



Business Home > Business > News

Market Watch

- [Bursa Malaysia](#)
- [My Portfolio](#)
- [Exchange Rates](#)
- [Unit Trusts](#)
- Market Intelligence**
- [Research](#)
- [IPO Watch](#)
- [Company Ratings](#)
- [Bonus & Dividends](#)
- [Financial Results](#)
- [Share Buybacks](#)
- [Changes in Shareholdings](#)
- [Broker's Call](#)
- [Eye on Stocks](#)
- [Supportline](#)
- [Stock Watch](#)
- [Snapshots](#)
- [Biz Books](#)
- [Currency Converter](#)
- BizWeek**
- Maritime**

Saturday April 26, 2008

PK Resources minority shareholders in dilemma

COMMENT BY JOSEPH CHIN

PK Resources Bhd's minority shareholders are at a crossroads: whether to accept the takeover offer price or hold out for a higher price, especially since the offer is seen to be unfair to them.

When several major shareholders and directors of PK Resources launched a takeover in mid-March, the offer price was 60 sen a share.

This was below the closing price of 69.5 sen that day and below the net asset per share of RM3.72. Yesterday, it closed at 79 sen, or 31.6% above the offer price.

The independent adviser for minority shareholders, Kenanga Investment Bank, has advised them to reject the offer as the price is below the market value of the shares since April last year.

The offer price was also at a discount of 23.08% and 25.39% to the five-day volume weighted average price up to March 17 of 78 sen and 81 sen respectively.

To recap, Akarmas Sdn Bhd, Ragan Jaya Sdn Bhd and Pristine Acres Sdn Bhd held a combined 40.91% stake when they launched the takeover.

PK Resources executive chairman Tan Sri Dr Gan Kong Seng, managing director Gan Eng Hong and executive director Datuk Gan Kong Hiok are also involved in the takeover.

The acquisition of the remaining 54.02% or 61.6 million shares at 60 sen each would cost RM36.96mil.

Five PK Resources directors advised minority shareholders to "reject the offer", which indicated differences among the board members and the controlling shareholders.

However, on Wednesday, the offer became unconditional as Akarmas and parties acting in concert held 64.4% or 73.43 million shares after



Most Viewed

- [Lukewarm TMI de Price trading rules Tasek to become Transmile's US\\$9 Support Line](#)
- [Pelikan expects to Firms win Reader Jaks targets RM31 RM1bil more inve: JTI expects another](#)

Ads by Google

2 Free Penny Sto
Income-Producing Your Free Report
www.DailyWealth.com

Latest Jobs from

- [Sales Engineer](#)
- [Sales Executive](#)
- [Graphic Designer](#)
- [Civil/Structural En Principals](#)

receiving acceptances for 18.42% or 21 million shares. It also extended the closing date of the offer from April 29 to May 7.

Aseambankers Equity Research head Vincent Khoo says minority shareholders don't have to sell if they don't want to.

He says it is only when Akarmas and the parties acting in concert have 90% that they can compulsorily acquire the shares.

There have been instances when the acquirers revised upward the offer price, as they wanted to take the company private.

However, this is not the case with PK Resources, says Khoo.

The Minority Shareholder Watchdog Group (MSWG) also agrees that 60 sen is "far too low" for minority shareholders to accept.

But to be fair to Akarmas and parties acting in concert, PK Resources has underperformed in earnings per share relative to the share price.

MSWG chief executive officer Abdul Wahab Jaafar Sidek says although the price-to-earnings ratio (PER) based on the offer price was 352.94 times, it was higher than the average PER of 21.44 times for comparable companies.

He says this means PK Resources' performance has not been up to investors' expectation.

Shareholders believe the group has yet to reach its potential profitability and earnings in terms of its total assets.

For the year ended Dec 31, 2007, the group's retained profits were RM176.57mil while total shareholders' equity was RM424.57mil. The management has to be more efficient to create greater shareholder value, he says.

Minority shareholders should get together to demand for a better offer price, Abdul Wahab says.

On the other hand, they may wish to wait for positive signs in market sentiment given the current market conditions, he adds.

There have been similar incidences where the acquisition had gone through despite the takeover offer being deemed too low and objected to by the investment bank.

Abdul Wahab says there were a few cases such as Rohas-Euco Industries Bhd, Magnum Corp Bhd and Malaysian Industrial Development Finance Bhd where privatisation had been successful despite minority shareholders' objection.

However, the offer for PK Resources is different because it is not about going private, he adds.

