

MARK TO MARKET

# SGX RegCo proposals raise profile of ACRA, SISV

It has marked out space for these professionals and their regulators to share the burden of addressing the "trust deficit" towards the financial statements of listed companies

SEVERAL months ago, a major accounting firm refused my request to have one of its key people speak about the auditing field and the trouble that had engulfed Noble Group. I wasn't surprised. A number of other accounting firms had turned me down too. But the reason for their refusal left me scratching my head.

According to its communications staff, expressing a view on a particular listed company, and commenting on the work of a fellow auditing firm, might adversely affect its perceived independence. This made no sense to me. If anything, speaking candidly about a matter of great interest to the market would have enhanced the accounting firm's reputation among public investors, which is the constituency they are supposed to serve when they act as auditors for listed companies.

Moreover, Singapore Exchange Regulation (SGX RegCo) was at the time already talking about the need to address what it called a "trust deficit" in the market towards the financial statements of listed companies, and calling on directors, audit com-



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mittees, auditors and regulators to work towards this goal. SGX RegCo had also let it be known that it was going to play a more active role in determining the scope of the annual audits of listed companies, ensuring that issues it is concerned about are properly covered in the audit exercise and reflected under the Key Audit Matters segment of the auditor's report.

Amid this shifting expectation of the scope of their work, it was surprising to me that the major auditing firms were not more eager to engage the market and demonstrate some

leadership of their own. To be sure, there is also widespread apathy among investors about the role that auditors play in the market. Many investors do not ever read the auditor's report in the annual reports of companies. Many also assume that auditors are conflicted because they are paid by the very companies they audit.

Yet, the auditing firms have done themselves no favours with their reticence and seeming inaction in the face of corporate debacles that have contributed to the "trust deficit" in the local market – not least among them, the implosion of Noble Group amid allegations that it had been inflating the value of its assets and understating its liabilities.

The vacuum of leadership from the auditing field in addressing the "trust deficit" and restoring confidence in the market isn't going to be filled by anyone else though.

SGX RegCo has flexed the power it directly has over listed companies to improve their behaviour and practices; for instance, by dictating the scope of their annual audits. SGX RegCo has also sometimes reached beyond its domain in an effort to establish clear standards to which listed companies can be held.

For instance, in August 2017, together with the Singapore Institute of Surveyors and Valuers (SISV), it announced the formation of a joint committee to review the valuation and reporting practices of property valuers engaged by listed companies. In June 2018, following the deliberations, the SISV Practice Guide for Valuation Reporting for Reits, IPOs and Listed Companies was released.

Yet, SGX RegCo's initiatives haven't diminished the role of auditors and valuers in the local market. On the contrary, it has marked out space for these professionals and their regulators to share the burden of addressing the "trust deficit".

### Four proposals

Earlier this month, SGX RegCo kicked off a consultation exercise on four proposals to improve auditing and property valuation standards in the local market. Firstly, SGX RegCo wants all locally listed companies to appoint an auditor registered with Accounting and Corporate Regulatory Authority (ACRA). Secondly, it wants to have the power to require companies under certain circumstances to appoint an additional auditor to provide a second independ-

ent opinion on their financial statements.

Thirdly, to ensure that real estate valuers appointed by listed companies are properly qualified, SGX RegCo is proposing that they should have at least five years of relevant experience; be members of SISV or a similar professional body that has the power to discipline and revoke their membership; be independent of the companies that engage them; and not be a sole practitioner or have an adverse compliance track record.

Lastly, SGX RegCo wants listed companies to comply with SISV standards for the valuation of properties in Singapore, while the valuation of its overseas properties may be in accordance with SISV or International Valuation Standards.

If these proposals are adopted, it is likely to be SISV rather than SGX RegCo that finds itself under the spotlight the next time a listed company or Reit attempts a transaction supported by independent valuations that investors find questionable. And, if ever there is another Noble case, investors may well direct their ire at ACRA, rather than at SGX RegCo. So, the time might have come for ACRA as well as SISV to pre-

pare themselves for higher profile regulatory roles.

