

Consultation Paper

Enhancements to Regulatory Regime for Property Valuation and Auditors

16 January 2020

Singapore Exchange

Responding to this Consultation Paper

Singapore Exchange Regulation invites comments on this consultation paper.

Please send your responses through any of the following means:

Mode	Correspondence Details
Email	listingrules@sgx.com
Mail	Singapore Exchange Regulation 11 North Buona Vista Drive #06-07, The Metropolis Tower 2 Singapore 138589 (Attention: Listing Policy & Product Admission)

Responses should include a summary of the major points, a statement of interest and reasoned explanations. Please identify the specific policy or rule proposal on which a comment is made. Please also include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of this consultation paper or other policy or rule proposals.

SGX requests all comments by **14 February 2020**.

Contents

I	Introduction	3
1	Scope of this Consultation Paper	3
2	Details of Proposals	4
II	Proposed Enhancements to Listing Rules on Property Valuation.....	4
1	Qualifications of Property Valuer.....	4
2	Standards for Property Valuation Reporting	5
III	Proposed Enhancements to Regulatory Regime for Appointment of Auditors.....	6
1	Introduction	6
2	Audit Oversight	7
3	Power to Direct Appointment of Additional Auditor.....	8
Appendix 1	Proposed Amendments to Mainboard Rules on Property Valuation.....	10
Appendix 2	Proposed Amendments to Catalist Rules on Property Valuation.....	15
Appendix 3	Proposed Amendments to Mainboard Rules on Appointment of Auditors.....	19
Appendix 4	Proposed Amendments to Catalist Rules on Appointment of Auditors.....	22

I Introduction

1 Scope of this Consultation Paper

1.1 In this consultation paper, SGX proposes changes to the SGX Listing Rules (Mainboard) (“**Mainboard Rules**”) and SGX Listing Rules (Catalist) (“**Catalist Rules**”) (collectively the “**Listing Rules**”) requirements on property valuation and audit practices for issuers listed on Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Part II of this paper sets out the proposals relating to the proposed enhancements to the practice of the disclosure regime for valuation reports for property and the qualifications for property valuers. Part III of this paper sets out the proposals to enhance the regulatory regime for audits to safeguard the interests of shareholders in Singapore’s capital markets.

Property Valuation

1.2 Investors rely on property valuations when making decisions on investments, particularly in REITs and business trusts. Quality valuations are therefore crucial to safeguarding investor interest and maintaining confidence in the real estate sector. Of particular interest to investors would be the methodologies and principal assumptions adopted in valuation reports.

1.3 In August 2017, SGX and the Singapore Institute of Surveyors and Valuers (“**SISV**”) announced the establishment of a joint committee to review valuation practices and the reporting carried out by property valuers that listed issuers engage. Members of the committee included representatives from SGX, SISV, the REIT Association of Singapore (“**REITAS**”), Capitaland, Mapletree Investments and JTC Corporation.

1.4 In June 2018, following deliberations at the joint committee, SISV released the SISV Practice Guide for Valuation Reporting for REITs, IPOs and Listed Companies (the “**SISV Practice Guide**”)¹ as part of the updated SISV Valuation Standards and Practice Guidelines (“**SISV Standards**”).

1.5 Following the release of the SISV Practice Guide, SGX is consulting the public on enhancements to the Listing Rules to make mandatory certain property valuation requirements discussed at the joint committee meetings.

1.6 SGX is carrying out a separate review of practices on business valuation and will consult the public on proposed amendments in due course.

Regulatory Regime for the Appointment of Auditors

1.7 The Accounting and Corporate Regulatory Authority (“**ACRA**”) and the Ministry of Finance have been embarking on a continuous effort to raise the bar for audit quality. It is understood that a review is being conducted to look into empowering ACRA to conduct firm-level inspections and where necessary, mete out sanctions for non-compliance². Aligned with these efforts, SGX also proposes to increase Singapore’s regulatory purchase over the audit of all issuers listed on SGX. Specifically, SGX proposes the following: (i) a requirement for all issuers to appoint an auditor registered with ACRA; and (ii) the power to require appointment of a second auditor to review the

¹ The SISV Practice Guide is available at SISV’s website, <http://www.sisv.org.sg/circular.aspx>.

² Keynote Address by Ms Indranee Rajah, Senior Minister of State for Law and Finance, “Preparing for the New Business Environment of Tomorrow” (3 October 2017), available at <https://www.mof.gov.sg/Newsroom/Speeches/Keynote-Address-By-Ms-Indranee-Rajah-Senior-Minister-Of-State-For-Law-And-Finance-At-The-Singapore-Accountancy-And-Audit-Convention-2017>.

issuer's financial statements, to be exercised in exceptional circumstances.

2 Details of Proposals

- 2.1 The proposed amendments to the Listing Rules relating to property valuations are set out in Appendix 1 and Appendix 2 while the amendments to the Listing Rules relating to audits are in Appendix 3 and Appendix 4.

