

## MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD  
(Incorporated in Malaysia - Company No.200001022382 (524989-M))

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# Calls for more scrutiny over UEM Sunrise-EcoWorld merger

*The proposed merger should consider the 'national interest at heart' instead of benefitting only the companies' owners and shareholders*

by AZREEN HANI



Any unfair elements from the deal will only result in the public losing faith and confidence in GLCs and firms involved, warns Ramon

By Mind Amin Nasional

THE proposed corporate merger between UEM Sunrise Bhd and Eco World Development Group Bhd needs rigorous scrutiny to ensure public's welfare is protected, or it will set a bad precedent for other mergers with government-linked companies (GLCs) in the future, experts said.

Economist Tan Sri Dr Ramon Navarathnam said the proposed merger should consider the "national interest at heart" instead of benefitting only the companies' owners and shareholders.

"The government should step in and scrutinise this deal in detail. Who is going to benefit the most from it? Is the exercise to benefit only the select few or the people in general?" he told *The Malaysian Reserve* (TMR) when contacted yesterday.

"If these factors are not taken into consideration, it will set a bad precedent and open up to a lot of possible lopsided arrangements in the future," he added.

Any unfair elements from the deal will only result in the public losing faith and confidence in GLCs and firms involved, the Asian Strategy & Leadership Institute chairman warned.

Another expert who spoke under

the condition of anonymity questioned whether UEM Sunrise, a wholly owned entity of Khazanah Nasional Bhd, will have a majority shareholding control should the merger materialise.

"We also need to look whether Khazanah will get any monetary benefit from the merger. From the looks of it, it seems that the company will have to absorb EcoWorld's debts," the analyst said.

"This merger, if it happens, will be seen as just another bailout. But at whose expense?"

Last week, Malaysian Rating Corp Bhd said a proposed merger between UEM Sunrise and EcoWorld could impact the credit profile of the enlarged UEM Sunrise group.

"Based on the merger proposal, our preliminary calculations indicate that its leverage position as reflected by the debt-to-equity ratio could elevate to about 0.90 time from a moderate 0.56 time as at end-June 2020," it said in a statement last Thursday.

A property valuer also told TMR recently that the merger should be conducted in a transparent manner, with the price arrived at on a willing buyer-willing seller basis.

Additionally, leaders at both sides of the political divide have questioned the need for a merger to take place as it involves taxpayers' money and Bumiputera landbanks.

Lembah Pantai MP Fahmi Fadzil said yesterday that the government, through Khazanah, should not rush in making a decision and reconsider the viability of the merger.

He pointed out that EcoWorld's

shares have dropped to 0.39 sen from RM1.40 five years ago, raising concerns on the firm's portfolio as well.

Federal Territories Umno Youth chief Mohamed Nizam Abdullah Hamdi urged the government to justify the possible merger, stressing that UEM Sunrise has huge landbanks and most of these landbanks are concentrated in Bumiputera areas.

"Will these interests still be protected?" he asked in a recent statement.

The merger talk has also become one of the controversial propositions under the ruling of Perikatan Nasional (PN) as UEM Sunrise is 66.1%-owned by Khazanah, via UEM Group Bhd.

Former Deputy Housing Minister Datuk Raja Kamarul Bahrin Shah Raja Ahmad urged the PN government and Khazanah to study the need to continue with the proposal, saying that it is seen as detrimental to both entities.

UEM Sunrise's shares ended 2.63% or one sen higher at 0.39 sen, giving the company a market capitalisation of RM1.77 billion last Friday.

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## Leadership changes at GLCs continue

by FARA AISYAH

TWO of UEM Sunrise Bhd's board members resigned last week as the company is undergoing a leadership shake-up following its proposed merger with Eco World Development Group Bhd (EcoWorld).

Last Wednesday, its independent and non-ED Subimal Sen Gupta Sen resigned due to "personal reasons".

Two days later, UEM Sunrise MD and CEO Anwar Syahrin Abdul Ajiib gave notice of his resignation "to pursue other opportunities".

The board said it will deliberate on the effective date of his resignation.

"In the meantime, a transition plan will be executed for smooth handover of his responsibilities to ensure continued management of UEM Sunrise's business and operations," UEM Sunrise said in a filing.

The departure of the two board members also fuels speculation that there could be an internal opposition to the merger proposal which many deem as "a bail out" for debt-laden EcoWorld.

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one of the controversial propositions under the ruling of Perikatan Nasional (PN) as UEM Sunrise is 66.1%-owned by Khazanah Nasional Bhd, via UEM Group Bhd.

Former Deputy Housing Minister Datuk Raja Kamarul Bahrin Shah Raja Ahmad urged the PN government and Khazanah to study the need to continue with the proposal.

"Many consider this merger to be detrimental to UEM Sunrise-Khazanah and more beneficial to EcoWorld.

"EcoWorld is also rumoured to be in control of this new company, while UEM Sunrise which is owned by Khazanah will have less power in determining the direction of the new company," he said in a statement.

On Oct 2, UEM Group submitted a letter to the respective boards of UEM Sunrise and EcoWorld proposing for each entity to consider and deliberate on a potential merger between the two companies.

The proposed merger will be carried out through share and warrant swap including the issuance of new ordinary shares in UEM Sunrise at



By Mind Amin Nasional

Anwar Syahrin gave notice of his resignation 'to pursue other opportunities' last Friday

an issue price of 44.3 sen per share to the holders of ordinary shares in EcoWorld in exchange for all the EcoWorld shares at a price of 46.9 sen per share.

UEM Group will remain the

single-largest shareholder of the enlarged UEM Sunrise with a 43% equity stake, while the substantial shareholders of EcoWorld will hold a 24.2% equity stake.

Government-linked companies

(GLCs) (including that of UEM Group) will hold a collective stake of more than 50%.

Another GLC, sugar manufacturer MSM Malaysia Holdings Bhd witnessed the appointment of Fakhruddin Othman as acting group CEO last Friday in a filing to the stock exchange.

The group's former CEO Datuk Khairil Anuar Aziz was axed after the sugar company's board found his clarification about an adjustment to write off inventories that amounted to RM36.6 million, unacceptable.

Khairil had been told to explain the inventory irregularities at MSM Sugar Refinery (Johor) Sdn Bhd.

Fakhruddin, who is also FGV Holdings Bhd's group investment officer, was appointed as interim MSM CEO when Khairil was placed on leave of absence. At the time of his appointment, Fakhruddin was also tasked to conduct a comprehensive review of the production recording and reporting system for MSM Johor.

Shares in MSM finished unchanged at 46.5 sen last Friday.