PK : [[Stock Watch](#)] [[News](#)]

More

Q&A with Abdul Wahab Jaafar Sidek, Chief Executive Officer of the Minority Shareholder Watchdog Group over the PK Resources takeover

1. Should minority shareholders agree to offer price, which was deemed as too low?

Based on the audited NTA per share of PKR which stood at RM3.72 as at 31 December 2007 (unaudited), we are of the view that the offer price of RM0.60 per share is far too low for minority shareholders to accept it.

We believe the minority shareholders will follow the recommendation of the Independent Adviser, Kenanga Investment Bank Bhd in its Circular Independent Letter (IAL) to reject the offer.

The Independent Adviser had also informed shareholders that from the perspective of the price-to-book ratio (PBR), it stood approximately 0.16 times, which the IA stated to be substantially below the average PBR of the comparable companies which stood at 1.61 times as at 17 March 2008. Of the comparable companies, the lowest of the PBR was 0.38 times for LBS Bina Group and the highest of the PBR was 8.88 times for IOI Properties Bhd.

Although the PER based on the offer price was 352.94 times, stood higher than the average PER for the comparable companies of 21.44 times, it reflects that the PKR Group has underperformed in earnings per share relative to its share price. This probably means that the PKR Group's performance has not been up to the investor expectation.

The shareholders believe the Group has yet to reach its potential of its profitability and earnings in terms of its total assets. The unaudited results for the year ended 31 December 2007 showed that the retained profits of the Group stood at RM176.57 million, with the total shareholders' equity of RM424.57 million.

The management has to be more efficient to create greater shareholder value.

2. What are the alternatives if they don't agree to the terms?

The Circular of 18 April 2008 to shareholders stated that it is the intention of Akarmas to maintain the listing status of PKR. Since this offer is conditional, it could probably be the time for the major shareholder, Tan Sri Dato' Dr. Chan Kong Seng as the Executive Chairman and his parties in concert to consolidate their shareholdings in the Company for more effective control of the PKR Group.

Minority shareholders should get together collectively to demand for better offer price if they see the need to facilitate the Executive Chairman and his parties in concert to consolidate their shareholdings.

On the other hand, they may wish to wait for positive signs in the market

sentiment given the current market conditions.

Dato' Gan Kong Hiok and Datuk Alladin bin Mohd Hashim have indicated that they would reject the offer. The Board through its independent, non-executive director, Mr. Ooi Soon Kiam had also made a stand to reject the offer.

3. What is the fair value of the shares?

It is hard to really determine the fair value of the Company's shares. However, the PKR Group's unaudited NTA stood at RM3.72 per share. The Group's financial position is strong and healthy with comfortable gearing as at 31 December 2007.

In fact, the offer price represents a discount of RM0.18 or approximately 23.08 % below the five-day volume weighted average price (VWAP) up to 17 March 2008. The fair value of the Company's shares should lie between the average premium of 16.31% and the highest premium of 49.4% as highlighted by the IA.

4. What is the MSWG's stance towards such an issue?

MSWG is of the view that minority shareholders should be patient and do not accept the offer given that the IA has projected three possible outcomes of the offer. After all, the Circular of 18 April 2008 to shareholders had clearly stated that the listing status of the Company shall be maintained.

5. But for the companies undertaking the takeover, it is sensible to do so because the share price has not performed. What do you think?

The companies concerned should look vigorously at investor relations activity and other publicity measures that can contribute to their share price performance through transparency and accountability of the board for the company performance.

This is most important as an integral part to shareholder relations which will ultimately help in their share prices. It is perhaps good for the PKR to have another look at the board composition and improve board effectiveness for its profitability and bottom-line of the Group.

Getting more effective control of the Company and better management is the only best way to achieve better share prices.

6. Has there been similar incidences where the acquisition had gone through despite the takeover offer is deemed as too low and already objected by the investment bank?

Yes, from MSWG's knowledge, there are few cases such as Rohas-Euco, Magnum and MIDF where privatization had been successful despite minority shareholders had objected to it. However, the offer of PKR is different because it is not about going private.

MSWG is of the view that the Board of PKR could be having some

difference in regard to the control and better management of the Group for more effective performance to deliver its profitability and bottom-line.

MSWG would strongly oppose the offer had it been a privatization.

However, it is not because it is a conditional offer.

Ads by Google

[Get Filthy Rich](#)

8 Hot Stocks to Buy Now To Supercharge Your Portfolio!

www.taipanpublishinggroup.com

[Etiqa Insurance](#)

Now insurance is about people and not just policies. Find out more

www.etiqa.com.my

[Online Share Trading](#)

Trade Share CFDs online commission free, 24 hours a day

www.gcitrading.com



Email This



Printer Friendly



Digg This



del.icio.us

More News

