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Telekom and UEM to make bid for CLOB shares (HL)

KUALA LUMPUR, Wed. - The Central Limit Order Book International issue took an unexpected turn today when Telekom Malaysia Bhd and United Engineers (M) Bhd (UEM) announced their intention to acquire "certain shares" previously traded on the now-defunct Singapore market.

The two Malaysian companies are expected to hold a joint press conference tomorrow to disclose details of their plans which were made known to the Kuala Lumpur Stock Exchange (KLSE). Trading of Telekom and UEM shares on the KLSE was suspended at RM14.20 and RM6.05, respectively, following their announcements.

Trading on CLOB was halted in September last year after the Government imposed a ban on Malaysian stocks from being traded overseas in an effort to stop short-selling. The move froze shares valued then at RM10.3 billion on CLOB, involving some 172,000, mostly Singaporeans. This has since been an issue affecting bilateral ties, especially from Singapore's standpoint.

Before the Telekom-UEM announcements, two parties had come forward to offer means to resolve the issue. Effective Capital Sdn Bhd has offered a comprehensive scheme involving a cash option, a closed-end fund and a voluntary trading suspension arrangement. Bintang Melewar Sdn Bhd has also proposed to set up a closed-end fund.

Effective Capital's cash offer, which has since lapsed, received lukewarm response from CLOB investors while Bintang Melewar has yet to secure the necessary approvals for its proposal.

Analysts contacted today were apparently caught by surprise by the proposed exercise by Telekom and UEM, the country's giants in telecommunications and construction, respectively.

Prime Minister Datuk Seri Dr Mahathir Mohamad was also asked on the matter.

"I have not heard about it. I don't know what it is all about and therefore I have no comment," he said after officiating an Umno Wanita function at the Putra World Trade Centre.

The Securities Investors Association of Singapore (SIAS) was equally surprised. Its president, David Gerald, said the body is certainly keen in knowing how the proposals by UEM and Telekom could interest CLOB investors.

"No, (UEM and Telekom) haven't approached us but we will wait and see what it is about. If it is a reasonable offer, it will be good for the CLOB investors," he added.

SIAS is an association formed by CLOB investors to pursue a solution deemed as amicable by the investors.

Speculation was rife on what Telekom and UEM have in store, for example whether the exercise will involve a "general offer", and if not, what are the securities being targeted. There is also the question of pricing.

One analyst suggested that the two companies could well issue bonds in exchange for CLOB shares, and allow them to be converted into shares in Telekom and UEM upon maturity.

Another theory is that the two companies would propose setting up another closed-end fund.

There is also talk that Telekom is looking at acquiring shares in Technology Resources Industries Bhd.

However, TRI shares previously traded on CLOB constitute only about one

per cent of its paid-up capital.

"It's unlikely... if an acquisition of TRI is the idea, Telekom would find it much easier to just buy TRI shares on the open market," said another analyst.

At a press conference, TRI chairman Tan Sri Tajudin Ramli was asked to comment on the possibility of Telekom buying into TRI seeing that the company has 14 million of its shares, or 1.8 per cent, of its total shares stuck in Clob.

"We are very happy if other telecommunication companies want to buy our shares," Tajudin said.

Telekom Malaysia's chairman Datuk Ali Hassan today refused to confirm or deny reports that Telekom's suspension was connected to its proposal to buy the CLOB shares.

"I was made to understand that a Press conference will be held tomorrow. It is better to wait until then," he said to repeated questions from reporters when met after signing a sponsorship deal with the Malaysian Industry-Government Group for High Technology for the Langkawi International Dialogue at Wisma Telekom.

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