

MS News

Financial Reporting Highlights in 2019

Adopting FRS 115: Assessing the Tax Impact

Amendments to Mineral, Oil and Gas (MOG) Listing Rules

BUDGET 2019

KEY TAXATION HIGHLIGHTS



In This Issue

Key Economic Developments

Page 2

Key Shipping Developments

Page 3

Financial Reporting Highlights in 2019

Page 4

Singapore Budget 2019: Key Highlights

Page 5

Adopting FRS 115: Assessing the Tax Impact

Page 6

Updated Advisory Guidelines on PDPA for NRIC and Other National Identification Numbers

Page 7

Amendments to Mineral, Oil and Gas (MOG) Listing Rules

Page 8

Upcoming Events

11 APRIL 2019

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KEY ECONOMIC DEVELOPMENTS



1. In December 2018, commodity trader Noble Group completed its debt restructuring and transferred substantially all of its assets into a smaller, unlisted entity known as New Noble. A total of US\$800 million in trade and hedging facilities have been made available to New Noble, whose planned listing on the Singapore Exchange was blocked by Singapore authorities as an investigation was launched into its past accounts. The company was able to push through with its restructuring after a Bermuda court approved an officer to carry out the plan, using a local kind of insolvency process.
2. In January 2019, CapitaLand announced that it is acquiring Temasek subsidiary Ascendas-Singbridge Group in a S\$11 billion deal, to become the largest diversified real estate group in Asia. The deal will create a group with combined total assets under management of more than S\$116 billion across more than 30 countries, and will put the group among the top 10 real estate investment managers in the world.
3. Brexit looks to be delayed as the British parliament continues to vote down Brexit deals put forward by Prime Minister Theresa May. On January 15, the parliament rejected the Brexit deal then proposed, by 432 to 202 votes. Then, on 12 March, after Theresa May agreed on changes with the European Union, the parliament rejected it again, by 391 to 242 votes. On 13 March, the parliament also voted against the prospect of Britain leaving the EU without a deal. On 14 March, they voted for Theresa May to ask EU for a delay to Brexit meaning that it may not happen on the initially planned date of 29 March. With talks in limbo, businesses and governments are expected to speed up preparations for a no-deal exit. Even as UK economic growth slowed sharply in the final quarter of 2018. In February 2019, the Bank of England said it is forecasting growth of 1.2% this year, down from its previous forecast of 1.7% in November.
4. In January 2019, the International Monetary Fund (IMF) lowered its global economic growth forecast for this year from 3.7% to 3.5%. The IMF cited weakness in Europe and some emerging markets, and said failure to resolve trade tensions as reasons for the downgrade. It also said risks to its outlook include an accelerated slowdown of the Chinese economy and a possible no-deal Brexit, warning that these could worsen market turbulence in financial markets.
5. In January 2019, the Monetary Authority of Singapore (MAS) announced a S\$75 million grant to help boost equities research and enhance Singapore's status as a hub for equity listings. The "Grant for Equity Market Singapore" or "GEMS" will have three components including listing grant, research talent development grant and research initiatives grant. The listing grant is to encourage eligible enterprises to list on the Singapore Exchange (SGX) by defraying part of Initial Public Offering costs. The research talent development grant is aimed to strengthen Singapore's research coverage of enterprises by grooming equity research talent. Meanwhile, the research initiatives grant is designed to support crowd-sourced initiatives to propel the development of Singapore's equity research ecosystem.
6. In February 2019, the Monetary Authority of Singapore (MAS) announced the establishment of the Corporate Governance Advisory Committee (CGAC). CGAC is Singapore's first permanent, industry-led body which will help to advocate good corporate governance practices among listed companies in the city state. The 18-member strong committee, to be led by Bobby Chin, director of Singtel, will adopt an advisory role by identifying current and potential risks to the quality and level of corporate governance in the nation.

