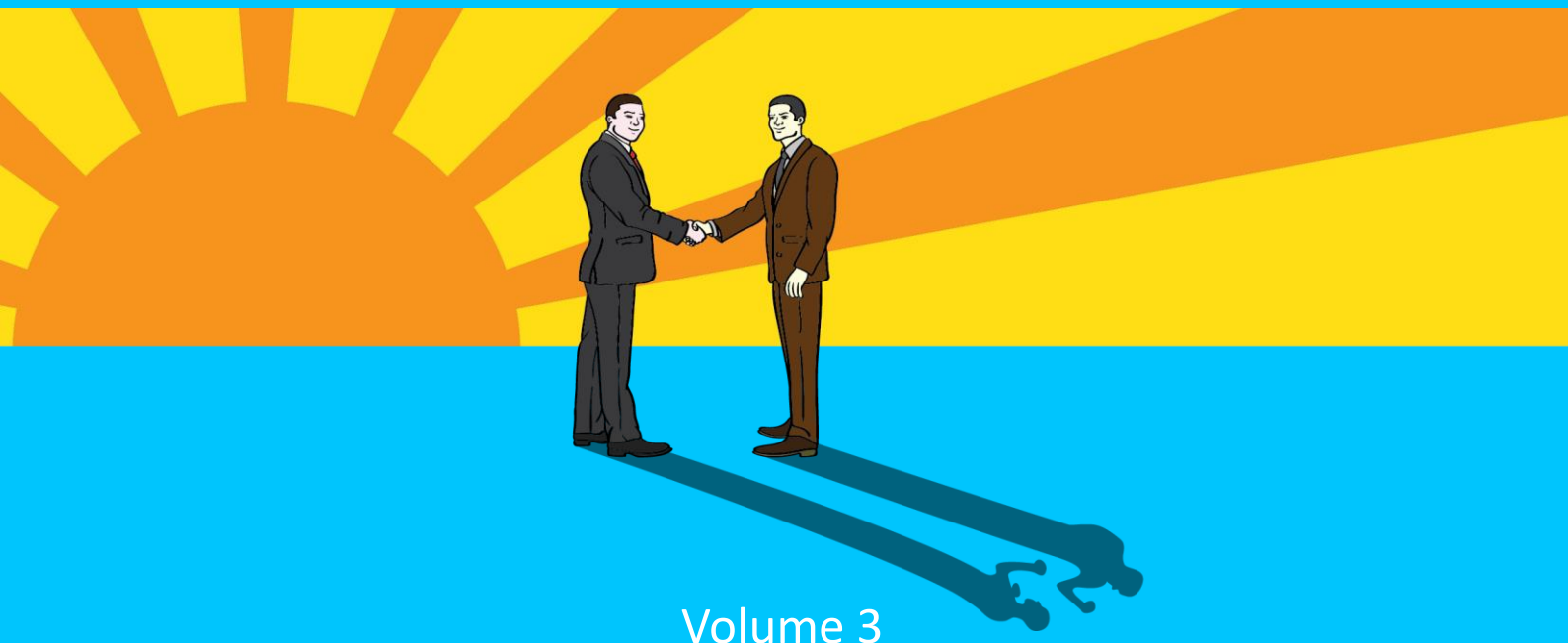
What shareholders, issuers and regulators should know about general meetings of shareholders in Singapore

THE SINGAPORE REPORT ON SHAREHOLDER MEETINGS

DAWN OF ACTIVISM



Volume 3

MAK YUEN TEEN
CHEW YI HONG

SUPPORTED BY THE SINGAPORE EXCHANGE

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THE SINGAPORE REPORT ON SHAREHOLDER MEETINGS
Volume 3
Dawn of Activism

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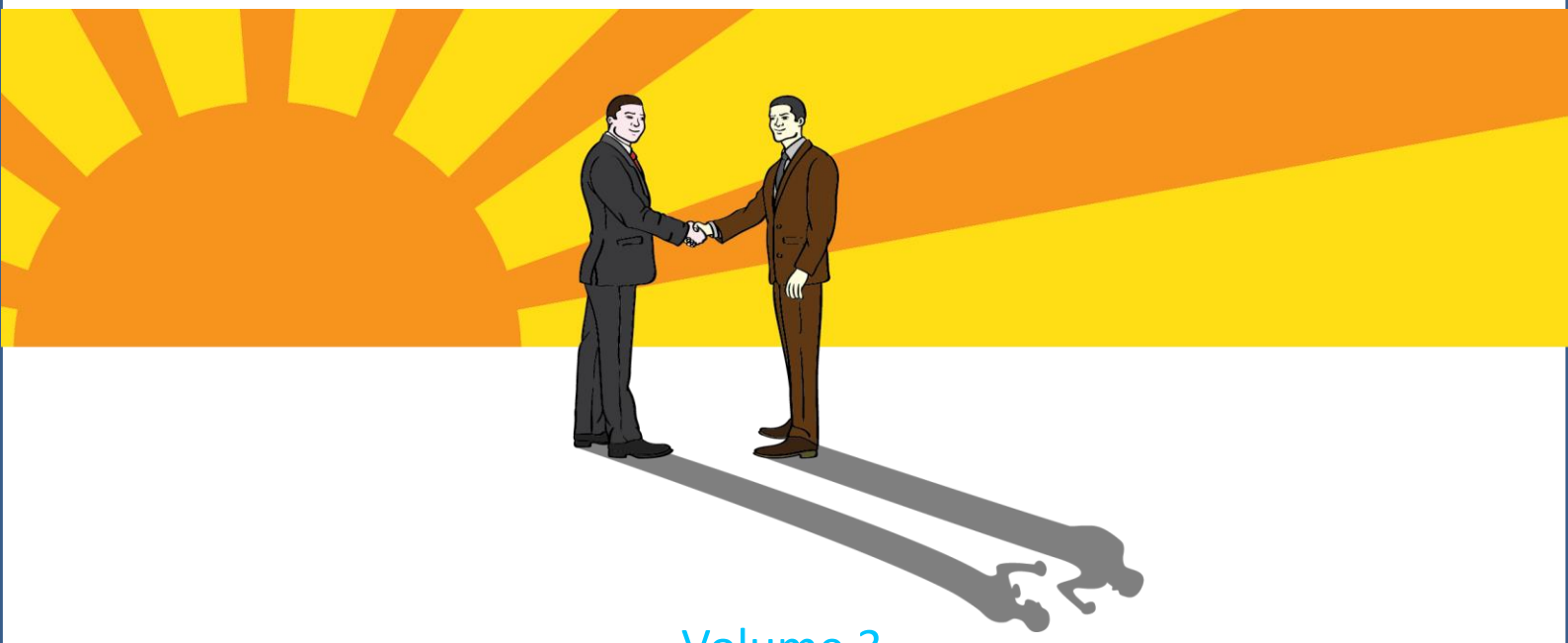
The Singapore Report on Shareholder Meetings

DAWN OF ACTIVISM



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However, the authors are responsible for the content in this report and any errors.

Contents

Foreword

Shareholder meetings such as AGMs remain critical avenues for investors, particularly retail investors, to access vital information on strategy and performance from company boards and management. That's why Singapore's Code on Corporate Governance encourages companies to actively engage its shareholders on a regular basis.

Active engagement benefits both shareholders and the company: shareholders have the opportunity to engage boards of directors on any matters affecting the company and boards of directors can use the opportunity to obtain inputs on governance matters and address shareholders' concerns.

The positive outcome for both company boards and shareholders from regular active engagement is clear: regular high-quality shareholder engagement helps build goodwill between investors and a company; goodwill leads to a loyal shareholder base, which provides confidence and support for a company through the vagaries of macro-economic cycles. As a consequence, the development of a loyal shareholder base is a huge benefit for those companies that succeed in achieving it.

As this important report demonstrates there have been several positive developments throughout this past year: stricter criteria for granting waivers from holding AGMs within the stipulated deadline and growing shareholder activism. However, there is always room for improvement and we welcome this report and any recommendations that will make the relationship between shareholders and listed companies even stronger.

Tan Boon Gin
Chief Regulatory Officer
Singapore Exchange

THE SINGAPORE REPORT ON SHAREHOLDER MEETINGS

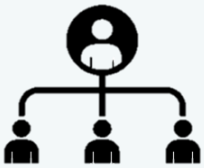
VOLUME 3

In a Nutshell

2016
ABOUT THE STUDY

COVERAGE AT A GLANCE

661 COMPANIES



694 ANNUAL GENERAL MEETINGS[1]

199 EXTRAORDINARY GENERAL MEETINGS

42 REITs & BTs

ALL ISSUERS WITH MEETINGS IN 2016

NUMBER OF MEETINGS

540 ISSUERS	1
140 ISSUERS	2
19 ISSUERS	3
4 ISSUERS	4

703 ISSUERS

BASED ON PUBLIC INFORMATION

27 DELISTED COMPANIES

18 ARE INCLUDED AS THEY HELD MEETINGS BEFORE DELISTING

[1] UNLESS STATED OTHERWISE, THE TERM ANNUAL GENERAL MEETING ("AGM") INCLUDES BACK-TO-BACK AGM PLUS EGM.

2016
ABOUT THE STUDY

DETAILED PROFILE OF ISSUERS

COUNTRY OF INCORPORATION

84%  SINGAPORE

8%  BERMUDA

4%  CAYMAN ISLANDS

MARKET CAPITALISATION

74% (LESS THAN $300 MILLION)

12% ($300 MILLION TO $1 BILLION)

14% ($1 BILLION OR MORE)

FINANCIAL YEAR END

65% DEC

14% MAR

12% JUN

3% SEP

SHAREHOLDER BASE[2]

44%  2000 OR LESS SHAREHOLDERS

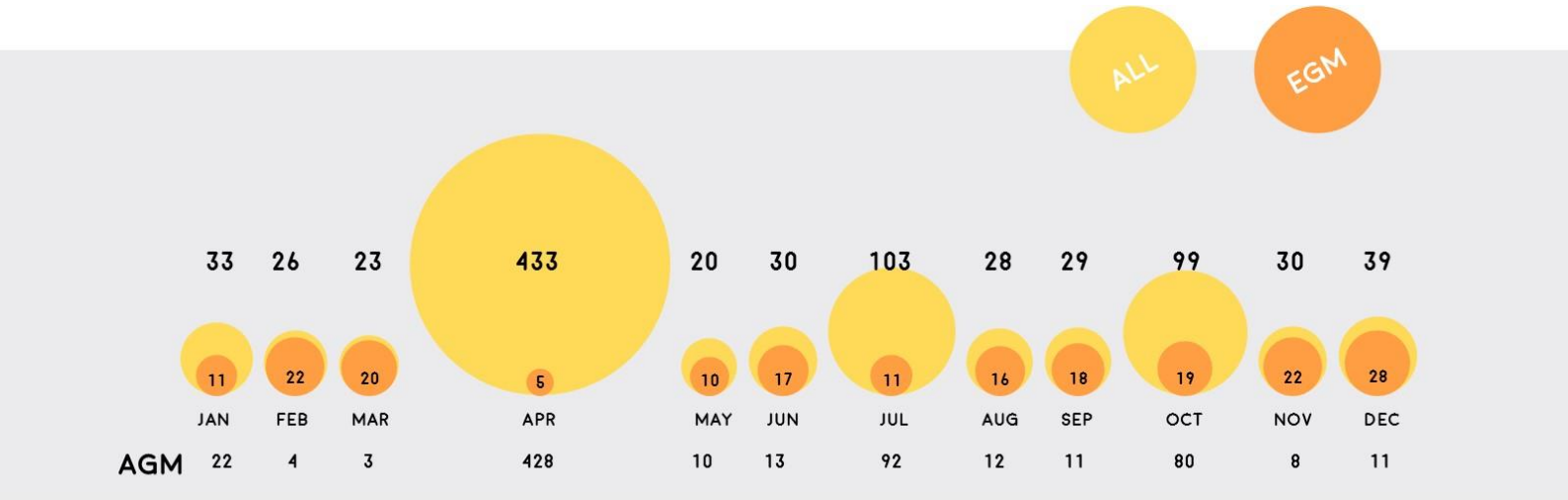
26%  2000 TO 5000 SHAREHOLDERS

16%  5000 TO 10000 SHAREHOLDERS

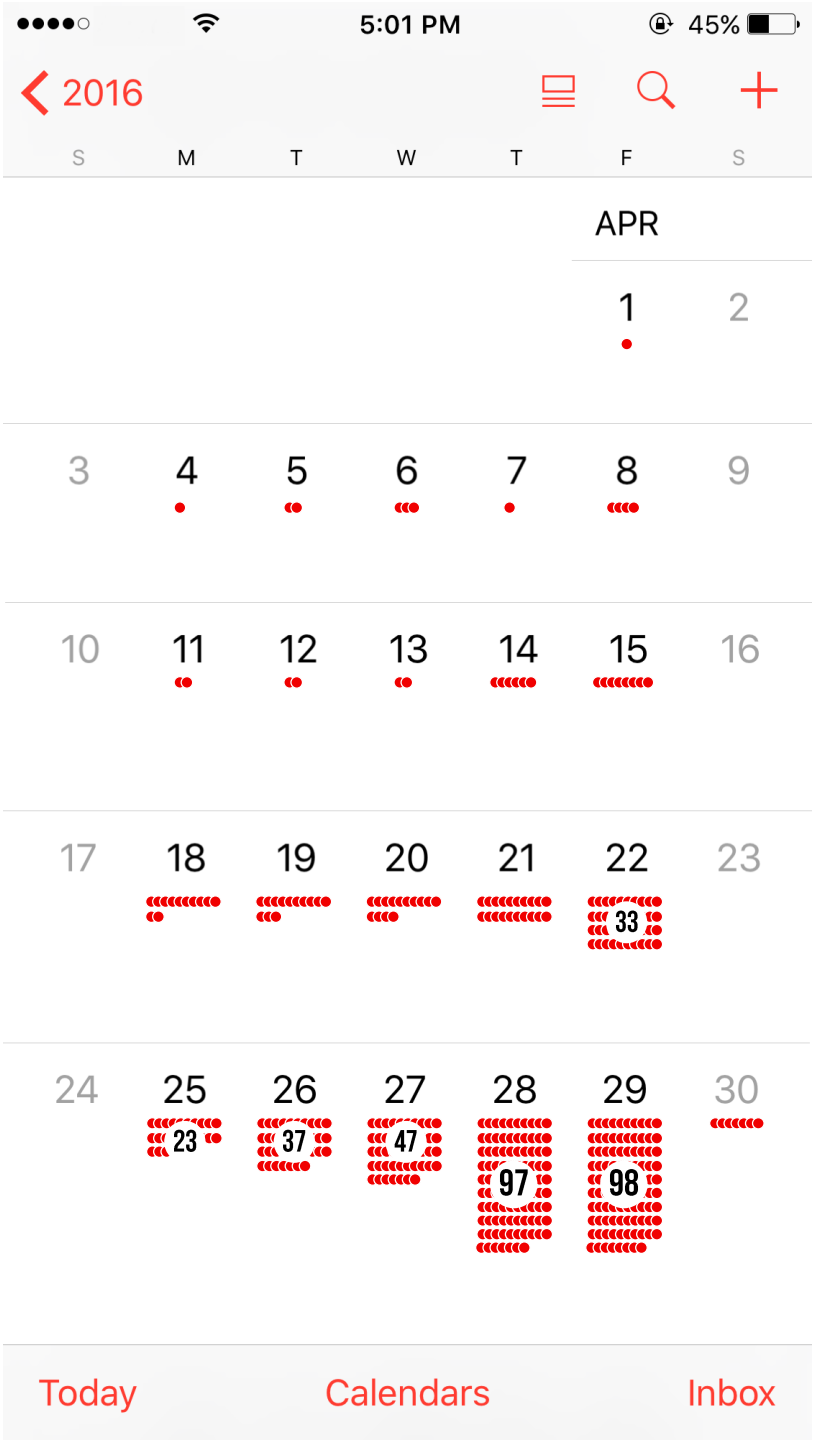
13%  MORE THAN 10000 SHAREHOLDERS

[2] NUMBER OF SHAREHOLDERS/UNITHOLDERS IS BASED ON THE TABLE OF DISTRIBUTION OF SHAREHOLDINGS DISCLOSED IN THE ANNUAL REPORT.

2016
MEETING CALENDAR



2016
MEETING CALENDAR



2016
KEY FINDINGS

THE SINGAPORE REPORT ON SHAREHOLDER MEETINGS
DAWN OF ACTIVISM
VOLUME 3

There were 433 shareholder meetings held in April 2016, of which 428 were AGMs and 5 were EGMs. These accounted for 62% of all AGMs and nearly 50% of all shareholder meetings.

Clustering in the last two business days of April was significantly worse than the last two years; there were almost a hundred AGMs on each of 28 April (Thursday) and 29 April 2016 (Friday).

Fridays and mornings were preferred by issuers for holding meetings.

Mondays were consistently less popular than other days of the week. In fact, in 2015 and 2016, there were more AGMS on the second last Friday of April than on the Monday of the last week of April

43 issuers made applications to waive the requirement to hold their AGM within the stipulated four-month deadline after the financial year-end, with the most common reasons cited being accounting/audit issues, followed by financial-related issues.

Regulators appear to be stricter in approving applications for deadline extensions and more active in monitoring compliance with financial reporting standards

There were more cases of shareholder-initiated general meetings, either requisitioning for one under Section 176 of the Companies Act or directly calling a general meeting under Section 177. There were eight issuers in 2016, up from six in 2015, although some meetings were withdrawn or not held because of “technical” reasons; in some cases, multiple EGMs were held

2016 KEY FINDINGS

On average, 58% of the shares were voted at AGMs, which was the same as 2015 but higher than the 55% in 2014, although in 2016 all meetings were considered while in earlier years, only those that disclosed detailed poll voting results were considered

Shareholder participation at some AGMs is extremely low. At six AGMs, less than 10% of the total shares issued voted at the AGM, with the lowest two at just 1.2% and 1.8% of total shares issued

21 issuers in 2016 still did not disclose the identity of the scrutineers for meetings even though it is a listing rule requirement, with two issuers failing to do so for both their AGMs and EGMs

319 issuers sought approval for a share buyback mandate, 323 issuers for share option or share schemes and/or bundled schemes and 147 issuers for general mandate for interested person transactions

Resolutions that received relatively lower support on average were those relating to the general share issue mandate and share option plans

A total of 49 resolutions were not passed, including seven for directors' fees, eight for director elections, two for re-appointment of auditors, six for the general share issue mandate, three for a share buyback mandate and four for share option or share schemes. This compares with a total of 24 resolutions in 2015 that did not pass. However, it should be noted that eight of the 49 resolutions were resolutions proposed by requisitionists at meetings initiated by shareholders. A further three resolutions that were proposed by shareholders at the issuer's AGM were not carried as well

There appears to be a trend in issuers seeking approval to pay directors' fees for the new financial year in arrears, rather than only seeking approval for the financial year just ended; 309 issuers sought pre-approval, and 43 of these are transitioning to pre-approval

31 issuers sought shareholders' approval to change auditors, 11 at year end and 20 mid-term

2016 KEY FINDINGS

Six issuers lowered the limits for the general share issue mandate in 2016 (excluding those that transferred from Catalist to the Mainboard, which requires lower limits)

A total of 46 issuers had lower pro rata and/or non-pro rata limits for the general share issue mandate than permitted under the rules; 18 issuers did not have a general share issue mandate (excluding those that failed to obtain shareholders' approval)

Most issuers that disclosed detailed poll voting results in 2015 and received relatively low support for their general share issue mandate have been able to garner greater support in 2016, perhaps through better engagement with shareholders and proxy advisory firms explaining the need for the mandate

For certain resolutions where the controlling/interested shareholders (and associates) are required to abstain from voting, as few as 7,200 shares were enough to carry the resolution

More REITs are allowing unitholders to endorse the appointment of directors to the manager of the REIT. Together with Croesus, a business trust which converted from externally-managed to internally-managed in 2016, unitholders of four REITs and BTs now require directors to be endorsed by unitholders and for directors to resign if they are not endorsed

2016 RECOMMENDATIONS

Recommendation 1:

Regulators should consider allowing issuers to hold their AGMs within five months after their financial year-end but limit the number of AGMs that can be held on any single day.

