

Capital Markets

SGX RegCo Issues Guidance Note and Regulator's Column to Enhance Disclosures Around Key Financial Indicators by SGX-ST Issuers

On 31 August 2023, the Singapore Exchange Regulation ("**SGX RegCo**") issued the "Guidance Note on Financial Statements Disclosure" ("**Guidance Note**") and "Regulator's Column: What SGX RegCo expects of disclosures around key financial indicators" ("**Regulator's Column**") with the aim of enhancing the quality of disclosures in respect of financials by issuers listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST issuers**").

Guidance Note on Financial Statements Disclosure

The Guidance Note serves as an informational guide to investors and Boards of Directors, and highlights the factors that they should consider in reviewing and analysing financial statements and annual reports. It discusses examples of mitigation actions and governance practices that have been applied by some SGX-ST issuers to address three key financial indicators, namely: (i) liquidity ratios; (ii) non-current trade and other receivables; and (iii) significant advance or prepayments. Some key measures are set out below.

(a) Liquidity Ratios

- Maintaining an effective system of internal controls (including financial, operational, compliance and information technology controls) to monitor and assess ongoing liquidity requirements. There should be a mandatory periodic assessment of liquidity risk and sensitivity analysis.
- Putting in place processes to monitor financial covenants on a regular basis.

(b) Non-current Trade and Other Receivables

- Establishing an effective collections system with clear contracts, end-to-end invoicing to billing processes, payment reminder triggers and a periodic data-driven credit review of counterparties.
- Monitoring the status of receivables using receivable turnover ratio, incentivising prompt repayment, taking security or obtaining corporate guarantees from debtors for major contracts.

Client Update: Singapore

2023 AUGUST

Capital Markets

(c) Significant Advances or Prepayments

- Undertaking of a proactive role by the Board of Directors and Audit Committee of SGX-ST issuers to assess the veracity and reasonableness of significant prepayments and advances.
- Implementing adequate and sufficient internal controls for prepayments and advances, which include but are not limited to: (i) proper authorisation for cash disbursements; and (ii) proper due diligence conducted on transactions and counterparties prior to such disbursement of funds.
- Performing periodic reviews of the ageing outstanding amounts and varying the credit limits of counterparties where necessary.

Regulator's Column: What SGX RegCo Expects of Disclosures Around Key Financial Indicators

The Regulator's Column also focuses on the three key financial indicators addressed in the Guidance Note. SGX RegCo highlighted that currently, most SGX-ST issuers produce "standard disclosures" in respect of the three financial indicators. The Regulator's Column provides that when any of the three financial indicators of an issuer are at concerning thresholds, the issuer should consider adopting "substantive disclosures" on a proactive basis. This will ensure more timely disclosure of key information and minimise regulatory queries. The Regulator's Column highlights examples of what SGX RegCo considers as "standard disclosures" and "substantive disclosures", and sheds light on the situations in which an SGX-ST issuer is expected to make "substantive disclosures". SGX-ST issuers should also refer to the Regulator's Column for information to be covered in a specific scenario should "substantive disclosures" be required to be made.

Click on the following links for more information (available on the SGX website at www.sgx.com):

- [Guidance Note on Financial Statements Disclosure](#)
- [Regulator's Column: What SGX RegCo expects of disclosures around key financial indicators](#)

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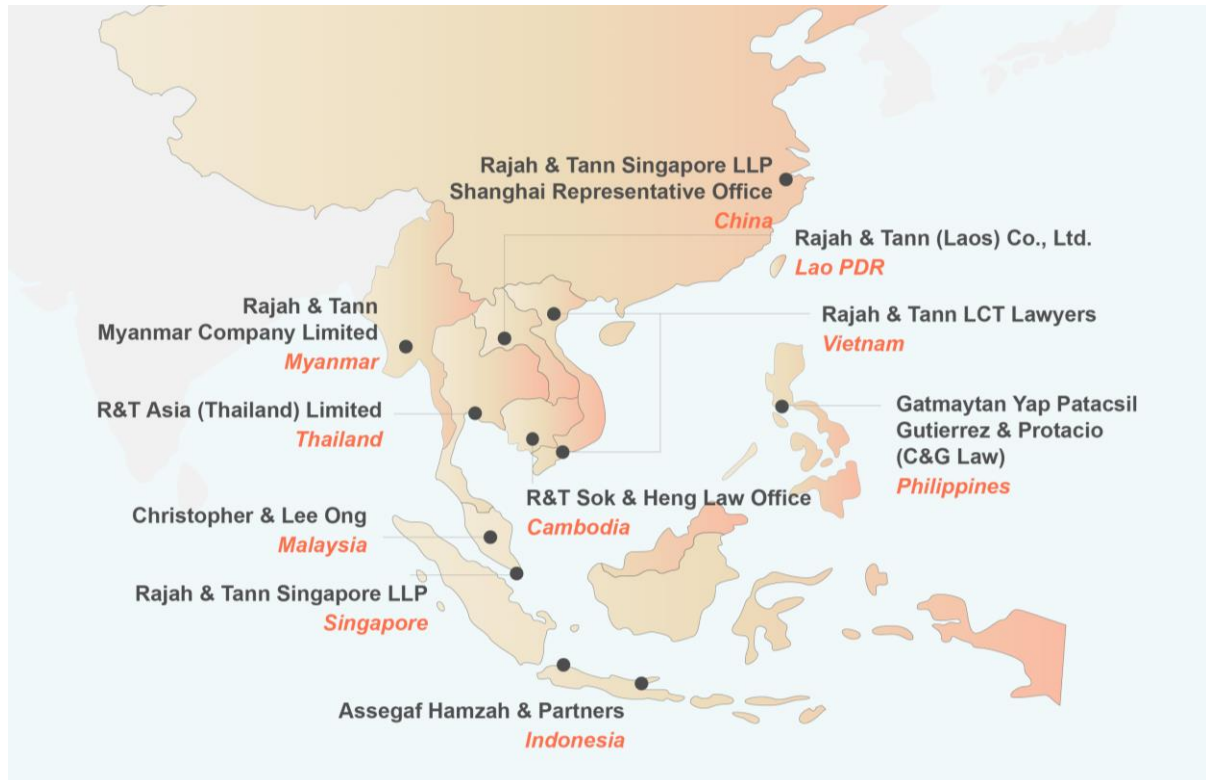
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Client Update: Singapore

2023 AUGUST

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