

Tan Sri Halim Saad

20 May 2010

Y.A.Bhg Tun Dr Mahathir bin Mohamad
Perdana Leadership Foundation
No. 1 Jalan P8H, Precint 8
62250 Putrajaya

Y. A. B. Tun,

Assalamualaikum and I wish Tun and Tun Siti Hasmah the best of health.


Thank you for granting me an audience on 23 April 2010. I had asked Tan Sri Rashid to come along because he is aware of the facts that I had intended to discuss with Tun.

It was my intent to clarify with Tun the contentious and controversial issues surrounding the so-called UMNO assets re Renong / UEM / Fleet / Hatibudi Nominees. I need to explain as to who actually owned these assets. Maybe I should have approached Tun earlier and clear up the issues. It is better late than never and at least Tun is now aware of the actual facts.

Please find enclosed a summary of events and facts pertaining to the said assets.

I shall be happy to provide further explanation should Tun require.

Salam,

A handwritten signature in black ink, appearing to be 'HALIM SAAD', written over a horizontal line.

HALIM SAAD

The principal purpose for me writing this paper to Tun is to set out the true facts relating to the contentious and controversial issues of the so-called UMNO assets re Renong/UEM/Fleet/Hatibudi Nominees. The matter is now old and maybe nobody wants to know or hear about this issue anymore. But the fact remains I spent years building the assets of the Group like the highways, the bridges, the telephone companies, the Sheraton hotels, the pharmaceutical company (Pharmaniaga Bhd), the solid waste plant (Kualiti Alam Sdn Bhd), the cement plant (Cement Industries Sdn Bhd), the PUTRA-LRT, the Singapore link second crossing, Nusajaya (now Iskandar region), Bumiputra Commerce Bank (now CIMB). These were all built without any cash from UMNO and I had done it in the firm belief and conviction that these were mine. In order to support my contention that these assets were mine, one needs to go back when I first started to be involved in business.

The assets did not belong to UMNO or its trustees

In 1983/84, Dato Alex Lee (deceased) announced a plan for the injection of D&C Bank into Roxy Electronic Industries Bhd. On knowing this, I and my university-mate Daniel Tan See San bought the shares of Roxy Electronic held by Lembaga Urusan Tabung Haji (LUTH). LUTH could not hold it because D&C is a non Islamic Bank. Later we sold these shares and made a profit of about RM2.0m each. My portion of the profit was used as seed money for the investment in Hatibudi Sdn Bhd (Hatibudi).

In 1984, Datuk Syed Kecik and Dato Wong Kee Tat wanted to withdraw from the UMNO Hotel project, by selling their interests in Seri Pacific Corporation Sdn Bhd (Seri Pacific). Tun Daim (then Treasurer of UMNO) approached and requested me to take up the 30% equity in Seri Pacific on behalf of UMNO. I agreed and used

Hatibudi, to acquire the 30% equity in Seri Pacific. As Hatibudi had only RM2.0m in its account, the balance of the fund was borrowed from D&C Bank. Tun Daim then arranged for a trust deed to be signed between Hatibudi directors (Tan Sri Halim Saad and Tan Sri Razali Rahman) and the then four UMNO trustees namely President of UMNO (Tun Mahathir Mohamad), Deputy President (Tun Musa Hitam), UMNO Treasurer (Tun Daim) and Secretary General of UMNO (Tan Sri Sanusi Junid). This document clearly stated that Hatibudi was holding assets for and on behalf of UMNO. The trust deed was signed and kept by UMNO.

In 1984/85, at the suggestion of Tun Daim, I negotiated and acquired a controlling interest in UE Malaysia Bhd (UEM) from UE Limited Singapore. The shares were acquired through Hatibudi. At the time of acquisition, UEM was suspended from listing on the KLSE and was only relisted in late 1988.

