MINORITY SHAREHOLDER WATCHDOG GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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Privatisation of AP Land, OSK Property

Comment

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WITH an upward movement of interest rates in tandem with the creeping price inflation amidst the softening global economy, majority owners of listed companies such as AP Land and OSK Property have announced plans to take them private.

Minority shareholders should consider their positions with regard to each of these individual offers.

As regards AP Land, on Jan 11 this year Low Chuan Holdings, the family-owned company that started AP Land half a century ago, offered 45 sen a share for all of AP Land's assets and liabilities, with the market surmising that this move is a likely precursor to the company being taken private.

That means the Low family has offered RM305mil to take over the business of a company famous for building some of Kuala Lumpur's main landmarks like the Empire Tower and City Square shopping centre, in Kuala Lumpur. The group's major shareholder, Low Chuan Holdings Sdn Bhd, which has a 37% stake, is owned by Low Gee Tat@ Gene Low, Low Gee Teong, Low Gee Soon, SemSiong Industries SB, Selangor Holdings SB and Low Chuan Securities SB.

The issue is that the offer is 45 sen, an 8% premium compared to its closing price of 41.5 sen before the announcement whereas the net tangible asset (NTA) per share is RM1.

Generally, it is not uncommon to see a privatisation offer that is priced below net asset value in Malaysian listed companies, and is particularly prevalent among property developers.

Many reasons could be attributed to this such as the fact that the value of the assets, mostly backed by landbank, has not been unlocked; undemanding valuation and location of the land bank; and the (perceived) management quality.

Additionally, AP Land has not enjoyed a stable history of profits, since it has lost money in seven of the last ten years. Nor has it paid any dividends in this period.

However, it does have some non-property related businesses in the shape of its oil palm plantation venture in East Kalimantan, Indonesia, which has seen a total of 4,982 hectares of land planted with 3,000 hectares coming into maturity in the first quarter of 2012.

An additional point to note is that only a simple majority (or 50%+one share) of non-interested shareholders' approval is required for the proposed privatisation, since the offer came before the amendments to the listing requirements (which raises the threshold for shareholder approval to 75%, where a listed company is disposing all, or substantially all, of its assets, resulting in it being no longer suitable for continued listing on Bursa Malaysia).

Despite AP Land's lack of visibility and poor valuation, it has a 50-year track record in building.

Plus, it also operates a golf course and college and has current and ongoing projects such as the myHabitat residences in Kuala Lumpur, Bandar Tasik Puteri township in Rawang, Penang Island Bay Resort, commercial development in Changshu City in China as well as a residential project in Hokkaido, Japan.

These projects do have value, and minorities need to bear these factors in mind in their assessment of Low Chuan Holdings' offer.

As regards OSK Property Holdings Bhd, on May 27, its executive director and substantial shareholder Ong Leong Huat, together with Land Management Sdn Bhd, which comprises other members of the (founding) Ong family, offered to buy all the remaining shares and warrants that they do not already own in OSK Property Bhd, for 87 sen per share and 6 sen per warrant.

The joint offerors have been acquiring the shares at the offer price in the past one week. The additional shares acquired has triggered the mandatory general offer instead of conditional general offer at 87 sen.

In our view, the proposal can be seen as a move by the joint offerors to acquire a meaningful stake (i.e. 51%) at a reasonable price, to control the company, since the joint offero had stated that it was their intentio to maintain OSK Property's liste status.

However, the price offers no pre mium over the counter's last closin price of 87 sen, and is about half th value of OSK Property's NTA o RM1.71 per share. Which mea that OSK Property shareholders wh do not feel the price is sufficient compelling may choose to retain th shares until the elapsement of th offer.

Ultimately, there is nothing t prevent the founding families fro taking their companies off the publ markets.

Our main consideration, as alway remains the minority shareholde who had helped the family finan the growth of the company.

To offer them a reasonable exit this will certainly bode well for t founding families should any them decide to again tap the pub markets in future.

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