

23 JUL 2001

UEM-Takeover

DANASAHAM SERVES TAKEOVER NOTICE ON UEM

KUALA LUMPUR, July 23 (Bernama) -- Khazanah Nasional Bhd, the government's investment arm, is offering to buy the remaining shares and warrants of United Engineers (Malaysia) Bhd (UEM) which it does not already own at RM4.50 per share cash and 40 sen per warrant cash, respectively.

Khazanah already owns 1.773 million 50 sen ordinary shares in UEM or 0.22 per cent of the issued and paid-up capital of UEM and 1,151,600 warrants representing about 1.16 per cent of the UEM warrants.

Through its wholly-owned Syarikat Danasaham Sdn Bhd, a special purpose investment vehicle, Khazanah Nasional today served a notice of conditional voluntary offer to the board of directors of UEM.

Announcing this on behalf of Danasaham, Aseambankers Malaysia Bhd said the company has offered for the remaining 815,303,483 shares of 50 sen each, representing about 99.78 per cent of the issued and fully paid-up capital of UEM as at April 19, 2001.

Danasaham also offered to take over 98,053,203 warrants representing 98.84 per cent of the warrants in UEM and all new ordinary shares of 50 sen each in UEM that may be issued pursuant to the exercise of any offer warrants in UEM.

Aseambankers said that it is Danasaham's intention to delist UEM from the Kuala Lumpur Stock Exchange pursuant to the successful completion of the voluntary offer.

To delist UEM, a giant infrastructure group, Khazanah needs to have at least 90 per cent control of the former.

Analysts believe that Khazanah will not face much resistance to meet this ceiling because Renong which controls 37.92 per cent and the Employees Provident Fund (EPF) are said to be willing to accept the offer.

The EPF and other government-linked agencies are estimated to own 13 per cent of UEM.

An analyst said with Danasaham firmly stressing that it would not revise the offer, investors would have their hands tied and accept the RM4.50 price.

"The government has limited funds and has indicated that the offer to be a take it or leave it thing.

"While the market was expecting a RM6 offer, investors now have to contend with just cutting their losses," he said.

A fund manager meanwhile said the offer had raised a lot of question marks surrounding the UEM-Renong group. They include whether the government will stay firm on Halim Saad's put option obligation, when the government will take over Renong and even whether the government will take over other troubled corporate groups.

There were so many unanswered questions and details from the offer were not sufficient, he added.

Meanwhile, Khazanah is scheduled to hold a news conference this afternoon to brief on its latest move.

Halim, formerly UEM's executive vice chairman, in 1998 committed a RM3.2 billion put option to buy 32 per cent of Renong's paid-up capital from UEM. A controlling shareholder of Renong, he has only paid RM100 million as the first instalment of the put option.

Renong, which is saddled with RM13 billion in debt, has interests in construction, highways, hotels, banking and property development.

"If Khazanah is firm in asking Halim to honour the option, the market

will not deem the takeover of UEM as a bailout exercise.

"As long as the market sees that the government is abiding by corporate governance in the deal, then that should be alright," said a dealer.

He also said that UEM's takeover might be a prelude to the government's taking over of Renong as hinted by Prime Minister Datuk Seri Dr Mahathir Mohamad last week. "We are quite surprised that the government is taking over UEM and not Renong initially. Maybe Renong's problem is too complicated, too messy. Maybe the government is doing it stage by stage," he added.

UEM and Renong shares have been suspended since July 18 pending the takeover announcement and was last quoted at RM3.56 and 80.5 sen respectively.

-- BERNAMA

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