UMNO was declared an unlawful society in 1987. In accordance with the law, I was asked to hand over the assets belonging to UMNO in Hatibudi to the Official Assignee (OA). The OA insisted that the assets to be transferred to him should be free of encumbrances. Accordingly, I sold part of UEM shares, at low prices to settle the then existing debt and on 10 October 1988 delivered to the OA 25m UEM CULS/shares plus 30% equity in Seri Pacific free of debt or encumbrances which were the properties of UMNO (See Exhibit 1). It is clear from the above that as from this date the directors of Hatibudi ie myself, Tan Sri Razali Rahman and Hatibudi itself were no longer trustees for UMNO as all the assets belonging to UMNO had been transferred to the OA.

In 1989, to my surprise the OA contacted me again and offered to sell to me the same UEM shares. On 9 June 1989, I through another company i.e. Hatibudi Nominees Sdn Bhd. (Hatibudi Nominees Sdn Bhd is a separate company from Hatibudi Sdn Bhd)

bought the UEM shares at \$7.15 per share at a total purchase price of \$178m. This was funded by me through bank borrowings. I was told that UMNO needed the cash to pay for the UMNO-owned PWTC building, for which UMNO had defaulted on its loan (See Exhibit 2). It is clear from the above that when I bought the UEM shares through Hatibudi Nominees from the OA I was purchasing the said shares not on behalf of UMNO but for my ownself. In fact the shares were bought from UMNO through the OA. At this juncture it was already clear that whatever I was purchasing from third parties I was not doing it for and / or on behalf of UMNO. In fact I was using my own funds (through bank borrowings) to finance the purchases.

On 19 January 1990, I was again approached by the OA (See Exhibit 3) to help to acquire 100% equity in Fleet Holdings (Fleet) (another UMNO owned company) at a total purchase price of \$604m. I used a private company, Peri Sakti Sdn Bhd (Peri Sakti) to acquire this asset. Fleet was heavily in debt and the purchase price I paid was way above the market value. Given these conditions, I immediately took steps to clean up the books of Fleet and injected the good assets of Fleet and UEM into a little known listed company, Renong Bhd. The bad assets of Fleet were kept under Peri Sakti. Later, upon seeing my listed shares doing well, Tun Daim suggested that I donate some shares to UMNO. Thus on 30 April 1990 I wrote to UMNO and pledged to donate to UMNO 130m shares in Renong and 52.2085m shares in Faber Bhd. From the facts stated above, it clearly demonstrates that all the shares of Renong Bhd held by me were mine in my own right and I was not holding it for and on behalf of UMNO. It does not make sense for me to make a donation to UMNO if the assets belong to UMNO.

In 1993, Realmild Sdn Bhd (Realmild), represented by its directors, Datuk Nazri Abdullah, Datuk Kadir Jasin, Datuk Khalid

Ahmad and Datuk Md Nor Mutalib, approached me and offered to buy TV3, New Straits Times(NST) and Bank of Commerce shares from Renong. I met Datuk Seri Anwar Ibrahim (the then Finance Minister) who confirmed that Realmild was an UMNO owned company. I proposed to Datuk Seri Anwar that Realmild buy back all Fleets' assets, the good and bad ones. He declined and decided that he only wanted the good ones ie TV3, NST and Bank of Commerce. The implication was that I had to absorb the losses from holding the loss making and debt ridden assets. I wrote to your goodself on 11 June 1993 and gave an audited report indicating I suffered a loss of \$508m from this exercise (See Exhibit 4). There are two important points I want to stress here. If the assets were owned by UMNO and not me at that time then why didn't Realmild (an UMNO owned company) take possession of all the assets held by me instead of just TV3, NST and Bank of Commerce. Secondly, if the assets were to belong to UMNO, then UMNO should have reimbursed me the loss of \$508m as per audit report of Shamsir Jasani dated 11 June 1993.

Following the Asian Financial Crisis of 1997, I was advised by the Government to acquire shares in the Renong Group of Companies in the open market for about \$3.2bn. The reasons for the purchase are:-

- i) To support the market at the request of Datuk Seri Anwar Ibrahim, who was then the Finance Minister.
- ii) Prevent losing control of the assets, mainly the highly prized PLUS highways which was not yet listed.
- iii) Prevent cross default of Renong / UEM debt.

