

Yeo Hiap Seng, 1995

An exercise in valuation and risk arbitrage

In mid-1995, the Singaporean food and beverage group Yeo Hiap Seng was embroiled in a potential takeover battle. With access to the lucrative China market at stake, and powerful financial groups based in Malaysia, Indonesia and Singapore itself involved, the saga offered opportunities for profitable "risk arbitrage" for investors with the ability to place a value on the existing and potential worth of the company.

Please read the attached articles, and try to decide which is the best of the following strategies:

- (1) Sell your existing shares of YHS. Having bought them at an average price of S\$3.60, you can make a good profit by selling out at the going price of S\$4.90.
- (2) Buy more shares of YHS, but get ready to sell out quickly when they reach the highest level of local valuation assessments, namely S\$5.30 per share.
- (3) Buy shares of the Malaysian group First Capital Corp, controlled by Quek Leng Chan.
- (4) Buy shares of Sembawang, the Malaysian government-linked company that has become a potential partner with FCC in the takeover of YHS.
- (5) Buy shares of Orchard Parade Holdings, the listed vehicle of the Singapore group led by Ng Teng Fong, FCC's main rival for control of YHS.

Evaluate and comment on the potential gains and risks of each action. Be sure to relate your answers to the experience of shareholders in takeover battles in the United States and elsewhere.

The battle for Yeo Hiap Seng

High price to pay if Ng group takes up cudgels

News analysis

By Goh Soo May
and Koh Keat Kian

A TAKEOVER battle for the relatively small listed food and beverage group Yeo Hiap Seng seems to be looming, going by the talk in the market. But if tycoon Ng Teng Fong decides to take up the cudgel thrown by rival Quek Leng Chan, it will be at a high cost.

Yesterday, YHS shares closed at \$4.90, a whopping 82 cents gain from its pre-suspension price of \$4.08 and a full 20 cents above the takeover price offered by the consortium led by Hong Leong Malaysia's Quek Leng Chan.

Brokers reported "fervent retail interest in the stock" and at least one broking house, Kay Hian James Capel is recommending a "speculative buy" on YHS following the latest development.

Although neither Mr Ng Teng Fong nor his listed vehicle Orchard Parade Holdings (OPH) has responded officially to the challenge, market rumour is rife that a counter offer will be made at not less than \$5.

This looks the case if one takes into account Far East Organisation's declaration that it had bought another 86,000 shares at \$4.90 each yesterday, raising Mr Ng's stake to 24.83 per cent.

Mr Ng had shown that he is quick to seize a good opportunity when he bought into YHS last year at the height of a bitter feud among Yeo family members for control of YHS. The feud ended with former YHS chairman Alan Yeo losing control to Mr Ng.

But the feat had also resulted in an unhappy Mr Yeo forming an alliance with Mr Quek, who first sparked off speculation of a takeover battle when he started to accumulate YHS shares in February through First Capital Corporation (FCC).

Both Mr Ng and Mr Quek also sought and obtained approval from the shareholders of their respective listed vehicles for such an eventuality.

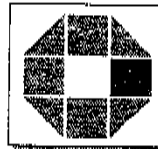
Everything however, appeared to have quietened down, when the two protagonists were seen to have reached some sort of an understanding when OPH and FCC announced a tie-up to develop a commercial com-

Prelude to the FCC-led takeover bid

Quek Leng Chan's moves

- **February 23 :**
First Capital Corporation (FCC) buys 5.5 per cent stake in Yeo Hiap Seng (YHS) through Camerlin.
- **Between Feb 27 and March 2:**
FCC raises YHS stake to 6.7 per cent through purchases worth \$13.13 million.
- **March 16:**
FCC announces it has increased stake to 14.6 per cent.
- **March 22:**
FCC buys another 226,000 shares, increasing stake to 14.7 per cent.
- **March 27:**
FCC announces stake will increase to 20.85 per cent after it buys more shares from holding company Guoco.
- **March 31:**
Quek announces an increase in stake to 21.04 per cent through Guoco. FCC intends to acquire Guoco's shares.
- **April 10-12:**
Guoco buys more shares, ups Quek's stake to 22.86 per cent.
- **June 1:**
FCC receives shareholders' authorisation at EGM to buy more YHS shares, including those acquired by Guoco.
- **June 26 :**
FCC together with Sembawang Corporation, Haw Par Brothers International and Indonesia's Salim group mount a takeover of YHS.

