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MAS shares trade lower despite asset sale reports

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MALAYSIAN Airline System Bhd's (MAS) shares traded lower at the Kuala Lumpur Stock Exchange (KLSE) yesterday despite reports that the national carrier is selling some assets to trim its debts and losses.

The share price dipped 28 sen to close at RM3.22, with 351,000 shares changing hands.

MAS' share price had increased by 86.2 per cent over the past six weeks to as high as RM3.50 on Monday from as low as RM1.88 on November 13 last year.

Analysts contacted said "uncertainties" surrounding the group's restructuring efforts could be part of the reasons to the shares losing its momentum yesterday.

"We also do not know what has driven the performance in the first place," commented a sectoral analyst based in Kuala Lumpur.

Agencies reported that MAS is selling its food-catering division, buildings located at the centre of Kuala Lumpur's golden triangle and operations complex at the Kuala Lumpur International Airport (KLIA) in Sepang.

MAS wholly owns MAS Catering Sdn Bhd which offers catering-related services, cabin handling and cleaning services. The subsidiary has a paid-up capital of RM78 million.

The catering services registered RM76.9 million loss for the financial year ended March 31 2001, which doubled the loss in the previous financial year.

The company owns 18 buildings, which form MAS campus at the KLIA with a net book value of RM932 million, and 36 office and workshop buildings which form MAS office complex at Sultan Abdul Aziz Shah Airport in Subang worth RM363.2 million.

MAS also has valuable properties such as land, office and residential buildings throughout Malaysia and other countries including Singapore, Hong Kong, UK, Australia, China and the Philippines.

Reports also have it that Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also the Finance Minister, had appointed his chief economic adviser Tan Sri Nor Mohamed Yakcop to quickly solve the airline's financial woes.

None of MAS officials contacted could confirm this.

The Finance Ministry, through investment arm the Minister of Finance Inc, is a major shareholder in MAS with 29.09 per cent equity.

Nor Mohamed's role in MAS, according to the Asian Wall Street Journal, is to speed up sales of its assets, spruce up its excessive workforce, and settle "squabbles" among MAS directors and senior managers.

Dr Mahathir was also quoted by national news agency Bernama as saying that several European airlines are interested to purchase some stakes in MAS, but the airline needs to be restructured first to give it a better value.

The national carrier is currently burdened with RM9.2 billion debts. Its accumulated losses stood at RM2.08 billion as at September 30 2001, against shareholders' funds of RM1.9 billion, which could result in the company being technically insolvent if it continues to register more losses.

"Equity fund-raising will be done in just a matter of time. The Government already owns more than 50 per cent stake in MAS.

"The issuance of new shares will see more being subscribed for by the

Government," an analyst said.

MAS posted a net loss of RM772.5 million in the six months to September, which almost doubled the RM391.4 million loss registered in the same period last year.

Total borrowings stood at RM9.2 billion, with US dollar loans making up 69.9 per cent of the total, followed by yen (17.4 per cent) and ringgit (9.7 per cent).

Group expenditure dropped marginally by 2.1 per cent to RM5.12 billion in the first half of the current financial year, but losses were deepened by the 6.2 per cent drop in turnover caused by slowing traffic volume, absence of exceptional items and lower gains from aircraft sales.

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