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SPEAK UP! :: theSun Says
Kali: I sold to protect ECM

When the politically connected partners of ECM Libra Avenue Bhd sold off their shares in the investment fund manager last week to quash talk that they are benefiting from their relationship with the prime minister, The Edge was the first to publish the story. Here we reproduce an interview by Leela Barrock with Datuk Kalimullah Hassan that appears in the Aug 14-20 issue of the weekly.

The first thing Datuk Kalimullah Hassan said when he met *The Edge* last Friday was: "I'm very sad."

He sounded upset all right, but softened the message with one of his trademark droopy smiles.

"I've sold," he said as he fiddled with, of all things, a backpack. No briefcase for him. He looked up and added: "So has Khairy."

That would be Khairy Jamaluddin, the son-in-law of Prime Minister Datuk Seri Abdullah Ahmad Badawi. And the company they sold out of is ECM Libra Avenue Bhd, the investment bank-in-waiting that had started its existence just over four years ago as ECM Libra to much fanfare and an equal dose of promise.

"And David?" we asked, referring to David Chua, one of Kalimullah's first partners.

"And David (too)," he confirmed.

"What about Kian Onn?" That would be Lim Kian Onn, ECM's founding partner. "No, Kian Onn is staying on," Kalimullah said.

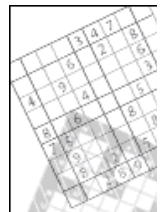
Yes, this then is the premature end of one of corporate Malaysia's more promising, if colourful, partnerships.

Chua, when ECM was formed in 2002, was already a well-known name in the game as head of the Hong Leong group's securities business. He was the group's self-proclaimed "salesman". Lim, less well-known publicly, was nevertheless a respected figure in corporate circles. He was the quiet one, the largely unknown quantity outside the circles he moved in. Kalimullah was the former journalist, the man who could call the then deputy prime minister his friend and who knew his way around all the important corridors in Putrajaya.

Kalimullah sold 16.26 million of his ECM shares at 65 sen each, leaving him with a less-than-substantial 4.8% stake in the company. Khairy sold his entire shareholding, also at 65 sen. Both Kalimullah's and Khairy's stakes were acquired by Amcorp Group Bhd.

Chua disposed of his entire shareholding of 56.26 million shares a day earlier at 57 sen each. Chua's stake was acquired by a foreign fund management company.

Thus, of the original triumvirate, that leaves Lim holding the legacy of the ECM business.



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Understandably, Kalimullah is angry because he feels he has been forced out of business by people who were simply not justified in vilifying him or his partners.

"I was hounded out of the business by these people and I am giving up to protect ECM," he said.

By "these people" he was obviously referring to the likes of former prime minister Tun Dr Mahathir Mohamad who launched a tirade against Kalimullah and Khairy a few months ago as part of his proxy fight with Abdullah. In a series of rather personal and vindictive attacks against Kalimullah and Khairy, Mahathir raised a number of questions from the merger of ECM and Avenue Capital Resources Bhd to Khairy's acquisition of a 3% block in ECM prior to the merger.

"ECM's shareholder value was being eroded because of me and Khairy. Staff morale was affected. This made our position untenable. I decided to sell because it was not fair on the other shareholders," Kali says. "Their value was being eroded because of (the attacks on) us."

His frustration was apparent.

"There are more than 1,000 firms listed on Bursa Malaysia and there are many politicians and their children who actually own substantial shares or are chief executive officers of these companies. Yet, the focus on ECM was unbelievably incommensurate. It seems ECM was not only governed by the regulators - Bursa Malaysia, the Securities Commission and Bank Negara - but we had to answer to politicians from all spectrums, Opposition and government alike."

When it was pointed out to him that a point of contention is the valuations regarding the merger between ECM and Avenue, Kali says: "That merger was approved by everybody, even the shareholders. The Avenue shareholders, 97% of them approved the deal. One per cent abstained and 2% voted against. It was approved by the majority. Just because the minority was more vocal does not mean that the deal should not go through."

As he tells it, Kalimullah has been toying with the idea of selling off his ECM stake for a few weeks now.

"I made my decision after I came back from Europe and after Amanah Raya Bhd made an offer for our block. I told Khairy about my decision and we considered our options. There was not really very much to choose from. We could continue and bring the whole business down or we could sell and let the business thrive without us," he says. "We decided to sell together."

So the Amanah Raya offer was true?

Kalimullah nodded his head.

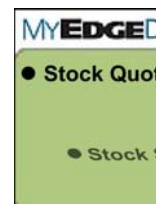
"Yes. They came to see me. They offered to buy our (Lim's, Chua's and Kalimullah's) stake en bloc at 1.1 times book value, or about 84 sen a share. I asked them why they were willing to offer 1.5 times for Southern Investment Bank and only 1.1 times for us? So, given that the last transacted market price was two times book (when CIMB Bhd bought SIB), they agreed to pay 1.2 times book or 92.4 sen."