Despite of me being advised to take the above steps, Datuk Seri Anwar Ibrahim to appease the market, forced me to personally

buy back the shares from UEM by way of a put option by UEM for \$3.2bn. For this I had to pay a deposit of \$100m and this deposit would be forfeited if I did not fulfill my obligation under the put option. Tun may wish to check with Tan Sri Rashid Manaff, who has full knowledge of these events.

Renong and UEM debts.

From the beginning of 1990, Renong/UEM debts was 5% of the total bank loans. In 1997, the group debt was also 5% but it must be noted that 80% of the debt were project financing. The securities were always the project cash flows on the associated assets. These include PLUS highway, Penang Bridge, Malaysia Singapore Bridge, and PUTRA LRT.

In particular, I refer to the 3 debt parcels of the Group.

1. PLUS/UEM/Renong bonds

Bonds were issued to settle Renong and UEM group debts. These bond were rated A and was highly secured against PLUS cashflows, and they were only due for redemption in 2006 and the ratings were never downgraded.

I refer Tun to a case study presented by Shearn Delamore (See Exhibit 5) at Asian Development Bank Conference where it was stated that the bonds were secured against group assets and cash flows and no capital injection or assets injection was taken from the Government ie there was no bailout. On top of it all, the lenders were paid in full including all accrued interest.

2. Time Engineering and Time Dot Com debts.

If Tun can recall, Singtel offered \$2.1bn for 20% in Time Dot Com. But Tun was against Singtel's entry and I was forced to accept an offer from Khazanah and KWSP as replacement. Singtel valued Time Dot Com at \$10bn whilst Khazanah valued it at \$8bn.

This was a stand alone debt. I could have asked Renong to forego control of Time Group and this would not have affected Renong. Renong stayed with Time because this is the only way the banks and the lenders could have been fully repaid, which was what actually happened.

3. PUTRA LRT (PUTRA)

Renong owned 100% of PUTRA and had invested \$1.0bn as equity in PUTRA. As at 1998, more than 50% of PUTRA was completed. Renong could have abandoned the project because it was also a stand alone asset of Renong.

In any case, the PUTRA debt of \$4.2bn was never called for default because if a default was ever called, Renong would have been paid in full for its investment in PUTRA, which would have been around \$1.0bn to \$1.5bn. Tan Sri Nor Mohamed Yakcop (Tan Sri Nor Yakcop) was aware of this but never called for default as this would mean Renong would be repaid in full for all its investments. The call for default eventually made in 2002, after the Khazanah takeover of UEM/Renong Group.

Post 2001 and "the unfair takeover"

If Tun were to recall, I was summoned to see Tun at your office in 2001. Your instruction to me was brief, ie I was to see Tan Sri Nor

Yakcop the then economic advisor to the Government and that Tan Sri Nor Yakcop will be arranging to buy my shares in Renong and UEM. I was taken aback and was really surprised at this turn of events. When asked why, Tun's reply to me was simply "you have no credibility". From this conversation and the mood Tun was in at that time, I was convinced that Tun had already made up your mind and there would be little I could say or do to change Tun's mind.

As instructed, I went to see Tan Sri Nor Yakcop who in an aggressive manner told me "In no uncertain terms were you to continue with your proposed general offer (to takeover UEM or Renong) or proceed with the put option (placed on me by UEM)".

NB.

UEM had bought shares in Renong and to appease the shareholders I had signed a put option (put by UEM) worth circa \$3.2bn. An alternative choice I pursued to overcome this put option was to make a general offer for UEM, thus extinguishing the put option as UEM would be 100% owned by me. Two weeks before meeting with Tan Sri Nor Yakcop, I had met Governor of the Bank Negara, Tan Sri Zeti seeking the Central Bank's approval to bring into the country the money (\$3.2bn) needed to undertake the General Offer(GO) and also to seek assurance that this money (\$3.2bn) could be taken out of the country later. At the time, Malaysia had imposed capital controls. An investment bank based in Singapore was willing to fund the GO because the group assets were worth more than \$15.0bn (PLUS being the prized asset).