Timesgraphics



Ng Teng Fong's counter measures

- **March 21:**
Orchard Parade Holdings (OPH) seeks shareholders' approval to buy up to 51 per cent of YHS. Ng has effective control of YHS through a 21.18 per cent stake.
- **March 28 :**
Ng discloses that he has raised stake in YHS to 24.77 per cent.
- **April 6 :**
OPH shareholders give greenlight to buy more YHS shares.
- **June 15 :**
Ng's son Robert Ng, elected as the company's non-executive chairman after Wong Yip Yan stepped down.
- **June 27 :**
Ng's Far East Organisation increases his stake by a further 0.06 per cent to bring his interest to 24.83 per cent.

But the question also being asked is whether Mr Ng would find it worthwhile to pit his strength against the formidable resources of the group which the Quek side has lined up.

Although the takeover bid is being launched through FCC's subsidiary Camerlin, following the exercise, FCC would hold 40 per cent of Camerlin while the Sembawang group, the Indonesian Salim group and Haw Par Brothers International would hold 20 per cent each.

"Camerlin's shareholding structure at the end of the exercise is designed to discourage a counter-bid," said DBS Investment Research yesterday.

To obtain a majority stake of 51 per cent, Mr Ng would need to acquire a further 37.2 million shares. The cost would work out to over \$180 million, or even more, if the share price continues to rise on the open market.

"Mr Ng will be straining his financial muscles. OPH, which has been officially appointed as the takeover vehicle, is already highly geared. But then again, if Mr Ng wants to, I am sure he can find the funds for a counter attack," said one analyst yesterday.

It is, however, also conceivable that Mr Ng should choose to sell out at the end of the day.

Analysts said at \$4.70, the Quek group is placing a high premium on YHS shares relative to its Net Asset Value.

Except for listed Kay Hian James Capel which has valued the NAV at \$5.30. The estimates for YHS shares by the other broking houses range between \$3.50 and \$4.20.

"The long term prospects and the vast opportunity offered by the China market also carries with it high cost involved in training, marketing and distribution," said the F&B analyst of a local listed broking house yesterday.

She estimates that Mr Ng had paid an average price of \$3.70 for his YHS shares. That would mean a profit of \$1 per YHS share in just a year — working out to roughly \$35 million.

"That is a better return than running the competitive food business, which is having to wrestle with rising raw material costs at the moment," said the analyst.

plex in Sichuan province during Prime Minister Goh Chok Tong's visit to China last month.

This was especially so, when Mr Ng's son, Robert Ng was appointed chairman of YHS less than two weeks ago.

But now, all that may just prove to be the proverbial lull before the storm.

Some analysts feel that after all that Mr Ng has achieved in YHS, he will not be willing to give up without a fight.

MILL (F) 194/12/94

Wednesday June 28 1995

YHS tells shareholders not to act pending advice

Teng Fong ups stake, said to be preparing counter bid of up to \$5.30 a share



By Genevieve Cua

SINGAPORE — Takeover target Yeo Hiap Seng (YHS) yesterday advised its shareholders not to act on a general offer, amid market speculation that property tycoon Ng Teng Fong is gearing up to make a counter bid of up to \$5.30 a share.

On Monday, a consortium of corporate heavyweights led by Malaysian businessman Quek Leng Chan mounted a takeover bid for the listed beverage group at \$4.70 per share. Mr Quek's stake in YHS stands at 25.78 per cent.

Trading in YHS shares resumed yesterday at 2pm and the stock shot up to \$5 on just one lot traded. It closed at \$4.90 on a volume of 5.92 million shares, up 82 cents on the day.

The big question is whether a counter-offer by Mr Ng, who also owns close to 25 per cent of YHS, is imminent.

Most analysts believe a takeover battle looms. Salomon Brothers research director Bruce Rolph said: "History indicates that this sort of battle is rarely won on the first round."

Noting that YHS' share

price is underpinned by its property assets, Mr Rolph added: "When you get an entrepreneurial fight like this, sometimes the valuations they are willing to pay run well ahead of near-term valuations for the company."

Mr Quek's bid values YHS at \$667 million. At the rumoured counter-bid of \$5.30, the company would be worth \$752.6 million.

Most houses are quoting a net asset valuation for YHS ranging from \$3.80 to just over \$4 per share. The most aggressive valuation is by Kay Hian James Capel (KHJC), which pegs it at \$5.34.

