporting.

New regime on quarterly reporting

Under the new regime, a company will need to adopt QR if:

- It has received a disclaimer of opinion, adverse opinion or qualified opinion from its auditors on its latest financial statements;
- Its auditors have expressed a material uncertainty relating to going concern on its latest financial statements; or
- SGX RegCo has regulatory concerns with the company, for example if it has had material disclosure breaches or where it faces issues that have material financial impact.

An issuer that is required by the SGX to announce its quarterly financial statements must prominently include a statement on the cover page of its announcement of its quarterly financial statements that such an announcement is pursuant to an Exchange requirement.

Under the new regime, semi-annual financial reporting remains mandatory, and companies must adhere to the continuous disclosure regime, as there will be greater reliance on continuous disclosures on material developments on issuers. To this end, although no longer required to adopt QR, companies are encouraged to consider providing voluntary business updates to shareholders in between their half-yearly financial reports. In doing so, companies should take into account factors such as investors' expectations, and their long-term business strategy. Such updates are subject to the existing continuous disclosure requirements, including, *inter alia,* sufficient quantitative information to allow investors to evaluate their relative importance to the activities of the company. In addition, the SGX RegCo also made clear that disclosure obligations apply not just to materially price-sensitive information but also trade-sensitive information, which refers to information that must be disclosed to avoid the establishment of a false market in the company's securities.

Effective date of changes

The changes to QR came into force on 7 February 2020, and an issuer performing QR may choose to cease to do so if its next quarterly report is due on or after 7 February 2020. Changes have been made to the Mainboard Listing Rules and the Catalist Rules to implement the new rules in connection with QR.

On 7 February 2020, the SGX RegCo issued a list of 109 firms that still require to adhere to QR, of which 61 are listed on the Mainboard, while 48 are listed on the Catalist.

In line with the risk-based reporting approach, consequential changes have also been made to the Practice Guidelines (Practice Guidance 10 and 12) of the Code of Corporate

Governance. These changes also came into effect on 7 February 2020.

Concluding thoughts

The move towards a risk-based and more targeted approach in QR helps to relieve listed companies from the burden of QR, allowing companies to adopt a long-term perspective for their growth and business plans. The shift away from mandatory QR is also in line with international trends, with countries such as Hong Kong, Australia, the U.K. and other E.U. countries adopting the same (albeit with certain exceptions).

In tandem with the changes to QR, the SGX RegCo is also seeking to strengthen the continuous disclosure regime, particularly in areas that are of high investor interest. These include interested person transactions ("**IPTs**"), significant financial assistance, significant transactions and dilutive secondary fundraising.

Notwithstanding that the requirement for quarterly reporting is dispensed with, in line with good corporate governance, some companies will continue to hold Audit Committee ("**AC**") meetings on a quarterly basis for the purposes of updating the AC on corporate and business developments. If companies choose to dispense with quarterly reporting, they should be more vigilant on issues such as insider trading and price sensitive information leakage.