Recommendation 2:

Issuers should disclose the attendance of directors at shareholder meetings, in addition to the recommendation in the Code to disclose directors' attendance at board and board committee meetings.

Recommendation 3:

Issuers should be required to make an announcement at the time of application for a waiver to delay the announcement of results or the holding of the AGM, in addition to making an announcement when they receive the decision from the regulators.

Recommendation 4:

Issuers that are directed by regulators to restate and re-file their financial statements and those that receive warning or advisory letters relating to non-compliance with financial reporting standards should be required to make an immediate announcement indicating clearly the reasons for having to do so.

Recommendation 5:

Shareholders should be responsible when requisitioning or calling for EGMs, and only use them as a last resort when other means of engagement fail.

RECOMMENDATIONS

Recommendation 6:

Shareholders should not vote in support of resolutions at meetings, whether proposed by the issuer or by shareholders who requisition or call for meetings, unless clear rationale and adequate information supporting the resolutions are provided.

Recommendation 7:

SGX should consider updating the reporting template for poll voting results to include disclosure of the total number of shares voted, number of shares that voted for, number of shares that voted against, and number of shares that "withheld" for each resolution. Issuers should include a "withheld" option for each resolution in their voting slip and on the electronic poll voting device.

Recommendation 8:

SGX should consider providing guidance as to who may qualify as an independent scrutineer. It should also remind issuers that they should appoint another scrutineer if the scrutineer has an interest in a resolution.

Recommendation 9:

Issuers should include all forms of "emoluments" when seeking shareholders' approval to pay directors for their services as directors.

Recommendation 10:

Issuers should post their memorandum and articles of association (or constitution), or trust deed and the performance fee supplement to the trust deed for REITs and BTs, on their websites.

TWELVE GOOD PRACTICES OF AGMS

avoid last week of 3 peak months – April, July, October

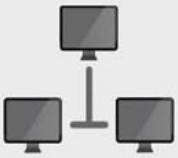
send out notice of AGM **ahead of deadline**

provide info on agenda for informed voting

select **convenient** location & provide transport if necessary

avoid scheduling meetings right after AGM to allow for informal interactions

have all **directors and senior management** present



webcast meetings

provide **opportunities to ask** questions on every agenda item

external auditors, committee chairs & individual directors should respond to questions from shareholders

electronic online voting

voluntary abstention from voting in cases of conflicts

make **detailed meeting minutes** freely available on a **timely** basis

THE SINGAPORE REPORT ON SHAREHOLDER MEETINGS

VOLUME 3

Main Report

INTRODUCTION

This third report on shareholder meetings in Singapore is published against a backdrop of two significant changes affecting all general meetings conducted in 2016. The first is the "multiple proxies" regime which became effective in January 2016, which means that indirect investors holding shares through a nominee company or a custodian bank or through CPF agent banks can attend as proxies at all the shareholder meetings and vote their shares. This may potentially enhance attendance at shareholder meetings and increase the number of shares that are voted.

The second change is the full implementation of poll voting by all issuers. This listing rule change became effective on 1 August 2015 and allows us to examine shares voted and level of shareholder support for resolutions for all the issuers. In 2015, detailed poll voting results were disclosed for 63% of all meetings, including those that adopted poll voting ahead of the deadline.

Going forward, we will be able to track the percentage of shares voted and level of voting support across all issuers, which can be useful indicators of trends in shareholder participation and activism.

On the regulatory front, 2016 was another eventful year. Major changes to the regulatory regime for real estate investment trusts (REIT) that were introduced by the Monetary Authority of Singapore (MAS) kicked in, with others to become effective in 2017. These changes, such as the imposition of a statutory duty on REIT managers and directors of REIT managers to prioritise the interests of unitholders over those of the REIT manager and its shareholders where the interests conflict, and enhanced board independence requirements, strengthen the corporate governance and transparency of REITs, while providing them with more operational flexibility.

MAS also hinted of a review of the Singapore Code of Corporate Governance, and a Corporate Governance Council was established in February 2017 to undertake this task.

The Singapore Exchange (SGX) has also been active on the regulatory front. In May 2016, SGX published its first report on long-suspended companies to update investors on developments in these companies, and followed it up with a second report in November 2016. In July 2016, it was announced that it will establish a separate regulatory subsidiary to undertake all its frontline regulatory functions by the second half of 2017. That same month, SGX published its first-ever review of compliance with the Code of Corporate Governance by Mainboard-listed companies, undertaken by KPMG.

A more controversial development in 2016 was the announcement by the Listings Advisory Committee (LAC) set up by the SGX that it supports the introduction of dual class structures (DCS) for listed issuers with certain safeguards. The Committee for Future Economy (CFE) has also recommended that DCS listings be permitted, subject to appropriate safeguards, to support Singapore's ambitions to become a leading tech and biomedical hub. In February 2017, SGX launched its public consultation on allowing DCS structures. In January 2017, news broke that several issuers had amended or proposed to amend their constitutions to allow the issue of DCS subject to SGX approval – it seems that some issuers have laid the groundwork to issue DCS, even though SGX had clearly said that they did not intend to allow those that are already listed to do so. The introduction of DCS is likely to have a significant impact on shareholder participation in general meetings and voting on resolutions – life for shareholders may never be the same again for DCS issuers!

2016 also saw major corporate upheavals at several issuers revolving around issues such as poor corporate governance, financial distress, and boardroom and shareholder disputes. Some issuers that were in the news include Singapore Post, Cordlife, Swiber, Natural Cool Holdings and SBI Offshore.

In this year’s report, we cover 893 general meetings conducted by 703 issuers – 694 annual general meetings (AGMs), including back-to-back EGMs, and 199 standalone extraordinary general meetings (EGMs).

The report is divided into two sections. The first section covers a number of key issues relating to the conduct of meetings. The second section looks at overall voting patterns at general meetings and voting on certain specific resolutions.

SECTION ONE

THE CONDUCT OF SHAREHOLDER MEETINGS

In the section, we cover a number of issues relating to the conduct of shareholder meetings. These issues include clustering of meetings, annual general meeting (AGM) delays and shareholder-initiated meetings.[1]

A. Clustering of Meetings

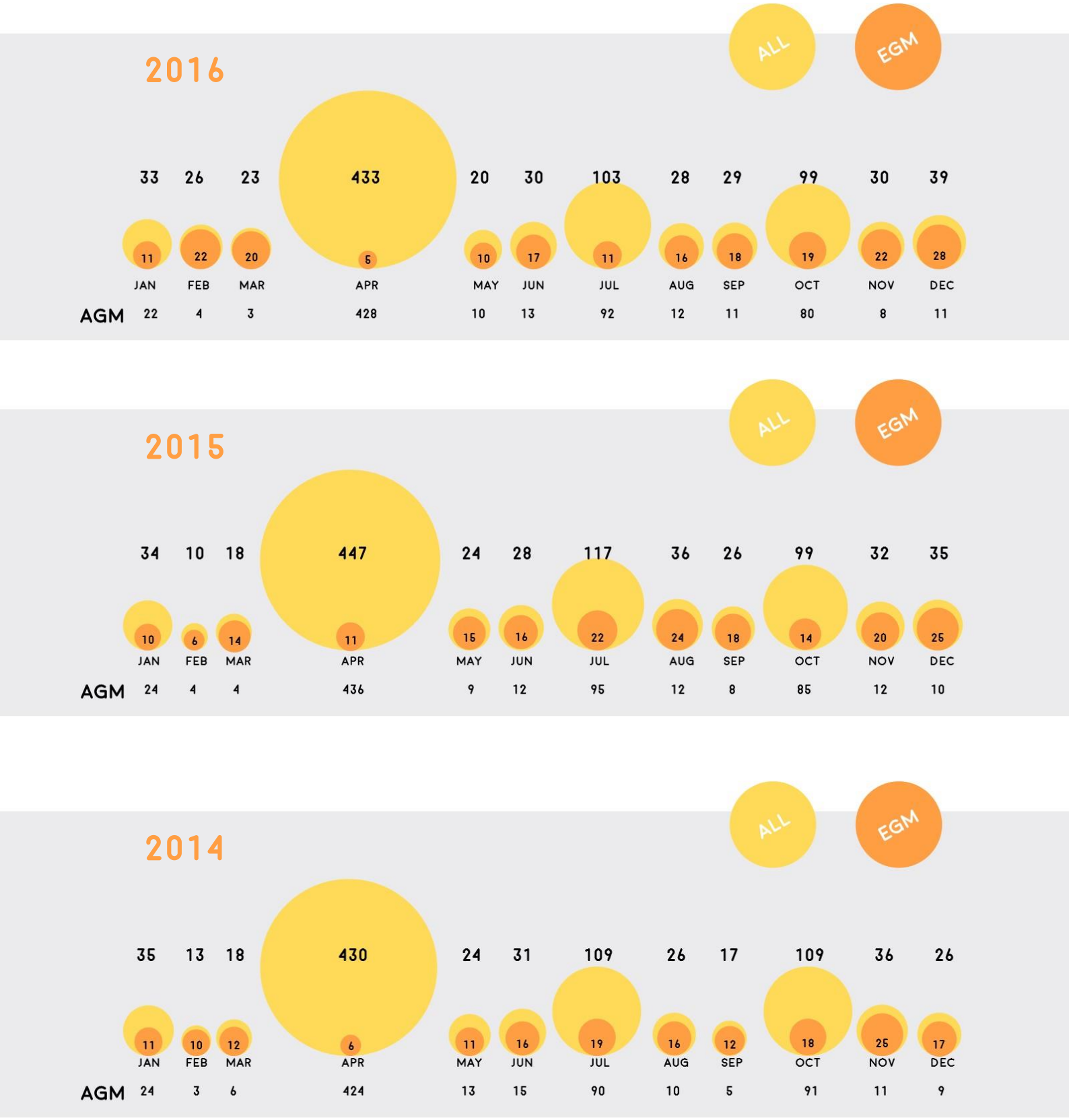
65% of the issuers in our study have a December year-end. Another 14% have a March year-end and 12% have a June year-end. SGX-listed issuers have to hold their AGMs[1] within four months after the year-end, unless they are granted a waiver from rule 707(1) prescribing this deadline.

Figure 1 shows the distribution of 2016 meeting dates by month. In terms of all meetings, 433 out of 893 meetings (48%) were held in April. **Based on 694 AGMs only, 62% were held in the month of April. The next busiest months were July and October, with these two months together accounting for 26% of AGMs in the year.** Compared to April 2015, there were 8 fewer AGMs and 6 fewer EGMs held in April 2016. However, clustering on the last two business days of April was significantly worse than the last two years, and possibly the worst ever experienced by shareholders. There were almost a hundred AGMs on each of 28 April (Thursday) and 29 April 2016 (Friday).

For 2016, there were 187 days with at least one meeting, including five Saturdays.

[1] Unless stated otherwise, the term "AGM" includes back-to-back AGM plus EGM.

Figure 1: Meetings By Month (3 year trend)



While most issuers hold their meetings near the end of the four-month deadline, some issuers are much more timely in doing so. Figure 2 below shows the issuers that held their AGMs within three months of their financial year-end, thereby avoiding the AGM crush (one cash company and a delisted company are not shown in the list).

Figure 2: Issuers who Held Their AGMs Early to Avoid the Peak Days

- Ascendas REIT
- Ascendas Hospitality Trust
- Ascendas India Trust
- Chemical Industries (Far East)
- Qian Hu Corporation
- Singapore Exchange

There were also several issuers that held their AGMs just after three months, thereby avoiding the potential clustering at the end of the four-month period. These issuers included Azeus, CEI, Excelpoint Technology, Global Premium Hotels, iFast, Indiabulls Properties Investment Trust, M1, Roxy-Pacific Holdings, Singapore O&G, Singapore Press Holdings, SMJ International, SP Corporation, SPH REIT and Vallianz Holdings.

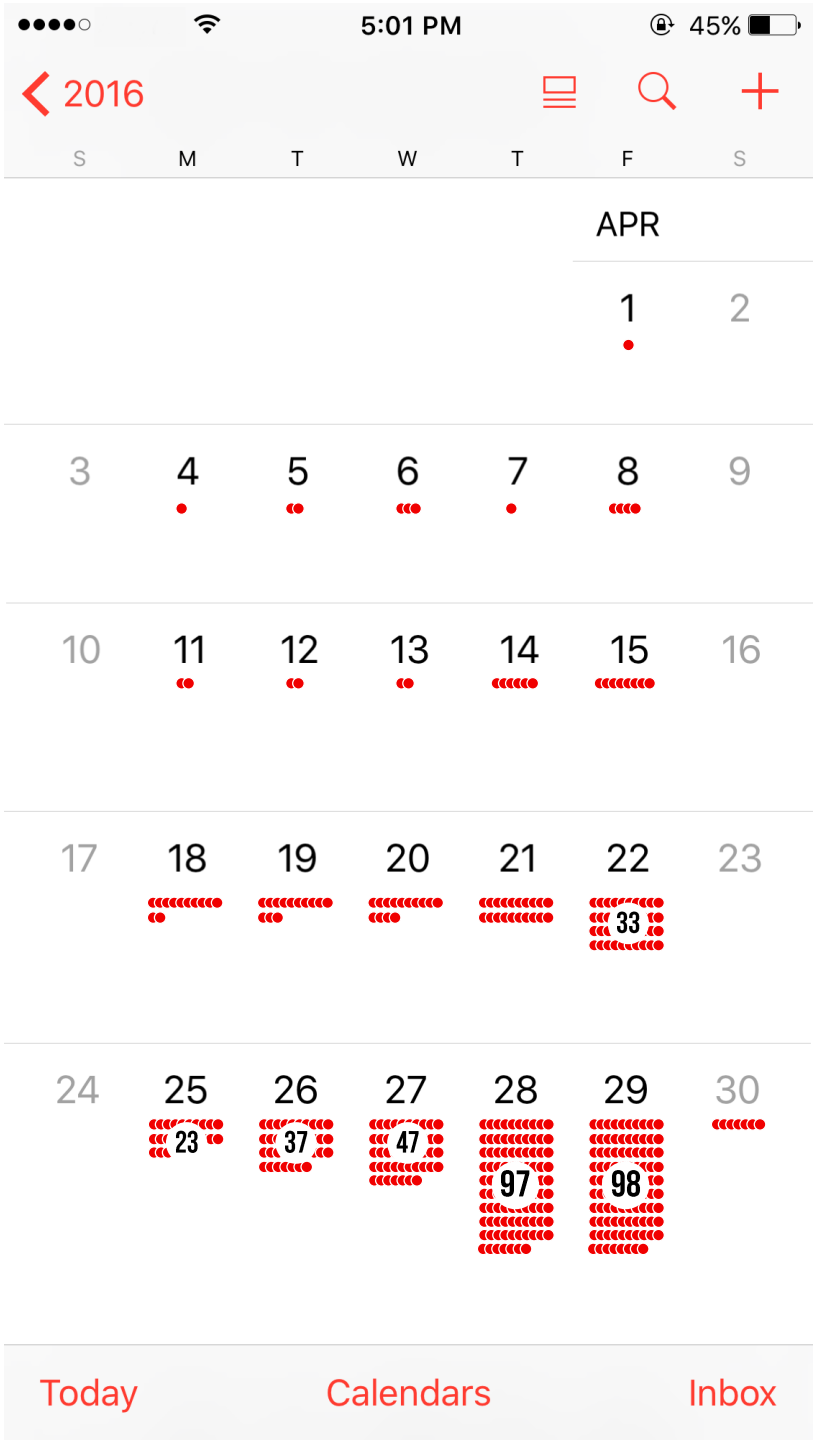
"Hot" April Meeting Season Not Cooling Down

Figure 3 shows the distribution of all meetings in April 2016. There were a total of 433 meetings held, of which 5 were EGMs. **299 (69%) of all April meetings were held in the last five business days of April. These five days account for 33% of all meetings held in 2016.** The percentages are 70% and 43% respectively when standalone EGMs are excluded. Although there is a slight decline in percentage of meetings held in the last five business days of April compared to last year, clustering on the last two business days of April 2016 is the worst since we started tracking. The busiest day was Thursday, 28 April 2016, when 97 AGMs were held, followed by Friday, 29 April, with 95 AGMs.

There is also a preference for holding meetings in the mornings, making the clustering problem even worse. For example, on the last 5 business days in April 2016, the percentage of meetings commencing between 9 am to 12 noon were 78%, 84%, 79%, 65% and 56%. The most popular start time for AGMs is 10 am. Looking at just the last 5 business days in April 2016, 37% of all meetings started at 10 am.

Fridays (and also Thursdays) were also preferred by issuers and Mondays were consistently less popular than other days of the week. Perhaps issuers prefer to avoid Mondays so that they would have a working day a day prior to the meeting to prepare for it. It was also pointed out to us that for meetings on Mondays and Tuesdays, the cut-offs for lodgment of proxies form would fall on the Saturday and Sunday prior to the meeting respectively. Perhaps that is also a reason why issuers tend to hold AGMs towards the end of the week.

Figure 3: Meeting Schedule in April 2016 (All Meetings)



Five issuers held their meetings on Saturdays in 2015. For 2016, this increased to 11 issuers covering 10 AGMs and 1 EGMs. Five of the seven issuers that scheduled their AGMs on 30 April 2016, which was a Saturday, did not have the practice of holding meetings on Saturdays in prior years. This makes us wonder if these five issuers decided to put the AGM on the absolute last day as they needed more time to prepare for the AGM, rather than because they have a preference for holding the AGM on a Saturday.

