

## **CHAPTER 8 CHANGES IN CAPITAL**

### **PART I           SCOPE OF CHAPTER**

801           This Chapter deals with issuers on Catalist changing their capital either by issuing additional equity securities or adjusting existing capital (including the issue of shares out of treasury). It also sets out the requirements and procedures for listing additional equity securities.

802           Additional requirements relating to interested person transactions or the issue of equity securities arising from acquisitions, are set out in Chapters 9 and 10.

### **PART II           GENERAL REQUIREMENTS FOR AN ISSUE OF SECURITIES**

803           An issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting.

804           Except in the case of an issue made on a pro rata basis to shareholders or a scheme referred to in Part VIII of this Chapter, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter. The notice of meeting must state:

- (1) the number of securities to be allotted to each director and associate;
- (2) the precise terms of the issue; and
- (3) that such directors and associates will abstain from exercising any voting rights on the resolution.

805           Except as provided in Rule 806, an issuer must obtain the prior approval of shareholders in general meeting for the following:

- (1) The issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer; or
- (2) If a principal subsidiary of an issuer issues shares or convertible securities or options that will or may result in:
  - (a) the principal subsidiary ceasing to be a subsidiary of the issuer; or
  - (b) a percentage reduction of 20% or more of the issuer's equity interest in the principal subsidiary. For example, if the issuer has a 70% interest in a principal subsidiary, shareholder approval will be required for any issue of shares in the principal subsidiary reducing the issuer's equity interest to 56%.

#### **General Mandate**

806           (1) Subject to Rule 803, approval by an issuer's shareholders under Rule 805(1) is not required if shareholders had, by resolution in a general meeting, given a general

mandate to the directors of the issuer, either unconditionally or on such conditions to issue:

- (a) shares; or
  - (b) convertible securities; or
  - (c) additional convertible securities issued pursuant to Rule 829, notwithstanding that the general mandate may have ceased to be in force at the time the securities are issued, provided that the adjustment does not give the holder a benefit that a shareholder does not receive; or
  - (d) shares arising from the conversion of the securities in (b) and (c), notwithstanding that the general mandate may have ceased to be in force at the time the shares are to be issued.
- (2) A general mandate must limit the aggregate number of shares and convertible securities that may be issued according to the limits in Rules 806(2)(a) and (b) below. Unless prior shareholder approval is required under the Rules, an issue of treasury shares will not require further shareholder approval, and will not be included in the following limits.
- (a) If shareholders approve the mandate by ordinary resolution, the limit must be not more than 100% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 50% of the total number of issued shares excluding treasury shares; or
  - (b) If shareholders approve the mandate by special resolution, the limit on the aggregate number of shares and convertible securities issued, whether on a pro rata or non pro rata basis, may be up to 100% of the total number of issued shares excluding treasury shares. Shareholder approval under this Rule 806(2)(b) must not be deemed by way of subscription for shares.
- (3) For the purpose of Rule 806(2), the percentage of the total number of issued shares excluding treasury shares is based on the issuer's total number of issued shares excluding treasury shares at the time of the passing of the resolution approving the mandate after adjusting for:
- (a) new shares arising from the conversion or exercise of convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares.

- (4) If the general mandate is obtained before listing, the issuer may treat its post-invitation total number of issued shares excluding treasury shares as its total number of issued shares excluding treasury shares for the purpose of Rule 806(3).
- (5) An issuer cannot rely on the general mandate for an issue of convertible securities if the maximum number of shares to be issued upon conversion cannot be determined at the time of issue of the convertible securities.
- (6) A general mandate may remain in force until the earlier of the following:
  - (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution. By a resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
  - (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

### **PART III      PREFERENTIAL OFFERING**

807            If shareholders of an issuer are offered a specific entitlement in a new issue of securities of the issuer's subsidiary or in securities of the issuer's subsidiary about to be floated, such entitlement must be on a pro-rata basis with no restriction on the number of shares held before entitlements accrue.

808            Once the basis of an entitlement is declared, the issuer must not make any alterations to such entitlement except with the approval of the Exchange.

