

Man of the Moment

The restructuring of Malaysia Mining Corp. will create an integrated conglomerate with annual revenues in excess of 12 billion ringgit and 32,000 employees

Despite his growing clout and wealth, Syed Mokhtar is known for his frugal work ethic and low-key lifestyle. Unlike other high-profile ethnic Malay businessmen, whose tastes include expensively tailored suits, cigars and luxury cars, he favours slacks and collared T-shirts. He shuns fancy restaurants, preferring to sip tea in roadside cafes. An insomniac, he holds most of his meetings after 10 p.m. at his favourite restaurant, a small South Indian eatery which is a neighbour of a small ethnic Malay reggae bar on the outskirts of Kuala Lumpur. The **REVIEW**'s Leslie Lopez caught up with him at the Madras Café for an interview. Excerpts:

COULD YOU COMMENT ON YOUR RELATIONSHIP WITH MAHATHIR AND CRITICISMS ABOUT CRONYISM?

By the time I met the PM in early 1997, I was already a successful businessman. I respect him and he is our leader. But we have never abused the relationship. He gives us a fair hearing but there is no green lane with him.

WHAT IS YOUR CORPORATE GAME PLAN?

Malaysia Mining will be our flagship company and the whole group, our listed and unlisted businesses, will be restructured. We will expand in Johor [state] with our ports and other trans-

portation business such as air cargo. Gas distribution and energy will also be big contributors. There will be strong emphasis on social obligations. We have big education and medical projects for the poor and the Islamic museum which the Bukhary Foundation operates. The corporate side will help out.

WHAT'S YOUR NET WORTH?

I don't want to put a figure. But the group employs more than 32,000 people and had a combined turnover of 12 billion ringgit [\$3.16 billion] last year. Our assets-and-liability position is something that is very manageable.

COULD YOU COMMENT ON CONCERNS THAT A SHARP ECONOMIC SLOW-DOWN COULD EXPOSE YOU AND YOUR GROUP TO LARGE DEBTS, SIMILAR TO THOSE WHICH DOOMED OTHER MALAYSIAN TYCOONS DURING THE 1997 ECONOMIC CRISIS?

We have borrowings, but the loans are backed by strong assets. We had debt problems after the 1997 crisis, but we have managed to resolve most of them. The difference with our group is that our business, more than 70%, is with the private sector. Once our restructuring [at Malaysia Mining] is done we will be in a stronger position.



He also rejects comparisons with other Malaysian tycoons who feasted on government-awarded projects and licences during the 1990s economic boom before collapsing in the mid-1997 regional crisis. "We've done business for the last 30 years and it has been with direct dealings with the private sector. That gives us 3 strong foundation," he says, adding that his group survived the last economic crisis without bailouts from the government.

Mohamed Sidek Shaik Osman, the

chief executive of Syed Mokhtar's port operations and one of his most trusted lieutenants, says that the misconception about his boss is because he insists "on keeping too low a profile." He adds, "Most people only talk about Malaysia Mining and the port, but there is much more to his business empire."

To supporters and associates, Syed Mokhtar is a shrewd, self-made entrepreneur. Born to a family of tradesmen with roots in Bokhara in present-day

Uzbekistan, Syed Mokhtar had a tough childhood growing up in Prime Minister Mahathir's home state of Kedah. A son of a poor cattle trader, Syed Mokhtar helped his father with simple book-keeping for the family business, before venturing out on his own in 1973 to start a transport business with two ethnic Chinese businessmen, and then moving to rice trading.

In the late 1970s, he befriended Muhyiddin Yassin, a budding politi- ▶▶

cian from Mahathir's ruling political party Muhyiddin later became chief minister of Johor state, where Syed Mokhtar would build his fortune through land deals and state government-awarded projects.

An assiduous networker, Syed Mokhtar began forging links with other politicians such as Mahathir's former political protégé, Anwar Ibrahim, who held the powerful post of finance minister for much of the 1990s. Bankers and close associates say that these political ties turned Syed Mokhtar into a magnet of sorts for ethnic Chinese businessmen seeking ethnic Malay partners in business ventures.

For much of the 1990s, business associates say, Syed Mokhtar rode Malaysia's stockmarket boom, acquiring stakes in publicly listed companies before selling them for a profit. Companies he invested in include Mulpha International, Sriwani Holdings, Pilecon Engineering, Johor Tenggara Oil Palm, Bina Puri and Daiman.

