

Businessman compares ECM Libra controversy with deals involving sons of Dr M, Najib
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By Shannon Teoh

KUALA LUMPUR, Nov 18 — Controversial deals involving the sons of Prime Minister Datuk Seri Najib Razak and Tun Dr Mahathir Mohamad were given a public airing today in businessman Datuk Seri Kalimullah Hassan's defamation suit against the former prime minister's former political secretary, Matthias Chang (picture).

The former New Straits Times Press deputy chairman was asked by Chang's lawyer Datuk R. Kamalanathan if "any other company has attracted such widespread controversy" as ECM Libra in its January 2006 merger with government-owned Avenue Capital Resources.

"Just three or four days ago, the prime minister's son bought shares at 84 sen before it started shooting up," Kalimullah replied, referring to Mohd Nazifuddin Najib's purchase of two million shares of timber company Harvest Court Industries Berhad which soared to RM2.14 earlier this week.

The share price of the former PN17 company has jumped as much as 535 per cent in the past two weeks since Mohd Nazifuddin joined the board on October 28.

"There is controversy over a lot of things," the shareholder and non-executive chairman of investment bank ECM Libra said.

He also mentioned Dr Mahathir's sons Datuk Mokhzani and Mirzan without specifically mentioning the exact deals to which he was referring.

In 1997, Mirzan's Konsortium Perkapalan began talks to buy the government's 23.95 per cent stake in Malaysia International Shipping Corporation (MISC), but the deal fell through due to price disagreements.

Petronas, controlled by the prime minister's department, then stepped in and bought the MISC stake.

MISC then bought all the shipping assets of Konsortium for US\$220 million (RM696.3 million) in cash to help Konsortium pay its debts. This included Konsortium's stake in Pacific Basin Shipping of Hong Kong.

In 2001, Mokhzani was forced to dispose of his stakes in two companies — Tongkah Holdings and Pantai which has a stake in financial services group Avenue Assets — to stave off creditors and claims that his father was practising nepotism.

Avenue Assets eventually came under the control of the government, and was eventually renamed Avenue Capital before its 2006 merger with ECM Libra.

Mirzan is now a director in Petron, an associated company of San Miguel Corp, which recently beat 20 other companies, including seven local firms, to buy over Esso Malaysia, causing unhappiness among right-wing Malay groups such as Perkasa.

Mokhzani is now the chief executive and director of Kencana Petroleum, a major player in the local upstream oil and gas sector, which is in the midst of a RM11.85 billion merger with SapuraCrest.

The High Court here heard today that the ECM-Avenue merger on January 19, 2006 was done with ECM being valued at RM1.06 per share, just 21 days after Khairy Jamaluddin, the son-in-law of then Prime Minister Tun Abdullah Badawi, bought 13 million shares in the company at 71 sen each.

"If you are trying to say that we jacked up the price ... that is absolutely false," Kalimullah replied to Kamalanathan.

The High Court here also heard that audit firm KPMG and merchant bank RHB Sakura gave wrong and misleading valuations of RM330 million for investment bank ECM Libra in the reverse takeover of South Peninsular Industries (SPI) in 2004.

Kamalanathan said this was because KPMG only relied on information given by ECM's board, including businessman Kalimullah, without conducting an independent investigation.

"KPMG's valuation is not the true value of the company and not independent. This valuation is not worth the ink and paper it is written on as it is only reproducing what ECM Libra told them.

"The second valuer (RHB Sakura), relied on KPMG's valuation which is totally wrong. These wrong statements to public have been misleading," he said when cross-examining Kalimullah.

He also said there were "clear irregularities in RHB Sakura's valuation" but Kalimullah, who is a shareholder and non-executive chairman of ECM Libra, called the claim "preposterous."

"KPMG relied on information from the company. But everyone from JP Morgan to Goldman Sachs have a caveat saying the valuation is based on information gleaned from the company," he said.

KPMG estimated ECM Libra's profits at RM48.3 million for the year and set a value of RM330 million for the company based on a multiplier of 6.83.

Kalimullah had said that the profit projection was made by ECM Libra's board.

He is suing Chang for RM50 million for allegedly calling him a traitor and corrupt in his role in ECM Libra Bhd during a press conference on June 13, 2006.

The remarks were subsequently published in an article in Singapore's Straits Times (ST) the following day.

ECM's reverse takeover of loss-making public-listed SPI allowed it to be listed on Bursa Malaysia.

The trial continues on January 10.

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