II Proposed Enhancements to Listing Rules on Property Valuation

1 Qualifications of Property Valuer

- 1.1 SGX proposes to prescribe minimum qualification criteria for property valuers, to ensure that valuations performed for property assets of issuers listed or applying to be listed on SGX are performed by professionals that are sufficiently qualified. This approach is consistent with our current requirements for other types of professionals engaged by issuers in the Listing Rules, such as that for auditors³ and qualified persons who perform evaluation of Mineral, Oil and Gas (“**MOG**”) assets⁴.
- 1.2 SGX proposes that property valuers must have a minimum of five years' relevant experience in conducting valuations for the type of property under valuation. In addition, the valuer should be a member of SISV or a similar professional body in his home jurisdiction of practice, which has the powers to discipline and revoke the membership of the valuer. This approach is aligned with that taken by the Inland Revenue Authority of Singapore (“**IRAS**”) in granting licences to appraisers of land and buildings under the Appraisers Act. IRAS requires that licensee applicants must be a Member or Fellow of SISV and have at least two years of relevant practical experience⁵.
- 1.3 Aside from professional qualifications, we are also proposing that the property valuer should not be a sole practitioner, should not have an adverse compliance track record and must be independent of the issuer. These requirements are aligned with the current requirements in the Listing Rules for qualified persons engaged by issuers for the purposes of evaluation of MOG assets.
- 1.4 Other overseas exchanges also require minimum qualification criteria for property valuers. We note that the listing rules of Stock Exchange of Hong Kong (“**SEHK**”) require that the valuer of properties in Hong Kong must be a fellow or associate member of The Royal Institution of Chartered Surveyors (Hong Kong Branch) or The Hong Kong Institute of Surveyors and carry on the business in Hong Kong of valuing properties and is authorised to do so by the rules of the relevant professional institution of which he is a member. For properties outside Hong Kong, the valuer must have the appropriate professional qualifications and experience of valuing properties in the same location and category to carry out the valuation⁶. Similarly, the Asset Valuation Guidelines published by the Securities Commission of Malaysia set the eligibility requirements for both the firm carrying out the

³ The Listing Rules require that auditing firms are registered with ACRA or with an independent audit oversight body acceptable to SGX.

⁴ The Listing Rules require that a qualified person for the purpose of the evaluation of MOG assets be professionally qualified and a member or licensee in good standing of a relevant recognised professional association, and have at least five years of relevant professional experience.

⁵ Notwithstanding the 2 years of experience required by IRAS, a Member or Fellow of SISV is required to have a minimum of 5 years of experience. Therefore, our proposed criteria are effectively aligned with that for IRAS. The requirements for appraisers are available at IRAS' website, <https://www.iras.gov.sg/irashome/Property/Property-professionals/Appraisers-Valuers/About-Appraiser-s-Licence/>.

⁶ SEHK Mainboard Listing Rule 5.08(2).

valuation as well as the valuer⁷.

Question 1: Qualifications of Property Valuer

Do you agree that issuers and applicants applying to list on SGX should only engage a property valuer that:

- (a) has at least five years of relevant experience in the type of property to be valued;
- (b) is a member of SISV, or a similar professional body in his home jurisdiction of practice which must have the powers to discipline and revoke the membership of its members;
- (c) is not a sole practitioner;
- (d) has no adverse compliance track record; and
- (e) is independent of the issuer?

2 Standards for Property Valuation Reporting

- 2.1 To ensure comparability of information for investors, SGX proposes to require issuers and listing applicants to comply with the SISV Standards for the valuation of properties in Singapore. This will include compliance with the SISV Practice Guide, which forms part of the SISV Standards. For overseas properties, SGX proposes that the valuation may be carried out in accordance with the SISV Standards or International Valuation Standards (“**IVS**”), which is set by the IVS Council. This will align with the approach to require financial statements to comply with accounting standards and for qualified person’s reports (“**QPR**”) for MOG companies to comply with their respective industry standards.
- 2.2 Overseas exchanges also require that valuation reports comply with industry standards. SEHK requires in its listing rules that valuation reports must contain all material details of the basis of valuation which must follow The Hong Kong Institute of Surveyors Valuation Standards on Properties or the IVS⁸. Similarly, the Asset Valuation Guidelines published by the Securities Commission of Malaysia require that valuers ensure compliance with valuations standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and other valuation standards issued by recognised professional bodies, where applicable⁹.
- 2.3 It is proposed that property investment or development issuers seeking to list on SGX prepare property valuation reports in accordance with the prescribed standards. It is also proposed that all issuers have to comply with the prescribed standards in meeting their continuous disclosure obligations for material transactions. The scenarios under which we propose to require compliance with the standards are set out in the proposed rules in [Appendix 1](#) and [Appendix 2](#). While the proposed valuation standards apply to property valuation, issuers must still comply with the relevant accounting standards in their financial statements.

⁷ Securities Commission of Malaysia’s Asset Valuation Guidelines, Chapter 4, Paragraphs 3.03 and 3.04.

⁸ SEHK’s Mainboard Listing Rules 5.05 and 5.06.

⁹ Securities Commission of Malaysia’s Asset Valuation Guidelines, Chapter 1, Paragraph 1.07.

Question 2: Standards for Property Valuation

Do you agree that the Listing Rules should require that:

- (a) valuations for properties located in Singapore must be prepared in accordance with SISV Standards; and
- (b) valuations for properties located outside Singapore must be prepared in accordance with SISV Standards or IVS,

in the circumstances stated in the proposed rules?

