

# Southern Bank seeks transparency on AGH deal

**SOUTHERN** Bank Bhd is seeking transparency from Bank Negara Malaysia over its proposed acquisition of Singapore's Asia General Holdings (AGH), Southern Bank independent director Ian Buchanan said.

"We are asking the regulator to give the same degree of transparency as they asked from us," he said.

He added that Bank Negara did not give any reason for the rejection of Southern Bank's proposal to buy AGH.

Buchanan said the bank's board supports the proposed acquisition of AGH, pending clarification from Bank Negara.

"We support the deal, pending clarification from Bank Negara," he told reporters at a media briefing. Southern Bank's acting chair-



**BUCHANAN: Bank's board supports the proposed acquisition of AGH**

man Stephen Yeap, when reading out the rejection letter from Bank Negara, said that the central

bank would reconsider Southern Bank's acquisition of AGH if it involves only AGH's life insurance business.

Southern Bank's CEO Tan Toong Hean said the board has decided not to proceed with the extraordinary general meeting on the AGH deal for now but will bring a fresh resolution to shareholders if approval is obtained from the central bank.

Tan said that if Bank Negara reconsiders the proposal, Southern Bank may change the nature of the acquisition of AGH.

"While the resolution provided in the circular gives the board the discretion to make changes, the board believes it would be prudent for all shareholders to vote only on the specific proposal that arises from any regulatory

considerations," he added.

Bank Negara rejected Southern Bank's original proposal but has said it might reconsider the planned acquisition.

Tan said Southern Bank's board will meet to deliberate on the next course of action, pending clarification from Bank Negara.

Tan also said Southern Bank has over RM2 billion cash in hand and has a number of options.

He said that if the proposed AGH deal is not completed, the bank could grow its fast-growing core business organically.

Tan said the bank could use the cash to buy into a new business or buy back its shares and return cash to shareholders—or even sell the business. — Agencies

Malay Mail - 13 December 2005



## NEWS

From: Straits Times - Singapore

Date: December 13, 2005

The SBB board didn't seem happy with the central bank's decision either. While SBB's chief executive Tan Teong Hean confined himself to a mild 'It was unexpected', SBB independent director Ian Buchanan was more forthright.

'The decision to acquire Asia General took over a year after international financial and legal advice was sought,' he told reporters at a press conference after the extraordinary general meeting. 'It was also unanimously approved by the board. But it wasn't approved and no reasons were offered. So we want clarification. We hope to get from BNM the same degree of transparency it demands of others.'

The outcome of the meeting could also be interpreted as a victory of sorts for SBB's major shareholders who want to sell out to CIMB - former SBB chairman Syed Yusof Syed Nasir and the Sultan of Selangor, Sultan Sharafuddin Idris Shah.

The reason: two days before the EGM, certain 'concerned shareholders of SBB' took out full-page advertisements in all the major dailies calling on SBB shareholders to vote for an adjournment. The ad-takers, agreed most analysts, belonged to Syed Yusof's camp. But SBB's Mr Tan dismissed it as 'a coincidence.'

With nearly RM2 billion in cash now, SBB had four options going forward. According to Mr Tan, they were: continue to grow organically; look for other acquisitions; give back cash to shareholders, or, sell the business.

Would he sell the business?

'That would be up to the shareholders,' replied Mr Tan, 'but if the price is right, why not?'

Some shareholders voice displeasure with central bank for scuttling deal

IN what turned out to be an anti-climax, Southern Bank shareholders yesterday adjourned a controversial vote on the RM2.1 billion (S\$934 million) acquisition of Singapore insurer Asia General Holdings on the advice from SBB's board.

But some SBB minority shareholders openly expressed displeasure with Malaysia's central bank for scuttling the deal, people who attended the meeting told BT.

What had been billed as a defiant show of force by SBB minorities against the central bank and major shareholders who had wanted to sell the bank to investment bank CIMB turned out to be a no-show.

Ultimately, SBB's board appeared to back off from a confrontation with Malaysia's central bank (BNM) which had not approved the Asia General acquisition.

But in BNM's letter of December 6, SBB confirmed what BT had already reported: that the central bank would consider an alternative proposal which only involved purchasing Asia General's life insurance business.

During the extraordinary general meeting yesterday, SBB's board advised shareholders to adjourn the meeting. Among the reasons cited: the BNM rejection and the possibility that a new proposal could be put forward to shareholders.

Even so, people who had attended the meeting said that shareholders expressed their angst with the central bank for disapproving the deal. Indeed, they claimed that had the vote been carried out, it would have been carried easily.