### **PART IV      ISSUE OF SHARES, COMPANY WARRANTS AND CONVERTIBLE SECURITIES FOR CASH (OTHER THAN RIGHTS ISSUE)**

809            An issuer may issue shares, company warrants or other convertible securities for cash other than by way of a rights issue.

810            (1) An issuer which intends to issue shares, company warrants or other convertible securities for cash must announce the issue promptly. The announcement must include the following:

- (a) the terms of the issue and the purpose of the issue including:
  - (i) the identity of the placement agent appointed or to be appointed for the issue, where applicable;
  - (ii) the amount of proceeds proposed to be raised from the issue; and
  - (iii) the intended use of such proceeds on a percentage allocation basis (which could be expressed as a range if the exact allocation has not been determined).
- (b) where the issue is proposed to be used mainly for general working capital purposes, the issuer must provide reasons for such use taking into account its working capital position;

- (c) whether the issuer's directors are of the opinion that, after taking into consideration:
    - (i) the present bank facilities, the working capital available to the group is sufficient to meet its present requirements and if so, the directors must provide reasons for the issue; and
    - (ii) the present bank facilities and net proceeds of the issue, the working capital available to the group is sufficient to meet its present requirements; and
  - (d) whether it has obtained a listing and quotation notice from the Exchange or will be seeking the listing and quotation of the new shares arising from the issue.
- (2) Where no placement agent is appointed for the issue or where a placement agent is appointed but is subject to any restrictions and directions imposed by the issuer regarding the identities of and/or the allocation to the placees, the issuer must also include in its announcement:
- (a) the identities of the placees and the number of shares placed to each of them;
  - (b) details on how the placees were identified and the rationale for placing to them; and
  - (c) the restrictions and/or directions imposed on the placement agent by the issuer regarding the identities of and/or the allocation to the placees, where applicable.
- 811
- (1) An issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the Exchange for the full market day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed.
- (2) An issue of company warrants or other convertible securities is subject to the following requirements:
- (a) If the conversion price is fixed, the price must not be more than 10% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement.
  - (b) If the conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10% of the prevailing market price of the underlying shares before conversion.
- (3) Rule 811(1) and (2) is not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.
- (4) Where specific shareholders' approval is sought, the circular must include the following:
- (a) information required under Rule 810; and
  - (b) the basis upon which the discount was determined.

- 812
- (1) An issue must not be placed to any of the following persons:
    - (a) the issuer's directors and substantial shareholders;
    - (b) immediate family members of the directors and substantial shareholders;
    - (c) substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders;
    - (d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; or
    - (e) any person who, in the opinion of the Exchange, falls within category (a) to (d).
  - (2) Rule 812(1) will not apply if specific shareholder approval for such a placement has been obtained. The person, and its associates, must abstain from voting on the resolution approving the placement.
  - (3) Rule 812(1)(a) will not apply provided that:
    - (a) The substantial shareholder:
      - (i) does not have representation (whether directly or indirectly through a nominee) on the board of the issuer;
      - (ii) does not have control or influence over the issuer in connection with the day-to-day affairs of the issuer and the terms of the placement;
    - (b) The placement is effected through an independent process such as book-building;
    - (c) The placement is made to more than one placee; and
    - (d) The proportion of issued shares of the issuer held by the substantial shareholder immediately after the placement is not more than the proportion of issued shares of the issuer held by it immediately before such a placement.

An issuer (through its sponsor) should consult and clarify with the Exchange in the event of any uncertainty.

- (4) The Exchange may agree to a placement to a person in Rule 812(1)(b), (c) or (d) if it is satisfied that the person is independent and is not under the control or influence of any of the issuer's directors or substantial shareholders.

813 An issuer may borrow shares from its substantial shareholder to facilitate an issue of shares for cash provided that the substantial shareholder does not receive any financial benefit (directly or indirectly) from the arrangement.

