New firm, Deutsche Bank make CLOB offer

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New plan receives cool reception from Singapore investors

KUALA LUMPUR: A former aide to second prime minister Tun Abdul Razak has teamed up with Deutsche Bank AG in the latest offer to break a 17-month deadlock over shares formerly traded over-the-counter in Singapore.

Khalil Akasah, head of a new Malaysian company called Continental Edge Sdn Bhd, is offering to dispose of some RM16.34 billion worth of shares formerly traded on Singapore's Central Limit Order Book (CLOB) market over 12 months.

Deutsche Bank would be financial adviser and also cover the cost of purchasing the securities, which would run as high as RM1.5 billion if all the stocks were tendered,. a banking executive familiar with the offer said.

But initial reaction from Singapore investors to the plan was cool.

CLOB shares were frozen after Malaysia imposed capital controls in September 1998.

Aside from Continental Edge, there had been six offers to break the impasse, but none has won the approval of the 172,000 investors, mostly Singaporeans, and authorities in both countries.

Continental Edge general manager Mohamed Ali said the firm would pay CLOB investors between zero and 15% of the value of their shares, sell the stock and then return most of the proceeds to the investors.

"It's a cash offer that is attractive because the price would be very close to the market," he told Reuters. "It's clean."

CLOB securities would be placed into four categories, ranked by risk and market liquidity. Continental Edge would keep between 3.5% and 10% of the sales proceeds, depending on the category of shares, Mohamed said.

The bank executive said the average cost for Continental Edge would be 7% to 8% of the shares' value.

If all of the RM16.34 billion in shares were tendered, Continental Edge would have to pay out no more than RM1.52 billion, the executive said.

Continental Edge said CLOB investors would be protected from any sharp drop in prices on the Kuala Lumpur Stock Exchange (KLSE).

"Floor price protection prevents Continental Edge from selling the securities at a significant discount so that investors receive a fair price for their stock," it said.

"The total consideration to be paid to the investors will, therefore, depend primarily on the performance of the KLSE during the 12-month sell-down period."

But in Singapore, the Securities Investors Association (Singapore) (SIAS) said the new plan was not comprehensive and was unsatisfactory.

SIAS said the wording, time and terms of payment, and a lack of official endorsement were among problems with the offer.

"SIAS wishes to emphasise again that (the) majority of CLOB investors are not interested to sell their shares to a private company at a discount and with delayed payment," David Gerald, president of SIAS, said in a statement.

"This offer requires CLOB investors to wait as long as 18 months and involves purchasing the securities at a discount."

Continental Edge said it had consulted with Singapore's Central Depository (Pte) Ltd (CDP) and Malaysian authorities on its offer, which closes on Feb 28.

Continental Edge was formed in October and has a paid-up capital of RM20 which would be raised to RM1 million upon approval of its offer by Malaysian authorities, Mohamed said.

Khalil, 58, was an assistant to Razak and later served in the Foreign Ministry and as executive secretary to Umno and the Barisan Nasional.

In December, Malaysia extended the CDP's nominee status by six months until the end of June.

Singapore Prime Minister Goh Chok Tong said on Jan 10 that his country would take the issue to the World Trade Organisation (WTO) if no solution could be reached bilaterally.

But his Malaysian counterpart, Datuk Seri Dr Mahathir Mohamad, said the row had nothing to do with the WTO. -Reuters