7. In March 2019, embattled water treatment company, Hyflux admitted S\$2.81 billion in claims after adjudication, out of a total of S\$3.51 billion initially submitted by 73 stakeholders. These claims occurred as the national water agency Public and Utilities Board (PUB), issued a default notice to Hyflux, requiring Hyflux to remedy defaults on its contractual obligations by 5 April, or else PUB will exercise its rights to take control of the desalination plant. According to PUB, these defaults included failure to provide the required plant capacity of 70 million gallons of desalinated water per day on multiple occasions, as well as demonstrating its financial ability to keep the plant running for the next six months. Hyflux is slated for a do-or-die vote on 5 April 2019 and 8 April 2019, which will essentially ask creditors to vote between liquidation or a restructuring involving SM Investments. However, if PUB takes back the plant, the restructuring with SM Investments, whereby SM Investments proposed to invest S\$530 million in exchange for a 60 per cent stake of Hyflux, will be jeopardized. This restructuring already hangs in balance as retail investors who stand to lose up to 90% of capital say they will rather liquidate the company. Following calls from the Securities Investors Association Singapore (SIAS), the scheme was tweaked in March 2019 to improve the recovery to retail investors, by providing them with a greater share of monies recovered from extinguishment of contingent claims.

8. Technology valuations look poised to surge in 2019 on the back of mergers, acquisitions, and listings. In March 2019, Worldpay Inc., a leading merchant payment technology solutions provider based in Ohio, announced that it will be acquired by Fidelity National Information Services Inc., a financial services company in Florida, for approximately US\$43 billion. In the same month, ride-hailing company Lyft announced that it seeks to list on the New York Stock Exchange for US\$23 billion, the highest IPO valuation for a technology company since Alibaba. Simultaneously, Uber, another ride-hailing company, has confidentially filed for an IPO which is expected to achieve a IPO valuation of up to US\$120 billion, according to several media reports. Other technology companies reported to be headed for an IPO in 2019 include Airbnb, Slack, and Palantir.

KEY SHIPPING DEVELOPMENTS



1. With shipowners opting to install scrubbers to their vessels as part of their strategy to comply with the IMO's 2020 regulations, an increasing number of ports are looking to ban the use of open-loop scrubbers that discharge washwater into the sea. Fujairah in the UAE is the latest major port to ban open-loop scrubbers from its port waters. This follows China and Singapore announcing a similar move effective 1 January 2019 and 1 January 2020, respectively. Other countries or ports with bans or restrictions are India, Abu Dhabi in UAE, Belgium, Germany, Lithuania, Latvia, Dublin in Ireland, Norway, and Hawaii, Connecticut and California in the US. Despite talks on more upcoming bans and restrictions on open-loop scrubbers, a number of shipping companies announced their plans to install scrubbers across their fleet. The Mediterranean Shipping Company recently said it received US\$439 million in financing for 86 of these exhaust gas cleaning systems. Dorian LPG and DHT Holdings are also firm on their scrubber strategy despite the open-loop bans, adding that the systems are hybrid in nature meaning they can operate in open or closed-loop mode.

2. Blockchain is increasingly used in the shipping industry to increase efficiency and reduce administrative burdens. In November 2018, nine major terminal operators and shipping companies signed a Memorandum of Understanding (MOU) to form a new consortium to develop a shipping blockchain alliance named Global Shipping Business Network (GSBN). The participants include ocean carriers CMA CGM, Cosco Shipping (and subsidiary brand OOCL), Evergreen Marine, and Yang Ming; terminal operators DP World, Hutchison Ports, PSA International Pte Ltd, and Shanghai International Port; and software company CargoSmart. GSBN is said to rival TradeLens, the blockchain solution created by A.P. Moller-Maersk and IBM early last year.

Then, in February 2019, IBM partnered with Pacific International Lines (PIL) to successfully track a shipment of mandarin oranges from China to Singapore using an electronic Bill of Lading (e-BL) built on the IBM Blockchain Platform. The eBL pilot has reduced the time to transfer shipment documents from seven days to just one second. Israeli container carrier ZIM, after completing successful trials of eBL's based on a blockchain system over last year, recently announced that is ready to make the electronic platform available to all of its customers, focusing on the Asia-South Africa and North America-Mediterranean trades in the first quarter of 2019.

