

## **MAHATHIR'S MULTI-BILLION RINGGIT BANKING PHILEO-SOPHY, PART 2**

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### **The Third Force**

***“Dr. Mahathir Mohammad’s elevator isn’t going to stop at the billionaires’ floor much longer. Not if we have anything to do with it.” – Dato’ Y and Raggie Jessy.***

***Continued from part 1...***

#### ***The problem with Lim Thian Kiat***

In part 1, we discovered how Tun Daim Zainuddin had come to acquire a French financial institution almost as soon as it was incorporated here in Malaysia. Two years later, in 1984, he sold his stake in the bank to Multi-Purpose Holdings Berhad (MPHB) in a share swap deal that saw him acquire the United Malayan Banking Corporation (UMBC). At the time, MPHB came under the jurisdiction and control of MCA through its State Liaison Committee Chairman for Wilayah Persekutuan, Tan Koon Swan.

Tan began running MPHB as a co-operative ‘godfather-led’ investment vehicle for Chinese businesses. Over the years, MPHB emerged into one of the largest groups in corporate Malaysia amid a backdrop of ledger deficits and recorded losses. The only problem Daim had with the arrangement was the recognition and indebtedness Tan appeared to reap from the corporate elites. The more the Chinese tycoons worshipped Tan, the more Daim saw his dreams fade away.

And so did Dr. Mahathir Mohammad, then the Prime Minister. Both Mahathir and Daim had intended to nourish and control the very group Tan was reaching out to, warming up with and gaining favour from – the corporate elites. Mahathir needed Chinese tycoons to deliver him the strength and financial clout to control UMNO. Daim, on the other hand, needed the support and patronage of the same group to consolidate his interests and position within the corporate world.

So it is not too difficult to imagine why Mahathir would have wanted to plot against Tan. By November in 1985, Tan had successfully assumed control of the MCA from its then acting president, Neo Yee-Pan. Almost as soon as that happened, a very disconcerted Mahathir engaged the services of some ‘sleuths’ from within and outside UMNO to sniff the MCA president out for every cent he was worth.

Then, a year later, the Singaporean High Court caught everyone by surprise when it slapped Tan with 15 charges of fraud, cheating, stock market manipulation and the abetment of criminal breach of trust (CBT). Both Daim and Mahathir stood by quietly with hands folded when the court handed down a two year jail term and S\$500,000 in fines to the MCA president.

The jail sentence opened the door for Tun Ling Liong Sik to supplant Tan as party president. A 'dog on Mahathir's leash', Ling went to work immediately and hinted to the Chinese that the party would divest all its interests in MPH, which it did. While Ling got busy eliminating every trace of association Tan had with MPH, Daim and Mahathir were contemplating either dismantling the group or to have UMNO wrest control of it.

In 1989, a decision was reached – Ling was to 'acquiesce' to the sale of MPH to Kamunting Corp, a family-run business that was controlled and managed by a Dato' Lim Ah Tam and his son, Lim Thian Kiat (LTK). Back then, LTK was known to be a staunch Daim apologist among some circles in UMNO and the MCA. Through Kamunting, LTK acquired a 29 percent stake in MPH from Korperasi Serbaguna Malaysia (KSM), which basically was an MCA investment arm. Now here's the surprise – by mid-1990, Daim secretly turned a 'nominee' company into the group's second-largest shareholder at 14.4 percent. That company was owned by none other than Rashid Hussain.

It is interesting to note that LTK's family had in fact sold one of its business concerns in 1986 just to amass the funds required for the purchase of MPH shares. This is never mentioned in literature, nor is the fact that Daim had roped Rashid Hussain into the picture as a measure of security. And that just goes to show how important MPH was to Daim.

Back then, MPH possessed diversified interests in finance, property, shipping, and plantation, stuff that attracted Daim the most. Then the Minister of Finance, Daim knew that MPH was worth some two to three billion ringgit, perhaps more. He knew that MPH would be the perfect channel through which to secure the patronage of the corporate elite.

With Ling overseeing the sale of MPH and LTK doing the buying, Daim knew that a deal could be negotiated at a steal. And that's exactly how Daim conducts his business to this day. It is said that Daim arranged for LTK to purchase the group from KSM for a mere RM500 million or so, which is chicken feet compared to what it truly was worth.

Notwithstanding the worth, everything seemed to augur well with what Daim had intensioned, which is, to have one of the largest conglomerates there was in Malaysia run by his associate. LTK had emerged as a 'white knight' in what came to be known as a "hostile takeover battle for MPH." But little did Daim anticipate what was coming next.

