

# Chagala Group\* (CGLO.L)

## Unconditional Cash Offer from TIPP – irrevocables provide control

Chagala has received the expected unconditional cash offer (the “Offer”) from a SPV procured by TIPP Investments PCC (“TIPP”), as announced in June, following the prior offer by Asian Investment Management Services Limited (“AIMS”).

The SPV, Realty Invest Holding LLP (“Realty Invest”), already has irrevocable acceptances from TIPP, Chagala’s directors and those associated with them, which will provide Realty Invest with control.

Although the Offer price is a 39% discount to Chagala’s NAV per share as of the end of December it seems likely that any “independent” shareholders will accept the Offer.

- Chagala announced on Friday 7th September 2018 that a voluntary unconditional offer was made by Realty Invest.
- Realty Invest was procured by TIPP to make an offer to acquire all the issued shares of the Company at a price of US\$2.15 per share in cash. This is stated to be at a price 52% higher than the twelve-month average price per Chagala share up to 6 September 2018 and 39% higher than the price at which AIMS made an offer to acquire the shares of Chagala on 20 June 2018. The Offer is unconditional and is open for acceptance until 1.00p.m. (London time) on 28 September 2018.
- We highlight that the Offer is still at a significant discount to Chagala’s reported NAV for the year ended 31 December 2017 of US\$3.50 - a discount of approximately 39%.
- The Offer is pursuant to a preliminary settlement agreement between Chagala and TIPP arising from a dispute with the Company, its directors and other parties in the BVI courts over an attempt by TIPP (along with others together deemed to be a concert party by the Company) to gain board control. The Company consequently issued a direction notice under its Articles removing the voting rights of the “concert party” members.
- Prior to completion of the Offer, the Company will pay all outstanding dividends which have been declared by the Company but which remain unpaid ie that includes dividends withheld from the deemed “concert party”. Shares sold to Realty Invest pursuant to the Offer will be sold “ex” the right to such dividends.
- Although the Directors of Chagala are not making a recommendation in relation to the Offer, they have all provided irrevocable undertakings to sell their shares, as has TIPP, as follows:

Mr. Francisco Parrilla, Portola Group Limited, AIMS	
Halfmoon Bay Capital Limited	10,214,850 48.9%*
TIPP	3,075,000 14.7%*
<b>TOTAL</b>	<b>13,289,850 63.6%*</b>

## Corporate

Note on Realty Cash Offer

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Price	US\$2.00
Realty Offer price	US\$2.15
Offer value	US\$45.7m
NAVps 31.12.17	US\$ 3.50

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Residential and commercial property provider to the oil & gas majors operating in Kazakhstan

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*\*Realty Invest is not extending the Offer to those shares held in Treasury such that the total issued shares to be purchased number 20,869,593.*

- Unusually, Realty Invest has also received irrevocable undertakings **not** to accept the Offer in respect of 5,516,789 shares representing 27.8%.
- The directors of Chagala will resign at the completion of the Offer and will be replaced by appointees of Realty Invest.
- Logically, those shareholders not accepting the Offer are likely to be members of the “concert party”, other than TIPP, so that would include Eagle Resource Holdings Limited (connected to Tim Abson, former CEO of Chagala), Egret Trust and Typhoon Developments.
- It may be the intention of the “concert party” members, other than TIPP, to see a continuance of the shares’ listing on the Main Market. Whilst 25% is the maxim for the free float of shares on the Main Market, it is normally the case that those shares should be held by persons in EEA states and that no holder of 5% or more of the shares is counted within that percentage. The UKLA does have the ability to vary that requirement in certain circumstances, if it sees fit. We shall have to see.
- As the Offer is an unconditional cash offer, then the whys and wherefores behind who is making the Offer is generally irrelevant to shareholders, except for those not wishing to accept. What entity, or individual/s, will have ultimate control of Chagala at the end of the Offer period is unknown.
- **It seems likely that other shareholders will accept the Offer given the level of irrevocables obtained, including those from the Directors, as there is no obvious alternative.**

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<b>BUY</b>	Share price appreciation of 15% or more in absolute terms over 12 months
<b>HOLD</b>	Share price appreciation or depreciation of less than 10% in absolute terms over 12 months
<b>SELL</b>	Share price depreciation of 15% or more in absolute terms over 12 months
<b>SPEC BUY</b>	Share price appreciation of 15% or more in absolute terms over 12 months, but with an unusual level of risk relative to return

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