Has Clustering Become Worse Over the Years?

Using AGM dates since 2010, we look at whether AGM clustering has become worse or improved. **As we can see from Figure 4 below, clustering in April peaked in 2013 based on percentage of AGMs held in the last five business days.**

Clustering in July also peaked that year, while for October, it peaked in 2012. Therefore, there is an improvement – but the improvement is too small to make a difference to the ability of shareholders holding shares in multiple companies to attend more meetings. Further, as we have mentioned earlier in this report, the last two business days of April 2016 saw almost a hundred AGMs each.

Figure 4: Clustering in the Peak Months since 2010 (AGMs only)

	April	July	October
2010	70.1%	69.9%	62.9%
2011	74.6%	75.0%	70.5%
2012	76.3%	78.8%	76.9%
2013	77.8%	83.0%	72.2%
2014	76.3%	77.2%	71.4%
2015	74.1%	64.9%	69.4%
2016	69.9%	77.2%	73.8%

Exemplars, Converts and Laggards

In this section, we identify issuers that contribute or help to resolve the clustering of AGMs in the peak months of April, July and October. For issuers with financial year-ends of December, March and June, we identify the following groups: (a) those that have always held their AGMs outside of the last five business days of the peak months of April, July and October ("exemplars"); (b) those that have over the last three years or more moved away from the last five business days ("converts"); and (c) those that have always held their AGMs during the last two business days ("laggards").

Figure 5 shows the list of 37 exemplars, which are issuers that avoided any AGMs on peak days for the entire seven-year period since 2010 or six-year period since 2011 if they were listed later and the younger issuers who have only been listed for four to five years and have avoided the peak period through their entire period of listing.

Figure 5: The 2016 Exemplars

- Ascendas Hospitality Trust
- Ascendas India Trust
- Ascendas REIT
- Asia Enterprises
- Cache Logistics Trust
- CapitaLand Mall Trust
- CapitaLand Retail China Trust
- CEI
- CH Offshore
- Chemical Industries
- Colex Holdings
- CSE Global
- Ellipsiz
- EMS Energy
- Excelpoint Technology
- Fragrance Group
- Gaylin Holdings
- Global Premium Hotels
- Great Eastern Holdings
- Hai Leck
- Hotel Royal
- Keppel Corporation
- Keppel REIT
- Lee Metal
- M1
- Mapletree Industrial Trust
- Mapletree Logistics Trust
- Mun Siong Engineering
- Qian Hu
- Roxy-Pacific
- Sabana REIT
- SembCorp Marine
- SIA Engineering
- Singapore Exchange
- Singapore Post
- Suntec REIT
- The Hour Glass

Figure 6 shows the list of "converts" – issuers that used to hold their AGMs during the peak period but which has ceased doing so for at least their last four AGMs.

Figure 6: The Converts

- Ascott Residence Trust
- Azeus Systems
- Breadtalk Group
- CapitaLand Commercial Trust
- Heatec Jietong Holdings
- Hengyang Petrochem
- Japan Foods Holding
- Raffles Medical Group
- Riverstone Holdings
- Ryobi Kiso Holdings
- Sin Ghee Huat Corporation
- Swiber Holdings

Unfortunately, four "Converts" from last year's report backslid in 2016 and held their AGMs in the peak period.

Although there might be legitimate reasons for issuers to hold their AGMs on the last few days of the 4-month deadline, we feel that issuers should make the effort to ease clustering to allow shareholders the opportunity to attend their AGMs. Given how bad the clustering on the last two days of April was in 2016, we are highlighting a list of issuers that have consistently held their AGMs on the last two days of the four-month deadline. We hope that these "laggards" will move away from the last few days. We urge more issuers who have been consistently holding their AGMs in the peak periods to consider avoiding the peak periods.

Figure 7: The Laggards

- Advance SCT
- Advanced Systems Automation
- Adventus Holdings
- Annica Holdings
- Asia-Pacific Strategic Investments
- Asiaphos
- ASTI Holdings
- Auric Pacific Group
- AVIC International Maritime
- China Jishan Holdings
- China Kangda Food Company
- Cogent Holdings
- CPH
- Dragon Group Intl
- Elektromotive Group
- Federal International (2000)
- Forise International
- FSL Trust
- Geo Energy Resources
- Global Investments
- GP Batteries International
- GP Industries

- Healthway Medical Corporation
- Hong Fok Corporation
- Hosen Group
- Hotel Grand Central
- Indofood Agri Resources
- Jardine Cycle & Carriage
- Joyas International
- Kingsmen Creatives
- KS Energy
- Luzhou Bio-Chem Technology
- Manhattan Resources
- MDR
- Medtecs International Corp
- Midas Holdings
- Moya Holdings Asia
- New Silkroutes Group
- New Wave Holdings
- Ouhua Energy Holdings
- Pan Asian Holdings
- Poh Tiong Choon Logistics
- Polaris
- Rex International Holding
- San Teh
- SHC Capital Asia
- Singapore Airlines
- Sitra Holdings (International)
- Soup Restaurant Group
- Straco Corporation
- Sunlight Group
- Sunvic Chemical Holdings
- Swissco Holdings
- The Straits Trading Company
- TMC Education Corporation
- TSH Corporation
- TT International
- Tung Lok Restaurants (2000)
- UMS Holdings
- Yangzijiang Shipbuilding

60 issuers have consistently held their last three years' AGMs in the last two business days of a peak month. Some household names that did this were Jardine Cycle & Carriage, Singapore Airlines and The Straits Trading Company.

So how does a shareholder decide which meetings to attend?

Clash of the Issuers

On the busiest morning of the year, 28 April 2016, some of the 63 issuers that held their AGMs that morning were DBS, Wilmar, Ho Bee Land, CDL Hospitality Trust, Cambridge Industrial Trust, Super Group, Jardine Cycle & Carriage, ComfortDelgro, China Merchants Holdings (Pacific)*, Thai Beverage** and 53 other small and mid cap companies. Perhaps a strategy would be to attend the AGMs of the smaller issuers since they are not commonly covered by analysts. Another option is to select the meetings based on their proximity to one another or perhaps based on the weightage in one's portfolio. Shareholders may also choose to attend the more potentially contentious AGMs, such as those of issuers that have been in the news for the wrong reasons. Clustering of the meetings means that shareholders have to make compromises.

*since delisted ** Meeting in Thailand

Is Clustering Set to Worsen Further in 2017?

In last year's report, we said that the problem of clustering of meetings may get worse, especially in 2017. This is because the enhanced auditor's report requirements will become effective for audits of financial statements for periods ending on or after 15 December 2016 for Singapore listed companies with Singapore-registered auditors.

The enhanced auditor's report will include a section on "key audit matters". Given the sensitivity of these key audit matters, more time may be required for the audit and for discussions among auditors, audit committees and management. Issuers may therefore delay their AGMs to allow the maximum time possible for the audit and preparation of the auditor's report.

In last year's report, we recommended that regulators consider stakeholders about allowing AGMs to be held five months after the financial year-end. We would like to reiterate this recommendation with an additional qualifier below.

Recommendation 1:

Regulators should consider allowing issuers to hold their AGMs within five months after their financial year-end but limit the number of issuers that can hold their AGMs within the last five business days of the three peak months of April, July and October.

Directors' Attendance

The Singapore Code of Corporate Governance recommends the disclosure of attendance of directors at board and committee meetings. In our view, this should also be extended to shareholder meetings. We have received feedback and also observed cases of directors who serve on multiple boards being unable to attend all their meetings during the peak AGM season. In some cases, directors attend part of a meeting before rushing to another. If attendance at shareholder meetings also has to be disclosed, this may make directors more conscious about the problems caused by clustering of meetings. We recommend that attendance of directors at shareholder meetings be disclosed together with the meeting results and/or in the corporate governance section of the following year's annual report.

Recommendation 2:

Issuers should disclose the attendance of directors at shareholder meetings, in addition to the recommendation in the Code to disclose directors' attendance at board and board committee meetings.

B. Webcasting of Meetings

In last year's report, we encouraged issuers, particularly those with global investors, to provide a video conference or webcast of their meetings. We spoke to a large issuer about its AGM experience after the introduction of the multiple proxies regime and its willingness to webcast its AGM. The large issuer has many global investors and a large domestic retail investor base. It has had to incur additional costs to book a larger venue after the introduction of the multiple proxies regime because of uncertainty about the number of shareholders who would attend – and it turned out that there were many empty seats. The issuer said that webcasting would add to its costs of holding AGMs.

Our view is that if meetings are webcast, some shareholders may choose not to physically attend, thereby saving issuers some costs, including the unnecessary costs of booking too large a venue. Some companies in developed markets ask shareholders to pre-register their interest online to attend the AGM and some inform shareholders that physical attendance is on a first-come-first-served basis. These companies generally webcast their AGMs, which both existing and potential investors can watch either "live" or after the meeting.

We still hope that issuers, especially the large ones with global investors and a large retail investor and those that hold their AGMs during the peak periods, will consider webcasting their meetings. It is a good way for them to demonstrate their willingness to use technology to better engage with shareholders. In the longer term, it may also help them save costs as more shareholders turn to watching the webcast rather than attending the meeting.

Streaming Live From Omaha

In Berkshire Hathaway's latest Shareholder Letter, it was noted that "the webcast cut attendance at last year's meeting to about 37,000 people, which was down about 10%". In fact, Berkshire Hathaway first webcast was so successful that it registered 1.1 million unique visits in real-time viewing and 11.5 million more in replays. Issuers in Singapore can definitely learn a thing or two on webcasting general meetings from a leader in shareholder engagement.

C. Notice of Meetings

SGX requires issuers to give 14 and 21 "clear days" of notice – which excludes the date of notice and date of meeting - for meetings with ordinary and special resolutions respectively.

We have previously recommended that issuers, especially those with global investors, should aim to provide at least 28 clear days of notice of meetings. The recommendation of 28 days of notice is based on the recommendation in the Asian Corporate Governance Association (ACGA) Asian Proxy Voting Survey 2006.

In 2016, 4.7% of meetings with only ordinary resolutions provided at least 28 days of notice. This compares with 5.8% in 2015 and 4.9% in 2014. Some noteworthy mentions are Courage Marine, Lum Chang, MTQ and Nam Cheong - small capitalisation companies that provided at least 28 days of notice for their AGMs.

Some issuers still fall short of meeting the bare minimum in providing shareholders with the requisite period of notice. Declout, a Catalist company, gave notice on 14 October 2016 to hold an EGM on 28 October 2016 to seek shareholders' approval on a transaction, thereby giving shareholder just 13 days (instead of 14 as required). Strangely, in its notice, it was stated that the contents have been reviewed by the Company's continuing sponsor, SAC Advisors Private Limited, for compliance with the listing rules. Similarly, TT International gave notice on 15 July 2016 for its AGM that was to be held on 29 July 2016, a notice period of 13 days.

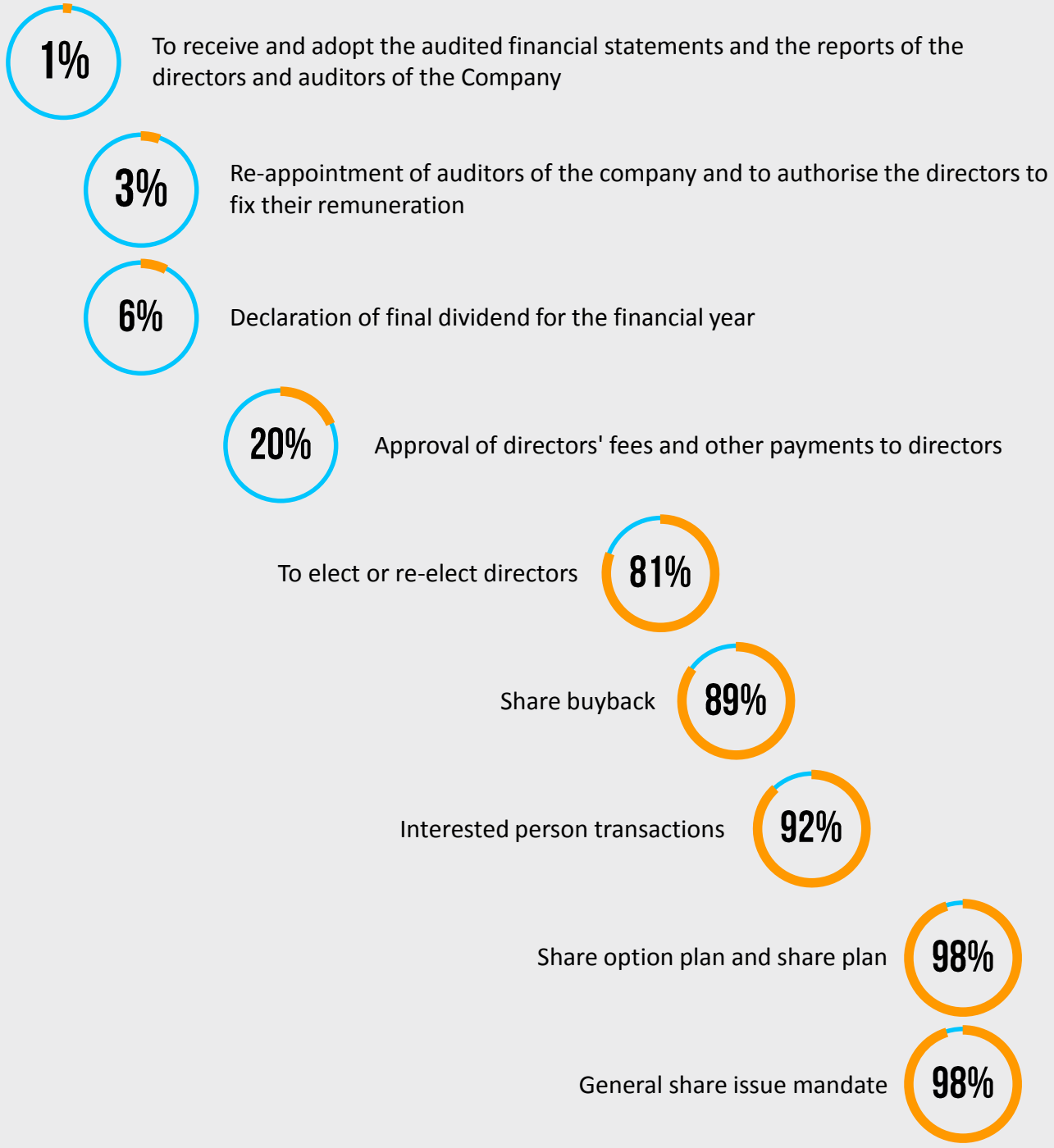
The period of notice became a controversy when the directors of International Healthway Corporation called for an EGM and provided shareholders with 14 clear days of notice. When challenged by shareholders, the directors sought further advice and conceded that under its own articles, the notice period (in the light of the resolutions for which Special Notice was given) should be 21 clear days, and not 14 clear days.

D. Explanatory Notes

Of the 694 AGMs in 2016, about 1% of the issuers offered no explanatory notes for any agenda item, compared to 2% in 2015 and 4% in 2014. Although it appears that issuers are providing more explanatory notes, we find that explanatory notes are often boilerplate in nature and they do not provide additional information nor the rationale to support the resolutions.

We look at the various types of resolutions and the prevalence of explanatory notes in the notices of meetings for the 694 AGMs. Figure 8 shows the percentage of key resolutions for which explanations are provided.

Figure 8: Common Resolutions and the Presence of Explanatory Notes



We again urge shareholders not to vote for resolutions where there is insufficient information and justification provided, unless they are routine resolutions. In particular, they should not vote for resolutions to elect or re-elect directors unless the issuer has provided sufficient information and clear justification for shareholders to make an informed decision.

Examples of Good Explanatory Notes by Issuers

Here are some examples of good explanatory notes provided by issuers. We urge issuers to provide sufficient information and clear justification for shareholders to make an informed decision.

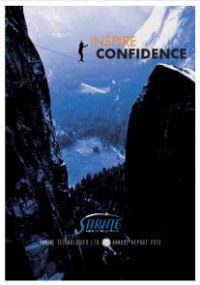
Example 1 - BreadTalk

(Extracted from BreadTalk Annual Report 2015)

The rationale for Resolution 11

Mr Frankie Quek Swee Heng (**Frankie Quek**), CEO, Asean Region, holds an aggregate of 0.02% of the Company's shareholding (direct and deemed interests). He is involved in the formulation and implementation of the expansion plans of the Group in the Asean Region. With his business acumen and extensive knowledge of the local food and beverage industry, he is assisting the Chairman, Dr George Quek Meng Tong, in overseeing the growth and expansion as well as daily operations of the Group, focusing on the Group's expansion into the Asean Region. Frankie Quek was based in Shanghai from 2005 to 2012 where he has been overseeing the growing bakery and food court operations in Shanghai and Beijing. His expertise has further led to the successful expansion of the BreadTalk brand name to many Asean Cities through a franchise model system managed by the in house franchise team. The Company therefore believes that he has the potential and ability to contribute to the further success of the Group. By allowing him to participate in the Plan, the Company will have an additional tool to craft a more balanced and innovative remuneration package that will link his total remuneration to the performance of the Group. Frankie Quek will also be able to share in any future appreciation of the Company's share price that is commensurate with the Company's future growth through an increase in his shareholdings to a more significant level. The Directors are of the view that the remuneration package of Frankie Quek is fair given his contributions to the Group. The extension of the Plan to Frankie Quek is consistent with the Company's objectives to motivate its employees to achieve and maintain a high level of performance and contribution which is vital to the success of the Company. As the Plan serves as recognition of the past contributions of those eligible to participate in the Plan, as well as to secure future contributions for the Company and the Group from them, the Directors consider it important that Frankie Quek should be included in the Plan. The Directors consider it crucial for the Company to provide sufficient incentives which will instil a sense of commitment to the Group. The participation of and grant of Awards to Frankie Quek under the Plan has been approved in principle by shareholders when they approved the Plan at the Extraordinary General Meeting held on 28 April 2008. Resolution 11 seeks for the above stated reasons, shareholders' approval for the Directors decision to grant 41,000 shares to Frankie Quek in accordance with the Plan.

