

04/05/1999

PM: S'pore investors should not expect to gain from rally

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SINGAPOREAN investors holding Malaysian shares previously traded over the counter on the Central Limit Order Book (Clob) market should not expect to benefit from the recent rise in share prices on the Kuala Lumpur Stock Exchange because they themselves caused the prices to fall, Datuk Seri Dr Mahathir Mohamad said.

The Prime Minister said an equitable solution would be for the Singaporean shareholders to part with their shares at the prices prevailing in September 1998.

"At that time the share prices were going down and we stopped short-selling, but it had no effect because through this illegal share market they were still able to do short-selling. They brought down the price of their own shares so they deserve to get that price," he said.

Dr Mahathir was speaking at a press conference after chairing the Umno Supreme Council meeting in Kuala Lumpur last night. He was asked about Singaporean investors' reported gloom over a company's offer to buy at a discount frozen Malaysian shares previously traded on the Clob.

Malaysian counters traded on Clob International were frozen in September 1998 when the Government moved to curb offshore trading of KLSE stocks. It was reported that Effective Capital Sdn Bhd, owned by Malaysia-based Singaporean businessman Akbar Khan, is putting up RM5.8 billion to buy back shares at discounts averaging 45 per cent of their market price on September 15 1998, which was the last day of trading of Clob shares.

Dr Mahathir said no decision has been made when asked if the Government supported Akbar Khan's offer, adding that several proposals were being studied to resolve the matter without damaging the KLSE or its performance.

"I doubt they (Singaporean investors) will be happy with any solution. They will be happy if they can get the full benefit of the rise in the share price. But a lot of them were responsible for the fall in the share prices.

"I don't think it is morally right for them to gain benefit from something that they did not help in achieving. Instead, they were the ones responsible for bringing down the share prices," he added.

Dr Mahathir said the Government will not be very harsh with the Singaporean shareholders concerned, and will try to work out a deal which will be fair to Malaysia.

Meanwhile, analysts said that Effective Capital will be buying Malaysian shares previously traded on the Clob at huge discounts compared to current market values.

Price offers for the 103 share counters range from as low as 18 sen for property-based Sri Hartamas Bhd to as high as RM15.40 for cigarette maker Rothmans of Pall Mall (M) Bhd.

Compared to last Friday's closing of 44 sen for Sri Hartamas and RM27.50 for Rothmans, prices of both counters have increased by some 144 per cent and 78.5 per cent respectively.

Analysts said the average discount of the prices offered for all the counters compared to current market prices is around 40 to 50 per cent. However, Effective Capital has said that the cash offer represents on an average, a 45 per cent premium to market prices as at September 15 last year.

On September 15 1998, the Kuala Lumpur Composite Index stood at 389.08

compared to Friday's close of 674.96, an increase of 73.5 per cent. "I think it is an option but it is a bit one-sided. It is still a 40-50 per cent average discount over current market prices. It may prove to be too difficult to swallow for some of the investors," said one analyst with a foreign stockbroker.

A local analyst said he still prefers the plan rumoured to be introduced by the Kuala Lumpur Stock Exchange in December last year where ex-Clob shares will be released to its owners on a staggered basis.

"It was the best one formulated. The plan got the least objections from investors," he added.

Last week, Effective Capital made a cash offer to the Central Depository (Pte) Ltd (CDP), the authorised nominee for Clob securities. It was reported that there are over 170,000 accounts housing shares worth about RM10.5 billion at current market prices.

Sources also said that if Effective Capital succeeds in buying these shares, the company will gain control over the Multi-Purpose group of companies. Under the group of companies, there are seven listed entities with six of them listed among the Clob counters.

The companies and the prices offered by Effective Capital are: Multi-Purpose Holdings Bhd (76 sen), Magnum Corp Bhd (RM1.15), Malaysian Plantations Bhd (50 sen), Sarawak Enterprise Corp Bhd (87 sen), Bandar Raya Developments Bhd (67 sen) and Kamunting Corp Bhd (31 sen).

Share prices of these companies have either doubled or almost doubled what is being offered by Effective Capital.

Aside from control over the Multi Purpose group, Effective Capital will also be a majority shareholder in property concern Land & General Bhd (L&G) as the latter has some 25 per cent of its shares trapped in Clob. The price offered for L&G shares by Effective Capital is 34 sen. At Friday's close, its shares traded at 89.5 sen, a 163 per cent difference.

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