

COMPANIES

LETTER TO THE EDITOR

Proposals to make compulsory acquisitions tougher treat symptoms rather than underlying conditions

The authorities must engage various stakeholders at one table, really understand their concerns, and chart concrete revival plans

I READ with interest *The Business Times'* article on Feb 16, 2023: "MOF, Acra accept proposals that make it harder to buy out minority shareholders in an offer".

The recommended proposals to amend the Companies Act will make the 90 per cent threshold harder to achieve by preventing acquiring parties from skirting the takeover rules through the formation of special purpose vehicles or through other creative means, which is against the spirit of the law.

After taking in feedback, the authorities have also proposed to set the shareholding threshold to establish control of an offering entity at 50 per cent – instead of the 30 per cent originally proposed.

This will be in line with similar concepts in the Companies Act and the Singapore Code on Take-overs and Mergers.

It appears, on the surface, that these proposals will be much fairer and much more equitable to minority shareholders in a privatisation exercise, as they will prevent low-ball offers.

Dig a bit deeper, however, and one will realise that minority shareholders would be worse off.

The likelihood of privatisation offers will diminish, as the regulations become too onerous.

And minority shareholders would not even have the opportunity to look at offers, which are normally at least at a premium to the existing market price.

It would be a case of missing the wood for the trees.

One of the main reasons why so many good-quality companies, especially decent mid-cap ones, have been privatised over the past few years is because our stock market has not accorded the due valuations these companies truly deserve.

Why is that so? Our Singapore stock market has been languishing for quite some time with a severe lack of liquidity and market confidence.

The participation in the market has also languished, resulting in depressed valuations.

The major shareholders can see that their fundamentally sound companies have been severely undervalued by the market, and have seized the opportunity to take these companies private if they have the means.

Moreover, they can save on listing and compliance costs and can have more freedom to conduct their business without the need to answer queries the regulators might raise on corporate developments or some sharp price movements.

The privatisation exercises over the past few years have stripped the Singapore Exchange (SGX) of some very good-quality companies.

Yes, it is in SGX's interest to have these companies continue to be listed.

But the major shareholders are clearly voting with their feet and hands to take their companies private.

I'm confident that if we can put our heads and hearts together, we can revive the fortunes of our Singapore stock market.

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We can have all the market regulations we want, but market factors prevail and reign supreme.

In place of these quality companies, we have some smallish IPOs (initial public offerings) and special purpose acquisition company listings – for which market interest peters out in a day or two.

Singapore has one of the cheapest stock market valuations in the world, be it in terms of dividend yield, price-to-

earnings multiple or price-to-book value.

Many good-quality companies have not been accorded their fair valuations due to insufficient liquidity and very limited market participation due to past misguided policies.

The retail participation has dropped off a cliff as there is insufficient investor protection, resulting in diminished retail investor confidence that their interests will be well protected.

The bottom line is this: The authorities need to engage the various stakeholders at one table and sincerely understand their concerns, and chart concrete plans to revive a moribund market that has been languishing for quite some time.

I'm confident that if we can put our heads and hearts together, we can revive the fortunes of our Singapore stock market.

Singapore as a nation has survived and thrived against all odds, and our stock market should be no different as long as we have the right people in place who have the gumption to set things right with some urgency!

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