

# EON Cap takeover saga heats up

## Mulpha said to show interest in banking group

By ANITA GABRIEL  
anita@thestar.com.my

**PETALING JAYA:** In what is turning out to be a heated takeover battle involving EON Capital Bhd, it is believed that property group Mulpha International Bhd has written to Bank Negara to seek the green light to start talks to acquire a stake in the bank.

"Mulpha has, a few days ago, sought the central bank's permission to speak to EON's shareholders to buy a stake in the bank. The decision is pending," said a source.

Listed Mulpha International is led by executive chairman Lee Seng Huang, who as at April 2009, owns a 32% interest in the group with core businesses in real estate and property-related services in Malaysia, Singapore, Australia, Hong Kong and China.

While it may pique curiosity that the property group is interested in acquiring a stake in a financial institution, it is noteworthy that Lee is also the executive chairman of Hong Kong-listed Sun Hung Kai & Co Ltd, a non-bank financial institution focused on wealth management, broking, corporate finance and consumer finance.

Lee is a trustee of a discretionary trust which owns a controlling interest in Hong Kong-listed Allied Group Ltd, which is the ultimate holding company of Sun Hung Kai with a 70% stake.

"The interest in EON Cap could be related to Sun Hung Kai. That is a logical link," said a source. To be noted, under the Banking and Financial Institutions Act 1989 (Bafia), the single shareholder limit for financial institutions is 20%.



Executive chairman Lee Seng Huang owns 32% in Mulpha

It is not clear how Mulpha International plans to fund the acquisition as based on Hong Leong Bank Bhd's offer which works out to R7.10 per EON Cap share, a 20% stake would amount to some RM984mil.

For the nine months ended September 2009, the group made a loss of RM54mil from a profit of RM21mil in the previous year's corresponding period. It made a net loss of RM122mil in FY08. Mulpha has proposed a renounceable two-call rights issue which is expected to raise RM471.18 mil to repay debt and for working capital purposes.

"They don't need to get control. They may just be interested to buy up a stake of 20% from any one of the shareholders," said a source. The

sellers may not be that difficult to court (everything has a price) considering that its existing substantial shareholders Tan Sri Tiong Hiew King, Rin Kei Mei and Khazanah Nasional Bhd are interested to part with their stakes.

"The issue here is ultimately about pricing ... but it's also hard to escape the moral obligation of ensuring that the buyer can also add further value to the banking group," said an observer.

One of Sun Hung Kai's non-executive directors is Ming Cheng, who is managing director of Hong Kong-based financial services holding company Primus Financial Holdings Ltd.

Ng Wing Fai, non-independent

director of EON Capital, is the managing director and founding partner of Hong Kong private equity firm Primus Pacific Partners. (Primus Pacific owns a 20.2% interest in EON Cap which it acquired back in 2008 at RM9.55 per share.

It is widely known that Primus Pacific and the other two shareholders, Tiong and Rin, have had some major disagreements, which has made EON Cap a takeover target).

Given this latest development, market observers expect the takeover saga to get more intense. That the board of EON Capital is keeping its options open is evident and was openly reflected in its application dated Jan 19 to the central bank to seek approval to "commence negotiations with third parties".

Still, as it stands now, there is only one offer on the table which is from Tan Sri Quek Leng Chan-controlled Hong Leong Bank to acquire the entire assets and liabilities of EON Capital for RM4.92bil cash, which EON Cap has up until Thursday to respond, after which the offer will lapse.

An indication of EON Capital's stand on the offer was revealed on Monday when the board issued a statement describing Hong Leong's offer as significantly undervaluing the company.

"The board is evaluating this approach but on the face of it, the offer price significantly undervalues EON Cap," said chairman Tan Sri Syed Anwar Jamalullail, adding that the board would "also consider all alternatives open to us to fulfil our

> **TURN TO B3**

● **EON Cap exposed by fragmented shareholding — B2**

# EON Cap board may seek extension to HLB offer

> FROM BI

responsibility to shareholders" and that its financial advisers have indicated that there are other interested parties. (Ethos & Company and Goldman Sachs are EON Cap's local and international advisers for this deal.) There is expectation that come Thursday, EON Cap's board may decide to seek an extension to evaluate Hong Leong's offer.

"There are three possibilities - the board can say yes, no or the third is that it could seek an extension. The terms imposed by Hong Leong at the moment seem somewhat onerous.

"If the board can seek an extension to make the decision and buy themselves more time, that may be the preferred route," said a source.

But will Hong Leong hold out longer? Another thing that will be keenly awaited is whether or not the central bank will give the nod for Mulpha International to start talks with EON Cap shareholders for a potential acquisition.

If the central bank's swift reply to allow EON Cap to start talks with Hong Leong is anything to go by (it reverted within a day), then it may not take long at all.



Tan Sri Quek Leng Chan