### Maintain market relevance

How can ACRA and SISV improve the investor perception of the role that auditors and valuers play? The obvious starting point is to ensure that auditors and valuers are appropriately qualified and produce high quality work. Auditors and valuers should also be constantly reminded that their role is ultimately about protecting the interests of investors.

Just as importantly, ACRA and SISV should monitor market sentiment and be prepared to promptly and publicly address "trust deficits" involving the financial statements or asset valuations of any listed company. If the work of auditors and valuers is to be taken seriously by investors, these professionals cannot be allowed to ignore what is being said about their clients in the market.

With any luck, if a new spirit of reform and openness takes root, audit firms will no longer be reluctant to publicly discuss issues that matter to investors. And, they won't fear that their perceived independence will be affected in any way.

## Sales galleries get more creative to woo prospective home buyers

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At its showflat, luxury 69-unit development Van Holland in District 10 features Italian marble flooring as well as Swarovski crystal fixtures in the master bathroom. It also has a custom-made chandelier to dial up the glamour.

"First impressions are very important, you have to impress the buyer," said managing director and group chief executive officer of Koh Brothers,

Francis Koh. Nonetheless, the developer was able to manage costs in some aspects by going directly to the manufacturers, such as Swarovski. The showflat cost slightly over S\$2 million to put together.

On average, a high-end two-bedroom showflat can cost S\$300,000 or more to furnish, and a high-end four-bedroom apartment, S\$500,000 or more, Edmund Tie's executive director (residential) Margaret Thean said.

However, she highlighted that showflats need to be modelled closely after actual units in line with the URA's Housing Developers (Show Unit) Rules so that buyers know exactly what they are getting, including fittings and finishes.

Veteran interior designer Cameron Woo, founder of Cameron Woo Design (CWD), is no stranger to designing showflats. He most recently completed the showflat for the Silkwood Penthouse Collection for

Silkari in Sydney. In Singapore, CWD has designed showflats for residences such as The Seafont on Meyer, Trilight and Orange Grove Residence penthouse.

Mr Woo said: "From my observations, showflat budgets in Singapore for turnkey projects have reduced significantly compared to a decade ago, even though client expectations have increased. This means interior designers have to be more adept at working with tighter budgets and using more

economic materials and finishes while still making the showflat look premium."

As apartments get smaller, showflats too have become smaller. "We focus very much on innovative space planning to show how spacious and well-thought-out the unit is in the showflat experience," explained Mr Woo. "It's about the quality of space and not just the quantum of space alone to be considered. So interior design skills are paramount here."

He added that more of the budget is now spent on interior architecture and joinery details such as bespoke walk-in wardrobes with special fittings similar to those found in fashion boutiques. For others, he might incorporate special touches such as metal detailing under a kitchen countertop and selecting sanitary-ware and fixtures that look more furniture-like than conventional built-in ones for a more luxurious feel, without busting the budget.

BT Explains

## Singapore food brands stay ahead in rat race

EGG TARTS in cookie form, anyone?

What about *kueh* that lasts more than half a day – with a shelf life of a week, or even a year? Turning to both technology and recipe tweaks, food manufacturers here have been cooking up new products to stay fresh.

And these moves don't just allow food manufacturers to diversify and grow overseas, Bernice Tay, director of Enterprise Singapore's (ESG) food manufacturing division, told *The Business Times*. "On a deeper cultural level, thanks to the innovative efforts of our food companies, we can continue to enjoy heritage flavours with a modern twist."

That's amid the ongoing FoodInnovate initiative – led by ESG, but also featuring public agencies such as the Economic Development Board, Agency for Science, Technology and Research and Singapore Food Agency –

which aims to make Singapore a food and nutrition hub.

