

PM puzzled by probe into MUI's acquisition

By Alex Choong and
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PRIME Minister Datuk Seri Dr Mahathir Mohamad said he did not know why the Hong Kong Government should investigate Malayan United Industries Bhd's proposed purchase of 15.1 per cent stake in the South China Morning Post (Holdings) Ltd.

"It's a free market ... the shares are for sale and anybody should be able to buy," he said yesterday when asked to comment on a Reuters report that Hong Kong's Securities and Futures Commission watchdog would examine the sale of the SCMP stake to MUI.

A spokesman had said the Commission would examine the transaction to see whether an inquiry was warranted.

The Hong Kong market was speculating on whether the purchase complied with

the colony's takeover and mergers code.

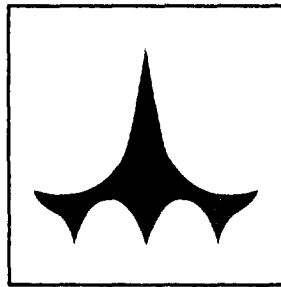
This is probably fuelled by the fact that together with tycoon Robert Kuok's 34.9 per cent stake, Malaysian interest in the Hong Kong-listed publisher is now 50 per cent.

Under Hong Kong's takeover and mergers code, a 35 per cent stake will trigger a takeover requiring a general offer for the rest of the shares to be made.

The Prime Minister said: "Unless the Hong Kong Government wants to control... but they say they do not want to control.

"If they do not want to control, why are they interested to know who owns the shares?"

Analysts and investors in Kuala Lumpur meanwhile reacted favourably to MUI's HK\$1.04 billion (about RM361.6 million) purchase of the remaining stake Rupert Murdoch's News Corporation Ltd has in the 90-year



old publisher of Hong Kong's leading English language daily.

Analysts described it as a good buy while investors chased the share price for it to chalk up double digit gains.

MUI shares ended the first day of resumption of trading following a four-day suspension up 48 sen to RM4.30. A total of 2,114 lots changed hands.

Investors' sentiment was buoyed by the acquisition as it also signalled that MUI — cash rich with RM1.1 billion

in its coffers from the sale of MUI Bank Bhd and MUI Finance Bhd — has hit the acquisition trail.

TA Securities Sdn Bhd research general manager Ang Kok Heng said the investing public was expecting more acquisitions by MUI.

Another prime factor that attracted interest in MUI shares is that this first acquisition since the disposal of the bank and finance company is a good investment, giving it a strong asset base.

South China Morning Post (Holdings) Ltd (SCMP) is a profitable company besides being a blue chip, added Ang.

Another research head with a Kuala Lumpur-based stockbroking company said MUI made a good purchase as opportunities in acquiring a substantial stake in a media group were rare.

Besides giving a high dividend yield, he said the pros-

pect for capital appreciation was there.

The gross return of investment is 8.5 per cent and MUI will take less than 12 years to recoup the money it has invested.

In addition, the investment is not at risk even though MUI, the flagship of Tan Sri Khoo Kay Peng, does not have management control. This is on account that the management is in the hands of Kuok, who is a close associate of Khoo.

However, one concern about the deal is that MUI might end up becoming an investment holding company rather than be involved in the operations of companies it acquired.

An analyst said: "If MUI continues to acquire other companies of this nature by not having management control, it will be just like a mutual fund.

"There's nothing wrong to be like a mutual fund but it is not exciting..."