

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

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Investors should voice dissent more strongly

THE case of the recent privatisation of Glenealy Plantations (M) Bhd is highlighted for the broader interest of the capital market. Thus, I would like to recap this privatisation exercise.

Samling Strategic Corp Sdn Bhd has proposed to privatise Hong Kong-listed unit Samling Global, in turn triggering a need to privatise Glenealy and its associate company Lingui Developments Bhd.

Samling Global subsequently proposed a privatisation offer for the remaining shares in Glenealy at RM7.50 per share. A dividend of 52.75 sen was subsequently given a day before the court-convened meeting.

We argued that when a company's value is inextricably linked to its land, not undertaking to revalue its most prized asset in making an offer to privatise is unacceptable. Especially so in this case where the valuations were based on book value of the assets in 1998, some 14 years ago.

Though the law is silent on revaluations of assets in privatisation exercises, we urge the company directors to embrace best practices and undertake such exercises before the deal is tabled at the company meeting.

In the absence of such voluntary revaluations, the regulators must then compel companies to undertake the revaluations. At the very least, doing so would have introduced an element of price discovery – always an important element when a particular stock is as illiquid as Glenealy.



Comment
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What about the other gatekeepers? Current practice requires independent advisers to be hired (and be paid for) by the target companies. They are obliged to advise the disinterested shareholders on the offer in a transparent manner and to disclose to them the salient and material information so that an informed decision can be made.

As such, on what basis did the independent adviser state it was fair when the current land value was not even known?

The independent advisers in the same breath also stated that the palm oil industry remained "positive with strong demand and firm prices," and that "between 2007 and 2011, Glenealy had been returning uninterrupted profits." More so, that would mean there is intrinsic value in the company which is not reflected in the share price currently.

In addition, Glenealy has previously been a thinly-traded stock and thus the market price does not mirror its true value. In this instance, a revaluation is even more important to make apparent the current value.

Despite all this, minorities voted for the resolution.

Glenealy's 54% owner Samling Group had proposed a resolution that needed 75% approval from the shareholders who are present and voting at the CCM. It also requires not more than 10% of the disinterested shareholders that vote against this resolution for the deal to go through.

The offer was voted through by 331 shareholders in the privatisation bid, a number that represented 85.31% of the total number of shareholders present in person or by proxy at the meeting.

Minority shareholders owning 4.23% of the shares opposed the deal but this was not sufficient as it did not reach the 10% required level.

I can only rationalise this mom-and-pop retail investors trait who usually think that they are at the losing end, giving in to sweeteners and consequently choosing the path of least resistance when accepting the offer with reliance on independent advice.

Lastly, we urge that minority shareholders stand up and voice their dissent more strongly at the meetings if they believe the offer is not in their best interest, especially the institutional investors who are more savvy and have the muscle to influence the outcome.

The regulators too must look into similar deals to protect the interest of the minority shareholders.

● Rita Benoy Bushon is chief executive officer of Minority Shareholder Watchdog Group.