## **PART V RIGHTS ISSUES**

814 (1) An issuer which intends to make a rights issue must announce (having regard to Rule 704(24)) the issue promptly. The announcement must include the following:

- (a) price, terms and purpose of the issue;
- (b) the amount of proceeds proposed to be raised;
- (c) breakdown of the proposed use of proceeds;
- (d) where the issue is proposed to be used mainly for general working capital purposes, the issuer must provide reasons for such use taking into account its working capital position;
- (e) whether the issuer's directors are of the opinion that, after taking into consideration:
  - (i) the present bank facilities, the working capital available to the group is sufficient to meet its present requirements and if so, the directors must provide reasons for the issue; and
  - (ii) the present bank facilities and net proceeds of the issue, the working capital available to the group is sufficient to meet its present requirements;
- (f) whether the issue will be underwritten;
- (g) the financial circumstances which call for the issue; and
- (h) whether it has obtained a listing and quotation notice from the Exchange or will be seeking the listing and quotation of the new shares arising from the rights issue.

In addition, an issuer must observe the disclosure requirements in Appendix 8A.

- (2) If a rights issue involves an issue of convertible securities, the issuer must also comply with Part VI of this Chapter.
- (3) In the allotment of any excess rights shares, a confirmation to the sponsor that preference will be given to the rounding of odd lots. Directors and substantial shareholders who have control or influence over the issuer in connection with the day-to-day affairs of the issuer or the terms of the rights issue, or have representation (direct or through a nominee) on the board of the issuer will rank last in priority for the rounding of odd lots and allotment of excess rights shares.

815 An issuer must announce any significant disbursement of the proceeds raised from the rights issue.

816 (1) Subject to Rule 816(2), a rights issue must provide for the rights to subscribe for securities to be renounceable in part or in whole in favour of a third party at the option of the entitled shareholders.

(2) (a) An issuer can undertake non-renounceable rights issues:-

- (i) subject to specific shareholders' approval; or
- (ii) in reliance on the general mandate to issue rights shares in a non-renounceable rights issue if the rights shares are priced at not more than 10% discount to the weighted average price for trades done on the Exchange for the full market day on which the rights issue is announced. If trading in the issuer's shares is not available for a full

market day, the weighted average price must be based on the trades done on the preceding market day up to the time the rights issue is announced.

(b) The non-renounceable rights issue must comply with Part V of Chapter 8 except Rule 816(1).

817 An issuer may make a rights issue with or without underwriting. Generally, it is for the issuer to decide whether its rights issue is to be underwritten.

818 In the case of a rights issue that is underwritten, any force majeure clause in the underwriting agreement cannot be invoked after the commencement of ex-rights trading.

819 (1) An issuer must seek the Exchange's prior approval if it decides to proceed with a rights issue without underwriting because the force majeure clause in the underwriting agreement was invoked before commencement of ex-rights trading.

(2) Upon receipt of the Exchange's approval, the issuer must announce immediately that the rights issue will proceed without underwriting.

820 The following requirements apply to a rights issue that is not underwritten:

(1) The rights issue cannot be withdrawn after the commencement of ex-rights trading.

(2) The Exchange may permit the issuer to scale down a shareholder's application to subscribe for the rights issue to avoid placing the shareholder in the position of incurring a mandatory bid obligation under the Takeover Code as a result of other shareholders not taking up their rights entitlement fully.

821 No date must be fixed for the closing of books until the Exchange has issued a listing and quotation notice.

822 An issuer must issue the following to persons entitled within 3 market days (within 5 market days in the case of a scrip counter), or such longer period as the Exchange may approve, after a books closure date:

(1) Letter of Entitlement, if any;

(2) Application Forms for rights shares and excess right shares ("ARE"). In the case of a rights issue of warrants, warrant and excess warrants application form ("WAF" or "WEWAF");

(3) Provisional Allotment Letters ("PALs") for shareholders whose names appear on the share register, incorporating item (2) as well as:

(a) Form of Acceptance;

(b) Request for Splits;

(c) Form of Renunciation;

(d) Form of Nomination;

(e) Excess Shares Application Form; and

(4) Such other documents as the Exchange may require.

- 823 (1) An issuer making a rights issue must, having regard to Practice Note 8A, provide a proposed time-table to the Exchange showing the following dates:
- (a) books closure date to determine rights entitlement;
  - (b) commencement of trading of nil-paid rights;
  - (c) last day for exercise and payment of rights; and
  - (e) last day for receipt and acceptance of SRAFs.
- (2) An issuer making a rights issue must observe any time-table published by the Exchange.