3. The tanker sector has seen further consolidation from November 2018 to February 2019. In November 2018, Diamond S Shipping and Capital Product Partners announced a \$1.65 billion merger, creating the second largest handy tanker fleet with 52 product tankers and 16 crude oil tankers. Then, in January 2019, BW Tankers completed its merger with Hafnia Tankers, creating the world's leading product tanker operator with more than 100 vessels in its fleet. In the same month, Nordic Tankers of Copenhagen was sold to Singapore-based MOL Chemical Tankers Pte Ltd, with a combined owned fleet of 35 chemical carriers. In addition, Singapore-based Eastern Pacific Shipping and Israel-based XT Shipping closed a deal to acquire 13 chemical tankers from BW Chemical Tankers.

4. In February 2019, giant shipbuilding group Hyundai Heavy Industries (HHI) announced a share swap deal worth 2.1 trillion won (\$1.98 billion) to take over Daewoo Shipbuilding & Marine Engineering (DSME). HHI will acquire a 55.7 per cent stake currently owned by state-run Korea Development Bank (KDB) after a \$2.6 billion bailout of DSME in 2017. The mega-merger will create a global leader controlling over 20 per cent of the market.

5. In December 2018, PSA Singapore (PSA) and Ocean Network Express (ONE) announced the creation of a joint venture company at Pasir Panjang Terminal. The joint venture is scheduled to commence operations in the first half of 2019 and will operate four mega container berths with a combined annual handling capacity of 4 million TEU. The Japanese carrier follows the likes of CMA CGM and COSCO Shipping in securing its own berths at Singapore's Pasir Panjang Terminal, which is the touted as the world's biggest transshipment hub. The PSA-ONE endeavor is seen to enhance the status of the Port of Singapore and a step to ensuring future volumes. PSA handled 81 million TEU at its port projects around the world for 2018, up by 9.1% over 2017 on the back of a slow but steady pace of container trade growth.

6. In January 2019, French shipping company CMA CGM launched a cash offer to buy out other shareholders of CEVA Logistics ("CEVA") to acquire sole control of the

Swiss logistics company. CMA CGM published its prospectus for the Public Tender Offer on CEVA shares with an offer price of CHF30 per share, an offer rejected by CEVA's board. CEVA called on its shareholders to turn down the offer and explained that a valuation of the revised business plan indicates a midpoint value of CHF40 per share.

7. In January 2019, Senior Minister of State for Transport and Health Dr. Lam Pin Min unveiled two new initiatives for the Singapore maritime industry.

The first initiative is aimed at enhancing Singapore's maritime insurance offering with the Singapore War Risks Insurance Conditions (SWRIC). The new SWRIC, an enhancement to the Singapore War Risks Mutual (SWRM), is a comprehensive set of insurance conditions which aims to raise the bar on existing war conditions in the marketplace today, by bridging coverage gaps as well as updating and simplifying

the existing war conditions available in the market.

The other initiative is the development of an inter-operability framework for electronic trade documents for the maritime and trade industries. Since the signing of a three-party Memorandum of Understanding (MOU) between Maritime and Port Authority of Singapore, Singapore Shipping Association and Singapore Customs in January 2018, the industry has seen progress with successful e-BL trials amongst consortiums led by two shipping lines – one by APL and the other by PIL and IBM. To facilitate interoperability of the solutions developed by the various consortiums, the members are to include a new MOU partner, Info-communications Media Development Authority (IMDA), to develop a new interoperability framework.

FINANCIAL REPORTING SPOTLIGHTS IN 2019

It is that time of the year when companies make the last push to close off the 2018 annual financial reporting, and commence a new financial reporting year. As we move into 2019, we thought it will be timely to provide a summary of noteworthy developments that will affect corporate reporting in the coming year.