- 2.4 The SISV Practice Guide sets out that prospectus and circulars should minimally contain a summary letter and an individual property valuation certificate. The summary letter should include, among others, a brief property description, the basis of valuation, the valuation methodologies and principal assumptions as well as certain disclosures for properties with master lease or income support. This provides key information pertaining to the property to be disclosed to investors, for clarity and completeness.
- 2.5 SGX proposes that where the Listing Rules require issuers to disclose summary property valuation reports, such reports must comply with the abovementioned minimum content requirements set out in the SISV Practice Guide. This will apply for all summary valuation reports, including those produced for properties located outside of Singapore.

Question 3: Summary Property Valuation Report

Do you agree that the Listing Rules should require that all summary property valuation reports must contain the information required for prospectus and circulars under the SISV Practice Guide?

III Proposed Enhancements to Regulatory Regime for Appointment of Auditors

1 Introduction

- 1.1 High quality and reliable financial statements are a bedrock of our capital markets. Trust in the work of external auditors is therefore vital to upholding market confidence. Following corporate scandals globally, market confidence has suffered and regulators globally are working on reforming the audit sector.
- 1.2 In the U.K., the Competition and Markets Authority is currently conducting a review of the audit sector¹⁰ (“**U.K. audit study**”) to address widespread and longstanding public concerns about audit quality. The U.K. audit study has consulted on wide-ranging structural remedies, including among others, a proposal for all FTSE 350 companies to be subject to joint audits, and a requirement for an independent peer reviewer to perform an additional check on audits for high risk companies before the accounts can be signed off. In Australia, it has been reported¹¹ that a parliamentary

¹⁰ Statutory audit services market study (18 December 2018), available at https://assets.publishing.service.gov.uk/media/5c17cf2ae5274a4664fa777b/Audit_update_paper_S.pdf.

¹¹ Big four auditors face parliamentary scrutiny in Australia (18 February 2019), Regulation Asia, available at <https://www.regulationasia.com/big-four-auditors-face-parliamentary-scrutiny-in-australia/>.

committee has called for a review of the audit market to explore market dominance and conflicts of interest arising from the consulting arms of big four audit firms. This follows an audit quality report¹² from the Australian Securities and Investments Commission that 20% of audits lacked the desired assurance that audited financial statements were free from material misstatement. Hong Kong has also implemented¹³ a new framework to enhance the independence of the regulatory regime of auditors of listed companies by empowering the Financial Reporting Council to be responsible for the inspection, investigation and disciplinary functions with regard to these auditors.

- 1.3 In Singapore, efforts are underway to strengthen audit oversight. ACRA and the Ministry of Finance are reviewing the Accountants Act. An area under consideration is to make firm-level audit inspections a statutory requirement¹⁴. While SGX does not regulate auditors, our regulatory framework for issuers is heavily reliant on the work of auditors. We believe that it is necessary for us to boost investors' confidence in this area. To this end, the following rule enhancements are proposed to raise audit accountability, as well as to clarify SGX's intervention powers to investigate issues when problems arise.

2 Audit Oversight

- 2.1 The Listing Rules currently allow foreign issuers to appoint foreign auditors not registered with ACRA¹⁵. While these auditors may be regulated by an independent audit oversight body in their home countries, they are not subject to supervisory oversight by ACRA. This poses practical challenges when problems arise on the audits of the issuers' financial statements. As compared to audits under ACRA's oversight, SGX is less able to deal with these matters in a timely and effective manner due to jurisdictional barriers. This may then create uncertainty for investors, and affect investor confidence.
- 2.2 To address this, SGX proposes that all issuers¹⁶ must appoint an auditor registered with ACRA. Both the auditing firm and the audit partner must be registered with ACRA. Foreign issuers that wish to appoint foreign auditors must also appoint an auditor registered with ACRA to act as a joint auditor. This means that if the foreign issuer wishes to appoint only one auditor, that auditor must be registered with ACRA. Where the foreign issuer wishes to appoint an auditor that is not registered with ACRA or another independent oversight body acceptable to SGX, SGX will retain the discretion under Listing Rule 712(2)(c) to determine if such an auditor is acceptable on a case-by-case basis. As a default position, SGX will expect that these issuers also appoint an auditor registered with ACRA to act as the joint auditor. All issuers¹⁷ are expected to comply with the requirement.
- 2.3 For secondary listings, in line with the current secondary listings framework, SGX will take a risk-calibrated approach, taking into consideration the safeguards available in the jurisdiction of the issuer's home exchange. In recognition that issuers from Developed Markets¹⁸ are generally viewed to pose less regulatory risk, we will generally not apply the joint auditor requirement both at admission and on a continuing basis to secondary listed issuers which have a primary listing in these markets. For all other secondary listed issuers, SGX will assess if appointment of a joint auditor that

¹² ASIC Audit inspection findings for 2017-18, available at <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2019-releases/19-013mr-audit-inspection-findings-for-2017-18/>.