Example 2 – Sarine Technologies



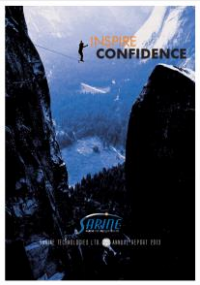
(Extracted from Sarine Annual Report 2013)

Mr Chan Kam Loon, if re-elected, will remain as Chairperson of the Audit Committee and member of the Nominating Committee and the Remuneration Committee and will be regarded as an independent director. Ms Valerie Ong Choo Lin, if re-elected, will remain as Chairperson of the Nominating Committee and member of the Audit Committee and the Remuneration Committee and Mr Yehezkel Pinhas Blum, if re- elected, will remain as Chairperson of the Remuneration Committee and member of the Audit Committee and the Nominating Committee. All three directors will be considered as independent directors. The Audit Committee and the Board have rigorously reviewed the independence and the contribution of the three independent directors (who were first elected in 2005) and resolved that all three independent directors have maintained their independence and that each of them provides to the Company invaluable service and advice. Moreover, given the Company's unique activities on the one hand, and it being a company incorporated and managed in Israel, and listed in Singapore, on the other hand, the specific expertise and understanding expected from and provided by its independent directors are quite unique and are the result of the mixture of the personal capabilities and skills of the directors in question, on the one hand, and their actual experience and expertise, gained through their years of service. Therefore, the Board is of the opinion that the Company and its shareholders shall benefit from the continued service of these directors. More particularly:

- Mr. Yehezkel Pinhas Blum brings with him a unique mixture of business skills and business experience, as along with prolonged and deep involvement in the diamond industry. Specifically, Mr. Blum's senior positions in the various institutions of the Israel Diamond Exchange in Ramat Gan, and his resulting interaction with international correspondents, grant him unique in-depth understanding of the diamond industry, industry trends and opinion leaders, in general, and as these pertain to the trading of polished diamonds, in particular. Therefore, Mr. Blum's services, inputs and insights are highly appreciated by the Board, given the Company's strategic shift to the polished diamond trade. The Board is further of the opinion that Mr. Blum has always expressed his independent and impartial opinions at the Board meetings and has successfully maintained his independence.

- Mr. Chan Kam Loon holds a degree in Accountancy from the London School of Economics and is a qualified Chartered Accountant with the Institute of Chartered Accountants in England and Wales. Thanks his formal education married with extensive experience in the fields of investment banking and private equity funding, and especially given his past position in the Singapore

Example 2 – Sarine Technologies



(Extracted from Sarine Annual Report 2013)

Exchange, Mr. Chan has been able to contribute greatly to the Board, in all aspects related to auditing of the financials, strategic decision-making and prioritizing, investors' relations and general ongoing business development. Throughout his years of service, Mr. Chan has maintained his independent position in the Company and has voiced independent opinions.

• Ms. Valerie Ong Choo Lin's senior position at Rodyk & Davidson, as well as her extensive practice in the fields of corporate and commercial law, enable her to voice a learned and well-founded opinion at the Board and to share her vast knowledge and insights with the Company on all issues pertaining to being a publicly listed company in Singapore, Listing Manual issues, proper Board functioning, etc.. Throughout her years of service, Ms. Ong has maintained her independent position in the Company, has voiced independent opinions and has always been able to provide added value to Board discussions.

According to the Israeli Companies Law, 1999, the election of the independent directors for an additional term needs to be approved at the Company's general meeting, by a majority of the shareholders participating in such vote (the **"Participating Shareholders"**), provided that: (i) in counting the votes of the majority, the Participating Shareholders who are not controlling shareholders of the Company and who have no personal interest in such election (other than personal interest that is not related to their connections with the controlling shareholders (**the "Independent Participating Shareholders"**) who have voted in favour of such election form the majority of all the votes of the Independent Participating Shareholders; or (ii) the Participating Shareholders who have voted against the such election represent no more than 2% of all voting rights in the Company. Under the Israeli Companies Law, abstentions at a general meeting are not taken into account in counting the total votes.

Examples of Good Explanation by Issuers

Example 3 – Singapore Exchange

(Extracted from SGX Annual Report 2016)

Ordinary Resolution 2 is to declare a final tax exempt dividend of 13 cents per share for the financial year ended 30 June 2016 (FY2016). Together with the sum of 15 cents per share of interim base dividends declared over the first three quarters of FY2016, the total dividend for FY2016 is 28 cents per share. The total dividend for FY2016 remains unchanged from that for the preceding financial year, except that in the preceding financial year, the total dividend comprised 12 cents per share of interim base dividends and 16 cents per share of final dividend. From FY2016 onwards, the Company's dividend policy is to declare a base dividend of 5 cents per share per quarter, an increase of 1 cent per share per quarter compared to the preceding financial year. For each financial year, the Company intends to pay as dividend, an amount which is no less than 80% of the annual net profit after tax or 20 cents per share, whichever is higher. All dividends are tax exempted.

E. Disclosure of Detailed Meeting Minutes

The Code recommends that companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and Management, and to make these minutes available to shareholders upon their request. **We believe that detailed meeting minutes should be posted on SGXNET and issuers' websites without shareholders having to request for them.**

In 2016, there are more issuers posting their detailed meeting minutes on SGXNET. Cedar Strategic, Chiwayland International (now known as CWG International), Del Monte Pacific and Singapore O&G Ltd are four issuers that started this practice in 2016. Other issuers including Hotel Royal, Micro-Mechanics, Qian Hu and Tuan Sing have the tradition of posting their meeting minutes on SGXNET and continued to do so.

In addition to the list of issuers that posted their minutes on SGXNET, the following issuers posted detailed minutes soon after the AGM on their websites – Ascott Residence Trust, CapitaLand, China Aviation Oil, DBS Group, Global Logistics Properties. Although we are pleased that these issuers make detailed minutes available, we would urge them to post the minutes on SGXNET. Posting on the individual company's website makes it harder for shareholders to locate the minutes.

As with last year, SGX posted an audio recording of its 2016 AGM on its website but not on SGXNET. In the Investor Relations section, they also posted the CEO's address, the AGM presentation slides and all the related documents a shareholder would expect for the AGM. However, one can only find the notice of meeting, the annual report and the results of the AGM on SGXNET.

SPH curiously had their AGM minutes on their Investor Relations section of their website for 2010 to 2013 and then stopped the practice. In 2016, together with the results of the AGM, SPH posted the Opening remarks by the Chairman and the AGM presentation slides.

We are disappointed to see Singapore Airlines privatising Tiger Airways and not following Tiger's practice of publishing the minutes of meetings.

Two Thai companies, Mermaid Maritime and Thai Beverage, continued to seek shareholders' approval of the minutes of the previous AGM/EGM. However, these minutes are only made available at the next meeting as an attachment with the notice of meeting and therefore lack timeliness.

We would urge issuers to post their minutes on SGXNET and also the regulators to encourage or require issuers to do so.

Leading by Example

Interestingly, SGX-listed issuers with Indonesia-listed subsidiaries often repost the subsidiaries' minutes on SGXNET. In Indonesia, the Financial Services Authority (Otoritas Jasa Keuangan - OJK) had in December 2014 updated their regulations to require public companies to post a summary of minutes in one nationwide newspaper, the website of the Indonesia Stock Exchange (if a listed company) and the public company's website within two business days after the general meeting. The minutes appear to be in between what we consider as detailed minutes and results announcement. Sadly, the SGX-listed issuers with Indonesia- listed subsidiaries do not post detailed meeting minutes of their own AGMs.

F. AGM Delays

Although we believe that issuers should be given more time to hold their AGMs to help reduce clustering, issuers should comply with existing AGM deadline requirements under Listing Rule 707(1) requiring issuers to hold their AGMs within four months of their year-ends. They should only be seeking waivers under very limited circumstances. Delaying the announcement of results and the holding of AGMs can be interpreted as bad news by investors and may raise questions about the competence of the board and management. While the regulators may have little choice but to grant an extension of time if an issuer insists that it is unable to hold its AGM on time, it is important that issuers are held accountable for such delays, especially if the delays are due to poor management and governance. Issuers that have multiple extensions should be subject to particular scrutiny. If issuers are not held accountable, the problem of issuers seeking waivers may get worse.

During 2016, 43 issuers made announcements related to a waiver from rule 707(1). Some applied for multiple waivers. SGX requires issuers to give reasons for applying for a waiver - although some gave rather vague reasons.

One issuer cited the requirement of another exchange where it has a dual listing for 21 days of notice of the AGM, need for translation, and resources being diverted in applying for the dual listing. Another was a new listing.

Of the remaining 41 issuers, four cited cost savings reasons because of an impending delisting. Other reasons include change of external auditors, special audit or investigation, financial issues (including liquidation, judicial management, going concern problems), resignation or change of key finance personnel, and accounting or audit issues. Accounting or audit issues were the most commonly mentioned reasons, with 17 of the issuers citing this as a reason, followed by

financial issues, with 11 issuers doing so. Figure 9 shows the 41 issuers and the major reasons given. Often issuers provided multiple reasons, in which case we classified them based on what we consider to be the major reason.

The following issuers were also in the 2015 list, indicating that they continue to have problems holding their AGMs on time: Asia Fashion Holdings, China Hongcheng, DMX Technologies, Eratat Lifestyle, Fung Choi Media, Foreland Fibretech, JES International, Sinopipe Holdings, Oceanus Group and Yuuzoo Corporation.

In last year's report, we expressed concerns about the questionable reasons often given by issuers when applying for more time to hold their AGMs. We recommended that issuers should provide clear and appropriate reasons for delaying results announcements and the holding of AGMs, and that regulators should hold issuers and directors accountable where warranted.

We are pleased to see that the regulators appear to be stricter in granting waivers from rule 707(1). In some cases, application for a waiver or a further waiver were rejected by SGX or SGX directed the issuer to convene its AGM as soon as possible. In at least six cases, the issuer disclosed that SGX had granted approval for a waiver or further waiver subject to ACRA also giving approval, and ACRA rejected the application.

Issuers were inconsistent in their disclosure of waivers. Some disclosed at the time of application and also when SGX informed them of its decision. Others disclosed only when they were informed by SGX. Some disclosed only when the AGM is already due or nearly due. We cannot even be sure if there were issuers that applied for and failed to obtain a waiver but did not make any announcement.

In light of situations such as these, we are recommending that issuers should be required to make an announcement at the time when they apply for a waiver to delay the announcement of results or the holding of their AGM, with the reasons for the application. This is because such applications are often red flags that shareholders should watch out for. In fact, as a general principle, consideration should be given to requiring issuers that apply for waivers from any listing rules or statutory requirements to disclose such applications in a timely manner, and with reasons clearly stated.

Recommendation 3:

Issuers should be required to make an announcement at the time of application for a waiver to delay the announcement of results or the holding of the AGM, in addition to making an announcement when they receive the decision from the regulators.

Figure 9: Major Reasons Cited by Issuers Who Announced Application/Approval for Waiver from Rule 707(1)

CHANGE OF EXTERNAL AUDITORS

- United Food Holdings

SPECIAL AUDIT/ INVESTIGATION

- DMX Technologies
- Eratat Lifestyle
- Fujian Zhenyun Plastics Industry
- Jason Holdings
- Oriental Group
- Trek 2000

LIQUIDATION/SCHEME OF ARRANGEMENT/ GOING CONCERN/ OTHER FINANCIAL ISSUES

- ASL Marine
- Ezra Holdings
- Fung Choi Media
- JES International
- Kitchen Culture
- Mercator Lines
- Oceanus
- Renewable Energy Asia
- Santak Holdings
- Sinopipe Holdings
- Stratech Group

RESIGNATION/ CHANGE OF KEY FINANCE PERSONNEL

- Infinio Group
- Novo Group

ACCOUNTING/AUDIT ISSUES

- Abterra
- Asia Fashion Holdings
- AusGroup
- Changjiang Fertilizer
- China Environment
- China Fibretech
- China Gaoxian Fibre Fabric
- China Sports International
- Foreland Fabritech
- Goodland Group
- Hu An Cable
- International Healthway Corporation
- OKH Global
- Otto Marine
- PT Berlian Laju Tanker
- ZIWO Holdings

DELISTING

- China Diary
- China Hongcheng
- Li Heng Chem Fibre Tech
- MFS Technology

OTHERS (SYSTEMS MIGRATION PROBLEMS, PRINTING ERROR)

- Lorenzo
- Yuuzoo

China Environment: Perpetually Postponed AGMs

Probably the worst case of questionable disclosures of waivers from rule 707(1) was China Environment, an issuer which kept delaying its AGM.

On 22 March 2016, China Environment announced that SGX had informed the company that it had no objection to its AGM for the financial year ended 31 December 2015 being held two months late, by 30 June 2016. The company disclosed that it had applied for the waiver on 4 March 2016. The reasons it cited was "inter alia, timing considerations which make it unlikely that the Company will be able to finalise the Annual Report (including the Accounts) in time for it to be dispatched to shareholders of the Company and for the AGM to be held no later than 30 April 2016." What these "timing considerations" were or what caused them were unclear.

A week after its announcement, the executive chairman resigned, followed by the chief financial officer, the external auditor and two other executive directors in April. The new executive chairman who was appointed on 9 March then resigned less than six months after his appointment. There were other board and management changes.

Meanwhile, on 16 June, the company revealed that it had to restate and re-file its financial statements for FY2013 and FY2014 under ACRA's Financial Reporting Surveillance Programme. It disclosed that ACRA had on 21 August 2015 issued a warning letter to two of its directors, followed by an advisory letter to the board of directors on 23 October 2015, with respect to the FY2013 financial statements. The audited financial statements for FY2015 would also be deferred until the completion of the FY2013 and FY2014 financial statements. Perhaps this was what the company meant by "timing considerations" in its application for the waiver almost three months earlier.

On 22 June, the company announced an application to SGX for a further extension to 7 October 2016 to hold its AGM, citing the need to re-state and re-file its FY2013 and FY2014 financial statements. On 12 August, the company disclosed that it had on 26 July applied to the SGX again for an extension of time to hold its AGM by 20 December 2016 and that SGX had granted an extension on 10 August. It cited the delay in the audit process for the FY2015 financial statements as a result of the need to restate and re-file the FY2013 and FY2014 financial statements.

On 19 October, China Environment announced that it had on 14 September applied to ACRA for an extension of the deadline to restate and re-file its FY2013 and FY2014 financial statements and table them at the AGM by 20 December 2016. It also disclosed that it had on 15 August applied to ACRA for an extension of time to hold its AGM for FY2015 by 20 December 2016 and that ACRA had approved it.

The company then announced on 10 November that it had applied for yet another extension to hold its FY2015 AGM by 30 June 2017. This time it cited "the recent lockout and power supply cut due to rental in arrears [which] have created disruption to the local staff and Singapore management who are trying to prepare for the audit to be done" and that "one of the key accounting personnel, who handled all the major bookkeeping functions and coordinating the sales and purchase contracts had also resigned recently".

Finally, on 21 December, the company announced that it had made a report to the Commercial Affairs Department against the former executive chairman and former CFO. Up till today, there is still no sign of the AGM.

(Adapted from: "Discipline needed when applying to delay AGMs", Mak Yuen Teen and Chew Yi Hong, Business Times, 22 March 2017)

Recommendation 4:

Issuers that are directed by regulators to restate and re-file their financial statements and those that receive warning or advisory letters relating to non-compliance with financial reporting standards should be required to make an immediate announcement indicating clearly the reasons for having to do so.

Late Application for Waivers

In 2015, Yuuzoo Corporation applied to delay its AGM by one month, saying that it was informed by the auditors that the audited accounts would not be ready. The announcement was only made on 30 April 2015, the last day to hold its AGM, and in the announcement, it disclosed that it made the application to SGX on 24 March 2015. Only when the approval of the waiver was announced on 8 May were more detailed reasons for the delay provided. On 15 April 2016, Yuuzoo again applied for more time to hold its AGM, this time citing "printing errors" in its annual report. This was very close to the deadline in rule 707(2), which requires the annual report to be issued to shareholders and the SGX at least 14 days before the date of the AGM. The extension was not granted by SGX. Yuuzoo eventually held its AGM on 27 May, after its 30 April deadline.

There were also some issuers that had applied for extensions of time to announce the full year results later than 60 days after the end of the full year, as required under Rule 705(1), but did not apply for or announce a waiver to delay their AGM. For example, China Fishery Group and Pacific Andes Resources Development announced at the end of 2015 and in early 2016 respectively that they have applied for extensions of time to announce the companies' full year results for the financial year ended 28 September 2015. However, they did not announce any applications for waivers to delay their AGMs even though their 2016 AGM deadlines have long since passed – other than both issuing announcements at the end of 2016 that there will be delays to the FY2015 and FY2016 results announcements and AGMs. The companies have made any announcements on their financial results for well over a year. While it may be somewhat understandable given the circumstances the issuers are in, shareholders are at a complete loss with regard to the financial position of the issuers.

Then there is the case of Transcorp Holdings, which on 29 December 2016 disclosed that it had applied for an extension of time to announce its full year financial statements for the financial year ended 31 October 2016. The announcement on SGX was titled "Financial Statements and Related Announcement: Notification of Results Release". Only when one clicks on the announcement would one realise that it was actually an application for approval for an extension of time to announce the full year results. It has yet to announce if it had obtained SGX's approval. Further, the company is now already past its 4-month deadline to hold the AGM but there has been no announcement about the delay or about any application or approval for an extension. We would question the disclosure treatment of the announcement and would urge stronger oversight over how announcements are being made.

(Adapted from: "Discipline needed when applying to delay AGMs", Mak Yuen Teen and Chew Yi Hong, Business Times, 22 March 2017)

G. Shareholder-Initiated Meetings

We titled this year's report "Dawn of Activism" because there are clear signs of a rise in shareholder activism. Activism can manifest itself in different ways, such as more shareholders asking pertinent questions at AGMs, shareholders being more active in voting their shares in an informed manner, and shareholders requisitioning or calling for EGMs.

Regulatory changes such as the multiple proxies regime which allows indirect investors to attend AGMs, and other initiatives such as the Singapore Stewardship Principles for Responsible Investors and SIAS' "Q&A on Annual Reports", can contribute to improving shareholder activism. We also welcome the recent call by Mr Lim Cheng Khai, Director, Monetary Authority of Singapore, for asset managers to engage more with boards and management of their investee companies, in order to discharge their fiduciary duty to clients to preserve and enhance the long-term value of the companies that they invest in. [1]

An indicator of growing shareholder activism in Singapore is the number of shareholder-initiated meetings.

In 2015, there were seven EGMs requisitioned or called by shareholders of six issuers. In 2016, there were eight issuers where shareholders requisitioned or called for meetings under s176 or s177 of the Companies Act. In some cases, requisition notices were later withdrawn or the meetings not held as originally planned.

[1] Opening Address by Mr Lim Cheng Khai, Director, Monetary Authority of Singapore, at the Investment Management Association of Singapore's 4th Regulatory/Legal Roundup Forum on 10 February 2017.

The Companies Act of Singapore (CA) empowers shareholders to either requisition for a general meeting under Section 176 of the CA, or directly call a general meeting under Section 177 of the CA.