Right after gaining control of MPH, LTK forced the group through an acquisition binge that raked up shares in diversified business interests. Along the way, the shrewd LTK began to consolidate his business interests by putting up a massively convoluted cross-holding structure, which made tracking his equity in MPH and calculation of his net worth next to impossible. One account I chanced upon goes as follows:

*"Malaysian Plantations owns close to 40 per cent of Kamunting Corp, while Kamunting Corp holds some 25 per cent of Malaysian Plantations and about 32 per cent of MPH. In*

*turn, MPHB owns some 29 per cent of gaming firm Magnum Corporation, 33 per cent of property-based Bandar Raya Developments, and about 23 per cent of power firm Sarawak Enterprise Corporation."*

And speaking Magnum Corp, it would pay to know how LTK shared a close bond with a certain Chinese Tan Sri, TSX. Both LTK and TSX were fond of using, as one author had so aptly put it, *"a pyramid structure consisting of two layers of listed companies to control a third layer of listed companies."* Mahathir and Daim watched closely as these pyramid structures were constructed.

Still, things didn't appear that bad as far as Daim was concerned. But little did he know that beneath the surface, a huge undercurrent was sweeping LTK's patronage away from him and towards Dato' Seri Anwar Ibrahim. By the mid nineties, LTK was widely regarded by corporate elites as a staunch Anwar apologist and associate. The MPHB Chairman was instrumental in assisting Anwar secure the financing needed for companies carrying out Anwar-linked projects. In the many occasions that Daim had offered advice to LTK, he was ignored.

And that was more than enough to arouse suspicion and irritability in the Daim camp. There is more detail to the story though, which we'll delve into as we go along. Suffice to say, the group of Chinese powerhouses that LTK and Anwar were kowtowing to was the very group that Mahathir and Daim were trying so hard to control. So, just as Mahathir saw fit to destroy Tan Koon Swan in the eighties, he saw fit to destroy LTK late in the nineties.

Following Anwar's sacking from government in 1998, LTK became a political outcast and was virtually ignored by everyone in government. Drifting alone with a debt-saddled conglomerate on his hands, the MPHB chairman didn't mind at all when Daim relayed to him in secrecy a plan to dismantle the MPHB empire and have each parcel run independently.

But that was merely lip-service. The truth is, each party that was picked to run the parcels were identified with Daim one way or the other through Paradigm Capital Sdn Bhd, an RM2 company that was run by a relatively unknown businessman, Chan Chin Cheung. Under the terms of a secret 'bailout agreement' between Daim and LTK, the latter agreed for Paradigm Capital to acquire Kamunting Corp's 27 percent equity in Malaysian Plantations Berhad and for Chan to sit permanently on the company's board.

Meanwhile, through a separate arrangement, LTK agreed to Malaysian Plantation Berhad's acquisition of MPHB's 70 percent stake in Daim's onetime banking interest, the Multi-Purpose Bank (MPB). That is the bank I spoke of earlier on in this article, the one MPHB had acquired from Daim in 1984 (then known as the Malaysian French Bank Berhad).

With all the restructuring, Daim made damned sure that MPB came under the purview and jurisdiction of his associate, Chan Chin Cheung, someone he 'entrusted' the bank with through an informal 'trust instrument' of sorts that was never made public.

### ***The problem with Tun Daim Zainuddin***

In part 1, we saw how Daim had come to acquire a lion's share of the stake-holding in the United Malayan Banking Corporation (UMBC), then the third largest bank in terms of assets. Two years later, in 1986, Daim went on to sell his holdings in the bank to the government owned Perbadanan Nasional Berhad (Pernas), of which both Bank Negara Malaysia (BNM) and the Ministry of Finance had decisive interests in.

But the sale of UMBC clearly involved the commission of crime when several crucial laws were transgressed. Daim, who held seats on both ends of the negotiating table, was seen to have obtained gratification and benefits owing to his position as Minister of Finance. Mahathir spoke nothing of it, despite the irritation and murmurs of displeasure that emanated from certain UMNO circles.

As a matter of fact, Daim was able to negotiate a handsome profit for himself through the deal, and yet, wielded a domineering influence in UMBC thereafter. Through the Ministry of Finance, Daim either had indirect control or had a say in the affairs of companies he divested his interests in. As a point of interest, most of these companies were being run by his associates under the terms of "trust instruments" that are not known to many. When Daim's term in the ministry ended in 1991, he set his sights on MPH and LTK once again.

