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Wait-and-see attitude on SES rejection of proposal

THE Government will adopt a "wait and see" attitude before reacting to the move by the Stock Exchange of Singapore to reject a proposal from a Kuala Lumpur-based businessman to buy the suspended Malaysian securities in the defunct Singapore's over-the-counter market or Central Limit Order Book (CLOB).

Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi said although Malaysia viewed the CLOB issue seriously, it would continue to monitor the situation.

"That is Singapore's decision (to reject the proposal).

"However, we are also interested to know the details of the businessman's proposal," he said.

Abdullah was speaking to reporters after having a two-hour dialogue with about 500 administrative and diplomatic officers at Intan (The National Institute of Public Administration) in Kuala Lumpur. On Wednesday, the SES sent the ball back to the Malaysian court saying that the offer by Singaporean Akhbar Khan Mohamed Khan to buy the securities in CLOB were inadequate.

The exchange described the offer from Akbar Khan for some S\$4.7 billion (RM10.5 billion) worth of frozen Malaysian stocks were short of accepted standards.

Last Friday, Akhbar Khan had submitted the proposal through Effective Capital Sdn Bhd to buy the shares at an approximate premium of 45 per cent to the last traded price of the securities on Sept 15.

Trading of selected Malaysian shares on CLOB ended on Sept 15 last year after Malaysia imposed selective capital controls. About 172,000 CLOB accounts valued at about RM10 billion were hit by the freeze and had been untradable since.

Abdullah said: "For us, the CLOB issue is an important one although at present the initiative is from the private sector and not a Government one."

Prime Minister Datuk Seri Dr Mahathir Mohamad had said the Government was also studying several proposals to resolve the issue.

Asked whether there would be a compromise on the matter with the Singaporean authorities, Abdullah said:

"I can't say whether we should compromise...what is important is for the issue to be resolved."

Asked whether there were any other proposals submitted to the relevant parties on the matter, Abdullah said he was not aware as the matter came under the jurisdiction of the Finance Ministry.

Meanwhile, Effective Capital yesterday responded to the SES statement by saying that the cash offer made by the company was "fair from the private sector's point of view".

Amanah Merchant Bank Bhd chief executive T. Jeyaratnam, which is Effective Capital's corporate adviser on the exercise, said:

"It is a private sector initiative...so one has to look at it in the same context; willing buyer, willing seller basis.

"Here is a willing buyer (Effective Capital). So now, it is for the willing seller to agree to the terms," Jeyaratnam told reporters after Amanah Capital Partners Bhd's extraordinary general meeting in Kuala Lumpur.

Nevertheless, Jeyaratnam said Effective Capital would evaluate the SES'

statement before deciding on the next course of action with regards to its offer.

Jeyaratnam said Effective Capital at this point of time had to evaluate what had been put forward by the SES, and that it would take some time before any decision could be made.

"You cannot make an irrational decision. Even the SES took one week to come back. It takes time to evaluate it. This is a big project, you just cannot make an overnight decision."

He added: "I am sure Effective Capital will put up an explanation to all this, to address it."

On Wednesday, the SES - in its first reaction to the CLOB issue - said the offer from Effective Capital for some S\$4.7 billion (RM10.5 billion) worth of frozen Malaysian securities were not adequate and short of accepted standards.

However, the exchange noted that it had no jurisdiction to judge because the shares were Malaysian.

"The offer, being a cash offer for Malaysian securities, does not need to comply with Singapore regulatory requirements," the SES said.

Effective Capital - which is controlled by Akhbar Khan - offered last Friday to buy the suspended Malaysian shares previously quoted on Singapore's CLOB International for RM5.8 billion cash.

The company had received conditional approvals from the Malaysian regulatory bodies including the Securities Commission, the KLSE, Bank Negara and the Foreign Investment Committee.

Since the offer was made known, Effective Capital and its chairman Akhbar Khan have received largely negative response from the Singapore media as well as Singaporean CLOB shareholders.

The Singaporean shareholders make up most of the 172,000 accounts of CLOB shares which are now held in the nominee account of Central Depository (Pte) Ltd.

Elaborating on Effective Capital's offer, Jeyaratnam said it should be looked from "a private sector's assessment of the full situation.

"It is not just buying one or two lots, but bulk lots. So he (Akhbar Khan) is taking a risk. He has to evaluate...and make a proposal.

"It's just like when you want to buy a house, you have certain parameters. Similarly to sellers, they have parameters.

"So buyers have to put forward a proposal," he said.

Asked on which party would have the final say on the CLOB issue, Jeyaratnam said:

"At the end of the day, I don't know who has the final power.

"It is an issue where all the relevant parties have to sit down to address it."

He stressed that the plus point of the reactions to the CLOB issue was the initiative to settle the problem.

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