The key difference between Sections 176 and 177 of the CA is that under Section 176, requisitioning shareholders will need to give the company's directors up to 21 days to proceed to convene a general meeting at a date no later than 2 months after the receipt by the company of the requisition, and only if the directors fail to act within the specified 21 days, will the requisitionists (or any of them representing more than 50% of the total voting rights of all of them) may themselves convene a general meeting at a date no later than 3 months from the requisition date. In contrast, Section 177 provides for a more expedited procedure where the shareholders may call a general meeting without having to exhaust any timeline given to the directors to act. However, while Section 176 expressly provides that the company must pay the requisitionists all reasonable expenses incurred to call a general meeting (in the event of a failure by the directors to do so), no such provision exists in relation to Section 177.

Equivalent provisions to Sections 176 and 177 of the CA are found in the Australian Corporations Act, where it is further made explicit that shareholders who call a general meeting directly must themselves bear the expenses of calling and holding the meeting, which would not have been the case if shareholders first requisition the company to convene the meeting and act only where the directors fail to do so within the statutory timeline. However, a notable substantive difference in the Australian Corporations Act is that it prescribes that it is sufficient for shareholders representing not less than 5% of the total voting rights to requisition or call a general meeting, whereas the threshold in Singapore, with respect to companies having a share capital, is pegged at not less than 10% of the total voting rights.

Given that a large number of foreign incorporated companies listed on the Singapore Stock Exchange are incorporated in Bermuda, it may be noteworthy that while the Bermuda Companies Act has a similar provision to Section 176 of the CA, it has no equivalent provision to Section 177 of the CA. This is the same with the Hong Kong Companies Ordinance, where there is an equivalent provision to Section 176 of the CA, but there is no equivalent provision to Section 177 of the CA. With respect to the requisitioning threshold, the Bermuda Companies Act, like the Singapore Companies Act, pegs it at not less than 10% of the total voting rights, whereas the Hong Kong Companies Ordinance requires only 5% of the total voting rights, like the Australian Corporations Act.

Acknowledgement: This section on "The initiation of general meetings by shareholders" is contributed by Morgan Lewis Stamford LLC.

Cordlife Group: On 21 April 2016, shareholders called a meeting under s177 to be held on 23 May to appoint two directors. However, the notice of meeting was withdrawn on 11 May after the two proposed directors were appointed.

Magnus Energy: On 1 March 2016, shareholders of Magnus Energy requisitioned an EGM to remove four directors and appoint three new directors. The EGM was held on 29 April 2016. None of the resolutions were passed.

Imperium Crown: On 10 May, 2016, shareholders requested the board to appoint a particular individual as chairman and ED, failing which they will call a meeting to remove four directors and appoint three new directors. On 7 June, shareholders initiated an EGM under Section 177. This was held on 30 June, with four directors removed and four new directors appointed.

Oriental Group: On 12 May 2016, shareholders called a meeting under s177 to remove five directors and remove three new directors. After seeking legal advice, the board was of the view that the notice was not valid. On 23 May, the company received special notice from shareholders calling for an EGM under s177 with the same proposed resolutions. On 17 June, the special notice was withdrawn. On 10 November, shareholders again called a meeting to be held on 9 December to remove three directors and appoint four new directors. All the resolutions were duly passed.

SBI Offshore: On 18 July 2016, shareholders requisitioned for an EGM to remove one of the directors, who was also the CEO, and to appoint four new directors. The EGM was to be held on 16 September. On 15 September, the company appointed four new directors who were not the directors proposed by the requisitioning shareholders. After the EGM had commenced, shareholders present voted on a show of hands to adjourn the EGM. As at the date of this report, the EGM has not yet been held.

International Healthway Corporation: On 2 September 2016, shareholders requisitioned for an EGM to remove four directors and appoint three new directors. On 11 October, the company announced that, based on the legal advice, the requisition letter was not valid as the requisitionists did not have at least 10% of the total number of paid-up and voting shares in the company. On 31 October, the company announced that it had received another requisition letter to hold an EGM to consider the same resolutions. The EGM was to be held on 28 December. However, on 24 December, the company announced that it had received a letter from a shareholder requesting for the EGM to be postponed because the proposed date did not meet the requisite 21 days' notice under the company's constitution. The EGM was eventually held on 23 January 2017 when all the resolutions relating to the removal and appointment of directors were passed. However, the resolution to appoint the auditor was not passed.

Tritech Group: On 19 September 2016, shareholders requisitioned an EGM to consider 10 resolutions, including the removal of two directors and the appointment of four new directors. On 30 September, the company announced that it had received an amended notice, with a proposed new director to be replaced by another proposed new director. On 19 October, the company announced that it had not received information on the rationale for the proposed resolutions and the background or curriculum vitae of the proposed directors. Further, one of the requisitionists had notified the company of its withdrawal from being a party to the requisition and that one of the proposed directors would be withdrawn. After failing to reach the remaining requisitionists, the company decided that it would not be practicable to convene an EGM.

Natural Cool Holdings: On 20 October 2016, the company announced that a shareholder had requisitioned for an EGM to be held to consider the removal of the Executive Chairman (including terminating his employment and all other appointments within the group) and to appoint one of the independent directors as non-executive chairman, or for the board to search for and recommend a new chairman. The EGM was held on 12 December and the two resolutions were not passed. On 6 December, two other shareholders called a meeting on 22 December to revoke the general issue share issue mandate. This was passed. On 9 January 2017, the company received another letter from these two shareholders calling for a meeting to consider the removal of five directors and the appointment of four new directors. This meeting was held on 9 February and all the resolutions were passed.

In early 2017, we continue to see shareholder-initiated meetings and this form of shareholder activism appears set to continue to grow.

The ability to requisition or call meetings is an important shareholder right and, if properly used, can be an important mechanism for holding boards accountable and improving corporate governance. However, it can be highly disruptive and consume company resources which are ultimately borne by all shareholders. It is preferable for boards to actively engage with shareholders to understand their concerns as early as possible, and shareholders on their part should only use their right to requisition or call meetings as a last resort.

Recommendation 5:

Shareholders should be responsible when requisitioning or calling for EGMs, and only use them as a last resort when other means of engagement fail.

Shareholder requisitioning or calling for meetings can be subject to abuse and there are no rules on how often they can be used. Shareholders doing so may have their own agendas and may have personal interests that conflict with the company's interests. Minority shareholders should be particularly wary of requisitioning shareholders appointing themselves or their proxies as directors, gaining board control, and then stripping the assets of the company. Gaining control of the board may enable certain shareholders to effect a change of control without having to make a general offer.

We therefore urge all shareholders to carefully consider resolutions proposed at shareholder-initiated meetings. Where there are proposals to appoint new directors, they should scrutinise the backgrounds of these directors and ask questions about their potential contributions and relationships with the requisitioning shareholders. They should not vote for new directors unless the requisitioning shareholders have made a strong case for their appointment.

Recommendation 6:

Shareholders should not vote in support of resolutions at meetings, whether proposed by the issuer or by shareholders who requisition or call for meetings, unless clear rationale and adequate information supporting the resolutions are provided.

SECTION TWO

VOTING PATTERNS AT SHAREHOLDER MEETINGS

In this section of the report, we look at overall voting patterns at shareholder meetings and also voting on some key resolutions.

1

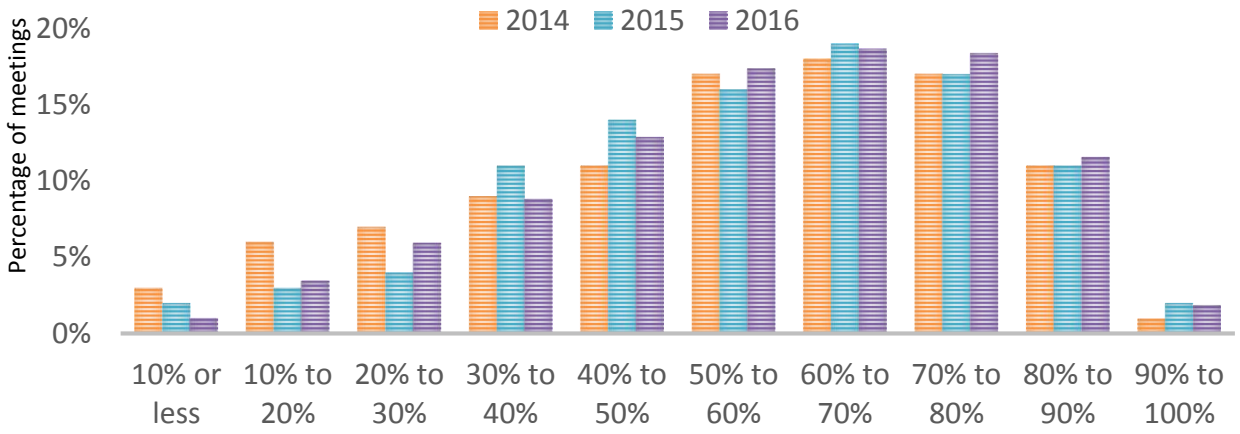
A. Overall Shares Voted

Percentage of Shares Voted at AGMs

For the 415 AGMs for which detailed poll voting results were disclosed, the average percentage of issued shares voted was about 58%. This compares with 55% in 2014. Based on the 58% of shares voted, this means that ownership of about 29% of the voting ordinary shares of an issuer would on average translate to a majority of votes at the meeting. Figure 10 shows the distribution of percentage of issued shares voted for the AGMs.

For about 30 issuers, the percentage of shares voted for at AGM was less than 20%. There is some improvement in the 50-80% range, although this may be due to more substantial shareholders exercising their shareholder rights. Interestingly, for the six AGMs with less than 10% of total shares issued voted, five of these were held on the peak days. Although minority shareholders often do not account for much of the shares voted at AGMs, it is possible that clustering may affect the number of shares voted. This is because those who cannot attend meetings to vote will have to appoint a proxy to attend and vote on his behalf. Some shareholders may not wish to give their voting instructions to the chairman or someone else connected with the issuer.

Figure 10: Percentage of Shares Voted at AGMs



Six of the seven issuers that had less than 10% of their shares voted at their AGMs in 2015 improved in 2016. Liongold is the only issuer to be featured in 2015 and 2016 with shares voted dropping from 4.8% to just 1.2%. Perhaps it is the controversy surrounding the issuer that has turned off many of its shareholders.

Thirteen issuers (up from eight last year) had more than 90% of their shares voted at their AGMs. Most of them have only a low percentage of shares held by public float shareholders. Two were issuers in transition that had sub-10% free float. A third issuer was one that has not met the requirements of rule 723 for years and we are unable to determine why. Eight of the other ten issuers had free float levels ranging from 10.2% to 16%. The only exceptions are two issuers that had free float levels of 27% and 29% and voting participation of 100% and 93% respectively.

Low Shareholder Participation

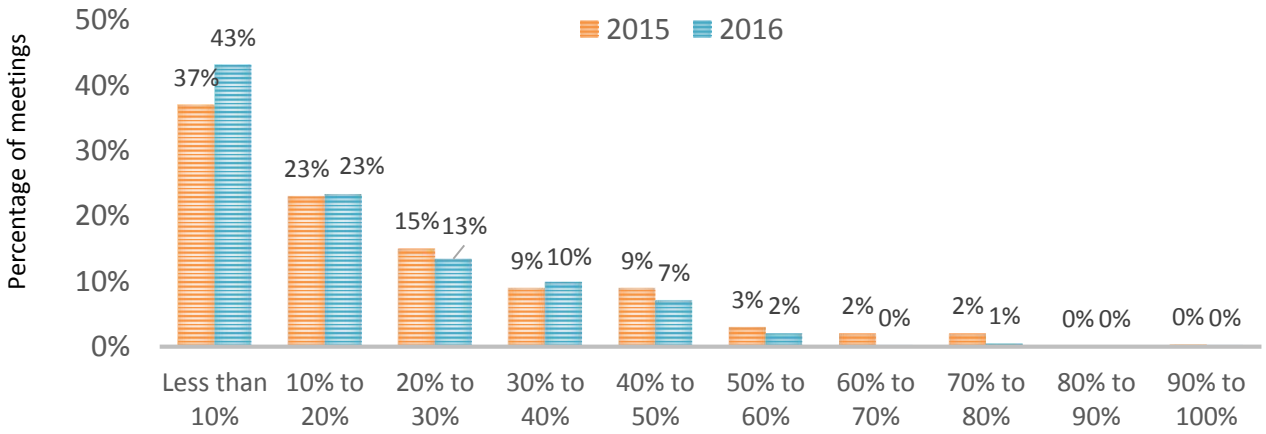
Some meetings with very low percentage of shares voted at AGMs include:

- Liongold (1.2%)
- Ouhua Energy Holdings (1.8%)
- 8Telecom International (5.9%)
- Mencast Holdings(6.3%)
- Aztech Group (7.4%)
- Lifebrandz (9.2%)

For about 40% of the AGMs, we could tell that not all the non-public shares voted, compared to about a third in 2015. This was estimated by comparing the percentage of shares voted at the AGM with the shares held in public hands as disclosed under rule 723 in the annual reports.

Figure 11 shows the distribution of percentage of issued shares voted at the AGMs after adjusting for the non-public float, based on the assumption that shareholders who hold the non-public float shares are more likely to vote their shares.

Figure 11: Estimate of Public Float Shares Voted at AGMs after Adjusting for Non-Public Float



We made an assumption that all the non-public float shares were voted and then estimated the minority shareholder participation rate. There seems to be an increase at the low end of the range but we note that this is at best a rough estimate. Also, the data suggests that there is a weak correlation (0.14) between free float level and the minority shareholder participation rate.

Abstentions from voting

Rule 704(16) of the SGX Rulebook requires, for each resolution at a general meeting, the disclosure of total number of shares voting for and against, number and percentage of shares voting for, and number and percentage of shares voting against. SGX also requires disclosure of "details of parties who are required to abstain from voting on any resolution(s), including the number of shares held and the individual resolution(s) on which they are required to abstain from voting".

Abstentions may be required by SGX rules for certain resolutions (such as those relating to interested person transactions and participation in share option/share schemes) or by an issuer's own constitution or policy (such as those relating to the election of directors or directors' fees). In some cases, issuers cite good corporate governance for voluntary abstentions by certain parties, who are otherwise not required to abstain.

In Singapore, shareholders are not given an option to indicate "abstain" or "withheld" on the voting slip or on the electronic poll voting device. In contrast, in Australia, UK and US, shareholders are given "abstain" or "withheld" options and disclosure of results for each resolution shows the number of such votes for each resolution. Australian companies also separately disclose the number and percentage of discretionary votes held by the chair of the meeting for each resolution.

Shareholders may wish to withhold their votes as a form of protest or because there is insufficient information for shareholders to make an informed decision. This is different from the mandatory and voluntary abstentions that are currently disclosed with poll voting results. In one company, we heard from a company source that a major shareholder did not vote for the re-election of a long-tenure independent director to signal its unhappiness with his continuation. Apparently, the shareholder wanted to send a message first, rather than taking the more drastic step of voting against, which could also cause disruption to the board composition. A "withheld" option would have allowed the shareholder to signal its views more clearly.

Similarly, at a recent EGM, shareholders were asked to vote for the removal of most of the incumbent directors, and the appointment of new directors. While having some concerns with the incumbent directors, a shareholder was even more concerned about the proposed new directors. In the end, the shareholder decided not to vote at all for the resolutions relating to the removal of the incumbent directors and voted against the appointment of the new directors. Had a "withheld" option been available, the shareholders in this situation could have chosen this option.

We believe that shareholders should be given an option to "withhold" their votes. The "withheld" votes cast by shareholders can also provide useful, and arguably, early indicators of negative shareholder sentiment and is therefore useful information for both issuers and investors.

Since the term "abstain" is already used for mandatory abstentions, we propose that a "withheld" option be provided for each resolution.

Mandatory abstentions required by SGX rules or a company's constitution or policy, and voluntary abstentions in the interest of good corporate governance, should continue to be separately disclosed in accordance with current practice.

Recommendation 7:

SGX should consider updating the reporting template for poll voting results to include disclosure of the total number of shares voted, number of shares that voted for, number of shares that voted against, and number of shares that "withheld" for each resolution. Issuers should include a "withheld" option for each resolution in their voting slip and on the electronic poll voting device.

Taiwan Raises the Game in Electronic Voting

In the 2016 report, we mentioned that electronic online voting is becoming increasingly common globally. In Australia, based on 2015 AGMs, we found that nearly all the companies listed on the ASX200 allowed submission of the proxy form through an online platform, with some allowing direct electronic voting online. India amended its Companies Act in 2013 requiring all listed companies to provide for online electronic voting.

Another country in Asia which has run ahead of much of the pack in Asia in this area is Taiwan. The reason cited for introducing electronic voting was the concentration of shareholder meeting dates, such that foreign and institutional shareholders in particular are often unable to attend shareholder meetings to exercise their rights. It was felt that that allowing for more convenient and flexible voting methods means that shareholders will not be constrained by the timing and venue of shareholder meetings. This can encourage shareholders to actively participate in the company's affairs and further strengthen corporate governance.

Taiwan introduced electronic online voting using a phased approach as part of its "Corporate Governance Roadmap 2013" to promote shareholder activism. This was done through amendments to its Companies Act, followed by a further order by the Financial Supervisory Commission (FSC), and through listing rules of the Taiwan Stock Exchange and the Taipei Exchange.

In 2013, the Taiwanese government mandated that companies listed on the Mainboard, the Emerging Stock Board and Taiwan OTC Exchange (renamed as Taipei Exchange in February 2015) with more than 10,000 shareholders and paid-up capital above NT$5 billion should introduce electronic voting by the 2014 Shareholder Meeting. The FSC then amended the order in 2014 by lowering the paid-up capital threshold to NT$2 billion starting from 2016. In January 2015, both stock exchanges introduced rules requiring all listed companies and newly-listed OTC companies to implement electronic voting. Finally, in January 2017, the FSC announced that from 2018, all listed companies (including those on the OTC and Emerging Stock Board) must provide for electronic voting. Companies that refuse to do so will be refused applications to raise capital and issue securities.

As of January 2017, there were more than 1900 listed companies in Taiwan, including Mainboard listed companies, OTC-listed companies, and companies listed on the Emerging Stock Market Board. By the end of 2016, it has been estimated that more than 1000 of these companies, or more than 55 percent, have implemented electronic online voting.

In the CG Watch 2016 jointly published by the Asian Corporate Governance Association and CLSA, Taiwan moved from sixth in 2014 to fourth on the back of "numerous CG and ESG initiatives, strong political support and better enforcement". It was the country with the largest improvement in score.

Acknowledgement: This section on "Taiwan raises the game in electronic voting" is based on information and inputs provided by the Taiwan Corporate Governance Association.

B. Appointment of Scrutineers

When SGX amended its rules to require detailed disclosure of poll voting results from 1 August 2015, it also required the name of the firm or person appointed as scrutineer to be disclosed "immediately after each general meeting and before the commencement of the pre-opening session on the market day following the general meeting".

Rule 730A(3) requires at least one scrutineer to be appointed for each general meeting. SGX further requires that the appointed scrutineer(s) shall be independent of the persons undertaking the polling process. Where the appointed scrutineer is interested in the resolution(s) to be passed at the general meeting, it shall refrain from acting as the scrutineer for such resolution(s). Without an independent scrutineer, there is no independent assurance that the poll voting results are accurate.