¹³ Gazettal of Financial Reporting Council (Amendment) Ordinance 2019, available at <https://www.info.gov.hk/gia/general/201902/15/P2019021300624.htm?fontSize=1>.

¹⁴ ACRA Annual Report 2017-2018, available at [https://www.acra.gov.sg/Publications/ACRA Annual Reports/2017-2018/To Be A Respected Corporate and Accounting Regulator/](https://www.acra.gov.sg/Publications/ACRA%20Annual%20Reports/2017-2018/To%20Be%20A%20Respected%20Corporate%20and%20Accounting%20Regulator/).

¹⁵ Under Listing Rules 712(2)(b) and 712(2)(c).

¹⁶ The proposed rules will not apply to issuers of exchange-traded funds.

¹⁷ Including foreign issuers that currently appoint foreign auditors under Listing Rule 712(2)(c).

¹⁸ The list of Developed Markets pursuant to the secondary listing framework is available here <https://www2.sgx.com/regulation/secondary-listings>.

is registered with ACRA is required on a case-by-case basis.

- 2.4 In accordance with industry guidance¹⁹, the joint auditors are expected to co-sign on the audit opinion expressed on the financial statements and will be jointly and severally responsible for the audit.
- 2.5 If this proposal is implemented, investors can have assurance that audits performed for all issuers listed on SGX will effectively be subject to ACRA's regulatory oversight. Similar requirements are also imposed in the U.S., where all listed companies must appoint auditors that are registered with and supervised by the U.S. audit regulator, the Public Company Accounting Oversight Board ("PCAOB")²⁰.

Question 4: Audit Oversight

Do you agree that all issuers must appoint an auditor registered with ACRA, and if an issuer appoints an auditor that is regulated outside Singapore, it must also appoint an auditor registered with ACRA to jointly carry out the audit?

3 Power to Direct Appointment of Additional Auditor

- 3.1 SGX currently has the power under Rule 1405(1)(f) of the Mainboard Rules and Rule 305(1)(e) of the Catalist Rules to require issuers to appoint independent professionals, as well as special auditors, for specified purposes. SGX exercises this power when problem areas arise that require further investigation or where it is necessary for a professional to provide independent advice to the issuer.
- 3.2 SGX proposes to exercise this power, in exceptional circumstances, to direct an issuer to appoint an additional auditor to audit the issuer's financial statements. One possible instance may be for the additional auditor to conduct a second audit of the company's financial statements, if SGX has concerns with the issuer's overall audited financial statements. For example, the issuer's statutory auditor may have provided a clean audit opinion on its financial statements, but new developments may have come to light which suggest that the financial statements may not provide a true and fair view of the company's state of affairs. In such cases, appointing a special auditor to investigate a specific area may not be appropriate, as it may not provide the market with sufficient clarity on the overall financial impact. Under these exceptional circumstances, SGX may direct the issuer to appoint a second auditor to provide a second independent opinion on the financial statements instead. In carrying out its responsibilities, the second auditor will have to comply with the relevant auditing standards.
- 3.3 The main objective of the second audit opinion is to address uncertainties in the market in a timely manner, by getting a second expert to audit the issuer's financials. We note that events may have occurred since the original opinion was issued which may result in auditors exercising their judgement differently. Therefore, a different conclusion by the second auditor, by itself, does not necessarily mean that the first auditor was deficient. However, if there are concerns of misstatement, we will not hesitate to make the necessary referrals to the relevant authorities.
- 3.4 Another possible instance could be to require the additional auditor to act as joint auditor for the issuer's financial statements. This could potentially be exercised in exceptional cases where the issuer wishes to continue the appointment of the incumbent auditor and SGX has concerns on upcoming audits, notwithstanding that the incumbent auditor is registered with ACRA. This will

¹⁹ Audit Guidance Statement 10 on Joint Audits, available at <https://isca.org.sg/tkc/aa/standards/standards/agss/>.

²⁰ The PCAOB registers both local and foreign auditors. However, unlike the U.S., ACRA does not register foreign auditors.

complement our existing powers to object to the appointment of an auditor or require the issuer to replace an auditor²¹, which SGX is more likely to exercise when the continued appointment of the incumbent auditor is not appropriate.

- 3.5 As with special auditors, the additional auditors appointed to the roles highlighted above play an important role to uncover possible lapses. SGX highlights that auditors appointed to such roles must take a professional stance on matters of concern, including breaches of laws and regulations.
- 3.6 SGX seeks views on whether these are appropriate circumstances to require the appointment of an additional auditor, and whether there are other circumstances in which it may be appropriate to appoint an additional auditor.

Question 5: Circumstances to Require an Additional Auditor

Do you agree with the proposed circumstances that SGX may require issuers to appoint an additional auditor, and are there other circumstances where this requirement may be appropriate?

²¹ Listing Rule 714.

Appendix 1 Proposed Amendments to Mainboard Rules on Property Valuation

Legend: Deletions are struck-through and insertions are underlined.

The proposed amendments take into account the changes set out in the Response Paper on Enhancements to Continuous Disclosures, which was announced on 9 January 2020.

