

Halim unseated by PM

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Impression persists among some investors that the tycoon profited from favours

By T H Chan

KUALA LUMPUR: Halim Saad, chairman of the country's biggest debtor Renong Bhd, said three years ago that any government pressure for him to quit will be deemed as "interference in the private sector".

The cigar-chomping, New Zealand-trained accountant may have been tempting fate. A state investment arm yesterday offered RM3.7 billion to buy Renong shareholder, United Engineers Malaysia Bhd (UEM), wresting control from Halim.

The outcry Halim predicted has been absent. The local stock index rose 10% this month on speculation that Prime Minister Datuk Seri Dr Mahathir Mohamad will step in at Renong to help reduce the country's US\$8.7 billion (RM33.1 billion) in the overdue corporate debt and revive economic growth.

Halim's fortunes, which rose on favours Mahathir granted to promote the corporate aspirations of ethnic Malays, may decline from the loss of them.

Halim "is the last stumbling block that will pave the way for foreigners to start re-looking at Malaysia," said Sebastian Chang, head of research at Vickers Ballas (M) Sdn.

"The government is tightening corporate governance to punish and reward without fear or favour," he said.

Khazanah Nasional Bhd offered RM4.50 a share for UEM, a 26% premium to its share price

of RM3.56. It said it will delist UEM after the takeover, which will allow it a freer hand to sell assets. UEM owns 32.6% of Renong, more than Halim's 16.5%.

In 11 years, Halim built an empire of 13 publicly-traded companies worth RM17 billion in market value. It has interests in telecommunications, construction, hotels, banking, newspapers and oil and gas.

The pace of Renong's growth was the undoing of Halim, 47. Demand for its businesses slowed following an Asia-wide currency devaluations in 1997 and the group struggled to repay the RM20 billion debt.

Halim "was the icon of what went wrong in the go-go 90s of Malaysia until the financial crisis," said Lai Tak Heong, head of research at SG Research (M) Sdn. "There will be more checks and balances" over the distribution of plum state projects.

Halim - tall, boyish-looking and with a penchant for expensive suits - was born in Perlis and studied at the elite Malay College of Kuala Kangsar before getting his degree in commerce and administration at Victoria University in New Zealand.

He began his career in 1980, when he worked at Peremba Sdn, a government-owned property developer run by former finance minister Daim Zainuddin, then a lawyer and a confidante of Mahathir, who was then the deputy prime minister.

It was in 1981 when Mahathir became prime minister that Daim, who later became the rul-

ing party's treasurer, began shaping the party's business interests to break the dominance of the Chinese minority.

In 1985, Halim, then 32, took control of UEM, an ailing machine equipment supplier, which three years later won a contract to build a 462-km toll road snaking the length of Peninsular Malaysia.

The award was criticised by opposition leader Lim Kiat Siang, who alleged that UEM got the contract unfairly and corruptly. While Lim took UEM to court and lost, the impression that Halim profited from favours persists among some investors.

"The removal of Halim Saad means the government is signal-

ing that politically well-connected businessmen will no longer get special treatment," said Nik Azhar Abdullah, who helps manage RM1 billion at Commerce Asset Fund Managers.

Halim's star rose even higher in November 1990 when Renong, an unprofitable property developer, was picked as the vehicle to take over much of the assets owned by the ruling party, in a stock swap transaction worth RM1.2 billion. The assets included UEM. That plan saw Halim gain control of Renong.

Halim was heralded for completing key infrastructure projects on time, such as the national sports complex used during the 16th Commonwealth Games, a second link between Singapore and Malaysia, and the light rail transit, assets critical to the nation's development.

In 1994, Halim was the only Malaysian among 100 global leaders chosen by *Time* magazine as likely to "define the coming age".

He went on to do just that. Halim, who once said UEM did not even have enough chairs and tables for his staff to work at, was caught out when the Thai baht's plunge in July 1997 drove down currencies across the region.

The ringgit lost more than a third of its value in 12 months from July 1997 and overnight lending rates soared to 11% in early 1998, its highest in a decade, crimping demand for Renong's businesses and raising the burden of repaying debt.

Renong slipped to a loss of

RM781.5 million in fiscal 1998 and had its biggest loss of RM1.4 billion a year later.

In November 1997, UEM bought 32% in parent Renong for RM2.34 billion, which investors saw as a bailout for Halim and his associates. The move pushed the key stock index down 16% in four days.

Halim tried to appease UEM investors the following year by agreeing to buy 32% of Renong at a later date. This month he put off, for a second time, repaying part of the RM3.2 billion owed to UEM as part payment for the stake.

In February, the group's telecommunications unit, Time dotCom Bhd, had to rely on banks managing the sale to take three-quarters of the stocks in its RM1.89 billion initial share sale.

Prominent among the banks bailing out the sale was the arranger, Commerce International Merchant Bankers Bhd - part of the Renong group.

The demise in Halim's fortunes may be related to the resignation of his mentor, Daim, who resigned as finance minister in June. He did not disclose the reason but according to Mahathir, Daim was tired.

Halim's future now depends on whether he will be able to pay his debts, said Loke See Ooi, a research manager at Worldsec Securities Advisor Sdn Bhd.

"It'll be quite a sad ending for the flamboyant tycoon," he said. "It will be difficult for him to come back" into the corporate scene. - Bloomberg