



## The ECM-Libra Saga

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While the move may have somewhat helped the Deputy Umno Youth Chief, who is also the Prime Minister's son-in-law, diffuse the situation, the whole ECM-Libra saga may not blow over so soon. There are still some unanswered questions.

After all, this is no ordinary company, nor is it any ordinary corporate deal, given the personalities involved.

Let's look back at the very interesting metamorphosis of the ECM-Libra Group in less than three years. The group first hit the corporate limelight in 2004 when it made a reverse takeover of listed South Peninsula Industries Bhd (SPI) for RM330 million. Some observers thought that the price was a tad too high for a boutique investment adviser.

The co-founders of the ECM Group, namely Datuk Kalimullah Hassan, Lim Kian Onn and David Chua, managed to wrest control of SPI by gaining a 67% stake and renaming it ECM-Libra. The authorities even granted an exemption to the vendors of ECM from having to make a mandatory general offer for the rest of the SPI shares, albeit with conditions.

The vendors of the SPI stake at that time, the Amcorp Group, saw their controlling stake dwindle from 53.8% to around 7% following the deal.

The ECM trio have since been disposing off small portions of their stakes, including 3% to Khairy in December 2005, who incidentally, was already working in the company when he acquired the shares. Later, there was confusion as to how he had financed this acquisition.

Weeks after Khairy acquired the shares, a mega merger with listed Avenue Capital Resources Bhd was announced, which ballooned the new merged entity's paid-up capital from RM388 million to RM955 million.

Although analysts felt that ECM was the smaller of the two in terms of shareholders' funds and profits, the ECM trio somewhat took management control of the merged entity with a 22.74% stake. It

must be noted here that just prior to the merger, Avenue itself had merged with Pos Malaysia via a share exchange deal.

The controlling shareholder of the merged Avenue Capital and ECM-Libra, the Ministry of Finance Inc (MOF), saw its stake reduced from 29.5% to 15.4%. A controversy erupted over the valuations and also due to the fact that it involved the MOF, which comes under the portfolio of the Prime Minister. The merged entity was called ECM-Libra Avenue.

In light of all this, Khairy sold off his ECM-Libra Avenue shares amidst a loss, stating that 'he did not want the company's reputation to be affected'.

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There seems to be some disparity over the figures. According to reports, he had in December last year acquired 12.99 million ECM shares at 71 sen each but had sold 10.2 million shares at 65 sen each in August 2006. It is not known when and at what price he had disposed off the other 2.8 million shares. It was reported that the buyer of the 10.2 million shares was Amcorp Group, the original owner of SPI. For the record, Khairy said he had lost RM200,000 by selling off his shares.

At 71 sen each, the 12.99 million shares he first acquired would have cost him RM9.22 million. His sale of 10.2 million shares at 65 sen each would have netted him RM6.63 million. That's a huge difference. So, he must have been lucky enough to have disposed off a part of his earlier stake at a price higher than 65 sen to suffer a loss of just RM200,000.

This whole ECM-Libra episode just goes to show how sensitive these issues can be when it comes to the involvement of family members of politicians in business.

We only have to look at the activities of another listed company, Scomi Bhd, whose substantial shareholder is the Prime Minister's son. The fact that it has bagged several government contracts has also raised questions.

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