KHJC analyst Jasmine Pong said: "Shareholders should wait and see if Mr Ng comes up with a better offer. If the rumours are right, there is very little downside."

For the second day, executives of the companies controlled by Mr Ng — Far East Organisation, Orchard Parade Holdings, Sino Land in Hongkong and YHS itself — could not be contacted.

The Far East Organisation, however, notified the stock exchange that it acquired 86,000 shares yesterday at \$4.90 apiece. This brings Mr

Ng's holding to 35.27 million shares or 24.83 per cent, still below the mandatory takeover trigger point of 25 per cent.

YHS, in its statement yesterday, said it would send out a circular of its recommendations within two weeks of its receipt of an offer document from Camerlin, a subsidiary of First Capital Corporation and Mr Quek's vehicle to buy up YHS shares.

"The directors of YHS will be appointing a merchant bank to advise the shareholders of YHS on the offer," it said. "In the meantime, shareholders are advised to refrain from taking any action in relation to the offer."

If Mr Ng decides to sell his shares at the offer price of \$4.70, he could gain between \$32 million and \$39 million as his average cost for YHS shares is believed to be between \$3.60 and \$3.80 apiece. If he sells in the open market at yesterday's close of \$4.90, he stands to gain \$40 million to \$47 million.

Until recently, he and Mr Quek appeared to have

reached a stalemate with his holding at 24.77 per cent and Mr Quek's at 22.86 per cent.

Some analysts say it would make more sense for Mr Quek's consortium to have YHS as it comprises companies owned by government-linked Sembawang Corporation, diversified Haw Par Brothers International and influential Indonesian conglomerate Salim. Their respective companies — Sembawang Industrial, Straits Maritime Leasing and KMP — will each take a 20 per cent stake in Camerlin, with FCC retaining a 40 per cent interest.

Ms Pong of KHJC said the consortium offered not just property development expertise in Mr Quek's FCC group, but also a food base in the Salim group.

"The development is quite positive, because now a takeover battle will force the issue. We'll have one winner and we'll know for sure whether the YHS management is going to stay," she said.

- Quick end to tussle will benefit YHS, Pg 17
- Why Sembawang, Haw Par are in the hunt, Pg 17

Quick end to saga can only benefit YHS

Prolonged takeover battle may impede work of new management

Twisting saga

1994

- Apr 22** - Wing Tai launches takeover offer for YHS at \$3.33 a share.
- May 5** - Charles Yeo rival camp rejects Wing Tai offer with 53 per cent majority.
- May 9** - Alan Yeo's rivals move to oust him as chairman.
- May 13** - Ng Teng Fong begins to acquire shares, stake at 10.5 per cent.
- May 18** - Alan Yeo files petition to wind up YHS Holdings, seeks injunction to prevent his ouster.
- May 21** - Orchard Parade Holdings (OPH) holds 16 per cent of YHS.
- May 23** - Court hearing on application by Alan Yeo to prevent his ouster.
- May 27** - Interim order to prevent YHS Holdings from ousting Alan Yeo.
- Jun 10** - Alan Yeo appeals to shareholders to vote against his removal.
- Jun 18** - OPH now owns 19.76 per cent.
- Jun 20** - Court hearing begins on petition to wind up YHS Holdings.
- Jul 1** - Court hearing ends with order to wind up YHS Holdings.
- Jul 5** - YHS board composition changes, Alan Yeo to become non-executive chairman.
- Jul 9** - OPH owns 21 per cent.
- Jul 13** - Members of rival camp, Charles and Henry Yeo, asked to leave.
- Aug 28** - YHS announces interim operating loss of \$2.5 million for 1994, to put up Chun King for sale.
Three directors from Ng Teng Fong camp on board of YHS.
- Sep 11** - Chng Hee Kok made CEO of Yeo Hiap Seng.

- Oct 29** - Alan Yeo announces retirement as YHS executive.
- Dec 8** - YHS Holdings distributes 25.92m shares, cuts stake to 14.32%.
- Dec 19** - Plan to sell Malaysian associate aborted.

