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YEARENDER-CORPORATE RESTRUCTURING

MANY CORPORATE MANOEUVRES IN 2001 TO CAPITALISE ON ECONOMIC UPSWING

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KUALA LUMPUR, Dec 31 (Bernama) -- The local corporate sector experienced a volatile ride in 2001 amidst massive across-the-board restructuring exercises manoeuvred to capitalise on the expected US-led economic upswing in the second half of 2002.

The various measures demonstrated the authorities' determination to see a and healthy and dynamic local corporate sector with good corporate governance in place.

Debts were restructured, resources and earnings were trimmed and corporate management were reconfigured during the merger and acquisition programmes of many big and small public companies.

But many of the corporate restructuring and clean-ups following the 1997 financial crisis were somewhat impeded by the terrorist attacks in the United States on Sept 11.

At the same time, the government had to amplify its intervention in the corporate sector by loosening tight requirements designed to put corporate managers back on their toes and returning their companies to profitability.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also Finance Minister, included in his 2002 Budget 2002 an extension up to Dec 31, 2002 for listed companies with unsatisfactory financial position to comply with the KLSE Listing Requirements.

There was also an extension up to Dec 31, 2002 for listed companies to comply with the minimum issued and paid-up capital requirements of RM60 million and RM40 million for Main Board and Second Board companies respectively.

Conditions for restructuring distressed public listed companies and allowing them to inject quality investment properties with stable income were also relaxed.

Currently 44 companies face the risk of delisting as they have yet to take the necessary action to regularise their financial positions as stipulated under the new KLSE Listing Requirements. They include Abrar Corporation Bhd, Actacorp Holdings Bhd, Arus Murni Corporation Bhd, Associated Kaolin Industries Bhd, Autoways Holdings Bhd, Berjantai Tin Dredging Bhd, Bescorp Industries Bhd, Bridgecon Holdings Bhd, Chase Perdana Bhd and Construction and Supplies House Bhd.

Others in the same boat are CSM Corporation Bhd, Dewina Bhd, Emico Holdings Bhd, Esprit Group Bhd, Geahin Engineering Bhd, Hai Ming Holdings Bhd, Jasatera Bhd, Kemayan Corporation Bhd, Kiara Emas Asia Industries Bhd, Kuala Lumpur Industries Holdings Bhd, Malaysian General Investment Corporation Bhd, MBf Capital Bhd and Measurex Corporation Bhd are also in the list.

The rest of the financially distressed companies are MGR Corporation Bhd, Nauticalink Bhd, NCK Corporation Bhd, Omega Holdings Bhd, Parit Perak Holdings Bhd, Penas Corporation, Promet Bhd, Rekapacific Bhd, Repco Holdings Bhd, Seloga Holdings Bhd, Seng Hup Corporation Bhd, Southern Plastic Holdings Bhd, Techno Asia Holdings Bhd, The North Borneo Corporation Bhd, Timbermaster Industries Bhd, Transwater Corporation Bhd, Uniphoenix Corporation Bhd, United Chemical Industries Bhd, Wing Tiek Holdings Bhd, Woo Hing Brothers (Malaya) Bhd and Zaitun Bhd.

The Corporate Debt Restructuring Committee (CDRC) and asset management agency Danaharta Nasional Bhd are now better equipped to deal with corporate revival efforts. In August 2001, CDRC issued a 12-month deadline

for companies to settle RM29 billion of debt under its purview, beginning with a three-month period for banks and corporations to finalise their resolution plans.

One of the attention-grabbing developments in 2001 was the restructuring plans of United Engineers (M) Bhd. Just before the year ended, it had to bite the bullet and announced that it would cut the debts in Projek Lebuhraya Utara-Selatan Bhd (PLUS), create five core business groups and a corporate development unit (CDU), and divest non-core businesses.

The core businesses are expressways, engineering & construction, environmental services, healthcare and property. The CDU, will cultivate businesses with long-term potential.

UEM wants to sell Cement Industries of Malaysia Bhd, Ho Hup Construction Company Bhd, Project Usahasama Transit Ringan Automatik Sdn Bhd (PUTRA), Commerce Asset-Holdings Bhd, Crest Petroleum and Park May.

It also intends to list PLUS on the Main Board of the Kuala Lumpur Stock Exchange (KLSE) in mid-2002. All these moves is expected to help UEM return to profitability in mid-2002 after its divestments and the listing of PLUS.

At the end of November 2001, CDRC announced the successful completion of the first phase of a debt restructuring scheme for Sistem Transit Aliran Ringan Sdn Bhd (STAR) and Projek Usahasama Transit Ringan Automatik Sdn Bhd (PUTRA).

The first phase involved outstanding debts of approximately RM5.5 billion. The restructuring involved the purchase of the rights of the STAR and PUTRA lenders with respect to the loans granted to these companies by Syarikat Prasarana Negara Bhd (SPNB), a wholly-owned subsidiary of the Minister of Finance Inc.

The outstanding loans stood at approximately RM5.7 billion as at Nov 29, 2001. The purchase consideration will be satisfied via the issuance of RM5.468 billion fixed rate serial bonds by SPNB guaranteed by the government to the respective STAR and PUTRA lenders.

The bonds are in four tranches. The first is a five-year tenure amounting to RM546.815 million at a coupon rate of 4.00 per annum while the second tranche is a seven-year bond of RM820.223 million at 4.55 percent per annum.

The third tranche is a 10-year bond of RM2.187 billion at 4.85 percent per annum and the fourth tranche of RM1.913 billion has 15-year tenure with a coupon rate of 5.40 percent per annum.

Another Renong unit, Time Engineering Bhd, is continuing talks with creditors on bond repayments after the group failed to repay \$162 million demanded by bondholders earlier this month. The failure to pay meant that bondholders could pursue foreclosure on assets pledged against the bonds.

Time Engineering issued US\$250 million in U.S. dollar-denominated bonds in 1996 and restructured the bonds in 1999 to be redeemed in three tranches this year.

After redeeming the first tranche in February, Time missed a US\$82.3 million payment on the second tranche due on Aug 3. The company later made a partial redemption payment of US\$5 million, but failed to pay US\$84.8 million due on Dec 5 for redemption of the third tranche.

Malaysian Resources Corporation Bhd (MRCB) also made the headlines. It revealed on Oct 8 a debt restructuring and corporate revamp plan to address debts of RM567 million owed by it and RM714 million by Sistem Televisyen Malaysia Bhd (TV3), a company subsidiary.

The plans would allow MRCB to spin-off its core media businesses via a de-merger that will see the creation of a new company (Newco). The debt plan, pending creditors' approval in early 2002, is scheduled for

completion by end-July 2002.

It will be implemented in four stages and involves a share swap and the issue of 125 million bonds attached with 115 million detached warrants, 182 million irredeemable convertible unsecured loan stocks (Iculs) and 508 million RM 1.10 Newco shares. A sum of RM184 million in cash will be raised.

Upon completion, MRCB will focus on construction, power generation and property development. The Newco would end up with a 100 percent stake in a debt-free TV3, a 43.5 percent stake in NSTP and MRCB's multimedia and IT businesses. Presently, MRCB has a 49.7 percent stake in TV3 and a 43.5 percent share in NSTP. -- BERNAMA

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