MINORITY SHAREHOLDER WATCHDOG GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)

The Star, StarBiz – Tuesday, 8 February, 2011 (C)

Takeover rules changes lauded

They bring certainty and clarity to the market, says banker

By **RISEN JAYASEELAN**
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PETALING JAYA: The recent changes to takeover rules involving the assets and liabilities method have attracted positive responses from various quarters, including investment bankers.

One banker from a foreign investment house said that the changes had brought about a much needed alignment of the rules governing takeovers. "It brings certainty and clarity to the market, which is always good," he said.

That view is echoed by AmBank Group corporate and institutional banking managing director Pushpa Rajadurai.

"In the past, there were certain transactions that used a simple majority of shareholders to approve the deals. There was uncertainty in the marketplace as to whether the regulators would sanction or impose certain conditions on such deals.

Pushpa Rajadurai ... 'The regulator should be applauded for making this holistic change.'

"Now that the regulator has stepped in and raised the approval bar, the assets and liabilities route can be used with more certainty by any party – whether a foreign party or private equity fund – to undertake a buyout of a listed company," she said.

> **»It is a really good move for minority investor protection«**
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> MINORITY SHAREHOLDER WATCHDOG GROUP'S RITA BENOY BUSHON

To recap, two weeks ago, the Securities Commission (SC) and Bursa Malaysia announced that companies seeking to take over a listed firm, by buying its assets, must get at least 75% of the target company's shareholder approval.

Previously, such deals needed the approval of just a simple majority of shareholders and this had been a controversial takeover route as it was deemed to be easier for takeovers to go through.

"The regulator should be applauded for making this holistic change that benefits the capital markets in general," Pushpa said.

Meanwhile, the chief executive officer of the Minority Shareholder Watchdog Group, Rita Benoy Bushon, who had long been fighting to raise the shareholder approval threshold, also applauded the move by the SC.

"The loophole has been plugged. Regardless of the takeover route, all these corporate exercises are now subject to the same minimum 75% shareholder approval level. It is a really good move for minority investor protection," Rita said.

AmBank's Pushpa also said that there would not be any significant

> TURN TO B4

Plantation and banking stocks lift market

By **JEEVA ARULAMPALAM**
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PETALING JAYA: The local stock market ended higher yesterday led by gains in plantation and banking stocks, as investors came back refreshed on the first trading day of the Lunar New Year.

The FTSE Bursa Malaysia KLCI (FBM KLCI) was up 3.78 points, or 0.25%, to 1,535.60 points yesterday, with gainers outnumbering losers by 567 to 287 while 240 counters were unchanged. A total 3.24 billion shares valued at RM2.62bil changed hands.

HwangDBS Vickers Research Sdn Bhd said in its daily report yesterday that the local benchmark index was poised to hop off to a positive start in the "Year of the Rabbit" and pull away from the resistance-turned-support level of 1,530; possibly climbing towards the resistance level of 1,550 next.

The research house added that big-cap stocks in the banking and plantation sectors were prime beneficiaries from the renewed buying interest yesterday, riding on the rising market momentum.

Interest was mainly in plantation stocks on the back of strong crude palm oil prices, with KL Kepong Bhd gaining RM1.10 to RM22.70, Sime Darby Bhd up four sen to RM9.33 and IOI Corp Bhd adding three sen to RM5.78. Among the banking stocks, Malayan Banking Bhd rose seven sen to RM8.80 and Public Bank Bhd gained two sen to RM13.46.

Other blue chips that gained yesterday include Axiata Group Bhd, Petronas Chemicals Group Bhd and Tenaga Nasional Bhd.

Gains seen on the local bourse was limited yesterday, dragged down by Genting Bhd, which shed 44 sen to RM10.90 after Citigroup Inc cut its revenue forecast for the

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Rule change may affect offerors' approach

> FROM BI

drop in the number and quantum of mergers and acquisitions (M&As) involving listed companies as a result of the rule change.

"First, it should be noted that the assets and liabilities method of takeovers does not even account for half of the total number of M&A deals last year.

"There are a number of other takeover methods used, including general offers under the Takeover Code, a scheme of arrangement under Section 176 of the Companies Act 1965 and a selective capital repayment under the Companies Act," she said.

(All other takeover methods require the support of at least 75% of shareholders of the target company. This is why the new rules are seen as a streamlining of takeover regulation.)

Pushpa said what was likely to happen, post the recent rule change, was not so much a drop in the number of deals, but rather, a change in the approach of offerors.

"Offerors using the assets and liabilities method would now have to pay closer attention to the structure, strategy and terms of their takeover offer.

"They now will have to pay closer attention to the list of stakeholders of the target company and look at the timing of their deal and the purpose of the takeover. All these factors will have a bearing on how the majority of shareholders of the target company will vote on the deal," she said.

Pushpa also said the directors of companies faced with a buyout offer for their assets, needed to be more proactive in ensuring that the offerors and their offers were credible.

"They (directors) must ensure that no uncertainty is created because the shares of companies which are subject to a takeover will usually continue to be traded.

"Directors need to take a holistic view, get proper and specialist advice if necessary and understand the implications of the offers being made. The regulators have done their part in streamlining the regulation of mergers and acquisitions. Now directors have to do their part," she said.

Aside from the low shareholder approval threshold issue of this takeover method, another problem has been concern that the route creates uncertainty in the market where bidders make an offer for the asset of a company, providing an indicative price, but then walk away from the deal for various reasons.