1995

- Feb 8** - Alex Chan named CEO.
- Feb 17** - Quek Leng Chan has bought a 5.5% stake for \$29.5m.
- Mar 8** - Quek buys more YHS shares, ups interest to 6.7%.
- Mar 29** - Ng Teng Fong ups stake to 24.77%.
- Mar 30** - YHS announces \$2.1m loss for 1994.
- Apr 1** - Quek ups stake to 21.04%.
- Apr 6** - OPH shareholders give nod for purchase of more YHS shares.
- Apr 15** - Quek now holds 22.8% stake.
- May 5** - Alan Yeo's holding company Lintien sells all its direct stake in YHS.
- May 16** - FCC gets shareholders' nod to buy more YHS shares.
- May 17** - YHS, OPH sign MOU on Chengdu food park.
- Jun 5** - Pepsico, 7-Up renew bottling deal with YHS for one year.
YHS Holdings distributes 13.77m YHS shares, stake down to 0.07% stake.
- Jun 12** - Wong Yip Yan steps down as YHS chairman.
- Jun 15** - Ng Teng Fong's son Robert made chairman.
- Jun 26** - Quek mounts takeover bid for YHS, raises stake to 25.89 per cent.
- Jun 27** - Ng Teng Fong ups stake to 24.83 per cent.

Compiled by BT

By Genevieve Cua

SINGAPORE — When will embattled beverage group Yeo Hiap Seng Ltd be able to get down to business?

At about this time last year, a court hearing was being held to decide on the winding up of family company Yeo Hiap Seng Holdings, which then held a controlling share of roughly 39 per cent in YHS.

YHS Holdings was eventually wound up, signalling the loss of family control and making the group vulnerable as a takeover target. Property

tsar Ng Teng Fong, who began buying shares in the heat of the family feud last year, emerged as the controlling shareholder. Steady buying of YHS shares over the past 12 months has given him a stake to date of 24.83 per cent.

Mr Ng's faction, represented by the ebullient entrepreneur Wong Yip Yan of the WyWy group, was to usher in a new era of professional management, with Mr Wong as head of an executive committee and, more recently, with former Hewlett Packard chief Alex Chan roped in as managing director.

Recently, Mr Wong stepped aside from YHS' board "delighted with the progress and the vitality of the management team", a YHS statement said.

In a recent press briefing, Mr Chan indicated that sales were recovering, although the group had to contend with rising costs and low staff morale. YHS, however, appears to have made good progress in its China expansion with new projects in the pipeline, and it also had its Pepsi franchise extended by a year.

But just as YHS is beginning to get its act together

after last year's loss of \$2.13 million, yet another sea change appears underway. If Malaysian corporate raider Quek Leng Chan — today YHS' biggest shareholder with a stake of 25.89 per cent and backed by a powerful consortium — succeeds in his takeover bid for YHS at \$4.70 per share, it will spell yet another management revamp.

Whether Mr Ng will make a counter offer remains to be seen, but the sooner the ownership issue is resolved, the better. YHS must get down to the business of making money.

Why are Sembawang, Haw Par in YHS bid?

SINGAPORE — The banter around town is that Sembawang Corp chairman Philip Yeo will soon become chairman of Yeo Hiap Seng. This is to ensure that a Yeo — albeit from a different family — will head the listed soft drink maker.

A joke this may be, but so far it seems the best explanation why Sembawang is taking part in a hostile bid for YHS. As to what led the other parties — Haw Par Brothers International and the Salim group — to join in the YHS raid, there aren't even jokes. Analysts and traders are too puzzled by their involvement to make wisecracks.

On Monday, Sembawang said it had joined forces not just with locally-listed First Capital Corp but also with Haw Par Brothers, a member of Wee Cho Yaw's United Overseas Bank group, and Indonesian billionaire Liem Sioe Liong's Salim group to offer a record \$4.70 a share for YHS.

FCC, an associate of Sembawang, is controlled by Malaysian tycoon Quek Leng Chan and has accumulated about 25 per cent of YHS in the past few months.

The stock market had been waiting for FCC to make a bid for YHS. But it was shocked when Mr Quek brought in three partners. YHS, after all, is not such a big company that four heavyweights need to work together. At the offer price, it is valued at \$667 million. Even if there is a counter bid — YHS controlling shareholder Ng Teng Fong has just put his elder son Robert as YHS chairman and may not be tempted by the profit he can make from accepting FCC's offer — commercial logic dictates that YHS should not be valued beyond \$750 million.

FCC, capitalised at more than \$1 billion and backed by Mr Quek's massive resources in Malaysia and Hongkong, can easily swallow YHS on its own. So why the partners? And more importantly, what prospective return could induce these partners to take on property tycoon Mr Ng by joining in the raid on YHS?