I objected to Tan Sri Nor Yakcop's demand and left his office. Soon after I learnt that Tan Sri Nor Yakcop had called the Chairman of the Securities Commission (then Tan Sri Ali Kadir) and had instructed him to summon all the board members of UEM and gave them strict instruction not to allow me to proceed with my

put option or the GO. Tun may wish to check this out with Dato' Syed Amin Aljeffri, who was present at the meeting with Tan Sri Ali Kadir.

Given the actions and high-handed behavior of Tan Sri Nor Yakcop at that time, my lawyer Tan Sri Rashid Manaff advised me not to go against the wishes of the people in power which may be to my detriment and he also advised me to accept the terms given to me by Tan Sri Nor Yakcop. After the meeting between Tan Sri Nor Yakcop, Tan Sri Rashid Manaff and myself, I wrote a letter to Tun dated 18 July 2001 (See Exhibit 6) to confirm my acceptance of the terms.

If Tun would recall, as I had said earlier I had on my own paid UEM \$100m as deposit for the outstanding put option. The repayment back to me had fallen due. I approached Tan Sri Nor Yakcop but he avoided discussing the issue. I urgently needed this sum of \$100m to settle the advances I took in raising the \$100m deposit. As for the other sums due to me as per my letter to Tun, I could wait for it to be paid at a later date. Failing to get any answer from Tan Sri Nor Yakcop on this issue I went to see Tun at Sri Perdana and Tun kindly agreed to pay me a sum of \$165m for my loss of control over UEM/Renong. This was paid by Khazanah on 18 May 2003 and Tan Sri Nor Yakcop agreed that the other sums due to me shall be dealt with later. Since that date until now the following terms which were agreed were never fulfilled by Tan Sri Nor Yakcop:-

- 1) Tan Sri Nor Yakcop refused to buy my portion of Renong shares amounting to 327m shares equivalent to 16% of Renong for \$465m ie \$1.25 per share and as a result I had to sell my Renong shares in the open market at very low prices and hence suffered big losses.

- 2) **Tan Sri Nor Yakcop refused to instruct UEM to return the deposit of \$100.0m which I had given earlier as security for the put option.**
- 3) **Tan Sri Nor Yakcop failed to pay or procure the payment to me in cash or in kind a sum equivalent to \$1.3bn of which the sum of \$325 million will be paid in cash, \$325m in cash equivalent and the balance \$650m in land within the Prolink development the valuation of which must be based on the last sale price as at 1 January 2001.**
- 4) **Tan Sri Nor Yakcop failed to procure the transfer to me all the issued and paid up share capital of Kualiti Alam Sdn Bhd free from all encumbrances in settlement of the loss of \$508m incurred by me for the rescue of Fleet Group.**

As to-date although, the agreed settlement amount due to me was in total about \$1.6bn as per the letter (Exhibit 6) but I had only received \$165m (See Exhibit 7).

After I was forced to leave the Renong Group in mid 2001, Tan Sri Nor Yakcop called a press conference and stated that the reason for the Khazanah takeover of Renong/UEM Group was to prevent a systematic risk to the banking system in Malaysia. This statement was entirely false. Renong did not require any bail out and none took place. If such was the risk, the PLUS/Renong SPV bond issued would have been downgraded but this never happened. The bonds were only due in 2006 and as such there was no risk at all to the banking system at that time. I suppose Tan Sri Nor Yakcop was trying to justify the unfair takeover of the Renong Group.

Conclusion

Base on the above facts I feel a great injustice had been done to me by the people in power in forcing me to surrender my interest in the Renong Group. The Group did not require any bailout and I certainly did not ask for any assistance to settle the put option. I was prevented from making a General Offer of Renong and UEM for no valid reasons. Up to today I fail to understand why this was done to me. During my tenure as head of the Renong Group I had always taken care in assisting UMNO financially whenever I was called upon to do so. Tun was very much aware of this. I had never forgotten the assistance given by Tun in awarding a number of big projects to the Renong Group. I was always at the back and call of Tun in assisting UMNOs needs.