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Changes in the air?

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IT HAS BEEN 21 months since the regional currency crisis began in mid-1997, and corporate Malaysia is still seeing some dramatic changes in its landscape.

Never mind that the direction of change is uncertain or that some of the corporate restructuring exercises may be perceived to be hollow. But what remains tangible is that a few corporate big-wigs have bit the bullet, whether voluntarily or otherwise, and are now a much more sober lot. For example, the days when bankers used to beseech corporate chieftains to bolster their loans growth are over. The roles have reversed now.

More than two years ago, no one flinched at corporate deals or contracts worth a few hundred million ringgit. The newspapers were filled with takeovers and mega-projects worth billions. Among those who rode the wave were banker Tan Sri Rashid Hussain, Tan Sri Ting Pek Khiing, the silver-bearded tycoon Datuk Amin Shah, corporate player Datuk Soh Chee Wen and his one-time partner Ling Hee Liong. Ling, the son of Transport Minister Datuk Seri Ling Liong Sik, was viewed in awe as at the young age of 27, he had several listed companies worth RM1.28 billion under his belt.

Now, most of the financiers and corporate big-wigs are paying the price for their exuberance. 'Eight out of 10 tycoons are affected by the downturn,' says Hutson Teh, the research head at Sarawak Securities.

The more fortunate ones are still hanging on to their empire with some massive refurbishing jobs to patch up large cracks. For the less fortunate ones who over-extended their financial resources, the cracks are beyond repair. In short, their empires have collapsed.

The births of Pengurusan Danaharta Nasional Sdn Bhd, Danamodal Nasional Sdn Bhd and the Corporate Debt Restructuring Committee (CDRC) have escalated the tidying-up of corporate Malaysia.

Although there are numerous corporations undergoing restructuring, there are questions as to whether the corporate landscape is changing, and if it is, how drastically. Are any more tycoons going to fall from grace? Will there be any notable newcomers to the scene? 'It is a bit too premature to determine if the corporate landscape is changing,' says Teh, but adds that it will be more interesting to see which direction it moves towards.

K C Kok, the research head at PB Worldsec Securities, feels there has been no major changes to the corporate landscape so far. 'For instance, in the proposed takeover of the Multi-Purpose Holdings Bhd (MPHB) group of companies, Dr Chan (Chin Cheung) is not exactly a new personality to the corporate scene,' he says. Chan has received the go ahead from the Finance Ministry to negotiate for a controlling stake in the MPHB Group, a company controlled by Datuk Lim Thian Kiat. There are five listed companies under the MPHB stable, which historically has been associated with the MCA.

Notable among them are Magnum Corporation Bhd, the gaming counter with the most number of forecasting outlets, electricity supplier Sarawak Enterprise Corporation Bhd and an unlisted commercial bank under MPHB.

Although Chan, an ex-director of the Umno-linked Renong Bhd, is no newcomer to the corporate scene, what is more significant is the possible departure of Lim, a tycoon who build up a sprawling empire from his family-owned Kamunting Corporation Bhd in 1988. Apart from Chan, sources say Bolton Properties Bhd is also a likely contender for certain companies within the MPHB Group.

A favourite tune among critics is that Malaysia was using selective

capital controls to delay reforms in the corporate scene. But the departure of Lim and the probable break up of the MPHB Group - if it happens - will definitely be etched in the tombstones of Malaysian corporate history.

But a sceptic points out that Lim's possible departure is not really a good example of corporate reforms taking place. 'No doubt, Lim has his fair share of problems due to the crash of the stock market last year but it is manageable, considering the assets of the group. So, his departure could be seen as one that has come about more due to external factors and not because of the problems within the company.'

Of the changes taking place in Malaysia, perhaps the financial services sector is the one that has seen several significant events, and where corporate reforms are taking place.

The changes are tangible in at least six stockbroking companies and larger financial groups like Rashid Hussain Bhd, MBf Finance Bhd and the Arab-Malaysian Group. Danamodal has injected capital in all three financial groups and, in return, has a say in the running of operations. As for stockbroking companies, Danaharta has moved in and appointed special administrators.

The affable Tan Sri Azman Hashim, who nurtured the Arab-Malaysian Group into a complete financial supermarket, is one of those who have come to terms with reality. It now has four directors from Danamodal to help run the show. It may only be a matter of time before Azman relinquishes control of the group's financial-based operations.

Rashid, who paid the price for absorbing Kwong Yik Bank at a high price, lost the controlling stake in his group. His stake was reduced from 29.6 per cent to 17.5 per cent while the Pahang State Economic Development Corporation emerged as the single largest shareholder with 29 per cent. As for MBf, things have not looked up since the demise of Tan Sri Loy Hean Heong last December. Danamodal, with a capital injection of RM1.6 billion into MBf, has a 70 per cent control of the MBf Group's jewel. 'It will be interesting to see who takes over from Danamodal,' says Teh.

In the automobile and shipping sectors, the government-owned Petronas Bhd is emerging as a major player. Its president and chief executive Tan Sri Hassan Marican can be rest assured of having his hands full in the next few years. Petronas, after its acquisition of Malaysian International Shipping Corporation (MISC) and significant assets in Konsortium Perkapalan Bhd (KPB), has easily one of the biggest fleet of liquid cargo carriers in the region. This has dented KPB's Mirzan Mahathir's plans, who during good times had a vision of shaping his company into a complete logistics player.