Rule 730A(4) also defines the scope and duties of the appointed scrutineer to include (a) ensuring that satisfactory procedures of the voting process are in place before the general meeting; and (b) directing and supervising the count of the votes cast through proxy and in person.

Figure 12 shows the most commonly used scrutineers in 2016. The scrutineer is most often a corporate secretarial firm, although accounting, business advisory and law firms were also well represented. Interestingly, the percentage of issuers that used their own external audit firm as scrutineer has declined in 2016 compared to 2015. In 2015, nearly a quarter of issuers that used an external audit firm as scrutineer used their own external auditor. In 2015, only about five percent did so.

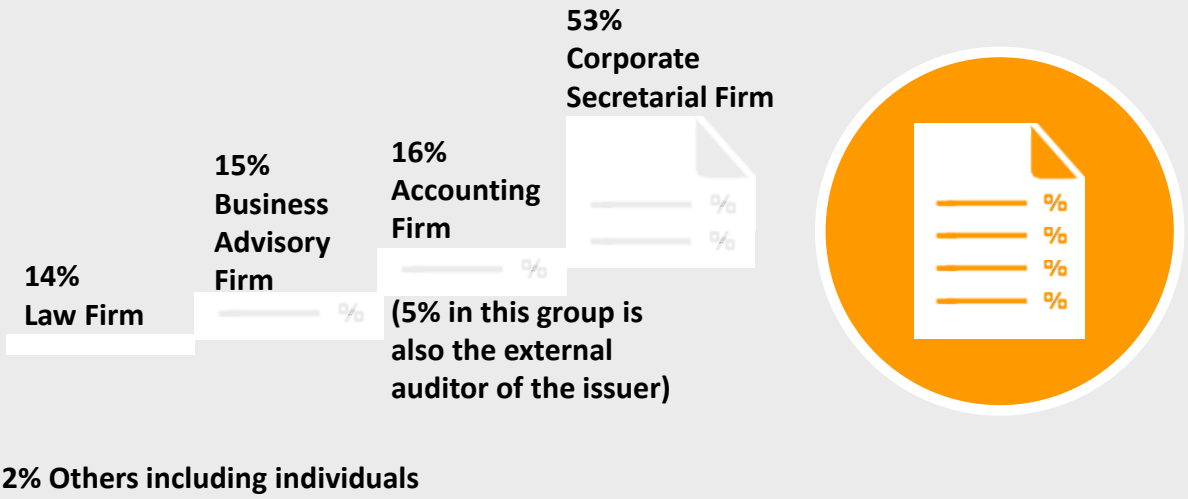
Very rarely did an issuer appointed more than one scrutineer – one example was Natural Cool Holdings appointing two sets of scrutineers in a shareholder meeting initiated by shareholders. Imperium Crown did likewise at its EGM.

For regular general meetings, we thought SBS, VICOM and ComfortDelgro have a good practice of appointing a non-interested party (the internal auditor) to oversee the resolution to re-appoint the external auditor since they engaged their external auditor to serve as independent scrutineer for the AGM. This is to comply with the requirement in rule 730(A)(3) that an appointed scrutineer should refrain from acting as the scrutineer for a resolution that it has an interest in.

Interestingly, only a handful of issuers appointed the current external auditor as the scrutineer. Of those, only SBS, VICOM and ComfortDelgro mentioned above disclosed that they appointed an additional scrutineer. At British and Malayan Trustees's AGM, Ernst & Young LLP, their external auditor that went for re-appointment, acted as the scrutineer with no other scrutineer mentioned. Similarly, Thai Beverage engaged KPMG Phoomchai Audit Ltd, their external auditor, as their scrutineer with no other scrutineer mentioned. Lafe has Baker Tilly TFW as

auditors and appointed Baker Tilly Consultancy as scrutineer. China Gaoxian Fibre Fabric Holdings has Foo Kon Tan LLP as auditors and used Foo Kon Tan Advisory Services as their scrutineer.

Figure 12: Types of Scrutineers Used



In last year's report, we found issuers that held 35 meetings after 1 August 2015 did not disclose the appointment of scrutineers. In 2016, while the disclosure of scrutineers has improved, there were still 21 issuers that did not disclose the appointment of scrutineers for their meetings. The issuers that did not do so were as follow:

- Ascendas Hospitality Trust
- Ascendas India Trust
- BRC Asia
- China Environment
- China Merchants Holdings (Pacific)
- Cosmosteel Holdings
- CWT
- Delong Holdings
- Far East Hospitality Trust
- First REIT
- Kingboard Copper Foil Holdings
- Hyflux
- JAPFA
- Nam Lee Pressed Metal Industries
- Neptune Orient Lines
- Raffles Education Corporation
- Sing Holdings
- Sing Investments & Finance
- Sunmoon Food Company
- TIH
- USP Group

Cosmosteel and Kingboard Copper Foil both failed to disclose the appointment of a scrutineer for their AGMs and their standalone EGMs that were held in 2016. It is also puzzling that Ascendas Hospitality Trust and Ascendas India Trust did not disclose the appointment of a scrutineer whereas their sister REIT, Ascendas REIT, has the practice of disclosing its scrutineer, even though they all share the same company secretary.

Three issuers – Combine Will, Mapletree Industrial Trust Management Ltd and Mapletree Logistics Trust Management Ltd – inadvertently omitted the disclosure of the appointment of a scrutineer when announcing the results, and did so through separate addendums after the announcement of the AGM results.

The listing rules of the Hong Kong Exchange limit the choice of scrutineers to the auditors, share registrar or external accountants who are qualified to serve as the company's auditors. We feel that this may be too prescriptive although some guidance as to who may qualify to be an "independent" scrutineer may be useful. Further, issuers that have not disclosed the appointment of a scrutineer should be required to do so. Issuers should also be reminded of the requirement to appoint another scrutineer if the main scrutineer has an interest in a particular resolution.

Who is Responsible?

At Artivision, the company announced five days after the release of the results of the AGM that the scrutineers, Associates Corporate Services Pte Ltd, had made an "inadvertent error" in its report. The error relates to the number of votes for the election of a director. Was this an error of the scrutineer, or the company officer who tabulated the votes, or both?

Issuers should bear in mind that it is the responsibility of the company to ensure that the poll voting results are correctly tabulated. Scrutineers, on their part, should ensure that they independently validate the voting process and results, rather than rely purely on the company to ensure that it is properly done.

Recommendation 8:

SGX should consider providing guidance as to who may qualify as an independent scrutineer. It should also remind issuers that they should appoint another scrutineer if the scrutineer has an interest in a resolution.

C. Voting on Individual Resolutions

For issuers other than REITs and BTs, there were a total of 6,363 resolutions and these resolutions, on average, garnered 98.1% of shareholders' support. REITs and BTs issuers voted on 177 resolutions and, on average, garnered 95.6%.

Looking at just the AGMs, the level of support for the 6,121 resolutions was 98.2% and this dropped to 95.3% for the 419 resolutions at EGMs.

Generally speaking, the level of support for resolutions is high. However, there are differences for different types of resolution. In this part of the report, we would look at voting on individual resolutions.

Audited financial statements, directors' report and auditors' report

The Companies Act requires the audited accounts to be laid before shareholders at the AGM. It is not mandatory to have shareholders pass a resolution to approve the accounts. In 2016, five issuers Attilan Group, Genting Singapore, GL, Guocoland and The Trendlines Group – did not put this item to a vote.

This resolution was voted on in 689 AGMs and received an average support of 99.5%. However, the level of support was less than 90% for these eight issuers: International Healthway Corporation (60%); Metal Component Engineering (65%), Chemical Industries (68%); Healthway Medical Corporation (75%); Tritech Group (79%); Hupsteel (81%); MMP Resources (85%); and PT Berlian Laju Tanker (87%). In 2015, Hupsteel (83%) also received less than 90% support.

A Resolution About to Become Less Routine?

The enhanced auditor's reporting(EAR) requirements will become effective for audits of financial statements for periods ending on or after 15 December 2016 for Singapore listed companies with Singapore-registered auditors. During 2016, the following issuers adopted the EAR requirements ahead of the deadline: Ascendas REIT, Capitaland, Hong Fok, Noble Group, SATS, SIA, Singtel, SGX and UOB. Its major impact will be felt in AGMs from 2017.

Under the EAR requirements, the auditor's report will have a section on "key audit matters", which may include areas of the financial statements most susceptible to misstatements, areas that depend on management estimates and judgements and audits of significant events or transactions during the year.

There may be many more questions relating to the first resolution in AGMs pertaining to the financial statements, directors' report and auditors' report.

Directors and auditors must be prepared for more questions from shareholders relating to the financial statements and the auditor's report. Audit committees should be prepared to provide their responses to matters covered in the enhanced auditors' report. They should consider including a separate audit committee commentary in their corporate governance report.

Reissuance of Financial Statements

In its notice of AGM dated 8 April 2016, Global Palm Resources Holdings included two resolutions relating to the reissuance of financial statements for FY2013 and FY2014 for its AGM to be held on 25 April 2016. There were no explanatory notes relating to these resolutions. On the date of the notice, the company released the reissued audited financial statements for FY2013 and FY2014, together with its annual report for FY2015.

It required a careful perusal of the reissued financial statements to discover that the reissuances were prompted by the Accounting and Corporate Regulatory Authority's (ACRA's) Financial Reporting Surveillance Programme (FRSP). The new independent auditor's reports by BDO LLP in the reissued financial statements included an emphasis of matter paragraph drawing attention to the notes to the financial statements describing the restatement and reissuance of the financial statements. The issues that gave rise to the need for restatement and reissuance were different in the two FYs.

On 16 June 2016, China Environment announced that the company had been asked by ACRA to re-state and re-file its FY2013 and FY2014 financial statement pursuant to the FRSP. It also disclosed that ACRA had issued warning letters to its then executive chairman and CEO, and an advisory letter to the board of directors. On 19 October 2016, the company announced that ACRA and SGX had granted extensions of deadline to re-state, re-audit and re-file the financial statements, and to hold its AGM.

Another company which had to reissue its financial statements was Swee Hong. On 2 December 2016, the company announced that ACRA has asked it to refile its FY2014, FY2015 and FY2016 financial statements. An advisory letter was also issued to the managing director and lead independent director, who were the two signatories of the FY2014 financial statements, for "an instance of severe non-compliance".

Clearly, directors, management and auditors - particularly audit committee members – will have to be more careful when preparing, reviewing and auditing financial statements given ACRA's enhanced oversight over financial reporting. Investors should also consider asking questions about the circumstances surrounding the restatements.

Declaration of final dividend

In 2016, 306 issuers include a resolution for shareholders to approve a final dividend. The average level of support was 99.9%. 384 issuers did not have such a resolution. In the case of some issuers, articles of association may vest the power to declare and pay both interim and final dividends on directors. Some issuers may also declare an interim dividend in lieu of a final dividend even in the fourth quarter. This resolution is easily the resolution with the highest level of support by shareholders, with all the resolutions above 96% except one at 93.5%. For 160 issuers, there was unanimous support for the resolution and no votes were recorded against this resolution.

Directors' fees

More issuers are moving away from the practice of seeking shareholders' approval to pay directors' fees for the financial year just ended to a practice of seeking approval to pay directors' fees in arrears for the new financial year. In 2016, the 382 issuers in the former category received an average of 99.0% support for their resolutions, while the 309 issuers in the latter category received an average of 97.8% support. Seven resolutions for directors' fees were not passed, compared to just one in 2015. Often, these involved situations where there were shareholder disputes.

43 issuers had resolutions for both payment of directors' fees for the financial year just ended and payment of fees for the new financial year, which suggest that these issuers are moving to the practice of seeking pre-approval for director fees. Another 22 issuers had an additional resolution seeking shareholders' approval to pay additional fees or to pay fees in shares in lieu of cash.

Many companies are still only putting up cash fees for shareholders' approval, when they also provide directors with other forms of non-cash benefits or remuneration. In our view, this does not comply with section 169 of the Companies Act which states:

"A company shall not at any meeting or otherwise provide emoluments or improve emoluments for a director of a company in respect of his office as such unless the provision is approved by a resolution that is not related to other matters and any resolution passed in breach of this section shall be void."

It defines "emoluments" as including "fees and percentages, any sums paid by way of expenses allowance in so far as those sums are charged to income tax in Singapore, any contribution paid in respect of a director under any pension scheme and any benefits received by him otherwise than in cash in respect of his services as director".

Recommendation 9:

Issuers should include all forms of "emoluments" when seeking shareholders' approval to pay directors for their services as directors.

Shareholders' Revolt Against Directors' Fees

At its AGM held on 28 April 2016, shareholders of PSL Holdings voted to re-elect one independent director and one non-independent non-executive director, with the two directors receiving respectively 96 percent and 100 percent of votes supporting their re-election. A third independent director who was to have stood for re-election changed his mind and decided not to seek re-election. The resolutions to pay additional directors' fees of $90,000 and to pre-approve directors' fees of $234,000 for the current financial year were not passed, with 82 percent and 79 percent of votes against respectively. In the previous year's AGM, the company's resolutions to pay additional directors' fees of $135,000 and to pre-approve directors' fees of $135,000 were passed with no votes against. Perhaps the shareholders were revolting against the company's practice of seeking additional directors' fees after they have been pre-approved. The company ought to review its remuneration policy for non-executive directors and avoid the practice of regularly seeking additional directors' fees after they have sought pre-approval of fees. It should also provide clear justification for directors' fees, especially the payment of additional fees.

At KLW Holdings's AGM on 30 July 2016, shareholders strongly supported the payment of $188,000 of directors' fees and one-off special directors' fees of $112,000 to the current board of directors. However, shareholders voted almost unanimously against the pre-approval of $356,625 to the new board and against the payment of $45,000 of directors' fees to two former independent directors. The two independent directors, together with the managing director, had earlier been removed by shareholders at the EGM in October 2015. In October 2016, SGX reprimanded the former managing director and group financial controller of KLW following a special audit conducted by PricewaterhouseCoopers and commissioned by the audit committee in June 2015. SGX also referred the case to the relevant authorities. SGX had noted that the then audit committee was proactive in engaging the special auditor. Given the issues surrounding the company and the fact that the independent directors were removed by obviously disgruntled shareholders, it is perhaps not surprising that the shareholders voted against the payment of directors' fees to the former independent directors.

We urge shareholders to be fair and not withhold the payment of directors' fees just because they did not appoint those directors. Directors ought to be remunerated fairly for their time, responsibilities and contributions.

More Fees Please

During 2016, 20 issuers had separate resolutions seeking approval for specific amounts of additional fees to be paid to directors in cash or shares. Of these, four were for additional responsibilities or contributions relating to a specific individual. These were Great Eastern which sought approval to pay Norman Ip an additional fee of $1.36 million for acting as group CEO for ten months; United Engineers which sought approval to pay a special fee of $261,250 to Norman Ip for assuming additional responsibilities prior to his appointment as group managing director; SGX which asked shareholders to approve a $750,000 fee to be paid to the Chairman; and UOB where the Chairman Emeritus and Adviser was to be paid an advisory fee of $800,000. For the remaining 16 issuers, most had sought approval in the previous AGM to pay the current year directors' fees in arrears, but sought approval to pay additional fees because of reasons such as additional workload, meetings or contributions or additional non-executive directors being added. Some issuers, such as SHS Holdings, Camsing Healthcare and Design Studio, did not give reasons for additional fees.

Loyz Energy sought approval to pay $45,000 of directors' fees due to a director in shares in lieu of cash. Del Monte Pacific sought approval for a wide mandate with an accompanying explanation as follows: "To authorise the Directors to fix, increase or vary the emoluments of Directors with respect to services to be rendered in any capacity to the Company - Reason: The Ordinary Resolution 5 proposed in item 5 above, if passed, will also authorise the Directors to fix, increase or vary the emoluments of Directors in respect of services to be rendered in any capacity to the Company. This would provide flexibility for the Company to engage or procure the specialist services of Directors as appropriate and as may be required by the Company."

Director Elections

In 2016, the average percentage of votes received by directors standing for election was about 98.3%. Five issuers, other than most REITs and BTs, did not have any director standing for election or re-election during 2016. Three of these issuers – WE Holdings, British and Malayan Trustees and Sinopipe Holdings – had directors who were retiring who did not seek re-election and the issuers did not appoint any new directors. Another issuer, Dukang Distillers, has company bye-laws stating that every director is required to retire at least once every three years, and as there were no directors appointed during the year, did not have any director due for election or re-election. A fifth issuer, Sarine Technologies, an Israeli-incorporated company, did not have any director standing for election or re-election in 2016 or 2015. Under the company's articles, a director who is elected shall serve until the third AGM following the AGM at which the director was appointed. At the 2014 AGM, the nine directors of the company were re-elected together. Therefore, all nine directors are due for re-election at its 2017 AGM.

In 2016, eight resolutions for director election/re-election in three companies (Abundance International, International Healthway Corporation and Magnus Energy Group) were not

Israeli companies incorporated under Israeli company law and listed in Singapore show the way some countries have strengthened minority shareholders' rights.

At The Trendlines Group (Trendlines), special majority voting rules applied to several resolutions at its special general meetings (SGMs) held on 24 February 2016 and 2 August 2016. At its February SGM, the election of the two independent/external directors required both "a simple majority exceeding 50% of the votes cast" and "a simple majority of votes of the shareholders which satisfies one of the following conditions (i) such majority is a Disinterested Majority; or (ii) the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such election (other than a personal interest which is not derived from a relationship with a controlling shareholder) voting against the resolution does not exceed 2.0% of the aggregate voting rights in the Company". The appointment of the company's two chief executive officers to serve as chairmen of the board of directors also required shareholders' approval. In this case, the resolution must be passed by both "a simple majority exceeding 50% of the votes cast" and one of the following: "(1) a special majority exceeding two thirds of the votes cast (abstentions are disregarded) which exclude the votes of any controlling shareholders and the votes of any persons with a personal interest in the resolution; or (2) the total number of opposing votes among the shareholders in (1) do not exceed 2.0% of the total voting rights in the Company".

At the August SGM, shareholders were asked to vote for five resolutions relating to the adoption of the proposed compensation policy for the executives and directors (resolution 1); the proposed management by objectives (MBO) plan for the company's two CEOs (resolution 2); the proposed grant of a one-time bonus to the company's two CEOs (resolution 3); the proposed amendment to the articles of association (resolution 4); and the proposed amendment to the share option plan (resolution 5). Resolutions 4 and 5 required a simple majority of the votes cast to be passed. For Singapore-incorporated companies, resolution 4 on the proposed amendment of the articles would have required 75% of shareholders to approve through a special resolution. Special majority voting rules similar to those applying to the appointment of independent/external directors applied to resolutions 1 to 3, except that the shareholder votes for resolutions 1 and 2 are advisory and not binding.