At 92.4 sen Amanah Raya would have been offering a premium of 32% on ECM's Friday close of 70 sen.

"But my partners and I decided not to sell to Amanah. For obvious reasons. David and I decided to dispose of (the shares) individually, and Khairy as well."

But why would the partners not accept Amanah Raya's offer when the price they obtained for their shares was well below what they were offered?

Kalimullah looks resigned. "They would have called it a bailout (by a



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government-linked company). And we didn't want that."

The RM63 million foundation

"You know when we listed, the first thing that the three of us did (Lim, Chua and himself) was to put aside in an escrow account almost 70% of our personal proceeds from the exercise into an education foundation. This came to RM63 million. This is what we did," he said.

"We did this to help poor Malaysian students and poor schools. In the last two years we have built, or are in the process of building new annexes, computer labs, resource centres in a number of schools - including in Methodist Boys School in Penang, which is my alma mater, St Paul's Institution in Seremban, Kian Onn's alma mater and Chung Hwa Primary School in Seremban, David's alma mater. And there are several other schools in Penang, Klang and other states. We have provided full scholarships and loans to hundreds of needy Malaysians, irrespective of race. We have sponsored 500 students in Sabah.

"This is far more than what many more established Malaysian corporations and individuals have done."

While the existence of this fund is a matter of record, this is the first time any of the three partners has talked about it in such detail.

"We didn't want to talk about it. When you do charity you should not talk about it. But people have been questioning us about so many things like why did we give Khairy a loan (to buy a 3% stake in ECM prior to the merger with Avenue (for 71 sen a share or a total of RM9.2 million).

Khairy's RM9.2 million loan

"I ask you, what is wrong with giving the young man a leg up in life? All three of us didn't have rich families and we made it because somebody helped us, gave us a leg up. What is wrong with us deciding we want to help Khairy? When he asked us for help, we decided to. His father was a civil servant. But he is bright and hardworking and we decided we would help him. But we have helped many people, but nobody talks about that. For two years we have had the foundation and have helped hundreds of young Malaysians."

Kalimullah also pointed out that at the time Khairy bought into ECM, there was no need for full disclosure on the transaction because he did not become a substantial shareholder and neither was he a member of the board of directors. And the loan was not made by the company, but by them personally.

"But we decided to be transparent. And look where transparency got us? On hindsight, we should not have been so transparent. And RM9.2 million is a miniscule amount compared to the hundreds of millions in debts that other sons (of other personalities) have run up and not paid back. And that is to banks and financial institutions. This is a personal loan which affects nobody else but the three of us."

"Khairy never got a free meal at ECM. He worked hard, he got no free ticket," Kali adds.

Mahathir and others have repeatedly questioned where Khairy obtained the funds to acquire the ECM block.

The vision behind ECM

"When we started ECM we tried to be an ideal corporate citizen. In the four years of our existence we have never violated any rules or regulations as far as we know. We had very tight credit risk management policy so we didn't lose a sen even when others did," Kali said.

"We have done everything to be transparent and observe good governance but we

are very much maligned, although no one has offered any proof of any irregularities despite full access to our records as a public listed company.

"In fact in the more than four years of our existence, less than one per cent of our total fees came from the government. Ninety-nine per cent was from private sector advisory, corporate finance and proprietary positions. We asked for no handouts from the government and we received no handouts."

The largest piece of government business ECM can lay claim to in the four years was the RM2 billion Cagamas bonds issue for which it was the lead manager. Other than that ECM played a minor role in the placement of Telekom Malaysia shares by Khazanah two years ago.

ECM has also done credible work for government institutions such as the Employees Provident Fund, Kumpulan Wang Amanah Pencen and Tabung Haji.

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"When we did the Maxis placement, the EPF took 100 million shares at RM5.10. KWAP and Tabung Haji took shares at RM5.10. Today Maxis is trading at RM8.50. EPF, Tabung Haji and KWAP made 50% to 60% returns on the YTL Power. Tabung Haji made RM56 million on the TRI general offer. These government funds made money from what we did for them. People said they were forced to work with us, but they made money. And this money benefits everybody," Kali says. "The big companies are repeat clients with us, those like Maxis and Measat and the Berjaya group. Our Maxis deal was the biggest secondary share placement in the country. The Berjaya-Hyundai deal with Sime Darby was the biggest deal in 2004. The Southern Bank deal is the biggest so far this year."

When it is pointed out to him that many of the corporates may have decided to use ECM because of the perceived or real "connections" provided by him and Khairy, Kali says: "But investment banking is about relationships. (Datuk) Nazir (Razak) is the most successful investment banker in town because of hard work, his skills sets and relationships. We are not ashamed of having relationships."

What's next

Kali is not sure yet what he is going to do though both he and Chua are expected to resign from the board.

"I really haven't thought about it. I've been asked by my partners to be the CEO of the foundation and focus on helping schools and poor students. Maybe that's what I'll do."

With that, he picked up his backpack and left, marking an abrupt end to what many had thought would be an exciting investment banking partnership.

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