## **PART VI ISSUE OF COMPANY WARRANTS AND OTHER CONVERTIBLE SECURITIES**

824 Every issue of company warrants or other convertible securities not covered under a general mandate must be specifically approved by shareholders in general meeting.

825 In procuring the approval of shareholders in a general meeting, the circular to the shareholders must include the recommendation(s) of the board of directors of the issuer on such an issue of company warrants or convertible securities and the basis for such recommendation(s).

826 When listing company warrants or other convertible securities, the issuer should ensure a sufficient spread of holdings to provide for an orderly market in the securities. As a guide, the Exchange expects at least 100 warrant holders for a class of company warrants.

827 Company warrants or other convertible securities may be listed only if the underlying securities are (or will become at the same time) one of the following:

- (1) A class of equity securities listed on the Exchange.
- (2) A class of equity securities listed or dealt in on a stock market approved by the Exchange.

828 Each company warrant must:

- (1) give the registered holder the right to subscribe for or buy one share in the total number of issued shares excluding treasury shares of the issuer; and
- (2) not be expressed in terms of dollar value.

829 The terms of the issue must provide for:

- (1) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalisation issues;
- (2) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible securities at least 1 month before the expiration date; and
- (3) Any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

- 830 An issuer must announce any adjustment made pursuant to Rule 829(1).
- 831 An issuer must not:
- (a) extend the exercise period of an existing company warrant;
  - (b) issue a new company warrant to replace an existing company warrant;
  - (c) change the exercise price of an existing company warrant except where the alterations are made pursuant to the terms of an issue pursuant to Rule 829(1); or
  - (d) change the exercise ratio of an existing company warrant.
- 832 A circular or notice to be sent to shareholders in connection with a general meeting to approve the issue of company warrants or other convertible securities must include at least the following information:
- (1) The maximum number of the underlying securities which would be issued or transferred on exercise or conversion of the company warrants or other convertible securities.
  - (2) The period during which the company warrants or other convertible securities may be exercised and the dates when this right commences and expires.
  - (3) The amount payable on the exercise of the company warrants or other convertible securities.
  - (4) The arrangements for transfer or transmission of the company warrants or other convertible securities.
  - (5) The rights of the holders on the liquidation of the issuer.
  - (6) The arrangements for the variation in the subscription or purchase price and in the number of company warrants or other convertible securities in the event of alterations to the share capital of the issuer.
  - (7) The rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer.
  - (8) A summary of any other material terms of the company warrants or other convertible securities.
  - (9) The purpose for and use of proceeds of the issue, including the use of future proceeds arising from the conversion/exercise of the company warrants or other convertible securities.
  - (10) The financial effects of the issue to the issuer.
- 833 The following additional requirements apply to an offer of company warrants or other convertible securities by way of a rights issue or bought deal:
- (1) The issuer's announcement of the rights issue or bought deal must include either:
    - (a) the exercise or conversion price of the company warrants or other convertible securities, or
    - (b) a price-fixing formula to determine the exercise or conversion price. The

price-fixing formula must not contain any discretionary element and the amount of premium or discount (in relation to the underlying share price) must be specified.

- (2) Where a price-fixing formula is adopted:
  - (a) if the issue is not underwritten, the issuer must fix and announce the exercise or conversion price before the close of the offer; or
  - (b) if the issue is underwritten, the issuer must fix and announce the exercise or conversion price before the commencement of nil-paid rights trading.
- (3) An offer of company warrants or convertible securities by way of a bought deal must comply with Part V of this Chapter.

834 For the purpose of this Part, a “bought deal” is an issue of company warrants or other convertible securities to a financial institution which will in turn offer them to the issuer’s shareholders on a pro-rata basis, usually in conjunction with a loan facility provided by that financial institution to the issuer.

835 An issuer making a bonus issue of company warrants must also comply with Rules 836 and 837.

## **PART VII BONUS ISSUES, CAPITALISATION ISSUES AND SUBDIVISION OF SHARES**

836 An issuer that intends to make a capitalization issue or a subdivision of shares must promptly make an announcement, stating the following:

- (1) The terms of the issue or the subdivision; and
- (2) Whether the issuer has obtained a listing and quotation notice from the Exchange.