Definitions and Interpretation

“property valuation report”

a report prepared by a property valuer in accordance with Rule 222(3)(b)

“property valuer”

a person who has the appropriate experience in the type of real property of which the valuation is to be conducted, meeting the following minimum requirements:

- (a) is professionally qualified and a member or licensee in good standing of either:
 - (i) the Singapore Institute of Surveyors and Valuers; or
 - (ii) a recognised professional body or relevant authority for real property valuation which has disciplinary powers to suspend or expel the member or suspend or revoke the licence of a licensee;
- (b) has at least five years of relevant professional experience in the valuation of the type of real property in which the valuation is to be conducted;
- (c) is not a substantial shareholder, director or employee of the issuer or any of the issuer’s subsidiaries, or in partnership with or employed by a substantial shareholder, director or employee of the issuer or any of the issuer’s subsidiaries;
- (d) is not a sole practitioner; and
- (e) has not been found to be in breach of any relevant rule or law and is not:
 - (i) denied or disqualified from membership of;
 - (ii) subject to any sanction imposed by;
 - (iii) the subject of any disciplinary proceedings by; or
 - (iv) the subject of any investigation which might lead to disciplinary action by,
any professional body or authority

“summary property valuation report”

a summary of a property valuation report which is prepared in accordance with Rule 222(3)(d)

Chapter 2 Equity Securities

Part VI Additional Listing Requirements for Property Investment/Development Companies

222 Property Investment/Development Companies

In addition to the requirements for listing on the SGX Mainboard, a property investment/development company applying for admission to the Official List must also meet the following requirements:—

(2) Independence Of Appointment of Property Valuer

An issuer must appoint a property valuer to conduct a valuation of all its principal freehold and leasehold properties. ~~The valuer must be an independent external valuer, unless otherwise approved by the Exchange. The valuer must not be a substantial shareholder, director or employee of the issuer or any of its subsidiaries, or in partnership with or employed by a substantial shareholder, director or employee.~~ The Exchange may require an issuer to appoint a second property valuer to conduct a valuation on the properties.

(3) Property Valuation Report

- (a) The property valuation report must state the effective date at which the properties are valued, which should not be more than six months from the date of the application for listing.
- (b) A property valuation report must be prepared in accordance with the following requirements:
 - (i) for real properties located in Singapore, the report must be prepared in accordance with the standards set by the Singapore Institute of Surveyors and Valuers. For real properties located outside of Singapore, the report must be prepared in accordance with International Valuation Standards or with the standards set by the Singapore Institute of Surveyors and Valuers; and
 - (ii) the report should state the name and professional qualifications of the property valuer in charge of the valuation, and the standards employed by the property valuer.
- (c) A summary property valuation report must be included in the offer document. The property valuation report must be made available for inspection, without charge, at the issuer's Singapore registered office.
- (d) A summary property valuation report must contain the information required for prospectuses and circulars in accordance with the standards set by the Singapore Institute of Surveyors and Valuers. It should also state the name and professional qualifications of the property valuer in charge of the valuation, and the standards employed by the property valuer.

Part X Listing Procedures

246 The application must include:—

- (10) For an applicant which is engaged in property investment or development, the property valuation report(s) of each principal asset of the group that is revalued. In the case of a secondary listing, this requirement is not applicable.

Chapter 3 Debt Securities

Part V Listing Procedures for Debt Securities

- 314 The documents set out below must be submitted together with the applicable listing fee. Where the debt securities are issued by an issuer whose equity securities are listed on the Exchange, or where the debt securities are offered primarily to specified investors, the issuer need only submit the documents set out in Rule 314(5), (6), (7) and (8).
- (4) For an issuer which is engaged in property investment or development, property valuation report(s) of each principal asset of the group that is revalued.

Chapter 8 Changes In Capital

Part XI Procedures for Additional Listing Application (Primary Listing)

- 877 One copy of the following documents (where required) must be submitted as supporting documents:—
- (5) If a valuation was made on an asset being acquired, a copy of the relevant valuation report. If the asset being acquired is a property, a copy of the relevant property valuation report.

Chapter 9 Interested Person Transactions

Part V Exceptions

- 916 The following transactions are not required to comply with Rule 906:—
- (1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by ~~independent~~ valuation carried out by a property valuer.

Part IX Circular Requirements

- 921 Except in the case of a general mandate, if shareholder approval is required, the circular to shareholders must include:—
- (4)
- (a) an opinion in a separate letter from an independent financial adviser who is acceptable to the Exchange stating whether the transaction (and all other transactions which are the subject of aggregation pursuant to Rule 906):—
- (i) is on normal commercial terms, and
- (ii) is prejudicial to the interests of the issuer and its minority shareholders.
- (b) however, the opinion from an independent financial adviser is not required for the following transactions. Instead, an opinion from the audit committee in the form required in Rule 917(4)(a) must be disclosed:—
- (i) the issue of shares pursuant to Part IV of Chapter 8, or the issue of other securities of a class that is already listed, for cash.
- (ii) purchase or sale of any real property where:—
- the consideration for the purchase or sale is in cash;

- ~~an independent professional valuation~~ a property valuation report has been obtained for the purpose of the purchase or sale of such property; and
- the summary property valuation report of such property is disclosed in the circular.