Similarly, at Sarine Technologies, another Israel-incorporated company listed here, special majority voting rules applied to resolutions at its AGM and EGM to approve the remuneration policy; the individual remuneration of the executive chairman, CEO, other executive directors, and non-executive directors; and the share buy-back mandate.

Should the rules on the appointment of independent directors and other key matters voted at general meetings for other SGX-listed companies be enhanced to strengthen minority shareholders' rights? We are not advocating "tyranny of the minority" but we believe there is a case for giving non-controlling shareholders more say in matters such as the appointment of independent directors. The special majority voting rules practised by Israeli-incorporated companies, in our view, balance the views of both major and minority shareholders, by requiring both the support of shareholders generally and the support of non-controlling shareholders.

carried. In our report last year, we reported three such resolutions that were not carried based on issuers that disclosed detailed poll voting results.

A further 45 resolutions involving 21 issuers garnered support of less than 80% support. While many of these are related to shareholder disputes, we think it is healthy for shareholders to more carefully scrutinise directors and to question their contributions and independence at shareholder meetings. We are disappointed that many issuers still do not provide adequate information and rationale to support the election or re-election of directors, and that some issuers are still reticent in answering shareholder questions about their directors. We would again urge shareholders not to support the election or re-election of directors if the issuer is not transparent or is unwilling to answer shareholders' questions about proposed directors.

Re-appointment of External Auditors

In 2016, the average level of support for this resolution at the 685 issuers was 99.2%. External auditors were replaced at 31 issuers. In 11 cases, auditors were changed at the AGM, while in the other 20 cases, auditors were changed mid-term. While there may be legitimate reasons for auditor changes, unexplained auditor changes or auditor changes after modified audit opinions or disagreements between issuers and auditors are potential red flags. The level of shareholder support for the replacement auditors showed no significant difference although it was slightly higher at 99.9% (based on a much smaller sample size).

At IPS Securex Holdings, 82% voted against the re-appointment of Deloitte & Touche LLP, after a substantial number of shares abstained on this resolution. KPMG LLP was subsequently appointed at an EGM. At International Healthway Corporation, 58% voted against the appointment of Baker Tilly TFW LLP at an EGM after PwC declined re-appointment at the AGM.

List of Issuers Changing Auditors in 2016

Issuers that appointed new auditors at the AGM

- Fraser And Neave
- Frasers Centrepoint
- Frasers Centrepoint Trust
- Frasers Commercial Trust
- ISEC Healthcare
- Loyz Energy
- Polaris
- Singapore Shipping Corporation
- Sinocloud Group
- Stamford Land Corporation
- Terratech Group

Issuers that appointed new auditors *in-between* AGMs

- Addvalue Technologies
- AVIC International Maritime
- Brook Crompton
- China Environment
- China Great Land
- Equation Summit
- Green Build Technology
- IPS Securex
- Joyas International
- Koyo International
- KTL Global
- Ley Choon
- Mary Chia
- Nico Steel
- San The
- Sincap
- Sinwa
- Technics Oil Gas
- Transcorp
- United Food

Desperately Seeking Auditors

When issuers have trouble appointing auditors, it is a sign that investors should run. In 2016, two issuers had trouble appointing replacement auditors when their incumbent auditors quit. At Technics Oil & Gas, the auditors RSM Chio Lim LLP did not seek re-appointment as auditors at its AGM held on 29 January 2016. The company had sought to appoint Ernst & Young LLP (EY) as replacement auditors in its notice of the AGM dated 11 January 2016. However, on 22 January 2016, Technics announced that it was withdrawing the resolution because EY had declined the appointment. No replacement auditor was appointed at the AGM. The company finally announced on 4 March 2016 that it was proposing to appoint Nexia TS Public Accounting Corporation (Nexia) at an EGM.

Technics also provided a statement in accordance with rule 1203(5) of the Listing Manual that RSM Chio Lim had confirmed that they were not aware of any professional reasons why Nexia should not accept the appointment; that the company confirmed that there were no disagreements with RSM Chio Lim on accounting treatments within the last 12 months; that the company was not aware of any circumstances connected with the proposed appointment of the auditors that should be brought to the attention of shareholders; that the reasons for the proposed appointment of the auditors were to ensure good corporate governance practice and to enable the company to benefit from the fresh perspectives and views of another accounting firm and thus further enhance the value of the audit; and the company confirmed that it has complied with the relevant rules in the Listing Manual in relation to the appointment of Nexia as new auditors.

On 16 February and 25 February 2016, SGX queried the company about significant discrepancies between the unaudited and audited accounts for the year ending 30 September 2015. This was followed by a series of cessations of directors and key officers, starting from the cessation of the Executive Chairman on 29 February 2016. On 31 May 2016, Technics announced that it had applied to the Court for a judicial management order.

Desperately Seeking Auditors

At China Taisan Technology Group Holdings (China Taisan), the resolution to re-appoint Mazars LLP (Mazars) was withdrawn at the company's AGM held on 25 April 2016. The lead independent director and audit committee chairman also retired and did not seek re-appointment at the AGM citing "personal reasons". On 31 May 2016, the company announced that its financial controller had resigned "to pursue other career opportunities". As at the date of this report, no replacement for this position has been announced.

On 19 August 2016, China Taisan announced that it was proposing to appoint RT LLP (RT) and Pan-China Singapore PAC (Pan-China) as joint auditors of the company. It stated that the appointment of Pan-Asia as joint auditors was to comply with new interim provisions relating to appointment of auditors for overseas listing of enterprises in Mainland China, which "prevent foreign auditors from auditing Mainland Chinese companies unless they team up with a Mainland Chinese accounting firm". It added that the joint auditors had given their consent to be appointed.

However, on 26 August 2016, the company issued another announcement stating that, after consultation with SGX, it had decided to appoint only RT as the auditors. It clarified that the interim provisions are not applicable as the company is incorporated in Singapore. It is surprising that the company did not know the rules.

Prior to and subsequent to the proposed change of auditors, the company received numerous queries from SGX. On 9 November 2016, China Taisan clarified the circumstances relating to the decision of Mazars not to seek re-appointment as auditors. The auditors had informed the audit committee and the financial controller that it had decided not to seek re-appointment "after performing its internal continuance procedure, which considered (a) the risk evaluation of the industry and the country that the Company operates in and (b) portfolio re-realignment with Mazars".

Rule 713(1) of the SGX Rulebook states that an issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than 5 consecutive audits for a full financial year, the first audit being for the financial year beginning on or after 1 January 1997, regardless of the date of listing. The audit partner may return after two years.

Singapore Shipping Corporation announced its unaudited full year results for the year ended 31 March 2016 on 30 May 2016. In its income statement and comparative statement for the corresponding period of the immediately preceding financial year, the issuer dropped the following surprise:

> ***The Group had previously recorded its ship owning revenue based on actual daily charter income in accordance with the terms of the charter hire agreements.***
>
> ***This was the approach consistently adopted by the Group up to and including the interim unaudited financial results announcement issued on 10 February 2016 for the nine month period ended 31 December 2015.***
>
> ***This year, following a change of audit partner, the Group was strongly advised that for such charter hire agreements, it is more appropriate to adopt a "straight-line" revenue recognition over the entire period of the charter instead (this despite declining charter hire rates in subsequent years).***
>
> ***Following extensive consultations, the Group has decided to conform with straight-line recognition.***
>
> ***Accordingly, prior reporting periods have been restated to be consistent with the accounting treatment in the current reporting period. Had the Group continued with its previous recognition approach, net profit for FY2016 and FY2015 would be US$13.8 million and US$9.3 million respectively.***

Following the restatement, the reported audited net profit for FY2016 and FY2015 were US$9.6 million and US$8.9 million respectively. The restated net profit was US$4.2 million or about 30% lower for FY2016 and US$0.4 million or about 4% lower for FY2015."

Mandatory Partner Rotation

In its notice of annual general meeting, Singapore Shipping Corporation proposed that Ernst & Young LLP be appointed as auditors of the Company in place of KPMG LLP. Rule 712(3) requires the issuer to include in its notice of meeting, inter alia, specific reasons for the change of auditors, and confirmation from the issuer as to whether there were disagreements with the outgoing auditors on accounting treatments within the last 12 months, which the company did so in an appendix to the notice of annual general meeting.

According to the Annual report, KPMG was "not invited to seek re-appointment at the forthcoming AGM". The reason given for the change was that it was "good corporate governance initiative" to change the auditors after 14 years. In the annual report, the company also interviewed Mr Tan Guong Ching, the Audit and Risk Management Committee Chairman and disclosed the independent non-executive director's answer to the question of why the issuer was changing its auditor.

Stamford Land too decided not to invite its external auditors, KPMG, to seek re-appointment at its 2016 annual general meeting that was held on 28 July, and replaced them with Ernst & Young LLP as well. Again, it stated that it was "good corporate governance initiative" to change the auditing firm after seven years. Similarly, Stamford Land's Audit and Risk Management Committee Chairman, independent non-executive director Mr Douglas Owen Chester, had his interview published in Stamford Land's annual report and answered the question on why the issuer was changing its auditor. Other than the name and the tenure, the independent director Mr Chester's answer was identical to that of independent director Mr Tan Guong Ching of Singapore Shipping Corporation.

General Share Issue Mandate

A very common resolution in AGMs is the resolution to approve the annual mandate to issue shares. Rule 806 in the SGX rulebooks for both Mainboard and Catalist issuers allows issuers to seek shareholders' approval, through an ordinary resolution, for an annual General Share Issue Mandate. For Mainboard issuers, the total percentage of shares and convertible securities that may be issued is 50% of total issued shares on a pro rata basis and 20% on a non-pro rata basis. For Catalist issuers, the limit is 100% and 50% respectively, unless it is through a special resolution, in which case, the limit is 100% for both pro rata and non-pro rata basis.

Eighteen issuers did not have a general share issue mandate (Figure 13).

Figure 13: Issuers without a General Share Issue Mandate

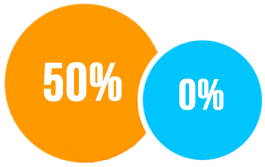
- Cambridge Industrial Trust
- Camsing Healthcare
- ComfortDelgro Corporation
- HTL International Holdings
- Isetan (Singapore)
- Meghmani Organics
- Mermaid Maritime
- Parkway Life REIT
- Pt Berlian Laju Tanker
- Saizen REIT
- SBS Transit
- Shanghai Turbo Enterprises
- Sunmart Holdings
- Sunright
- Tianjin Zhong Xin Pharm Group
- United Engineers
- Vicom
- Thai Beverage

About 93% of the remaining issuers followed the limits imposed by the SGX rules. While most issuers continue to follow the limits allowed in the SGX rulebooks, some have reduced the limits. For the Mainboard issuers, 45 deviated from the limits imposed by the SGX rules, with most reducing the non-pro rata limit, while 2 of Catalist issuers have done so (Figure 14). The Mainboard issuer that has gone the furthest in reducing the non-pro rata limit is Great Eastern. Although it kept the pro rata percentage at 50%, it did not seek shareholders' approval for a mandate to issue shares in a non-pro rata manner. Its resolution for the mandate received 99.9% of votes in favour.

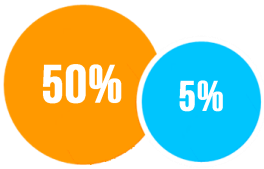
In 2015, OCBC experimented with the general share issue mandate by splitting the pro rata percentage (50%) and non-pro rata percentage (20%) into two separate resolutions, allowing shareholders to vote for them separately. Not surprisingly, the pro rata resolution received a much higher level of support from shareholders compared to the non-pro rata resolution, with votes in favour of 97.2% and 69.4% respectively. We thought it was a shareholder-friendly measure and feel that more issuers should "unbundle" the pro rata and non-pro rata limits and allow shareholders to vote for them separately. . It would of course be expected that minority shareholders would be less likely to support the non-pro rata limit. While somewhat

disappointed that OCBC discontinued the practice of separating the pro rata and non-pro rata limits into separate resolutions in 2016, we are pleased that it responded to the views of shareholders and lowered the non-pro rata limit to 10% (together with the usual 50% pro rata limit) in 2016. This revised mandate received 94.19% level of support from shareholders.

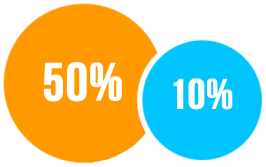
Figure 14: Issuers without Lower General Mandate Limits



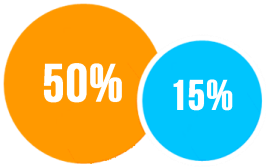
- Great Eastern



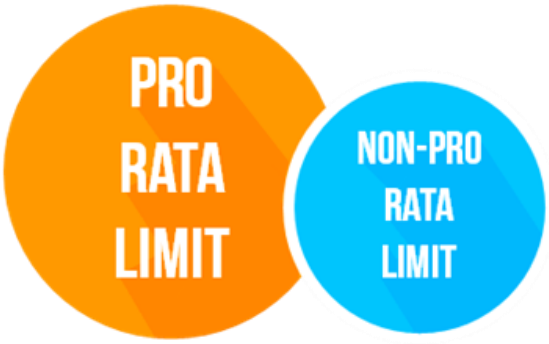
- Hotel Royal
- Keppel Corporation
- SATS
- SembCorp Industries
- SembCorp Marine
- Singapore Airlines
- Singapore Technologies
- Singtel
- SMRT

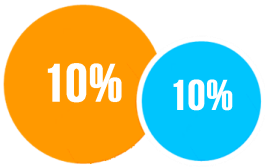


- AP Oil International
- Bukit Sembawang
- Capitaland
- CEI
- City Developments
- DBS Group
- Dynamic Colours
- Global Logistic Properties
- GMG Global
- Micro-Mechanics
- Neptune Orient Lines
- OCBC
- Olam International
- Pan-United
- SIA Engineering
- Singapore Exchange
- Singapore Post
- Singapore Press Holdings
- Spindex Industries
- United Overseas Bank
- United Overseas Insurance
- Venture Corporation
- Willas-Array

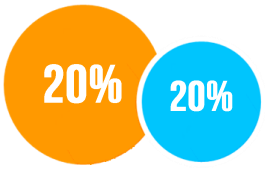


- ASL Marine
- China Aviation Oil
- China Sky Chemical Fibre
- Del Monte Pacific
- Haw Par
- Koda
- Qian Hu
- Sapphire
- Starhub

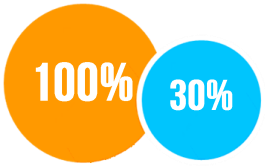




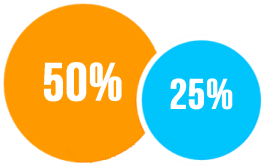
- Tuan Sing
- SP Corporation



- Midas



- Japan Foods



- International Healthway

During 2016, five other issuers joined OCBC in voluntarily lowering its general share issue mandate. City Developments, UOB and UOI reduced the non-pro rata limit to 10%; Sapphire to 15%, and Japan Foods (a Catalist issuer) to 30%.

Eight Catalist issuers have, however, gone in the opposite direction, by taking advantage of the Catalist rules allowing both the pro rata and non-pro rata limits to be 100%, if approved through a special resolution. These issuers are: Annaik, Jubilee Industries, Matex International, Miyoshi, Ocean Sky International, SinoCloud, Sysma Holdings and WE Holdings. Four other issuers have also asked shareholders for the pro rata and non-pro rata limits of 100% and 50% respectively when they transfer their listing to the Catalist board.

Tripping Up on a General Share Issue Mandate?

Under Catalist Rule 806 (2)b, the pro rata and non-pro rata limits are 100% and 50% respectively. However, if obtained through a special resolution, the limit is 100% for both pro rata and non-pro rata basis. At Miyoshi's May EGM convened to approve its transfer from the Mainboard to Catalist, it sought shareholders' approval for a general mandate to issue 100% of shares (whether on a pro rata or non pro rata basis) as a special resolution. However, at its AGM in December 2016, it had the same resolution as an ordinary resolution, which appears to be not in accordance with the Catalist rules.

In 2016, the average level of support for the general share issue mandate was 95.9% for Mainboard issuers and 97.4% for Catalist issuers. One possible reason for the lower support that Mainboard issuers obtained could be the higher representation of institutional investors in the Mainboard companies. As a group, institutional investors are usually not in favour of the general share issue mandate if no proper justification is provided. Six resolutions for the general share issue mandate were not carried. They were at meetings held by five issuers at follows, with the mandate failing to carry twice at International Healthway Corporation: Indiabulls Properties Investment Trust (2%), Polaris (2%), International Healthway Corporation (28%, 41%), China Sports International (45%) and Blumont Group (48%). 35 resolutions received less than 80% support.

At Blumont Group's AGM held on 27 April 2016, the general share issue mandate failed to carry, with 52% of shares voting against it. At its EGM on 22 November 2016, the company made a second attempt to pass the resolution. In its explanatory notes for the resolution, the company stated: "The Directors are of the view that a general mandate to issue new shares given by Shareholders is important as without such a mandate, the Company will not be able to raise funds via a rights issue or placement of new shares to fund its operations and/or embark on any acquisitive activities." This time, the resolution was carried, with 63% voting for it. More shares also voted on this resolution at the EGM - 921 million shares compared to 758 million shares at the earlier AGM.

Indiabulls Hit the Brakes

The business trust was the target of a mandatory cash offer which was triggered when the controlling unitholder increased its holdings from 47.51% to 48.51%. The controlling unitholder, also the offeror, and parties acting in concert with the offeror had also disclosed that they did not intend to maintain or support any action taken or to be taken to meet the unitholding requirement (as required by the exchange) or maintain the present listing status of the business trust. It would appear that the controlling unitholder had voted against the general share issue mandate at the AGM, which garnered just 1.5% of the votes. This was a strong signal that they will not consider restoring the public float to maintain the trust's listing on SGX. The trading of Indiabulls Properties Investment Trust has been suspended since 23 June 2016 following the loss of minimum required public float.

In 2015, three resolutions by issuers who disclosed by detailed poll voting results did not pass. They were at Cambridge Industrial Trust, Shanghai Turbo and UMS Holdings. In 2016, Cambridge Industrial Trust and Shanghai Turbo dropped their general share issue mandate. UMS Holdings, however, kept the resolution and it was successfully passed with 79% of shares voting in support. The difference is that while only 55 million shares voted in 2015, 147 million shares did so in 2016. The controlling shareholder voted his 86 million shares in 2016, while he did not so in 2015.

Issuers should give more consideration to the issue of new shares. When the general share issue mandate is not carried or receive low support, it is an indicator that share/unitholders are not aligned with the issuer's thinking on the issue of new shares. In such cases, the board should seriously evaluate the limits for the mandate, provide share/unitholders with better justification to get them to support this general mandate and engage with shareholders. Reducing the overall and non-pro rata limits under the general mandate may assure the shareholders that any dilution, if it occurs, will be less severe.