A possible answer — as all answers tend to be nowadays — is the potential for YHS in China. Mr Quek, head of Hong Leong Malaysia, is known to want to expand into the food and beverage business in a big way. He already has an interest in packaging and is said to be eyeing a controlling stake in Kian Joo, the biggest listed can maker in Malaysia.

Talk was he and Mr Ng were working together to take over YHS, with Mr Ng given ownership of YHS in Singapore while Mr Quek would take YHS Singapore's 40 per cent listed associate YHS Malaysia. With a greatly enlarged packaging operation and the Yeo brands of popular drinks, Hong Leong Malaysia would be well-placed to penetrate the fast-growing F&B markets in the region, particularly in China.

(Ironically, both YHS and Kian Joo



Puzzling partnership: Mr Philip Yeo (seated left), Mr Anthony Salim and Mr Wee Cho Yaw (both standing). Seated in the centre is Dr Goh Keng Swee.

were family-owned concerns that became takeover targets due to internal strife. The Yeo clan that founded YHS has lost control of the company but the See family of Kian Joo is still fighting in the courts.)

Sources say the Ng-Quek plan for YHS fell through over some disagreement. A disgruntled Mr Quek then approached ousted YHS chairman Alan Yeo to buy Mr Yeo's stake, or so the story goes. This gave him a foothold in YHS, from which he could launch his bid to wrest the company from former partner Mr Ng and take it to China under his own steam.

The story sounds plausible. So plausible, it seems, that Philip Yeo, Wee Cho Yaw and Liem Sioe Liong are all now interested in joining Mr Quek's attack on the China consumer market through YHS.

Messrs Yeo, Wee and Liem have worked together before, such as in setting up a huge industrial park in Mr Liem's hometown in China's Fujian province. Mr Yeo and Mr Liem are also partners in Batam and Bintan in Indonesia, while Mr Wee and Mr Liem are partners in running Singapore-listed United Industrial Corp and Singapore Land.

Given their history of cooperation and interest in China, it is not surprising that the three are working together again, this time with Mr Quek as the fourth partner. And Mr Quek, always out to build connections with other powerful business groups, would only be too pleased to bring them on board at YHS.

But though in theory YHS has potential in China, in practice the company has

been in such bad shape that it needs a huge injection of funds, not to mention many good people, to put it back on its feet.

As such, the choice of Sembawang and Haw Par as investors in YHS is puzzling, because both companies are in the process of digesting their new acquisitions. They have arguably already pumped too much money into too many ventures to make yet another major commitment.

Sembawang is a government-linked company (GLC) trying hard to arrest falling profit by diversifying away from the cyclical marine business. It recently took over Resources Development Corp, another GLC, and has ventured into the Internet and on-line publishing business.

Haw Par, also faced with falling profits and highly dependent on investment and interest income, is in the same boat. Searching for new ventures, it recently went into theme parks in a big way, committing itself to perhaps more than \$100 million in building up the business.

It is also hard to see how the F&B business of YHS would fit with Sembawang's marine and engineering operations, or with Haw Par's leisure, trading and investment business. This is why the investment community is puzzled, and somewhat worried, by their involvement. To ensure that such worries do not lead to a self-off, the companies should elaborate on their rationale as soon as possible.

By Lee Han Shih

Manifold AP151 YEO HIAP SENG (S) LTD - TAKEOVER TARGET

Salomon Brothers Singapore Pte Ltd

27 June 1995

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YEO HIAP SENG LIMITED

Yeo Hiap Seng (YHS) hit the headlines again with a long anticipated general offer being made for its shares by a consortium of four companies, led by one of the two contenders, Mr Quek Leng Chan of property-based First Capital Corporation (FCC). In a bid to wrest control for YHS from the other major shareholder (property-tycoon Ng Teng Fong), Mr Quek has teamed up with Sembawang Corporation, Haw Par Brothers International (HPBI) and Indonesia's Salim Group.

Who's involved in the bid

- * Sembawang Corporation - through Sembawang Industrial Pte Ltd
- * HPBI - through Straits Maritime Leasing Pte Ltd
- * Salim Group - through KMP Pte Ltd

How

- * Via - Camerlin Pte Ltd (Camerlin), a wholly owned subsidiary of FCC.
- * FCC will own 40% of Camerlin, other three parties will hold 20% each.
- * All four will extend loans of S\$154 million to Camerlin, in proportion to shareholding.