Chapter 10 Significant Transactions

Part III Basis of Valuation

1003 In determining the basis of valuation of a transaction, the Exchange will apply the following rules:—

- (2) In any acquisition or disposal of assets other than shares, the value will be assessed by reference to the book value of the assets or, if a valuation has been carried out for the purpose of the acquisition or disposal, the market value of the assets. The valuation of real property must be carried out in accordance with the requirements for a property valuation report.

Chapter 12 Circulars, Annual Reports and Electronic Communications

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:—

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. The valuation of real property should be carried out by a property valuer. 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:—
- a brief description and the location of the property;
 - if in the course of construction, the stage of completion as at the date of the annual report and the expected completion date;
 - the existing use (e.g. shops, offices, factories, residential, etc);
 - the site and gross floor area of the property; and
 - the percentage interest in the property.
- (b) In the case of property held for investment:—
- a brief description and the location of the property;
 - 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.

Appendix 7.1 Corporate Disclosure Policy

Part II Issuers' Obligations Under Rule 703

8 Some Events Requiring Disclosure Under Rule 703

Under Rule 703, the following events, while not comprising a complete list of all the situations which may require disclosure, are likely to require immediate disclosure:—

- (q) A valuation of the real assets of the group that has a significant impact on the group's financial position and/or performance. The valuation of real property must be carried out in accordance with the requirements for a property valuation report. A copy of the valuation report must be made available for inspection at the issuer's registered office during normal business hours for 3 months from the date of the announcement;

Appendix 2 Proposed Amendments to Catalist Rules on Property Valuation

Legend: Deletions are struck-through and insertions are underlined.

The proposed amendments take into account the changes set out in the Response Paper on Enhancements to Continuous Disclosures, which was announced on 9 January 2020.

Definitions and Interpretation

“property valuation report”

a report prepared by a property valuer in accordance with Rule 416(3)(b)

“property valuer”

a person who has the appropriate experience in the type of real property of which the valuation is to be conducted, meeting the following minimum requirements:

- (a) is professionally qualified and a member or licensee in good standing of either:
 - (i) the Singapore Institute of Surveyors and Valuers; or
 - (ii) a recognised professional body or relevant authority for real property valuation which has disciplinary powers to suspend or expel the member or suspend or revoke the licence of a licensee;
- (b) has at least five years of relevant professional experience in the valuation of the type of real property in which the valuation is to be conducted;
- (c) is not a substantial shareholder, director or employee of the issuer or any of the issuer’s subsidiaries, or in partnership with or employed by a substantial shareholder, director or employee of the issuer or any of the issuer’s subsidiaries;
- (d) is not a sole practitioner; and
- (e) has not been found to be in breach of any relevant rule or law and is not:
 - (i) denied or disqualified from membership of;
 - (ii) subject to any sanction imposed by;
 - (iii) the subject of any disciplinary proceedings by; or
 - (iv) the subject of any investigation which might lead to disciplinary action by,any professional body or authority

“summary property valuation report”

a summary of a property valuation report which is prepared in accordance with Rule 416(3)(d)

Chapter 4 Equity Securities

Part VII Additional Listing Requirements for Property Development Companies

416 In addition to the requirements for listing on Catalist, a property development company applying for admission to the Official List must also meet the following requirements:

(2) ~~Independence Of~~Appointment of Property Valuer

A listing applicant must appoint a property valuer to conduct a valuation of all its principal freehold and leasehold properties. ~~The valuer must be an independent external valuer. The valuer must not be a substantial shareholder, director or employee of the listing applicant or any of its subsidiaries, or in partnership with or employed by a substantial shareholder, director or employee.~~ The Exchange or the sponsor may require a listing applicant to appoint a second property valuer to conduct a valuation on the properties.

(3) Property Valuation Report

(a) The property valuation report must state the effective date at which the properties are valued, which should not be more than six months from the date of submission of the pre-admission notification.

(b) A property valuation report must be prepared in accordance with the following requirements:

(i) for real properties located in Singapore, the report must be prepared in accordance with the standards set by the Singapore Institute of Surveyors and Valuers. For real properties located outside of Singapore, the report must be prepared in accordance with International Valuation Standards or with the standards set by the Singapore Institute of Surveyors and Valuers; and

(ii) the report should state the name and professional qualifications of the property valuer in charge of the valuation, and the standards employed by the property valuer.

(c) A summary property valuation report must be included in the offer document. The property valuation report must be made available for inspection, without charge, at the issuer's Singapore registered office.

(d) A summary property valuation report must contain the information required for prospectuses and circulars in accordance with the standards set by the Singapore Institute of Surveyors and Valuers. It should also state the name and professional qualifications of the property valuer in charge of the valuation, and the standards employed by the property valuer.

Chapter 9 Interested Person Transactions

Part V Exceptions

916 The following transactions are not required to comply with Rule 906:

(1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by ~~independent~~ valuation carried out by a property valuer.