837 No date must be fixed for the closing of books until the Exchange has issued a listing and quotation notice in respect of the capitalisation issue or subdivision of shares.

838 The daily weighted average price of an issuer’s quoted securities, adjusted for the capitalization issue or subdivision of shares (“adjusted price”), must not be less than \$0.20, taking into account the issuer’s adjusted price for the month preceding the application date.

839 An issuer making a capitalisation issue or subdivision of shares must state in the shareholder circular (if required) whether it expects to maintain the quantum of dividend declared and paid in the previous year.

840 An issuer must not capitalise:

- (1) more than 50% of the amount standing in the revaluation reserve account; and
- (2) any surplus arising from the revaluation of fixed assets such as plant and machinery.

841 An issuer should avoid creating odd lots as far as possible.

## **PART VIII SHARE OPTION SCHEMES OR SHARE SCHEMES**

- 842
- (1) An issuer's subsidiaries must also comply with Rules 843 to 860 in relation to share option schemes or share schemes implemented by them.
  - (2) Rule 842(1) does not apply to the share option scheme or share scheme of an issuer's subsidiary which is listed on an approved exchange that has rules which safeguard the interests of shareholders according to similar principles in Part VIII.
  - (3) The approval of an issuer's shareholders must be obtained for any share option scheme or share scheme implemented by:
    - (a) the issuer; and
    - (b) a principal subsidiary of the issuer if the scheme may cause Rule 805(2) to apply.
  - (4) If shareholder approval is not required pursuant to Rule 842(3), an issuer must announce the principal terms of any such share option scheme or share scheme implemented by its subsidiaries.

### **Terms of Schemes**

- 843
- Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:
- (1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company.
  - (2) directors and employees of the issuer's parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme .
- 844
- A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated.
- 845
- The amount, if any, payable on application or acceptance, the period in or after which payments or calls, or loans to provide the same, may be paid or called must be set out.
- 846
- The exercise price of options to be granted must be set out. Options granted at a discount may be exercisable after 2 years from the date of grant. Other options may be exercisable after one year from the date of grant.
- 847
- The voting, dividend, transfer and other rights attached to the securities, including those arising from a liquidation of the issuer must be stated.
- 848
- The scheme must be administered by a committee of directors of the issuer. However, where the issuer has a parent company, the parent company may nominate one person to the committee. A participant who is a member of the committee must not be involved in its deliberations in respect of options to be granted to that participant.
- 849
- (1) A scheme must provide for adjustment of the subscription or option price or the number or amount of securities under the scheme not already allotted, in the event

of a capitalisation issue and other circumstances (e.g. rights issue, capital reduction, sub-division or consolidation of shares or distribution).

- (2) The adjustment must be made in such a way that a participant will not receive a benefit that a shareholder does not receive.
- (3) The issue of securities as consideration for an acquisition will normally not be regarded as a circumstance requiring adjustment.
- (4) Adjustments other than on a capitalisation issue must be confirmed in writing by the company's auditors to be fair and reasonable.

850 The scheme must provide that the provisions relating to the matters contained in Rules 843 to 848, and Rules 852 to 853 cannot be altered to the advantage of the participants without prior shareholder approval.

- 851 (1) An issuer must provide in the scheme that the following disclosure will be made in its annual report:
- (a) The names of the members of the committee administering the scheme.
  - (b) The information required in the table below for the following participants:
    - (i) directors of the issuer;
    - (ii) participants who are controlling shareholders of the issuer and their associates; and
    - (iii) participants, other than those in Rule 851(1)(b)(i) and (ii) above, who receive 5% or more of the total number of options available under the scheme;

<b>Name of participant</b>	<b>Options granted during financial year under review (including terms)</b>	<b>Aggregate options granted since commencement of scheme to end of financial year under review</b>	<b>Aggregate options exercised since commencement of scheme to end of financial year under review</b>	<b>Aggregate options outstanding as at end of financial year under review</b>
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- (c) In respect of options granted to directors and employees of the parent company and its subsidiaries:
  - (i) The names of and number and terms of options granted to each director or employee of the parent company and its subsidiaries who receives 5% or more of the total number of options available to all directors and employees of the parent company and its subsidiaries under the scheme, during the financial year under review; and
  - (ii) The aggregate number of options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the scheme to the end of the financial year under review.
- (d) The number and proportion of options granted at a discount during the

financial year under review in respect of every 10% discount range, up to the maximum quantum of discount granted.