Boards and management should engage more with shareholders on the general share issue mandate. If the likelihood of issuing new shares is low, perhaps issuers should not ask for such a mandate.

General Share Issue Mandate That Were Carried with Less than 80% Support

- SHS Holdings (51%)
- Yoma Strategic Holdings (56%)
- Serrano (62%), Blumont Group (63%)
- Asian Pay Television Trust (64%)
- Metal Component Engineering (65%)
- Ascendas India Trust (66%)
- Grand Banks Yachts (67%)
- Noble Group (67%)
- Valuetronics Holdings (68%)
- Chemical Industries (Far East) (68%)
- P99 Holdings (68%), Innovalues (68%)
- Technics Oil & Gas (69%)
- CSE Global (70%)
- Accordia Golf Trust (70%)
- Fu Yu Corporation (72%)
- UOL Group (73%)
- Healthway Medical Corporation (74%)
- Venture Corporation (74%)
- Singapore Reinsurance Corporation (74%)
- Ezion Holdings (74%)
- Sarine Technologies (76%)
- Hyflux (76%)
- Midas Holdings (76%)
- Golden Agri-Resources (76%)
- ARA Asset Management (77%)
- Hotel Royal (77%)
- Sino Grandness Food Industry Group (77%)
- Hutchison Port Holdings Trust (78%)
- Haw Par Corporation (79%)
- UMS Holdings (79%)
- Tritech Group (79%)
- Enviro-Hub Holdings (80%)
- Super Group (80%)

It does appear that issuers that received relatively low levels of support for the mandate last year generally received higher support in 2016. Of the 18 issuers that voted by poll last year and received less than 80% support, 14 received higher levels of support in 2016, in many cases substantially so.

For CapitaLand Commercial Trust, CapitaLand Mall Trust and CapitLand Retail China Trust, the level of unitholders' support increased substantially from the 60s to low 70s in 2015 to 90s in 2016. According to a CapitaLand spokesperson, the lower level of unitholder support for the general mandate to issue up to 20 per cent of the company's total outstanding units in 2015, was largely due to a lack of understanding of the Singapore REIT market. CapitaLand and its REITs actively engaged investors and proxy advisory firms to explain why the REITs require the general mandate. As the market's understanding of Singapore REITs improved, the REITs received a significantly higher level of support from unitholders for their general mandate to issue shares in 2016.

Note: On 13 March 2017, SGX announced that it was allowing companies to seek a general mandate for an issue of pro-rata renounceable rights shares of up to 100% of the share capital. These shares must be issued and listed by 31 December 2018.

Share Buyback Mandate

SGX rules on share buy-backs are contained in Part XIII and Part XI of Chapter 8 of the Mainboard and Catalist Rulebooks respectively. They require shareholders' approval by ordinary resolution.

Issuers may use share buybacks to return excess cash to shareholders. They may prefer to return excess cash through buybacks rather than dividends because dividends may create an expectation that they will be sustained, although issuers can reduce such expectations by paying "special dividends". Share buybacks can also be a signal from management that they believe that the issuer's shares are under-valued and are a better investment than other available investment opportunities. However, there are some concerns that share buybacks may be used to mislead investors about management's optimism. Directors and management using their own money to buy large amounts of shares in the company are probably a better signal.

Where's there a will, there's a way (to buyback)?

Combine Will is a thinly traded original design/equipment manufacturer (ODM/OEM) of corporate premiums, toys and consumer products. After the company reported its full year results on 23 February 2016, it began a series of share buyback on nine trading days, starting from 24 February and lasting till 17 March 2016. The share buyback mandate clearly states that the price paid cannot be more than 105% of the average closing prices on the prior five days where there were trades. For Combine Will, because it is such an illiquid company, one has to go back to 18 December 2015 to find five days with trading. From these five days, the closing prices were $0.44, $0.46 (3 days) and $0.49. As such, the maximum buyback price would be just $0.485 per share. However, on the first day of the buyback, the company paid a price of between $0.555 to $0.575, which appears to be a clear breach of its mandate. On the last day of the company's buyback, the highest price paid was $0.94 per share.

In 2016, 319 issuers sought shareholders' approval for a share buyback mandate, receiving an average level of support of 98.6%. Three of these resolutions were not passed – at Healthway Medical Corporation (11%), Fu Yu Corporation (33%) and International Healthway Corporation (41%).

Three resolutions at LH Group (55%), Technics Oil & Gas (69%) and Tritech Group (79%) received less than 80% support.

Share Options and Other Share Schemes

SGX rules governing share option and share schemes are in Part VIII of the Mainboard and Catalist Rulebooks. For Mainboard issuers, there are specific limitations on size of the scheme, maximum number of shares for specific participants (controlling shareholders and their associates; directors and employees of the parent company and its subsidiaries) and maximum discount, while the rules for Catalist issuers focus more on disclosure than prescribed limits.

To guard against any potential abuse of the schemes, there is a multi-tier approval process. First, all share option and share schemes proposed by the issuer (and by a principal subsidiary under certain circumstances) require the approval of shareholders. All schemes must be administered by a committee of directors.

Second, participation of controlling shareholders or their associates in the scheme requires the approval of independent shareholders. In addition, where a director or employee of the parent company and its subsidiaries of the issuer receive 5% or more of the total amount of options available to such directors and employees, a separate resolution must be passed for each director or employee and to approve the aggregate number of options available to such directors and employees.

Thirdly, for each award of shares or options to controlling shareholders or their associates, SGX rules require shareholders who are eligible to participate in share option or share schemes to abstain from voting on any resolution relating to the scheme (other than resolutions relating to the participation of, or grant of options to, directors and employees of the issuer's parent company and its subsidiaries). In addition, for any resolution relating to the participation of, or grant of options or shares to, directors and employees of the parent company and its subsidiaries, the following must abstain from voting: the parent company (and its associates); and directors and employees of the parent company (and its subsidiaries) who are also shareholders and are eligible to participate in the scheme.

In 2016, there were 177 resolutions for share option schemes, 181 for share schemes, 48 bundled schemes and 9 restricted share schemes. For share option schemes, three were not passed. They were at Healthway Medical Corporation (11%), Fu Yu Corporation (33%) and International Healthway Corporation (41%). Three others received less than 80% support: LH Group (55%), Technics Oil & Gas (69%) and Tritech Group (79%).

For share schemes, those at Polaris (2%), and Enviro-Hub Holdings (49.6%) were not carried. In 2015, one resolution did not pass. There were 10 issuers that received less than 80% support: Thai Beverage (59%), Sincap Group (60%), Yoma Strategic Holdings (62%), SIIC Environment Holdings (68%), Technics Oil & Gas (68%), Tritech Group (71%), Old Chang Kee (74%), Midas Holdings (75%), Swiber Holdings (77%), and MMP Resources (78%).

Abstentions and the Passing of Resolutions for Share Option and Share Schemes

The strict SGX rules on abstention from voting on resolutions relating to share option and share schemes, designed to protect minority shareholders from dilution, mean that such resolutions may be passed with a relatively small number of shares being voted.

At Southern Packaging Group, 99.97% of the shares voted against four resolutions related to its share option scheme. About 56 million shares voted on the resolutions, while about 166 million shares abstained. At China Yongsheng, Eurosports Global and Kori Holdings, the resolutions for the share option scheme were passed with almost unanimous support, but the number of shares voted were just 385,000, 530,000, and 532,000 respectively.

Enviro-Hub had one of the closest votes in our study, with 49.6% voting in support and 50.4% voted against for the resolution on the share scheme. The total number of shares that abstained was about 401 million while the total number of shares that voted was about 299 million. At four issuers where the resolutions were carried with unanimous or very strong support, a very small number of shares voted on the resolutions – 532,000 shares at Eurosports Global, 532,000 shares at Kori Holdings, 70,000 shares at MS Holdings, and 1.08 million shares at Ziwo Holdings.

Adoption of New Constitution

Under section 40 of the Companies Act, shareholders can request for a copy of the constitution from the company, subject to the payment of a fee of $5 or such lesser sum as fixed by its directors.

In 2016, 91 issuers had a resolution for the proposed adoption of a new constitution, as they sought to align their constitution to recent amendments to the Companies Act and, for REITs and/or BTs, to the Property Fund Guidelines ("Fund Guidelines") under the Code on Collective Investment Schemes and the Securities and Futures Act. The average shareholder support for this was 98.4%, and only in one instance was the resolution not passed.

Issuers had to make available the proposed new constitution to shareholders. This raises the issue of why the constitution of companies and equivalent documents for REITs and BTs are not made readily available to shareholders and unitholders on the websites of issuers, without having to request for them. Constitutions contain important provisions relating to issues such as directors' duties and decision-making processes and shareholders' rights. Importantly, they also cover matters relating to the conduct of meetings, proceedings at meetings and voting at meetings.

We believe that the constitution of companies and equivalent documents for REITs and BTs should be posted on issuers' websites to make them more readily accessible to current and potential investors.

Recommendation 10:

Issuers should post their memorandum and articles of association (or constitution), or trust deed and the performance fee supplement to the trust deed for REITs and BTs, on their websites.

REITs and Business Trusts

The AGMs of unitholders for REITs and BTs differ from the AGMs of other issuers. Unitholders vote mainly to receive and adopt the reports of the trustee, the statement of the manager, the audited financial statement and the auditors' report; to reappoint the auditors; and to approve the general mandate to issue new units. On average, the number of resolutions at AGMs for REITs and BTs was 3.8 resolutions. Table 1 shows the voting on these resolutions.

Table 1: Major Resolutions and the Level of Support for REITs and Business Trusts

Resolution type	Audited financial statement, directors' report and auditors' report	Re-appointment of auditors	General share issue mandate
Percentage of shares for	99.44% (2015: 99.77%)	98.25% (2015: 99.32%)	88.83% (2015: 84.47%)
Remarks	All above 90%	Other than Cache Logistics Trust (76.02%) and Croesus Retail Trust (79.78%), the rest received levels of support above 90%	No mandate – Parkway Life REIT, Saizen REIT and Cambridge Industrial Trust Not carried - Indiabulls Properties Investment Trust (1.56%) Low level of support – Includes Asian Pay Television Trust (64.14%), Ascendas India Trust (66.24%), Accordia Golf Trust (70.31%) and Hutchison Port Holdings Trust (78.52%)

The predominantly externally managed model used in Singapore means that unitholders do not elect, and cannot remove, directors. It is the shareholders of the company acting as the manager or trustee-manager for the REIT or business trust that appoint directors, and in most cases, this company is wholly-owned by the controlling unitholder/sponsor. Under recent reforms of the regulatory framework for REITs introduced by the Monetary Authority of Singapore, the REIT manager must either have at least half the board being made up of independent directors, or one-third if unitholders have a right to vote on the election of directors.

There is only one internally managed listed trust in Singapore and that is Croesus Retail Trust. On 12 June 2016, Croesus proposed the internalisation of the trustee-manager, citing stronger alignment of interests between the trustee-manager and unit-holders and cost savings through a more streamlined corporate structure. The EGM to approve the internalisation was held on 30 June and it was passed with 66% support. With the internalisation, unitholders have the right to "endorse" the appointment of directors.

In 2015, we identified Keppel REIT as the only REIT or business trust in Singapore that gave unitholders a right to endorse the appointment of directors of the REIT manager, pursuant to an undertaking dated 24 March 2014 provided by Keppel Land (the controlling unitholder) to the trustee. At their AGMs in 2016, Keppel DC REIT and OUE Hospitality Trust, through their undertaking from their respective sponsors, joined Keppel REIT in giving unitholders a say in the appointment of directors of the manager.

Giving unitholders the right to elect or endorse the appointment of directors, with directors having to resign if they are not endorsed, can improve the accountability of directors to unitholders and reduce the influence of sponsors in the appointment of directors. This is particularly important for independent directors. However, the practical impact will depend on the percentage of units controlled by the sponsors.

Summary and Looking Ahead ...

This third yearly report on shareholder meetings in Singapore covers 893 meetings – 694 annual general meetings (AGMs) and 199 extraordinary general meetings (EGMs) - conducted during 2016 by 703 issuers with a primary listing on the SGX. It covered all issuers that held at least a shareholder meeting during the year, including those that might have been delisted since.

It is rather disappointing that the clustering of AGMs became much worse in the last two business days of April, when almost a hundred AGMs were held on each of these two days. This means that there is a high probability that active shareholders were not able to attend some of these AGMs. For retail shareholders, AGMs are often the only time when they can meet with the board and management and ask questions.

The well-intentioned introduction of the multiple proxies regime to re-enfranchise indirect investors and allow them to participate in meetings will be undermined if shareholders are prevented from attending due to clustering. Clustering may also affect voting of shares because voting requires the appointment of a proxy who attends the meeting, and some shareholders may be reluctant to give their proxies or voting instructions to someone closely connected with the issuer.

We do not believe this problem will go away without regulatory intervention. We continue to advocate that issuers should be given five months after their financial year-end to hold their AGMs especially with the impending enhanced auditor reporting requirements, but that regulators limit the number of AGMs that can be held on a particular day when they ease the deadline. The use of technology through webcasting of meetings and electronic online voting of shares can also help mitigate some of the problems of clustering and should be seriously explored. Issuers that hold their AGMs during peak periods in particular should be expected to make detailed minutes of meetings readily available for shareholders who may be unable to attend their meetings.

This report also found growing shareholder activism in terms of more shareholders requisitioning or calling for meetings, and more resolutions proposed by issuers not being supported by shareholders. However, since poll voting only became mandatory for all meetings in 2016, it is too early for us to conclusively determine if shareholder voting has increased.

We hope more minority shareholders will carefully study resolutions, attend AGMs, ask good questions, and vote their shares in an informed manner. Institutional investors should also pull their weight and actively engage companies at shareholder meetings.

While a well-developed capital market requires the active participation of shareholders in the affairs of issuers and responsible shareholder activism is important in holding boards accountable, shareholder activism may not necessarily be beneficial or even benign. If abused

by certain shareholders with agendas that are contrary to the wider shareholders' interest, it can be malevolent. It is important for minority shareholders to be discerning, for example, when confronted by situations of boardroom or shareholder disputes.

We also see positive signs of issuers being more willing to engage shareholders, as demonstrated in the area of the general share issue mandate. Issuers that received low support for this mandate in 2015 have mostly managed to increase the level of support in 2016. Anecdotal evidence suggests issuers reaching out to shareholders and proxy advisory firms to help them to better understand the rationale. However, issuers should not only start engaging when support is low.

An issue of concern to us are issuers applying for extensions to hold their AGMs or to announce results. In many cases, we are not convinced by the reasons offered, and we are also concerned about the poor disclosures of waivers and even non-disclosure of any waivers. In our view, this is symptomatic of a weak compliance discipline among some issuers. We urge regulators to strictly enforce listing and regulatory requirements and hold boards accountable if their lax oversight contributed to disclosure and compliance lapses. However, we are heartened to see our regulators being stricter in granting waivers, and in enhancing regulatory enforcement generally.

Regulators are also at the forefront with initiatives to strengthen their oversight. We have seen ACRA instructing issuers to restate the financial statements under its Financial Reporting Surveillance Programme. We also welcome the separate regulatory subsidiary in SGX that will undertake all its frontline regulatory functions.

We look forward to the implementation of the enhanced auditor reporting requirements in 2017 and greater interactions among shareholders, external auditors and audit committees at AGMs. Going forward, we will continue to track shareholder voting patterns and other key issues relating to the conduct of shareholder meetings.

We hope that issuers, investors, regulators and other stakeholders will study our findings and recommendations and work together to improve shareholder participation in general meetings. To help issuers go beyond the checklist approach, we have included twelve good practices of AGMs. We hope issuers can consider the good practices and adopt as many of them as possible, to increase the level of engagement with shareholders.

Interested readers are welcome to visit www.shareholdermeetings.asia, a website we have created that is dedicated to research and thought leadership on shareholder meetings and www.governanceforstakeholders.com, a corporate governance website created by Prof Mak Yuen Teen.

If you have any interesting experiences – good or bad - regarding shareholder meetings you have been involved in, please do share them with us. You can email us at contact@shareholdermeetings.asia.

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Mak Yuen Teen is an Associate Professor of Accounting at the NUS Business School, National University of Singapore, where he teaches corporate governance. Prof Mak holds first class honours and master degrees in accounting and finance and a doctorate degree in accounting, and is a fellow of CPA Australia.

He served on committees that developed and revised the Code of Corporate Governance for listed companies in Singapore in 2001 and 2005. He is a member of the Corporate Governance Council formed by MAS to review the Code in 2017. Prof Mak also served on the Charity Council and chaired the subcommittees that developed and refined the Code of Governance for charities in Singapore in 2007 and 2011. He is a member of the audit advisory committee of UN Women, based in New York.

Prof Mak developed the Governance and Transparency Index, a ranking of governance of listed companies in Singapore. He was the Singapore expert in the development of the ASEAN Corporate Governance Scorecard and Ranking. He chaired the Singapore Corporate Governance Awards from 2003-2009 and the Investor Relations Award under the Singapore Corporate Awards from its inception until 2014. He collaborated with the Securities Investors Association (Singapore) [SIAS] and the Chartered Secretaries Institute of Singapore [CSIS] to develop a new governance evaluation methodology for listed SMEs, called GEMS, which was launched in 2014.

Prof Mak is a regular commentator and speaker on governance issues in the corporate, public and charity sectors. He has been commissioned by the government, regulators, professional associations and private sector firms to lead research and provide recommendations on various corporate governance issues. He has also published extensively in academic and professional journals.

In recognition of his contributions to improving corporate governance in Singapore, Prof Mak received the Singapore Corporate Governance Excellence Award from the Securities Investors Association (Singapore) in 2014, becoming only the second individual to be given this award in the 15 years history of the Association. In 2015, he received the Excellence in Corporate Governance Award from the Minority Shareholders Watchdog Group in Malaysia for his contributions to improving corporate governance in the region.

For more information about Prof Mak's work, please visit his website at www.governanceforstakeholders.com.

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Chew Yi Hong is an active investor and a keen observer of the corporate governance scene. He received an MBA with Distinction from the London Business School and graduated from Cornell University with dual degrees in Economics and Electrical Engineering.

As an investor, Mr. Chew keeps track of company announcements on a daily basis, attends shareholder meetings and monitors corporate governance developments. He believes that issuers who tap the capital markets should strive to provide shareholders with relevant and material information in a fair and timely manner.

Prior to his time spent at a Big 4 public accounting firm, he consulted for a global fund to address corporate governance issues of a listed issuer. He has also helped issuers and shareholders understand the complex requirements to stay in compliance with the relevant Acts and Codes.

Mr. Chew has also researched on other areas of corporate governance including diversity at the board of directors and senior management in the public and private sectors, and across major Asian economies.

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