Delisting from SGX

DENTONS RODYK

January 1, 2015

To minority shareholders, delisting of a company from the Singapore Exchange (SGX) is anathema; since the shares, once no longer publicly traded, are practically worthless. This article discusses briefly, what delisting entails, and recent announcements made by SGX in relation to compulsory delisting.

Types of delisting

There are two types of delisting – SGX may remove a listed company (Company) from its official list, without the Company's consent (Compulsory Delisting), or a Company may apply to the SGX to be delisted (Voluntary Delisting).

Compulsory delisting

Rule 1305 of the mainboard SGX-ST Listing Manual (LM) states that a Company will have to undergo a Compulsory Delisting if any of the following occurs:

1. the Company is unable or unwilling to comply with, or contravenes, a listing rule;
2. in the SGX's opinion, it is necessary or expedient in the interest of maintaining a fair, orderly and transparent market;
3. in the SGX's opinion, it is appropriate to do so; or
4. the Company has no listed securities.

Rule 1306 read with Rule 1309 of the LM provides that if the SGX compels a Company to undergo a Compulsory Delisting:

1. a reasonable exit alternative, which should normally be in cash (and which may include a voluntary liquidation of the Company's assets and distribution of cash back to shareholders) should be offered to the Company's shareholders and holders of any other classes of listed securities to be delisted; and
2. It should normally appoint an independent financial adviser to advise on the exit offer.

In addition, SGX introduced the minimum share price requirement for mainboard-listed companies in March 2015.

SGX has set a minimum trading price of 20 cents for mainboard-listed stocks. The minimum trading price will be calculated using the Company's volume-weighted average price over six months. The review period for compliance with the requirement will be carried out on the first market day of March, June, September and December.

Companies with a share price below the threshold will be placed on a watch-list. If the Company fails to exit the watch-list within the "cure period" of 36 months, the firm will be delisted.

Voluntary delisting

Rule 1307 of the LM provides that a Company may do a Voluntary Delisting if:

1. it convenes a general meeting to obtain shareholder approval for the Voluntary Delisting;
2. the resolution to delist it has been approved by a majority of at least 75% of its total issued shares (excluding treasury shares) held by the shareholders present and voting, on a poll, either in person or by proxy at the meeting (its directors and controlling shareholders need not abstain from voting on the resolution); and
3. the resolution was not voted against by 10% or more of the total issued shares (excluding treasury shares) held by the shareholders present and voting, on a poll, either in person or by proxy at the meeting.

If a Company is intending to voluntarily delist from the SGX:

1. a reasonable exit alternative, which should normally be in cash, should be offered to the Company's shareholders and holders of any other classes of listed securities to be delisted; and
2. it should normally appoint an independent financial adviser to advise on the exit offer.

It is also pertinent to note that an exit offer made for the purposes of a voluntarily delisting falls within the ambit of the Singapore's Code on Takeovers and Mergers (the Code) and therefore needs to comply with the relevant rules of the Code unless otherwise waived by the Securities Industry Council.

The article was updated on 26 April 2016.

Your Key Contacts

Marian Ho
Senior Partner, Singapore
D +65 6885 3610
marian.ho@dentons.com