FOCUS AREAS OF REGULATORY REVIEWERS

The Accounting and Corporate Regulatory Authority (ACRA) recently issued Financial Reporting Practice Guidance No. 1 of 2019 (FRPG), setting out its focus areas for its review of financial statements. Key reporting areas that directors may wish to keep an eye on include:

a) Critical judgements and significant estimates in the application of new standards

Among the judgments and estimates highlighted are:

- Whether revenue streams have been appropriately identified and bifurcated in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 15 Revenue from Contracts with Customers;
- Whether timing of revenue recognition (e.g. immediately, over

a period of time, or in the future) is assessed appropriately based on SFRS(I) 15 requirements;

- Whether disclosures are robust and appropriate, particularly in relation to SFRS(I) 9 Financial Instruments, SFRS(I) 15, and also SFRS(I) 16 Leases which become effective in FY 2019.

b) Assumptions and methodology used in impairment assessment and valuation

c) Whether key transactions have been appropriately reported in a manner that is consistent with the economic substance of such transactions

d) Classification of cash flows within cash flow statements

e) Meaningful disclosures of significant judgments and estimates made in financial reporting; specifically, those in relation to the ability of a company to continue as going concern

NEW RULES FOR CORPORATE GOVERNANCE

The Code of Corporate Governance was revised in 2018, and most of the rules will take effect in 2019 for SGX-listed companies. The most significant changes pertain to Board composition and director independence. Certain corporate governance requirements have been made mandatory in the Listing Rules, such as the requirement to establish an effective internal audit function, establishment of nomination, remuneration and audit committees, prescribed training for non-experienced directors, etc. The changes also include new and revised corporate governance reporting requirements such as, inter alia, new disclosures on remuneration, director independence, reasons for not paying dividends, as well as audit committee comments pertaining to internal controls, risk management and internal audit. Last but not least, the revised Code led to the establishment of a Corporate Governance Ad-

visory Committee in February 2019, to advocate good corporate governance practices among listed companies in Singapore.

A more detailed discussion of the rules can be found at <https://sg.moorestephens.com/news/august-2018/revised-code-of-corporate-governance-2018-streng>

OTHER FINANCIAL REPORTING DEVELOPMENTS

In March 2019, the IFRS Interpretations Committee passed a decision that will significantly impact developers of multi-unit real estate developments, on which revenue arising from the sale of individual units is recognised over time. Based on the outcome of the discussion, developers will be prohibited from capitalising borrowing costs on these developments.

SINGAPORE BUDGET 2019: KEY HIGHLIGHTS



The Minister of Finance, Mr. Heng Swee Keat, announced Singapore Budget 2019 (the "Budget") on 18 February 2019. We view the Budget as a positive and targeted approach to supporting Singapore businesses, and also in helping Singaporeans of all ages deal with challenges and seize opportunities. The focus remains for Singapore businesses to scale up, automate, innovate and globalise, and for Singapore workers to continuously upgrade their skillsets to stay relevant. On the social front, we see strong emphasis on support for healthcare, the lower-income groups, and the Merdeka Generation ("MG"). In this short article, we list the key taxation implications that businesses and individuals should be aware.

BUSINESSES

- Writing-down allowance for acquisition of qualifying intellectual property rights ("IPRs") will be extended to cover capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for YA 2025.
- Automation Support Package, available for companies with projects approved by Enterprise Singapore to deploy large-scale automation, drive productivity and scale up, will be extended by two years from 1 April 2019 to 31 March 2021.

INDIVIDUALS

- Personal Income Tax Rebate of 50% of tax payable, capped at S\$200 per taxpayer, will be granted to all tax resident individuals for YA 2019.
- With effect from YA 2020, Grandparent Caregiver Relief will be available to working mothers with handicapped and unmarried dependent child, regardless of the child's age, provided all other conditions for this relief are met.

- The Not Ordinarily Resident (“NOR”) scheme will lapse after YA 2020. The last NOR status will be granted for YA 2020 and expire in YA 2024.
- A MG Package, to honour and recognise the MG¹ for their contributions in Singapore’s nation-building and to show care of them in their silver years, will be given. It will comprise five key benefits in the form of top-up to the MG seniors’ PAssion Silver cards and MediSave, additional subsidies for outpatient care, additional MediShield Life premium subsidies and additional participation incentive for MG seniors who join CareShield Life.
- Offset measures will be available for commercial diesel vehicles, diesel school buses, diesel private hire and excursion buses that ferry students in the form of road tax rebates and cash grants available up to 31 July 2022.
- The Enterprise Development Grant (EDG), which provides government funding support up to 70% of qualifying costs incurred on projects to strengthen business capabilities, improve operational efficiencies and internationalise, will be extended for three more years up to 31 March 2023. Support levels for the scheme after FY 2022 are subject to review closer to the end of FY 2022. With effect from 1 April 2020, businesses will also need to commit to outcomes for workers such as wage increases in order to qualify for the EDG.

