Samling sweetens offer

Glenealy shareholders will get special dividend of 52.75 sen

By **WONG WEI-SHEN**
weishen.wong@thestar.com.my

PETALING JAYA: Shareholders of Glenealy Plantations (M) Bhd will receive a special dividend of 52.75 sen per share as a sweetener to Samling Global Ltd's offer to privatise the company.

The shares were suspended from 9am to 5pm yesterday, pending the announcement of the proposed dividend.

The dividend would amount to RM60.18mil that the company would need to fork out from the RM95mil odd it had in its cash reserves as at June 30, 2012.

In a filing with Bursa Malaysia, it said: "This is in addition to the interim dividend of 5 sen per share less tax and the single tier tax exempt interim dividend of 3.5 sen per share declared on Aug 30, 2012."

It also mentioned that there would be no final dividend to be declared at the upcoming annual general meeting of the company.

In January, Samling Strategic Corp Sdn Bhd had proposed to privatise Hong Kong-listed unit Samling Global, and in turn to privatise Glenealy and associate company Lingui Developments Bhd.

Together with parties acting in concert, Samling Global had proposed a privatisation offer of the remaining shares in Glenealy at RM7.50 per share. It is to be noted that Chan Hua Eng has a 0.12% indirect interest in the company. Altogether they hold a 53.80% stake in the company.

Minority shareholders were disgruntled with the RM7.50 offer price, arguing that the land that Glenealy owned was not at current valuations. The offer price valued the land at book value at about RM25,000 per ha while recent transactions were priced between RM45,000 and RM65,000.

Minority Shareholders Watchdog Group (MSWG) chief executive officer Rita Benoy Bushon said it was strange that independent adviser HwangDBS Investment Bank viewed the offer as reasonable, given that the valuation of Glenealy's land had not been revised since 1998.

"Thus the minorities are asking why this revaluation of land has not been done by the company and what is the basis for the fair opinion by the independent adviser," she said in the newsletter.

Bushon said regulators should come up with some rules regarding revaluation of assets before a privatisation offer occurred. "In Glenealy's case, no one took the initiative to revalue the land," she said.

In a circular to shareholders, HwangDBS had given their valuation based on Glenealy's historical share price. The investment bank said Glenealy shares had not surpassed the offer price in the past 12 months.

Furthermore, the shares had been thinly traded, with an average monthly trading volume of about 402,208 Glenealy shares, representing 0.76% of the free float of Glenealy shares over the past 12 months.

HwangDBS said the low trading volume of the shares might affect the ability of Glenealy's shareholders to dispose of their shares in the open market, should it be of a sizeable amount.

OSK Research analyst Gan Jian Bo said the 52.75 sen dividend was within expectations, although if a RM1 dividend were proposed it would have brought the offer price very close to OSK Research's fair value of Glenealy.

"Although Glenealy's shares have been illiquid, the RM7.50 per share offer is still cheap.

"The land at book value of about RM25,000 is at a 30% to 40% discount compared with recent land transactions. Even though yields from their planted land are not as high as the average, I think the 30% to 40% discount is still too wide," he said.

Samling Global had decided to pursue the privatisation of Glenealy via the scheme of arrangement method under Section 176 of the Companies Act 1965.

In the Sept 7 edition of MSWG's newsletter, Bushon said the arrangement method was usually used as rescue schemes for troubled and ailing companies.

Since Samling had decided on using the scheme of arrangement method, it entailed a court-convened meeting that will be held tomorrow.

The court would have to approve the proposed privatisation by Samling and the parties acting in concert, after which an extraordinary general meeting (EGM) would be held for disinterested shareholders to vote.

Section 176 facilitates a formal binding agreement, subject to the court's approval.

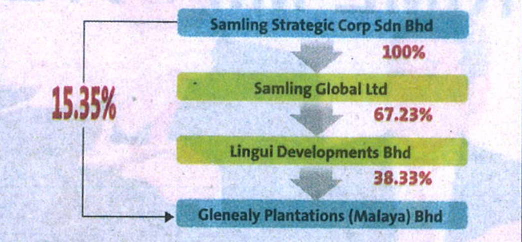
At the EGM, approval of at least 75% of disinterested shareholders who attend the meeting and vote is required. However, even if 75% of shareholders approve, if 10% or more of shareholders dissent, the deal would be called off.

The results would then be communicated to the court, which would then either enforce the privatisation or call it off.

"As far as it is known, the disgruntled minority shareholders only make up for about 2% of Glenealy's shareholders. We will have a better understanding of where they stand once the EGM on Thursday is complete," Gan said.

Bushon highly advised minority shareholders to attend and vote against the proposed privatisation if they were unhappy with the offer.

How Samling Group controls Glenealy



Note: Samling Global, listed in Hong Kong, is in the midst of a privatisation of Lingui Developments

The minorities are asking why this revaluation of land has not been done by the company and what is the basis for the fair opinion by the independent adviser.
– BUSHON