At first, Daim was impressed with the manner LTK had expanded the conglomerate and turned it into a force to be reckoned amidst the regional market setting. But as the years progressed, the former Minister of Finance began to notice how LTK had established a nexus of associations with Anwar, one that ran through the tier one ranks of the corporate world. This became a serious cause for concern to Daim, whose trustees were conducting business with the very tycoons that both Anwar and LTK were pandering to.

Still, things were not that bad. But when Tan Sri Dato' Anmad bin Mohd Don supplanted Tan Sri Dato' Jaafar bin Hussein as governor of BNM in May of 1994, Daim kept a very watchful eye on Anwar and got 'his people' from within BNM and the Ministry of Finance to furnish him with the intricacies that pertained to Anwar's and LTK's business spheres. Towards the latter part of 1994, Daim pushed the panic button when he was told that Anwar and Ahmad Mohd Don were conspiring against Mahathir.

By then, the former Minister of Finance had regularly been meeting up with Mahathir and reporting to the latter of LTK's association with Anwar. In part one, we saw how Daim had floated the idea of a bank consolidation program that was to be executed in two phases - a market-driven scheme to trigger a first-wave of mergers, followed by a forced scheme to squeeze the banking sector into a sardine tin. Daim saw this to be the

only means to break the network of associations Anwar and LTK had built with the Chinese tycoons.

Daim told Mahathir how Anwar and LTK were getting to be a bigger threat than Tan Koon Swan was in the eighties. In 1995, Daim seriously caught Mahathir's attention when the former spoke of a conspiracy that existed between Anwar, Ahmad Mohd Don and the directors of several corporations linked to LTK, including an individual by the name of Tong Kooi Ong. Daim warned Mahathir that with Ahmad Mohd Don and Tong in the picture, Anwar would gradually build a corporate empire that would possess the very power and financial clout that Mahathir was seeking to control UMNO.

True enough, Mahathir discovered that the trio (Ahmad Mohd Don, Anwar and Tong) had been sniffing around his camp for some time. I was told that both Anwar and Ahmad Mohd Don were digging into affairs that related to both of Mahathir's sons, Dato' Mokhzani Mahathir, the then Chairman of Tongkah Holdings Berhad, and Mirzan Mahathir, the then President and Chairman of Konsortium Logistik Berhad.

Early the following year, Mahathir engaged the services of his usual 'sleuths' from UMNO and outside the party to probe into rumours that Anwar was a gay and indulged in physical homosexual relationships. At the time, Anwar's sexual preferences were long known to Mahathir and were never a cause for concern. But early in 1996, something told Mahathir that Anwar was a threat he needed to get rid of.

Days passed into weeks and weeks, months. Soon, Mahathir had compiled volumes and volumes of 'dirt' on Anwar, most of which related to homosexual activity, criminal malfeasance and corporate misgivings. Among these files was crucial information that related to conspiracies existing between Anwar, LTK, Tong and a certain director of a corporation both Anwar and LTK were linked to. Fearing for his sons, Mahathir met Daim and agreed, for the first time, that Anwar and LTK were "too close for comfort" and that "something needed to be done."

It was during this meeting that Daim floated a scheme to kill two birds with one stone – to wrest control of MPHB from LTK and to sever Tong's link to the financial sector. I am told that Mahathir had floated the idea of Mokhzani being turned into a 'Tong business associate'. The deception, I am told, was to allow Mokhzani to gain some form of control over Tong's then banking interest, PhileoAllied Bank Berhad (PABB).

With Mokhzani alongside Tong, Mahathir believed that Anwar would think twice before striking on any of his sons. By then, Anwar came to know of the 'sleuths' that Mahathir had 'hired' to dig into his private life and corporate dealings. But that was to have been expected – Mahathir had gotten Daim to make damned sure that Anwar knew of the files that existed against LTK, Ahmad Mohd Don and Tong.

When Daim agreed to the Mokhzani-Tong proposal, Mahathir, in turn, agreed to assign PABB to MPHB. To facilitate the merger, Daim was tasked to wrest control of MPHB

from LTK once Mokhzani had meandered his way into PABB. With that, a very complex and elevated series of deliberations commenced through the kitchen door between persons who were linked with Tong and those who were linked with Daim.

By then, Daim knew enough about MPHB, to the point that the former Minister of Finance was told by BNM insiders that the conglomerate was either at the verge of going bust or would collapse anyway should the Asian price bubble burst.

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