GOODS AND SERVICES TAX CHANGES

- The GST import relief for Travellers on goods (excluding intoxicating liquor and tobacco, as well as goods imported for commercial purposes) brought into Singapore for personal use will be reduced, depending on the time spent outside Singapore. This takes effect for travelers arriving in Singapore from 12.00 am, 19 February 2019.
- The enhanced support level of up to 70% under the Productivity Solutions Grant (“PSG”), which aims to support enterprises to adopt pre-scoped, off-the-shelf technology and productivity solutions, will be extended for three more years up to 31 March 2023. Support levels for the scheme after FY 2022 are subject to review closer to the end of FY 2022. The PSG will also be enhanced to include a component that supports worker upgrading. Eligible companies will be able to receive a subsidy for up to 70% of their out-of-pocket training expenses, capped at S\$10,000 per company. This enhancement will last until 31 March 2023.

OTHER CHANGES

- The Dependency Ratio Ceiling (“DRC”) for the Services sector will be reduced gradually over two years as follows:-

	Current	On 1/1/2020	On 1/1/2021
DRC	40%	38%	35%
S Pass sub-DRC	15%	13%	10%

- The Foreign Worker Levy (“FWL”) rates for the Marine Shipyard and Process sectors will be deferred for another year. FWL rates will remain unchanged for all other sectors.
- With effect from 18 February 2019, the excise duty on diesel fuel will be increased from S\$0.10 to S\$0.20 per litre. The lump sum special tax on diesel cars and taxis will be permanently reduced by S\$100 and S\$850 respectively.

- Lastly, the Singapore Government will also be implementing various initiatives to help firms to scale up, innovate, automate and venture into new markets by providing support in three areas:
 - Providing customized assistance;
 - Providing better financing options; and
 - Supporting technology adoption

¹ Singaporeans who (a) are born in the 1950s and who obtained citizenship by 1996; or (b) are born in 1949 or earlier and obtained citizenship by 1996, but missed out on the Pioneer Generation Package.

ADOPTING FRS 115: ASSESSING THE TAX IMPACT

For financial periods beginning on or after 1 January 2018, companies have to adopt FRS 115 for accounting purposes. Under FRS 115, revenue has to be recognized when the entity transfers goods or services to customers, at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. For tax purposes, to reduce complexities in tax rules, the accounting revenue determined from FRS 115 will be accepted by the Inland Revenue Authority of Singapore (IRAS) as the taxable income, except in certain specified circumstances. At the same time, one needs to be mindful of the tax impact of any transitional adjustments under FRS 115.

As retrospective transitional accounting adjustments have to be made

in the Year of Assessment (YA) of initial application of FRS 115, the finance and tax teams have to be conscious of the resulting tax implications and determine the potential tax impact of these transitional tax adjustments, to avoid being alarmed when budgeting or planning for the company’s daily operations or business expansion. Cash flow may be impacted especially if the transitional adjustments result in a significant increase in taxable income. For example, upward transitional adjustments that are revenue in nature or any income under-recognized in prior YAs need to be taxed in the YA of initial application. Therefore, entities must be able to differentiate the tax impact on these transitional tax adjustments from those arising from the day-to-day business operations.

In addition, any difference in the amount of revenue recognised under FRS 115 from the amount of revenue recognized otherwise results in timing differences, as the entire amount of contract revenue would ultimately be taxed. Such timing differences result in deferred tax implications which have to be taken into account for budgeting or reporting purposes.

As mentioned above, the alignment of tax treatment with accounting treatment under FRS 115 does not apply under certain specified circumstances, for example, where the accounting treatment deviates significantly from tax principles, in the case of contracts with significant financing components. In this case, entities are required to present the financing effects as notional accounting entries separately from the revenue contracts with customers. The notional accounting entries should be disregarded for tax purposes and the resultant tax impact will have to be ascertained from these adjustments. However, certain entities will be affected more than others, depending on the nature of their businesses and contracts.

