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Evergo at the takeover game again

3-way battle for

Chinese Estates

By Anthony Sin

A THREE-WAY battle for Chinese Estates loomed yesterday with Evergo Industrial Enterprise making a surprise entry into the fray which, till now, had involved two fairly unknown companies — Bassina and Shimako. Evergo, which made an unsuccessful bid to take over Lambda last year, made a pitch for all issued shares of CE at \$16.50 a share. That is 50 cents over Bassina's earlier offer price to CE shareholders.

A Jardine Fleming spokesman said the Evergo offer was not acceptable to Shimako, the company that currently controls the CE boardroom.

And an announcement by Bassina last night sought to match offers from other parties. According to the announcement, if within six months an unconditional general offer for CE is made at more than \$16 per share, Bassina will pay an additional amount (net of expenses) to meet the difference.

If shareholders accept Bassina's offer price, and Bassina accepts a higher bid in the next six months, the difference in prices would be paid to shareholders by Bassina.

This effectively made Bassina's offer match any offer other parties may make and could be persuasive in preventing CE shareholders from selling their shares to other parties. This

strategy is being used for the first time in Hongkong.

Deputy Securities Commissioner Derek Murphy told *Business Standard* that the tactics of Bassina did not breach any law since the price was fair to all shareholders.

He disclosed that yet another announcement was imminent but declined to identify the party who would be making it.

Trading in shares of CE and its subsidiary China Entertainment was suspended yesterday and market analysts said it was done at the request of the company's board.

It could mean that the company was on the verge of making an announcement — or that a counter bid by Shimako was in the pipeline.

A spokesman for Jardine Fleming, financial advisor to Shimako, said an announcement would be made soon.

A market analyst said Shimako's offer was likely to be around \$17.20, the price at which it had purchased 3,000 CE shares on Wednesday.

Evergo's move is baffling, to say the least, adding confusion to what appeared to be a straight battle between Bassina and Shimako for a financially healthy but fairly inactive company.

True, Evergo is weighed down with about \$180 million in cash, and it had publicised its intention to explore opportunities to diversify its business but Chinese Estates does not look like a godsend.

Bassina and Shimako now hold between them more than 70% of the CE shares, which

does not give Evergo much chance to manoeuvre.

Mr Francis Leung, vice president of Citicorp told *Business Standard* that Evergo felt that Bassina or Shimako would accept if the offer price was right.

He said that if Evergo acquired more than 50% of the CE shares, it would absorb the company into a holding company for investments which were not related to Evergo's manufacturing activities.

The market was abuzz with rumours that Evergo was acting as a "white knight" for Shimako to thwart Bassina's takeover bid. Mr Leung denied Evergo was linked with Shimako or related parties.

Officials at Bassina and Shimako could not be reached for comment yesterday.

The Citicorp announcement said the offer values CE at about \$330 million. Evergo has about \$180 million in cash and taking into account its cash resources and existing banking facilities, it should be able to implement the offer in full.

Evergo chairman Joseph Lau has agreed to lend Evergo such amount as it may require to implement its offer without drawing on its banking facilities.

If the offer is implemented, subject to market conditions, Evergo will make a rights issue to raise sufficient capital to repay any amount advanced by Mr Lau.

Market analysts doubted the seriousness of the Evergo bid and hinted that it might be something like the Lambda takeover bid, which netted it a short term profit.

Shimako, a company controlled by Mr Bill Wylie and members of Sir Kenneth Fung's family, announced on March 17 that it had acquired just under the 35% trigger point of the CE shares.

At the March 21 annual general meeting, Messrs Li Fook-shu, Li Fook-hing and Li Kwok-po were ousted from the board.

Three days later, Ondina and Macdonnell (Nominees), companies led by Sun Hung Kai and Co. chairman Tony Fung, joined hands with the ousted Lis to form Bassina. This hasty alliance, which then held a little under 30% of CE, made a cash offer of \$16 per share for all the issued shared capital of CE.

The new board at Chinese Estates announced that Bassina's offer price was far below the asset value of the company and appointed Jardine Fleming as financial advisor to advise CE shareholders.

Bassina has since then been busy buying CE shares and has increased its stake from 28.5% to 35.8%.

On Tuesday, the offer document of Bassina was formally released, and said the adjusted net assets value of CE was \$15.76. This represented a premium to the adjusted net asset value of 1.5% and asked the shareholders to accept the offer.

Shimako charged that the Entertainment Building was grossly undervalued on the offer document.

Analysts had earlier estimated that the property can fetch as much as \$350 million, against the \$215 million mentioned in the offer document.