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Cheng to sell shares in Lion to minority holders

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AN OPPORTUNITY has emerged for minority shareholders of Lion Corp Bhd facing a sizeable dilution of their interests to avoid the eventuality - but at a price.

Tycoon Tan Sri William Cheng is offering to sell some new shares he will receive as part of the Lion group's complicated restructuring scheme announced in July.

But at RM2.74 each, these shares are being offered at a hefty premium to the stock's price which is currently at a 15-month low of RM1.65, meaning the 3-for-4 offer may turn out to be little more than a gesture.

Still, Cheng's move to sell shares in his flagship company to minority shareholders, among them businessman Mirzan Mahathir, may reduce some of the pressure to provide them with a better deal.

Lion Corp yesterday said Cheng, its controlling shareholder and chairman, will make a renounceable offer for sale to minority shareholders.

He will offer them three new Lion Corp shares at RM2.74 each for every four they hold. This is the same price at which the company is issuing the shares to Cheng and Datuk Albert Cheng, another Lion Corp director, to buy their personal stake in Amsteel Corp Bhd, its steel-making and stockbroking arm.

However, at 66 per cent above the stock's closing price yesterday, the offer price looks hardly attractive, dealers said.

Lion Corp shares have lost about a quarter of their value over the last two weeks, in tandem with a slide on the broader stock market. The stock has fallen to levels not seen since last June, also due to fears the company may have to reduce its share capital, they added.

Investors earlier criticised the group's plan to restructure some RM10 billion in debts that would see the interests of minorities, including Mirzan, diluted, in some instances by half, while leaving Cheng largely unscathed, if not better off.

The Lion group's listed and unlisted units intend to repay creditors with almost RM5.9 billion in convertible and unconvertible bonds and papers, and will sell other assets over the next five years to clear the rest of their debts.

Cheng himself, however, will ultimately consolidate the bulk of his personal interest in group units at the holding company level through a series of asset injections.

Lion Corp is buying a chunk of Amsteel shares from the two Chengs to help boost its 29-per cent Amsteel stake to 46 per cent after the debt restructuring.

In return, it will issue them 110 million new shares and RM382.3 million in irredeemable convertible loan stocks (ICULS), which will give William Cheng 63 per cent of the restructured Lion Corp.

Cheng has already said he will sell minority shareholders some of these ICULS, in a non-renounceable offer that will net him RM108 million - just over half of the RM200 million cash that he has agreed to pump into the Lion group.

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