- (2) If any of the requirements in Rule 851(1) is not applicable, an appropriate negative statement must be included.

### **Shareholder Approval**

852 Participation in a scheme by controlling shareholders and their associates must be approved by independent shareholders of the issuer. A separate resolution must be passed for each person and to approve the actual number and terms of options to be granted to that participant.

853 Any grant of options to a director or employee of the issuer's parent company and its subsidiaries that, together with options already granted to the person under the scheme, represents 5% or more of the total number of options available to such directors and employees, must be approved by independent shareholders. A separate resolution must be passed for each such person and to approve the aggregate number of options to be made available for grant to all directors and employees of the parent company and its subsidiaries.

854 When seeking shareholder approval, an issuer must explain the basis for the following in the circular:

- (1) Participation by, and the specific grant of options to, each of the controlling shareholders or their associates;
- (2) Participation by, and the grant of options to, directors and employees of the parent company and its subsidiaries;
- (3) Participation by non-executive directors;
- (4) Participation by directors and employees of the associated companies;
- (5) Discount quantum; and
- (6) Size of the scheme.

855 An issuer must briefly describe in the circular the potential cost to it arising from the grant of options.

856 (1) An issuer must disclose the terms of the scheme or a summary of the principal terms in the circular. The summary must contain all the information required under Rules 843 to 848, and Rules 852 to 853.

- (2) If only a summary is disclosed, the issuer must make the terms of the scheme available for inspection at its registered office for at least 14 days before the date of the general meeting.

857 Where directors of the issuer are trustees of the scheme or have an interest direct or indirect in the scheme, the circular must disclose that interest.

858 Shareholders who are eligible to participate in the scheme must abstain from voting on any resolution relating to the scheme (other than a resolution relating to the participation of, or grant of options to, directors and employees of the issuer's parent company and its subsidiaries).

859 The following categories of persons must abstain from voting on any resolution

relating to the participation of, or grant of options to, directors and employees of the parent company and its subsidiaries:

- (1) the parent company (and its associates); and
- (2) directors and employees of the parent company (and its subsidiaries), who are also shareholders and are eligible to participate in the scheme.

860 If options have been granted under a previous scheme, the circular to shareholders seeking approval for the new scheme must disclose the following about the previous scheme:

- (1) total numbers of shares reserved and allotted;
- (2) number of participants;
- (3) any material conditions to which the options are subject; and
- (4) the following details of options granted to directors of the issuer, and participants who are controlling shareholders and their associates:
  - (a) dates options were granted;
  - (b) number of shares offered under the options; and
  - (c) number of shares allotted upon exercise of options.

## **PART IX      SCRIP DIVIDEND SCHEMES**

861 Any scheme which enables shareholders to elect to receive shares in lieu of the cash amount of any dividend must comply with the following:-

- (1) The scheme must be announced via SGXNET. The announcement must state the following:-
  - (a) any tax advantage if a shareholder elects to receive shares in lieu of cash, or an appropriate negative statement;
  - (b) whether a shareholder who elects to receive shares may receive odd lots;
  - (c) that a shareholder who will breach any shareholding restriction imposed by Singapore law or prescribed in the Articles of Association of the issuer by receiving shares is not eligible to participate in the scheme for that dividend;
  - (d) that a person receiving shares under the scheme may be required to comply with the Takeover Code; and
  - (e) the treatment of fractional entitlements arising from the allotment of new shares pursuant to the scheme.
  - (f) whether the issue of shares under the scheme will require shareholders' approval under the Companies Act and/or any other applicable statutory requirement, and if so, to disclose whether the issuer is relying on a general mandate that is currently in force or will be obtaining specific shareholders' approval for the issue of new shares under the scheme.
- (2) All shareholders must be eligible to participate in the scheme, subject to any shareholding restriction imposed by any statute, law or regulation in Singapore or prescribed in the Articles of Association of the issuer. The scheme may provide that

shareholders may make a permanent election to participate in the scheme for all future dividends or may elect for each dividend.