# BUSINESS TIMES

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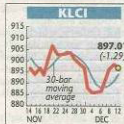
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Vol (m)	914.08	+30.07
HK	14,964.40	+73.89
Vol (USD)	16.08	+0.36
TOKYO	15,738.70	+34.65
Nikkei	1.61	-2.09
LONDON	5,517.40	+23.70
FTSE-100	1.69	-0.21
HALLST	240.00	+16.00
DAX	240.00	+16.00

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## Investors drawn to retail potential

### STARHILL

IN AN interview, managing director Tan Sri Francis Yeoh Sock Ping attributes interest in Starhill Real Estate Investment Trust to Malaysia's retail potential and support from iconic brands. **B2**

## Kulim raises QSR stake

KULIM (Malaysia) Bhd raised its stake in QSR Brands Bhd to 52.04 per cent when more than three million QSR shares were sold to it at the close of its mandatory general offer. **B2**

## More incentives for biodiesel

PRIME Minister Datuk Seri Abdullah Ahmad Badawi will announce several incentives for the biodiesel sector later this month. **B8**

## Matrade's biggest buyer-seller meet

### EABEX'05

MALAYSIA Trade Development Corp (Matrade) kicked off its biggest buyer and seller meet yesterday, matching some 500 foreign buyers with 543 Malaysian companies. **B24**

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# Southern Bank EGM adjourned



SEEKING REASONS: Buchanan conferring with Tan at the EGM yesterday

By ADELINE PAUL RAJ

SOUTHERN Bank Bhd (SBB) decided at a shareholders' meeting yesterday to abandon a vote on its proposed purchase of Singapore insurer Asia General Holdings Ltd (AGHL). It will instead seek reasons first as to why Bank Negara Malaysia rejected the proposal last week.

"Because there's absolutely no reason given for not approving this, we feel strongly — both for the shareholders of this bank and also for the future of corporate governance within Malaysia — that it is very crucial that we ask from the regulator, within the law, the same degree of transparency that they have asked from us," independent director Ian Buchanan said at a press conference after the meeting was adjourned.

He said Bank Negara's rejection was unexpected as the board had unanimously felt, as did its advisers, that the AGHL purchase would have been in SBB's best interest.

Industry observers pointed out, however, that the regulator is not required to state reasons when

Tan says if CIMB were to make a merger offer, the board would convey a recommendation to shareholders to accept or reject it, after which it would be up to them to decide.

rejecting a proposal, as is the practice elsewhere. SBB has nevertheless written to Bank Negara, hoping that the regulator will clarify the rationale behind its decision. Its next course of action will depend on the central bank's response.

"As soon as we hear from Bank Negara, we will go back to shareholders," said Buchanan. Meanwhile, chief executive officer Tan Sri Tan Teong Hean said the board is "actively considering" pursuing just the life insurance business of AGHL.

"This is because Bank Negara, in its rejection letter that was read out to the press and shareholders yesterday, said it may reconsider the bank's purchase of AGHL if it involved just the life insurance portion.

"(But) much also depends on the vendor — so there's a number of complexities that we need to work

on," said Tan. Bank Negara's decision to reject SBB's proposal to buy AGHL leaves the bank open to a takeover by bigger rival CIMB Bhd. The smaller bank has so far had two "very cordial" talks with CIMB on a possible merger.

Tan reiterated yesterday that SBB has a "tremendous" future as an independent bank with RM2 billion in cash reserves and a number of strategic options.

He said the bank could continue to grow organically based on its core strengths, or use the money either to buy another business or buy back more shares and return excess cash to shareholders.

"Alternatively, if someone makes us a very attractive offer and it's in the judgement of the board that (selling) will be the best thing to do, then the shareholders will decide," he said.

See B2, Col. 3

## Meeting 'orderly and professionally conducted'

By CHONG POOI KOON

SOUTHERN Bank Bhd's (SBB) shareholders described yesterday's meeting as orderly and professionally conducted, where serious questions were raised and answered to their satisfaction.

They were not disappointed that the extraordinary general meeting (EGM) was adjourned without voting for the purchase of Asia General Holdings Ltd (AGHL), but were rather "surprised" at the turn of events.

A shareholder who has held SBB shares for about 10 years said the meeting was intense, but there were "no personal conflicts or insults in any way".

"I have been attending company meetings since (the 1990s). There were more emotional arguments in those days. The event today was quite orderly, professional, but not very emotional," said Yong Yung Choy, a lawyer by profession.

"Most of us are happy with the results," Yong said, adding that the directors gave good, clear and transparent answers with sufficient information.

Minority Shareholder Watchdog Group (MSWG) chief executive officer Abdul Wahab Jaafar Sidek also said the EGM was well conducted.

"Whatever concerns shareholders have were addressed by the board," he told reporters in Kuala Lumpur yesterday.

"For me, after hearing from both sides, I think it was a fair decision (to adjourn the meeting on the AGHL deal)."

Most shareholders that Business Times spoke to also seemed supportive of SBB chief executive officer Tan Sri Tan Teong Hean and the purchase of AGHL.

They claimed to have owned shares in the company for many years, and were happy with the bank's performance, the decent dividend yield and quality management under Tan's stewardship.

Outside the meeting room, many shareholders expressed preference for SBB to stay as a niche bank and not to be merged with CIMB Bhd. The AGHL deal was also seen as a strategic fit with its long-term direction:

Shareholder Yong supports the

See B2, Col. 4