

## BACKGROUND

Chapter 8 of the Mainboard Rules and Catalist Rules sets out the rules that issuers need to comply with when conducting a rights issue, including the information that needs to be disclosed in an announcement, the procedures for applying to Singapore Exchange Regulation (“**SGX RegCo**”), the documents to be submitted in the application and how excess rights shares should be allotted.

SGX RegCo has on 15 December 2023 detailed their expectations of issuers when allotting excess rights shares.

## RIGHTS ISSUE ANNOUNCEMENT

01

Issuers should disclose if there are directors or substantial shareholders who intend to or have provided undertakings to subscribe for their rights entitlements.

02

Issuers should also disclose if such persons intend to submit excess rights applications and when there are changes to such intention. Such disclosures would provide transparency to shareholders who can then decide whether to accept their provisional allotment of new shares and apply for excess rights shares.

03

Where existing shareholders do not fully accept their provisional allotment of rights shares resulting in undersubscription of the rights issue, there will be excess rights shares that the issuer may allot to shareholders who submit excess rights applications.

## RELEVANT RULES

Rule 877(10) of the Mainboard Rules and Rule 814(3) of the Catalist Rules (“**Rules**”) require issuers to confirm that, in the allotment of excess rights shares, preference will be given to the rounding of odd lots, and that directors and substantial shareholders <sup>(1)</sup> (“**Restricted Individuals**”) will rank last in priority for the rounding of odd lots and allotment of excess rights shares.

The purpose of the Rules is to avoid a situation where the Restricted Individuals are placed in a position of conflict where they can exercise their control or influence over the issuer to effect an allotment of excess rights shares that benefits themselves, which may at the same time cause undue prejudice to the legitimate interests of other shareholders (“**Minority Shareholders**”).

*(1) who have control or influence over the issuer in connection with the day-to-day affairs of the issuer or the terms of the rights issue or have representation (direct or through a nominee) on the board of the issuer.*

This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Capital Private Limited. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited.

Please note that whilst the information in this Regulatory Update is correct to the best of our knowledge at the time of writing, it is only intended as a general guide and should not be taken as professional advice for any particular course of action. Before acting on the contents of this Regulatory Update, readers are encouraged to seek professional advice. In this regard you may contact us at (65) 6232 3210.

## SCENARIOS

Examples of how this Rule can be applied are laid out in the below hypothetical scenarios:

01

### No subscription scenario

Minority Shareholders do not subscribe for any excess rights shares

All excess rights shares are available for satisfaction of the applications by the Restricted Individuals, after the rounding of odd lots by Minority Shareholders.

02

### Oversubscription scenario

Minority Shareholders subscribe for more than the available amount of excess rights shares

Issuer has the discretion to determine an appropriate allocation methodology for allocation amongst all the Minority Shareholders, after the rounding of odd lots by Minority Shareholders.

03

### Undersubscription scenario

Minority Shareholders subscribe for less than the full amount of excess rights shares available

All valid applications of the Minority Shareholders must be fully satisfied before excess rights shares can be allocated to the Restricted Individuals to satisfy their valid applications.

## CONSULTING SGX REGCO

In normal circumstances, issuers have sufficient discretion in the determination of their allocation methodology to achieve a fair outcome in the allocation of excess rights shares amongst Minority Shareholders.

However, in the Undersubscription scenario, a strict adherence to the requirements of the Rule may not fully achieve substantive fairness in the allocation of the excess rights shares. For instance, prior to a Rights issue, an individual who purchased a small number of shares in the issuer, intending to participate in the rights issue for the purpose of acquiring a large quantity of excess rights shares at discounted prices. In such exceptional situations where issuers have legitimate concerns, they are expected to consult SGX RegCo. The onus is on issuers to justify to SGX RegCo why it should not insist on strict compliance with the Rule.

## CONCLUSION

SGX RegCo expects issuers to abide by the Rule for rights issues in form and in substance. In exceptional circumstances, issuers are expected to consult with SGX RegCo on the application of the Rule promptly and prior to the allocation of excess rights shares.

Due to the rights issue's timeline, issuers should closely monitor the progress of their rights issue and approach SGX RegCo as soon as such concerns arise so that shareholders are able to receive their shares in a timely manner.

### Useful References

- Regulator's Column: What SGX RegCo expects of listed issuers when allotting excess rights shares (Please click [here](#))

### Contact or Find us at

SAC Capital Private Limited  
1 Robinson Road, #21-00 AIA Tower  
Singapore 048542  
Telephone: (65) 6232 3210  
Fax: (65) 6232 3244  
[www.saccapital.com.sg](http://www.saccapital.com.sg)