As for the automobile industry, Petronas is set to take over the DRB-Hicom Group's interest in Perusahaan Otomobil Nasional Bhd (Proton) and its related companies. DRB-Hicom had flourished under the stewardship of the late Tan Sri Yahya Ahmad and his partner Tan Sri Saleh Sulong. During its peak, DRB-Hicom was easily the most complete land transportation group in the country. It controlled Proton and Edaran Otomobil Nasional Bhd, ventured into the manufacture of lorries and trucks and even had a 30 per cent stake in the consortium awarded the privatisation of Keretapi Tanah Melayu Bhd.

But now, after some six years since the group first mushroomed and the sudden demise of Yahya in March 1997 just before the currency crisis erupted, DRB-Hicom's breakup seems inevitable. Sources say the main reason which sparked Petronas's entry into Proton is that DRB-Hicom does not have enough financial resources to develop new models for its passenger vehicles division.

However, all will not be lost for DRB-Hicom. Saleh will still have

interests in the companies that are manufacturing the other national heavy vehicles like lorries and trucks. The group will also be in property development. There is no doubt that without its passenger vehicle operations, DRB-Hicom will lose its lustre.

In the manufacturing sector, one tycoon who has thrown in the towel in a national project is Tan Sri Teong Teck Leng, the chief executive of Kuala Lumpur Industries Bhd which controls Rahman Hydraulic Bhd. The company embarked on an ambitious project to produce national electrical appliances through a company called Malaysian Electrical Company (MEC). Khazanah Nasional took a 30 per cent stake in the company which set up its plant in Pahang.

The crisis has taken a toll on Teong who is being sued for bankruptcy. As for MEC, it is now under the eyes of special administrators appointed by Danaharta. It is learnt that Danaharta has approached another local electrical appliances manufacturer to take over the operations of MEC. Other notable corporate personalities who have or may be losing control of their listed vehicles are Datuk Suleiman Manan and Datuk Soh Chee Wen. Suleiman has sold his flagship Taiping Consolidated Bhd to YTL Corporation Bhd while Soh, who is under investigations by the Securities Commission, has agreed to sell Promet Bhd to Datuk Safuan Mat Shah. Whether the sale of Promet will get the necessary approval or not is uncertain, but what is obvious is that Soh, who also controls Kelanamas Industries Bhd and a few other listed companies, may lose part or his whole business empire.

Things are also not smooth sailing for Datuk Ishak Ismail of KFC Holdings (M) Bhd and Amin. Between them, both these corporate newsmakers control six listed companies and may lose some of them. Ishak's business empire is under scrutiny by the CDRC.

Industry sources say Amin's private vehicle, Business Focus Sdn Bhd, has approached the CDRC to facilitate its restructuring. Among his companies, Actacorp Bhd looks most vulnerable. However, Amin who two years ago announced that he was looking for 50 CEOs to helm his subsidiaries, is pinning his hopes on the RM5.35 billion Naval Dockyard project to help weather the storm.

Among the veteran industrialists, Tan Sri William Cheng of the Lion Group is also believed to be facing tough times this time around, mainly due to his RM2.2 billion flat steel plant in Banting. In a move to consolidate its operations, the Lion Group is selling its assets in China. It is learnt that some private assets belonging to Cheng have also been disposed, including the Menara Lion building in Kuala Lumpur.

Another industrialist, Datuk Abu Sahid Mohamed, who took over steelmaker Perwaja Steel Sdn Bhd has been going through a low-key tempo over the past two years. Abu Sahid took over Ip Muda Bhd and second board company Kai Peng Bhd in 1997 in a bid to build up his building materials network. However, his dreams have taken a dent with the downturn. A large portion of the loans to Perwaja is believed to have come from Bank Bumiputra Malaysia Bhd and it is not known if the loans have been taken over by Danaharta.

Other corporate figures who are affected by the downturn but consolidating their position in preparation for good times are Ting, Wan Azmi Wan Hamzah of Land & General Bhd, Datuk Joseph Chong and a few others.

Chong, who has appointed accounting firm Arthur Anderson to facilitate the restructuring process of his companies can find solace in Sabah Shipyard (Saship), a subsidiary of Westmont Industries Bhd. Saship has received overseas orders to construct power barges worth a few hundred million ringgit.

But while all these businessmen are generally cash-strapped, some seem to have no problem with cash or raising it. Newcomer Akhbar Khan Mohamed Khan, 58, the chairman of Tradium Corporation caused a stir in the local corporate scene when he offered to buy up all the shares frozen in the Central Limit Order Book at an average discount of 30 per cent. Besides Akhbar Khan, the players on the field are relatively the old set who are charting their plans on a new turf which was ravaged by the currency crisis. Strong entities like Petronas and YTL are expanding their wings at the expense of smaller ones. Chong Khuat Hock of Kleinwort Benson sums up the situation well: 'The good and stronger companies are gaining on their market share on a new playing field.'

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