Part IX Circular Requirements

921 Except in the case of a general mandate, if shareholder approval is required, the circular to shareholders must include:

(4)

- (a) An opinion in a separate letter from an independent financial adviser stating whether the transaction (and all other transactions which are the subject of aggregation pursuant to Rule 906):
- (i) is on normal commercial terms, and
 - (ii) is prejudicial to the interests of the issuer and its minority shareholders.
- (b) However, the opinion from an independent financial adviser is not required for the following transactions. Instead, an opinion from the audit committee in the form required in Rule 917(4)(a) must be disclosed:
- (i) The issue of shares pursuant to Part IV of Chapter 8, or the issue of other securities of a class that is already listed, for cash.
 - (ii) Purchase or sale of any real property where:
 - the consideration for the purchase or sale is in cash;
 - ~~an independent professional valuation~~ a property valuation report has been obtained for the purpose of the purchase or sale of such property; and
 - the summary property valuation report of such property is disclosed in the circular.

Chapter 10 Significant Transactions

Part III Basis of Valuation

1003 In determining the basis of valuation of a transaction, the following rules apply:

- (2) In any acquisition or disposal of assets other than shares, the value will be assessed by reference to the book value of the assets or, if a valuation has been carried out for the purpose of the acquisition or disposal, the market value of the assets. The valuation of real property must be carried out in accordance with the requirements for a property valuation report.

Chapter 12 Circulars, Annual Reports and Electronic Communications

Part III Annual Reports

1204 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:

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. The valuation of real property should be carried out by a property valuer. 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 financial statements:
- (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.

Appendix 7A Corporate Disclosure Policy

Part II Issuers' Obligations Under Rule 703

Some events requiring disclosure under Rule 703

9. Under Rule 703, the following events, while not comprising a complete list of all the situations which may require disclosure, are likely to require immediate disclosure:—
- (q) a valuation of the real assets of the group that has a significant impact on the group's financial position and/or performance. The valuation of real property must be carried out in accordance with the requirements for a property valuation report. A copy of the valuation report must be made available for inspection at the issuer's registered office during normal business hours for 3 months from the date of the announcement;

Appendix 3 Proposed Amendments to Mainboard Rules on Appointment of Auditors

Legend: Deletions are struck-through and insertions are underlined.

Definitions and Interpretation

“Accountants Act”

the Accountants Act (Chapter 2) of Singapore and any statutory modification or re-enactment thereof

Chapter 4 Investment Funds

Part II Listing Requirements for Investment Funds

404

(9)

(a) An ETF is not required to comply with the following rules:—

(xii) Rules 711 to 711B and Rule 712(2A);

Chapter 7 Continuing Obligations

Part II Equity Securities – Immediate Announcements

Announcement of Specific Information

704 In addition to Rule 703, an issuer must immediately announce the following:—

Appointment of Special Auditors

(14) ~~The Exchange may require an issuer to appoint a special auditor to review or investigate the issuer's affairs and report its findings to the Exchange or the issuer's Audit Committee or such other party as the Exchange may direct. The issuer may be required by the Exchange to immediately announce the requirement, together with such other information as the Exchange directs. Any appointment of a special auditor or an additional auditor. The issuer may be required by the Exchange to announce the findings of the special auditors or the additional auditors.~~

Part III Equity Securities – Periodic Reports

Appointment of Auditors

712

- (1) An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit ~~engagement partner~~ partner-in-charge assigned to the audit, the firm's other audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. A mineral, oil and gas company must appoint an auditing firm where the auditing firm and audit partner-in-charge have the relevant industry experience.
- (2) The auditing firm appointed by the issuer must be:—

- (a) ~~Registered with the Accounting and Corporate Regulatory Authority (“ACRA”)~~Approved under the Accountants Act. The audit partner-in-charge assigned to the audit must be a public accountant under the Accountants Act;
- (b) ~~Approved by, R~~Registered with and/or regulated by an independent audit oversight body acceptable to the Exchange. Such oversight bodies should be members of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of accounting firms or are able to exercise oversight of inspections undertaken by professional bodies. Where applicable, the audit partner-in-charge assigned to the audit should be approved by, registered with or regulated by a relevant audit oversight body acceptable to the Exchange; or
- (c) Any other auditing firm acceptable by the Exchange.

(2A) An issuer that appoints an auditing firm that meets the requirements in Rule 712(2)(b) must also appoint an additional auditing firm that meets the requirements in Rule 712(2)(a) to jointly audit its financial statements.

- (3) A change in or appointment of an auditing firm must be specifically approved by shareholders in a general meeting.

714

~~The Exchange may object to the appointment of an auditor or may require an issuer to replace its auditor if the Exchange is of the opinion that it is in the interest of shareholders to do so or that the new auditor does not satisfy the requirement in Rule 712. This rule does not apply to a financial institution licensed or approved by the Monetary Authority of Singapore. [Deleted]~~

Chapter 12 Circulars, Annual Reports and Electronic Communications

Part II Circulars

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:—

- (5) the proposed change or appointment of auditors. The notice should incorporate, where applicable:—
 - (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,~~ or directed by the Exchange to be replaced under Rule 1405(1)(fb);
 - (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; ~~and~~
 - (f) Explanation that the appointment of an additional auditing firm is to meet the Exchange’s requirements in Rule 712(2A).