- (3) Notwithstanding Rule 861(2), an issuer may determine that foreign shareholders will not be eligible to participate if:
- (a) they have not supplied CDP or the issuer (as the case may be), addresses in Singapore for services of notices, or
  - (b) the participation of foreign shareholders will result in a breach of regulations or is not permitted by the relevant authorities of the jurisdictions in which the foreign shareholders are located.

In addition, if any foreign shareholding limit computed as at the Books Closure Date (“BCD”) will be breached (assuming that all foreign shareholders elect for shares), the scheme shall not apply for that dividend and the cash amount of the dividend declared will be paid in the usual way.

- (4) The issue price of shares allotted pursuant to the scheme must be determined in accordance with a formula based on the market price, but any discount must not exceed 10% of the market price.
- (5) Shareholders may only participate in respect of all of their shareholdings as at the BCD in any dividend to which the scheme applies. Accordingly, there shall be no cash payment for those who have elected for the scrip alternative.
- (6) The dividend payment date for a dividend where a share alternative is offered must be not less than 30 market days, but not more than 35 market days, after the BCD.
- (7) For the avoidance of doubt, the scheme must allow shareholders to receive dividends in cash.

862 An issuer must announce whether or not a scheme is to apply to a particular dividend. Such an announcement must be made promptly after the decision is taken and in any event, no later than the market day following the BCD for that particular dividend.

## **PART X LISTING OF ADDITIONAL SECURITIES**

863 The Exchange will normally admit the securities to Catalist on receipt of conforming documents from the sponsor. However, the Exchange may, in its absolute discretion, impose conditions on the listing of the securities, or delay or refuse the listing. Such conditions may include shareholder approval and/or abstention from voting by certain shareholders. The Exchange also reserves the right to vary any such condition(s) or impose additional conditions.

864 The following sets out the usual steps in the additional listing process (other than for rights issues):

- (1) (a) The issuer makes the appropriate announcement;
- (b) The sponsor submits an additional listing confirmation required in Part I of Appendix 8B to the Exchange;
- (c) The issuer obtains shareholder approval (if required);
- (d) The issuer announces receipt of the listing and quotation notice from the

Exchange;

- (e) The issuer fixes the books closure and entitlement dates (if applicable) and the sponsor informs the Exchange;
- (f) The issuer allots and issues the securities;
- (g) The sponsor submits the confirmation required in Part II of Appendix 8B to the Exchange; and
- (h) The securities are admitted to Catalist.

Where applicable, an offer information statement must be lodged under section 277(1)(b) of the SFA with the Exchange acting as agent of the Authority. The written consents provided by experts, issue managers and underwriters under sections 277(5) and 277(6) of the SFA, must be lodged with the Exchange (acting as agent of the Authority) at the same time as the lodgement of the offer information statement.

- (2) Where shares are issued pursuant to the exercise or conversion of convertible securities for which listing and quotation notice has been received from the Exchange, the issuer need not follow the procedures set out in Rule 864(1). The listing of such securities must comply with the following procedures:
  - (a) The issuer issues and allots the shares;
  - (b) The sponsor submits a notification in accordance with Appendix 8C to the Exchange;
  - (c) The Exchange informs the sponsor of the listing of the shares;
  - (d) The securities are admitted to Catalist.

865

An offer information statement lodged under section 277(1)(b) of the SFA with the Exchange acting as agent of the Authority, must meet the following requirements:

- (1) It must comply with applicable law and, in particular, Parts II to X of the Sixteenth Schedule, Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 ("Sixteenth Schedule"), where a reference to the "Authority" shall mean a reference to the Exchange.
- (2) It must include on the front cover the following:
  - (a) the date of lodgement of the offer information statement,
  - (b) the name of the entity in respect of which the securities are being offered, its place of incorporation or constitution, the date of incorporation or constitution and the name of its sponsor,
  - (c) the following statements:
    - (i) *This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser(s).*
    - (ii) *The securities offered are issued by an entity whose shares are listed for quotation on Catalist.*

