

Khazanah confirms Proton sale to Syed Mokhtar's DRB-Hicom
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KUALA LUMPUR, Jan 16 — Tycoon Tan Sri Syed Mokhtar Al-Bukhary will be allowed to take full control of Proton through a mandatory general offer after Khazanah Nasional Berhad announced today the sale of its 42.7 per cent stake in the national carmaker to DRB-Hicom for RM1.3 billion.

In a statement today, Khazanah said its stake would be sold to DRB-Hicom for RM5.50 per share or RM1.291 billion, subject to approval of the latter's shareholders.

"Upon completion of the sale and purchase agreement, DRB-HICOM will be obliged to undertake a mandatory general offer on the remaining PROTON shares," Khazanah said.

Khazanah managing director Tan Sri Azman Mokhtar called the sale a significant milestone in moves to place government-linked companies (GLCs) on a more competitive footing.

Proton share's closed at RM5.18 per share last Friday, giving its market capitalisation at a whopping RM2.8 billion.

The frontrunners in the bid for the carmaker were Proton chairman Datuk Seri Mohd Nadzmi Mohd Salleh and DRB-Hicom while others said to be keen included the Naza Group and the joint team of businessman Sri Arumugam Apavoo Packiri and Gerald Lopez of Genii Capital. UMW Holdings Bhd, Sime Darby Bhd and Tan Chong Motor Holdings Bhd have denied any interest in Proton after being linked to it.

Proton has struggled to grow its share in an increasingly competitive domestic market and had sought to tie up with a global car maker to boost sales.

The government had earlier been in discussions for Proton to form a partnership with several car makers including Volkswagen, but talks fell through.

News reports had earlier quoted Proton adviser Tun Dr Mahathir Mohamad as saying Khazanah Nasional will sell its 42.7 per cent stake in Proton to DRB-Hicom. He had also said he was against a general offer for all shares if DRB-Hicom won the bid.

The architect of the national car project which he started in the early 1980s soon after taking over as premier, Dr Mahathir has worked steadfastly to keep Proton's identity from being subsumed by ensuring locals control the company.

He was strongly opposed to Khazanah disposing of its stake to the Germans in 2007 even though the deal would have helped Proton expand its network and better utilise its under-used plants since Volkswagen intended to export its vehicles to Asean.

Proton's net tangible asset per share is about RM9.80. But its shares have long underperformed because of its hazy earnings outlook as well as high expenses incurred in

reversing the fortunes of its UK subsidiary Lotus International.

In the domestic market Proton has lost the lead to the other national car player, Perodua; at the same time foreign vehicle brands are taking greater market share in a more liberalised environment.

Khazanah said today that it had received many proposals for its stake over the last five years, but after a thorough assessment DRB-Hicom had been identified as the appropriate party to take over Proton.

The sale of Proton to DRB-Hicom could, however, add to misgivings within corporate circles that Syed Mokhtar's business empire already extends too far. Besides automotives, the well-connected tycoon owns interests in ports, the postal service, power, defence and financial services.

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