Another example where the tax and accounting treatment under FRS 115 are not aligned is where a specific tax treatment has already been separately provided under the law, or established through case law e.g. profits of property developer being recognised for tax at Temporary Occupation Permit (TOP) is granted.

All in all, entities must ensure that their finance and tax teams are adequately informed on the potential impact arising from the new accounting standard and that their documentation and accounting systems can support the new tax requirements.

As the new accounting standard is being adopted, finance and tax teams need to determine the potential tax implications and manage the tax risk. If necessary, specialist advice from external taxation consultants should be considered.

UPDATED ADVISORY GUIDELINES ON PDPA FOR NRIC AND OTHER NATIONAL IDENTIFICATION NUMBERS

Effective from 1 September 2019, organisations are expected to stop collecting, using or disclosing customers' NRIC and other national identification numbers where it is not required under the law or necessary to establish or verify an individual's identity to a high degree of fidelity under stricter rules spelt out by the Personal Data Protection Commission ("PDPC").

The PDPC bars these acts in a revised advisory that aims to interpret Singapore's Personal Data Protection Act ("PDPA"). The Act, which came fully into force in July 2014, prevents the indiscriminate collection of consumers' personal data and requires organisations to be accountable for the data.

In the present-day digital economy, indiscriminate collection or negligent handling of NRIC numbers can increase the risk of unintended disclosure and may result in NRIC numbers being used for illegal activities such as identity theft or fraud.

Such risks may arise as the NRIC number is a permanent and irreplaceable identifier, which can be used to unlock large amounts of personal information, including income, residential address and medical health. The retention of the physical NRIC is also of concern as it contains other sensitive data such as name, photograph, thumbprint and residential address.

These updated rules for the treatment for NRIC numbers also apply to other national identification numbers, like birth certificate numbers, foreign identification numbers and work permit numbers. These updated guidelines, however, do not apply to the Government or any public agency or organisation that is acting on its behalf.

The NRIC can be collected without consumers' consent only when it is required under the law. These instances include people seeking medical

treatment in hospitals and clinics, checking into a hotel and subscribing to a mobile phone line. Consumers' consent is also not required in an emergency situation, such as hospital admission, and for entry into secured buildings.

Organisations that have collected NRIC numbers are also encouraged to assess if they need to retain these numbers, and if not, are suggested to dispose of them responsibly and in compliance with Personal Data Protection Act (PDPA) disposal methods by 1 September 2019. Organisations which decide to keep their collection must ensure there is adequate protection or they can also choose to anonymise the NRIC.

PDPC does not prescribe the type of identifiers that organisations can use instead of NRIC numbers, and that organisations are encouraged to assess these alternatives based on their own needs. Some alternatives it suggested include organisation or user-generated ID, tracking numbers, organisation-issued QR codes or monetary deposit.

It is acknowledged that some organisations may collect a partial NRIC number and clarified that details of up to the last three numerical digits and letter of the NRIC would not be considered the full NRIC number. However, these partial numbers are still considered as personal data under the Act, as it could allow an individual to be identified.

PDPC reiterated that organisations that collect partial NRIC numbers must still comply with the Act's Data Protection Provisions, and must take steps to make sure this data is secured and not disclosed.

For more details on how to better manage your personal data protection, or a review of your organisation's compliance with PDPA, please reach out to your usual Moore Stephens contact, or email us at chris-johnson@moorestephens.com.sg.



AMENDMENTS TO MINERAL, OIL AND GAS (MOG) LISTING RULES

With effect from 23 August 2018, the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard and Catalist Listing Rules have been amended to facilitate the listing of MOG companies that are at an earlier stage of development.

Under the new framework, the Mainboard will continue to be for businesses that are more mature than those on Catalist, based on both asset development and size.

This article summarises key amendments to the Listing Rules affecting MOG companies.

REQUIRING MAINBOARD 'MOG' COMPANIES TO ESTABLISH "RESERVES"

Prior to the amendment to the Mainboard Listing Rules, Mainboard MOG listing aspirants must have established the existence of adequate "resources" in a defined area where the listing aspirants have exploration and exploitation rights, which must be substantiated by an independent qualified person's report ("QPR"). The "resources" must be at least "indicated resources" (for minerals) or "contingent resources" (for oil & gas).