- (iii) *An application has been made for permission for the securities to be listed for quotation on Catalist.*
  - (iv) *Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the SGX Main Board. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the securities traded on Catalist. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.*
  - (v) *This offer is made in or accompanied by an offer information statement that has been lodged with the Singapore Exchange Securities Trading Limited (“the Exchange”) acting as agent on behalf of the Monetary Authority of Singapore (“the Authority”).*
  - (vi) *Neither the Authority nor the Exchange has examined or approved the contents of this document. Neither the Authority nor the Exchange assumes any responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. Neither the Authority nor the Exchange has in any way considered the merits of the securities being offered for investment.*
  - (vii) *The lodgement of this offer information statement with the Exchange does not imply that the SFA, or any other legal or regulatory requirements, or requirements in the Exchange’s listing rules, have been complied with.*
  - (viii) *Acceptance of applications will be conditional upon issue of the securities and upon listing of the issued securities of the issuer. Monies paid in respect of any application accepted will be returned if the listing of the securities does not proceed.*
  - (ix) *After the expiration of 6 months from the date of lodgement of this offer information statement, no person shall make an offer of securities, or allot, issue or sell any securities, on the basis of this offer information statement; and no officer or equivalent person or promoter of the entity or proposed entity will authorise or permit the offer of any securities or the allotment, issue or sale of any securities, on the basis of this offer information statement.*
- (3) If the sponsor acts as issue manager to the offer of securities, the sponsor must also be named as issue manager in the offer information statement.
  - (4) The Exchange may waive the application of any requirement in the Rules relating to the form or content of an offer information statement to any person or any offer information statement, subject to conditions or restrictions as may be imposed by the Exchange.

## **PART XI SHARE BUY-BACK**

### **Shareholder Approval**

866 An issuer may purchase its own shares ("share buy-back") if it has obtained the prior specific approval of shareholders in general meeting.

867 A share buy-back may only be made by way of on-market purchases transacted through the Exchange's ~~Central Limit Order Book~~ trading system or on another stock exchange on which the issuer's equity securities are listed ("market acquisition") or by way of an off-market acquisition in accordance with an equal access scheme as defined in Section 76C of the Companies Act. Unless a lower limit is prescribed under the issuer's law of incorporation, such share buy-back shall not exceed 10 per cent of the total number of issued ordinary shares in the capital of the issuer as at the date of the resolution passed by shareholders for the share buy-back.

868 For the purpose of obtaining shareholder approval, the issuer must provide at least the following information to shareholders:

- (1) The information required under the Companies Act;
- (2) The reasons for the proposed share buy-back;
- (3) The consequences, if any, of share purchases by the issuer that will arise under the Takeover Code or other applicable takeover rules;
- (4) Whether the share buy-back, if made, could affect the listing of the issuer's equity securities on the Exchange; and
- (5) Details of any share buy-back made by the issuer in the previous 12 months (whether market acquisitions or off-market acquisitions in accordance with an equal access scheme), giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.
- (6) Whether the shares purchased by the issuer will be cancelled or kept as treasury shares.

#### **Dealing Restriction**

869 An issuer may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. For this purpose, the average closing market price is:

- (1) the average of the closing market prices of the shares over the last 5 market days, on which transactions in the share were recorded, before the day on which the purchases are made; and
- (2) deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

#### **Off-market Acquisition On An Equal Access Scheme**

870 An issuer making an off-market acquisition in accordance with an equal access scheme must issue an offer document to all shareholders containing at least the following information:

- (1) Terms and conditions of the offer;
- (2) Period and procedures for acceptances; and

- (3) Information in Rule 868 (2), (3), (4), (5) and (6).

**Announcement of Share Buy-Back**

- 871 (1) An issuer must announce any share buy-back as follows:
- (a) In the case of a market acquisition, by 9.00 am on the market day following the day on which it purchased shares,
  - (b) In the case of an off market acquisition under an equal access scheme, by 9.00 am on the second market day after the close of acceptances of the offer.
- (2) The announcement must be in the form of Appendix 8D.

**PART XII ANNOUNCEMENT OF CHANGES IN CAPITAL**

- 872 Any proposed capital change must be disclosed immediately.