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`No misuse of public funds in restructuring Renong Group'

Rosli Zakaria; Zuraimi Abdullah

PRIME Minister Datuk Seri Dr Mahathir Mohamad has given an assurance that the Government will not misuse public funds in restructuring the Renong Group to relieve its massive debt burden.

He also said the restructuring has nothing to do with the resignation of Tun Daim Zainuddin as Finance Minister last month.

"The process (of the restructuring) started much earlier. It has nothing to do with Tun Daim's resignation," he said. Dr Mahathir was asked if there was a guarantee the Employees Provident Fund would not be used in the restructuring of Renong Bhd and its stablemate United Engineers (Malaysia) Bhd.

"I do not know yet ... We have to wait. I still do not know what will happen," he told reporters after meeting the people in Pengkalan Kubor, near Tumpat, during his one-day visit to Kelantan yesterday.

Asked if the recent surge in the Kuala Lumpur Stock Exchange Composite Index was influenced by the anticipated restructuring of Renong and UEM, he responded: "How would I know? You are making all sorts of forecasts. These will affect the market."

On Thursday, Dr Mahathir had said he did not discount the possibility of the Government taking over the conglomerate which has Malaysia's largest corporate debt of RM13 billion.

He had said that the Government was looking for a solution to Renong's financial woes and a decision could be expected anytime soon.

Trading in the shares of both Renong and UEM have been suspended since Wednesday pending a major announcement on Monday.

Speculation centres on the creation of a special purpose vehicle to restructure the group, and talk is on which of the two - Renong or UEM - will be delisted.

The Government's investment arm Khazanah Nasional Bhd is tipped to form a multi-billion ringgit fund with a few investors for the takeover, with the money being recovered through the disposal of some of the conglomerate's assets.

Dr Mahathir gave an indication that delisting was a possibility when he remarked on Thursday that if one of the counters was removed from the stock market "it might do something to help the KLSE."

The anticipated takeover bid and revamp in overall are seen by many as the Government's big chance to redeem itself in the jaundiced eyes of foreign investors.

A foreign research house pointed out the move would send a strong signal the Government is serious about accelerating corporate reform, and other companies in similar circumstances would no longer be treated differently or preferentially.