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Talk of a price discount in KUB-MMC deal dismissed

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DEPUTY Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim yesterday dismissed suggestions that KUB Malaysia Bhd's proposed acquisition of a 32-per cent stake in Malaysia Mining Corp Bhd (MMC) may involve a price discount.

The acquisition will have to be based on proper valuation and according to market price, he said, adding, "unless it is sold at a discount or the price is not reasonable... I think there is no reason to question the deal."

Responding to questions from reporters after delivering a luncheon talk in Kuala Lumpur yesterday, Anwar said both Prime Minister Datuk Seri Dr Mahathir Mohamad and him had looked at the proposal and had "made it very clear to boards (of Permodalan Nasional Bhd and KUB) to make sure it is based on market price."

KUB had announced on Monday that it had entered into a memorandum of understanding with PNB to acquire the substantial equity interest in MMC, comprising 267.565 million ordinary shares of 10 sen each.

The company did not disclose any further information on the proposed acquisition or how the purchase would be financed. A detailed announcement would be released upon signing of the sale and purchase agreement between KUB and PNB, it said.

Meanwhile, asked if the Employees Provident Fund (EPF) had any plans to buy into North-South Expressway operator, Projek Lebuhraya Utara-Selatan Bhd (PLUS), Anwar said: "They (EPF) have not come to me."

"They (the EPF) may be looking at it based on their evaluation," he added.

PLUS is wholly-owned by infrastructure-based United Engineers (Malaysia) Bhd.

Analysts contacted yesterday said KUB can expect to benefit from the synergy to be derived from MMC's oil and gas activities.

"KUB will now have at its disposal MMC's expertise for its (KUB's) petrochemical project in Kelantan," one said.

The company has in effect laid the necessary groundwork for the RM2 billion joint venture project with Keloil Sdn Bhd at a 2,000ha site in Pantai Senok, he said.

Keloil, a subsidiary of the Kelantan Development Corp, is tasked with developing the state's petrochemical industry.

It was reported late last year that KUB had decided to shelve the project in view of the present economic problems.

However, Kelantan Deputy Menteri Besar Abdul Halim Abdul Rahman told the state assembly recently that the project has not been postponed, but that KUB was studying how best to reduce the import content of the project.

Once this had been determined, work on the project would be stepped up, he said.

KUB only last week entered into a deal to sell its entire equity stake of 30.01 per cent in Sime Bank Bhd to Rashid Hussain Bhd for RM670 million, to be paid for via an issue of 268 million RHB shares priced at RM2.50 each.

"KUB recognises that it has to look for another major profit contributor following the sale of its Sime Bank stake and MMC appears to fit the bill," the analyst said.

The bank had contributed as much as 60 per cent to KUB's pre-tax

profits.

Another analyst noted that through MMC, which is leading a consortium awarded a concession to build and manage the 360km East Coast Highway, KUB will also have the opportunity to step up its involvement in Kelantan's industrial development, which has lagged behind that of the other states.

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