Takeover details

- * Bid - S\$4.70 per share
- * Takeover offer conditional on Camerlin acquiring at least a 50% control of YHS.

Current Shareholding in YHS

Camerlin - 25.89%
Ng Teng Fong - 24.8%

Background of YHS

The main activity of YHS is the manufacture and distribution of food and beverages. As the franchisee of Pepsi and Pepsi-related products in Singapore, the company has interests in other food and beverage activities internationally. Its U.S. operations, Chun King, were acquired in 1989, but have chalked up losses of about S\$45m to date. Shared with the Temasek group in Singapore, the division had been a drag on earnings since acquired. Other significant activities of YHS are in Malaysia through 40% associate YHS (M), China and Canada.

Losses in the company created tension amidst the Yeo family members. There were two main camps: one led by ex-chairman Alan Yeo and the other by director Michael Yeo. Major changes in shareholdings were sparked off by Alan Yeo conducting discussions with garment manufacturer/property developer Wing Tai regarding the latter's purchase of a stake in the company. This was called off but the Yeo Hiap Seng Holdings Pte Ltd, which controlled 38.54% of the listed vehicle, was liquidated. The first round of the feud saw property tycoon Ng Teng Fong acquiring 21% of the company, making him the single largest shareholder. Subsequently, Quek Leng Chan had been gradually acquiring his stake in YHS.

Memorandum ASIA YEO HILAP SENGO (S) LTD - TAKEOVER TARGET

Valuation of YHS shares

With the announcement of the results of the year ended 31/12/95, we are re-assessing the value of each YHS share. The analysis is divided into two parts: 1) Non-property related activities and 2) Property-related activities.

1) Non-Property related activities

	Note	S\$m
Singapore operations	1	69.2
China operations	2	45.2
Chun King operations	3	14.0
Interest in YHS (M)	4	140.1
Net Tangible Assets	5	83.4

		350.2
Less relocation costs	6	(60.0)

Non-Property related asset valuation		292.0
		=====

Notes:

- Derived based on the Singapore Consumer Sector 1995 P/E of 23, using after tax profit as at 31/12/94.
- Derived based on the China Consumer Sector 1995 P/E of 19.0, taking after tax profit as at 31/12/94.
- On 28/3/95, the Chun King operations were sold for US\$10.05 million, converted at S\$1.398:US\$1 (on 26/6/95).
- Derived from YHS's stake of 33.5m shares in YHS (Malaysia) at closing price of MS7.30 on 26/6/95, converted at S\$0.573:MS\$1 (on 26/6/95).
- Excludes land and other assets already separately accounted for.
- Costs associated with the shift of operations to the new site in Senoko, northern Singapore.

2) Property related activities

Pending the decision as to how the land on which the two manufacturing plants are located is used, we have tabulated the value of the share according to different scenarios.

Sensitivity analysis

Sale Price (S\$)	Land Sold+			Land Developed*		
	360	380	400	700	750	800
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m
Non-land NAV from (1)	292.0	292.0	292.0	292.0	292.0	292.0
Land	273.0	288.2	303.4	342.8	272.9	303.0
NAV of company	565.1	580.2	595.4	634.8	564.9	595.0
	=====	=====	=====	=====	=====	=====
Net Asset Value Per share (S\$) *	3.98	4.08	4.19	3.76	3.98	4.19
	=====	=====	=====	=====	=====	=====

Notes.

* Net Asset Value Per Share calculated based on 142.1 million shares as at 31/12/94

+ Land value derived by multiplying the land area of 474,000 sf, the plot ratio

Manifold APIS2 TWO YEAR BOND (S) LTD - TAKEOVER TALKS

of 1.6 and selling price. The prices used in the sensitivity analysis are based on market prices fetched for sites sold in the same area.

- ^ Assuming that the land is developed, development profits are derived after the subtraction of land costs of S\$68 million and conversion costs of S\$20.4 million. Profit is assumed to be recognized over 4 years: 10% in both fiscals 1996 and 1999 and 40% in both fiscals 1997-8. The net present value is calculated using cost of debt at 9.82%, the average cost in fiscal 1994.

Conclusion

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The bid at S\$4.70 appears aggressive compared to the net asset backing which ranges from S\$3.76 to S\$4.19. However, compared to the 52-week high of S\$4.42, this represents a premium of only 6.3%. At this point, it would appear unlikely that the battle is over since Mr Ng has not retaliated yet. Although the share price rose to S\$4.90 today, there appears to be room for further increases.