Bankers say these stockmarket deals provided Syed Mokhtar the seed capital for his first big venture—the takeover of port operations in Johor. Beating two other bidders, he persuaded Mahathir's administration to give him exclusive rights to build a new port facility there, which he said would rival Singapore.

Construction of the port, called the Port of Tanjung Pelepas, began in late 1996. Then the Asian financial crisis struck, hitting equity prices hard. According to close associates, Syed Mokhtar saw the net worth of his holdings in listed Malaysian companies crash to 600 million ringgit from a high of roughly 3 billion ringgit. In one instance, shares worth nearly 400 million ringgit in Malaysia's top-selling newspaper, *The Star*, were forcibly sold by his bankers in 1998 when Syed Mokhtar failed to provide extra collateral on loans taken for stock purchases.

The businessman declined to comment on the figure, but says, "I've seen my wealth disappear." He adds that he's resolved "two-thirds" of his problems with

MMC WILL BECOME SYED MOKHTAR'S LISTED FLAGSHIP COMPANY THROUGH WHICH HE WILL MANAGE HIS COMPLEX WEB OF BUSINESS INTERESTS

his bankers over troubled loans arising from stock purchases. "The other one-third is being tackled and the problem is manageable," he says.

As his equity values came crashing down, Malaysian and foreign banks cut funding for his port project. Syed Mokhtar decided to bring the government into the project as a shareholder. He sold a 40% interest in the port to state-controlled investment fund Khazanah Nasional for roughly 600 million ringgit, providing the project's promoters with the funding to restart construction of the port. Khazanah's funding helped Syed Mokhtar avoid the debt crunch that would later unravel the business empires of other ethnic Malay businessmen.

In early 2000, Syed Mokhtar began

million ringgit, triggering allegations that he profited at the government's expense.

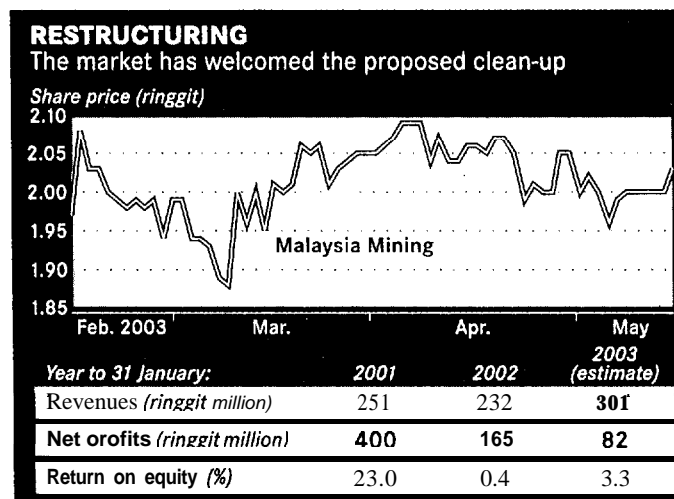
Syed Mokhtar says otherwise: Not only did he settle his debt obligations to Khazanah, the state agency made a 40-million-ringgit profit on the deal. Khazanah officials were unavailable for comment.

In any event, the Maersk transaction would prove a boon for the businessman. At about the same time, Syed Mokhtar had been scouting for a listed vehicle to group his assets and he set his sights on MMC, a cash-rich but stodgy listed concern, majority owned by a state-owned investment fund set up to promote ethnic Malay interests.

To gain control of the company, Syed Mokhtar sold his controlling interests in Tanjung Pelepas and a lucrative power plant to MMC, which paid for those stakes partly in cash and partly with new MMC shares. The deals gave Syed Mokhtar a 19.9% interest in the investment holding company, and several bankers say that stake could rise to 40% once the businessman sells his interest in a 7-billion-ringgit port and power-plant project in northern Malaysia.

But worries about the businessman persist. Bankers say it was involvement in the same kind of costly infrastructure works such as ports and power plants that helped doom Malaysia's high-profile tycoons of the 1990s. Many of Syed Mokhtar's holdings are held through nominee companies, and bankers say this makes it hard to assess whether his businesses are making money and how much debt they have taken on.

Syed Mokhtar hopes that the planned restructuring of his corporate empire will help allay these concerns. "We have debt, but [it is] backed by strong assets and businesses," he says. ■



SOURCES: FRANSISCA BILAL/STAFF REPORT