Under the amended Mainboard Listing Rules, SGX only requires Mainboard MOG listing aspirants to establish a "meaningful" portfolio of "reserves" in a defined area which is substantiated by a QPR. A portfolio of "reserves" is considered "meaningful" if the "reserves" are able to generate sufficient revenues through production to support the plans to proceed with development.

ALLOWING MINERAL COMPANIES WITH ONLY "INFERRED RESOURCES" TO BE ELIGIBLE FOR LISTING ON CATALIST.

Like their Mainboard MOG listing aspirants, prior to the amendment to the Catalist Listing Rules, Catalist MOG listing aspirants must have established the existence of adequate "resources" in a defined area where the listing aspirants have exploration and exploitation rights, which must be substantiated by a QPR. The "resources" must be at least "indicated resources" (for minerals) or "contingent resources" (for oil & gas).

Under the amended Catalist Listing Rules, SGX only requires Catalist MOG listing aspirants to establish the existence of "inferred resources" (for minerals) in a defined area which is substantiated by a QPR.

Catalist MOG listing aspirants continue to be required to establish "contingent resources" (for oil & gas).

REQUIRING 'MOG' COMPANIES TO DEMONSTRATE PLANS TO PROCEED TO DEVELOPMENT

Prior to the amendment to the Listing Rules, an MOG listing aspirant must establish the existence of adequate "resources" in a defined area where the company has exploration and exploitation rights.

Under the amended Listing Rules, an MOG listing aspirant only needs to demonstrate plans to obtain all necessary approvals required to proceed to development. As safeguards, the revised code require that:

- the qualified person must provide basis for expecting that all required approvals will be granted;
- the directors must provide evidence of the company's intention to proceed with development within a reasonable time frame; and
- the qualified person should highlight and discuss any material unresolved matter that is dependent on a third party on which extraction is contingent.

INTRODUCTION OF THE SUMMARY QUALIFIED PERSON'S REPORT

The SGX allows a new summary report, containing key information relating to updates of the company's "resources" and "reserves" (Summary QPR), to be used in place of the QPR in certain circumstances.

In addition, a summary QPR is only required if there is a material change to the "reserves" and "resources".

The SGX recognises that there may not be added value in producing a Summary QPR annually if there is no material change to the company's "reserves" and "resources". For the purpose of annual reporting in Rule 1207(21) of the Mainboard Listing Rule and Rule 1204(23) of the Catalyst Listing Rule, the MOG company is only required to produce a Summary of Reserves and Resources instead of a Summary QPR. In addition, a Summary QPR is still required if there is a material change to the "reserves" and "resources".

REVISED REQUIREMENTS FOR THE QPR

The table below summarises the new requirements in relation to the QPR.

Event	Rules applicable	Previous requirement	New requirement
Admission	Mainboard & Catalyst Listing Rules	Independant QPR*	Independant QPR
Major Transaction	Mainboard & Catalyst Listing Rules	Independant QPR	Independant QPR
Annual Report	Mainboard & Catalyst Listing Rules	QPR	Appendix 7.5 of Mainboard Listing Rule or Appendix 7D of Catalyst Listing Rule
Material change < 50%	Mainboard & Catalyst Listing Rules	QPR	Summary QPR
Material change > = 50% or new change	Mainboard Listing Rule	Independant QPR	Independant QPR
Material change > = 100% or new change	Catalist Listing Rule	Independant QPR	Independant QPR

* Unless stated as Summary QPR, QPR should be prepared in accordance with paragraph 5 of the MOG Practice Notes.

FARM-IN AND FARM-OUT TRANSACTIONS

Under the previous Mainboard and Catalyst Listing Rules, an MOG company must immediately announce any material changes to "reserves" and "resources". The revised Listing Rules exempt MOG companies from this requirement in relation to farm-in or farm-out transactions that only alter the company's beneficial interest in the asset, but the "reserves" have not changed. However, if the new working interest and/or net entitlement is material, then it should be disclosed pursuant to Mainboard/Catalist Listing Rule 703 which require the disclosure of information that is likely to materially affect market prices of securities.

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