Chapter 14 Disciplinary and Appeals Procedures, and Enforcement Powers of the Exchange

Part III Administrative and Enforcement Powers of the Exchange

1405

- (1) The Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent, and that the Exchange does not act contrary to the interests of the investing public, including the powers to:
- (f) require an issuer to appoint special auditors, additional auditors, compliance advisers, legal advisers or other independent professionals for specified purposes;
 - (fa) require the special auditors' or additional auditors' findings to be reported to the Exchange, the issuer's Audit Committee or such other party as the Exchange may direct;
 - (fb) object to the appointment of an auditor or require an issuer to replace the auditor if the Exchange is of the opinion that it is in the interest of shareholders to do so or that the new auditor does not satisfy the requirement in Rule 712. This rule does not apply to a financial institution licensed or approved by the Monetary Authority of Singapore;

Appendix 4 Proposed Amendments to Catalist Rules on Appointment of Auditors

Legend: Deletions are struck-through and insertions are underlined.

The proposed amendments take into account the changes set out in the Response Paper on Enhancements to Continuous Disclosures, which was announced on 9 January 2020.

Definitions and Interpretation

“Accountants Act”

the Accountants Act (Chapter 2) of Singapore and any statutory modification or re-enactment thereof

Chapter 3 Disciplinary and Appeals Procedures, and Enforcement Powers of the Exchange

Part III Administrative and Enforcement Powers of the Exchange

305

- (1) The Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent, and that the Exchange does not act contrary to the interests of the investing public, including the powers to:
- (e) require an issuer to appoint special auditors, additional auditors, compliance advisers, legal advisers or other independent professionals for specified purposes;
 - (ea) require the special auditors’ or additional auditors’ findings to be reported to the Exchange, the issuer’s Audit Committee or such other party as the Exchange may direct;
 - (eb) object to the appointment of an auditor or require an issuer to replace the auditor if the Exchange is of the opinion that it is in the interest of shareholders to do so or that the new auditor does not satisfy the requirement in Rule 712. This rule does not apply to a financial institution licensed or approved by the Monetary Authority of Singapore;

Chapter 7 Continuing Obligations

Part II Equity Securities — Immediate Announcements

Announcement of Specific Information

704 In addition to Rule 703, an issuer must immediately announce the following:

Appointment of Special Auditors

- (13) ~~The Exchange may require an issuer to appoint a special auditor to review or investigate the issuer's affairs and report its findings to the Exchange, or the issuer's sponsor, or the issuer's Audit Committee or such other party as the Exchange may direct. The issuer may be required by the Exchange to immediately announce the requirement, together with such other information as the Exchange directs. Any appointment of a special auditor or an additional auditor. The issuer may be required by the Exchange to announce the findings of the special auditors or the additional auditors.~~

Part III Equity Securities – Periodic Reports

Appointment of Auditors

- (1) An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the ~~audit engagement partner~~ partner-in-charge assigned to the audit, the firm's other audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. A mineral, oil and gas company must appoint an auditing firm where the auditing firm and audit partner-in-charge have the relevant industry experience.
- (2) The auditing firm appointed by the issuer must be:
- (a) ~~Registered with the Accounting and Corporate Regulatory Authority ("ACRA")~~ Approved under the Accountants Act. The audit partner-in-charge assigned to the audit must be a public accountant under the Accountants Act;
 - (b) ~~Approved by, R~~ Registered with and/or regulated by an independent audit oversight body acceptable to the Exchange. Such oversight bodies should be members of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of accounting firms or are able to exercise oversight of inspections undertaken by professional bodies. Where applicable, the audit partner-in-charge assigned to the audit should be approved by, registered with or regulated by a relevant audit oversight body acceptable to the Exchange; or
 - (c) Any other auditing firm acceptable by the Exchange.
- (2A) An issuer that appoints an auditing firm that meets the requirements in Rule 712(2)(b) must also appoint an additional auditing firm that meets the requirements in Rule 712(2)(a) to jointly audit its financial statements.
- (3) A change in or appointment of an auditing firm must be specifically approved by shareholders in a general meeting. The notice of meeting must incorporate, where applicable:
- (a) confirmation from the outgoing auditors as to whether they are aware of any professional reasons why the new auditors should not accept appointment as auditors of the issuer, and if so, to provide reasons;
 - (b) confirmation from the issuer as to whether there were disagreements with the outgoing auditors on accounting treatments within the last 12 months, and if so, to provide details;
 - (c) confirmation from the issuer as to whether 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;
 - (d) specific reasons for the change of auditors, including whether the outgoing auditors resigned, declined to stand for election ~~or~~, were dismissed or directed by the Exchange to be replaced under Rule 305(1)(eb); and
 - (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; and
 - (f) explanation that the appointment of an additional auditing firm is to meet the Exchange's requirements in Rule 712(2A).
- 714 ~~The Exchange may object to the appointment of an auditor or may require an issuer to replace its auditor if the Exchange is of the opinion that it is in the interest of shareholders to do so or that the new auditor does not satisfy the requirement in Rule 712. This rule does not apply to a financial institution licensed or approved by the Authority.~~ [Deleted]

Singapore Exchange

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888

sgx.com

Singapore | Beijing | Chicago | Hong Kong | London | Mumbai | New York | San Francisco | Shanghai | Tokyo