The scheme, launched in April 2018, can fit companies out with "resources, tools and knowledge-building platforms" to drive innovation and promote tech adoption, Ms Tay noted.

"In the last two years, we have supported nearly 220 food companies in adopting advanced technologies... as well as develop and commercialise new-to-market products," she added. For instance, technologies such as high-pressure processing (HPP) and microwave-assisted thermal sterilisation can extend product shelf life while keeping the food quality intact.

This festive period, we look at how innovation is used to enhance some traditional goodies. **BY CLAUDIA CHONG AND ANNABETH LEOW**



### LIM KEE FOOD MANUFACTURING

Local supermarkets have stocked Lim Kee's wholemeal yam *pau*, or steamed buns, for four years now, with the manufacturer adding a whole-grain blend of wheat and purple corn flour to the mix. Meanwhile, Lim Kee has also been testing a diabetes-friendly plant fibre blend from local startup Alchemy Foodtech since mid-2018, and is working with partners such as meat-alternative brands Quorn and Sophie's Kitchen to develop an as-yet uncommercialised range of plant-based products.

Lim Kee's product strategy is based on using food technology innovations, as well as higher-quality ingredients and new flavours, said Ang Khim Wee, head of business development. The company has invested a five-figure sum in its next-generation *paus*, and budgets between 5 per cent and 8 per cent of annual revenue for innovation projects, he told BT.



### HOME'S FAVOURITE

Durian snowskin mooncakes by Home's Favourite were able to reach the shores of China, Hong Kong, Macau and the US after the company spent a year tackling the issue of high bacteria growth. Methods such as heat treatment are typically used to reduce the bacteria in durian, but this affects the texture and taste of the fruit.

Home's Favourite invested S\$900,000 in high-pressure processing (HPP) technology. With that, bacteria could be killed using a cold-water high-pressure process with no compromise on texture and taste, said managing director Jason Lee. The HPP machine is able to process about 120kg to 150kg of durian hourly. The durian products now draw in about S\$3 million in revenue each year.



### LEMAQ

Lemaq has added a modern twist to *kueh jong kong* – a traditional Malay and Peranakan cake wrapped in banana leaves – by serving it in a cup with three layers comprising coconut sugar, pandan juice extract and coconut cream. But the *kueh* takes a long time to prepare, yet would not last more than three to four hours if not refrigerated. When Nerita Yolanda started her stall in 2018, she had to throw away most of the *kueh jong kong* after it went bad.

Working with the Food Innovation and Resource Centre (FIRC) over four to five months, Lemaq managed to extend the dessert's shelf life from five days to seven days in the chiller. Adjustments were made to the ingredients and their proportion. Now, wastage has been significantly reduced, and average production has doubled to 10,000 cups a month.



### LEK LIM NONYA CAKE

A popular Teochew snack with a long history, the dumpling-like *soon kueh* typically has to be eaten within a day to get the full burst of flavour and freshness. But Lek Lim Nonya Cake found that this limited its ability to supply the food to customers.

After a year's research, the company managed to create frozen *soon kueh* with a shelf life of two years, all thanks to blast-freezing technology. It is currently producing close to a million non-frozen *soon kueh* a year. Lek Lim Nonya Cake forecasts that with potential extra demand for the frozen products, central kitchen utilisation rate could increase by at least 20 per cent, said owner Gavan Sing.



### TONG HENG

Tong Heng's newly launched egg cookies are made from the same ingredients that go into the brand's signature diamond-shaped egg tarts. It uses no preservatives, which originally meant a shelf life of not more than two weeks. But Tong Heng has unlocked the secret to keeping the cookies for up to a year.

The product is packed in a pastry sleeve much like a bag of potato chips. The sleeve is made of three layers, with the centre layer being aluminium foil that blocks out light. The pack is flushed with nitrogen before it is sealed. Tong Heng spent S\$2,500 on the technology, said general manager Ana Fong.