

## CHAPTER 1

(a) Brief Historical Background up to 1940

Malaya has been mined for tin since the eighteenth century. With the discovery of rich tin ore in the Larut district, the Chinese were attracted to mining. It was this Chinese enterprise that turned Malaya into the world's chief source of tin. European concerns did not venture into the field after 1874. In the same year, the first French company started operation and is now the oldest surviving European company in the industry. Between then and the second world war, new European companies were formed<sup>1</sup>.

The predecessor of the present Gopeng Consolidated Limited was floated in 1892. Osborne and Chappel, the first mining and consulting engineers began in 1902. It was not until 1912 that the first dredge was erected in Malaya. After this, dredging companies began to flourish all over the country where rich tin deposits were found.

(b) Changes in Trends of Ownership

In 1913, the Chinese held a predominant position in the tin-mining industry. They were responsible for three-quarters of the total output. The first trend before 1937, therefore, favoured the local shareowners. The trend can be depicted in terms of physical output and in terms of the capital furnished. In terms of output, in 1910, 78% of the production of managed or financed by Chinese, and 22% from those owned and managed exclusively by Europeans. As time went on, the proportion of local activity has tended to decline, as illustrated in Table 1.

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1. European, in this text, means the British, French and Australian.
  2. This output included production from all the mines in existence in 1910, whether dredging, hydraulic or gravel-pump mines.

Table 1

Percentage Output of  
European and Chinese Mines

Year	European Mines	Chinese Mines
1910	22%	78%
1915	23%	77%
1920	36%	64%
1925	44%	56%

Source: L.I. Fernor, "Report upon the Mining Industry of Malaya", Kuala Lumpur, Government Press (1943), p. 63.

In terms of capital, more than half of the issued capital were contributed by the local people. Table 2 shows the issued capital of companies operating on December 31, 1925, being subdivided into 3 categories, according to the source of capital - namely, local, British and foreign. British capital means capital raised in England and Australia, while foreign refers to French and American investments. Local Capital include capital furnished mainly by the Chinese, as well as by some Malays and Indians.

Table 2

Issued Capital of registered  
Tin Draining Companies, 1925

	Authorised Capital	Issued Capital
Local	£9,365,185	£7,177,863
British	£6,992,500	£5,954,830
Foreign	£ 981,170	£ 981,170
<b>Total</b>	<b>£ 17,338,856</b>	<b>£ 14,113,863</b>

Sources: "The Quarterly Bulletin" Dec. 1937.

Although the first trend favoured local ownership, the second trend from 1930-1954 proved otherwise. During the second trend, the Europeans began to replace the Chinese as important producers of tin. The rapid rise in European activity is due to the fact that Europeans owned the tin-dredges right from the beginning. The importance of the European companies rose until in 1954, they were responsible for 52.2% of the total tin-production of Malaya<sup>3</sup>. Another reason for this great change is that most of the early local enterprises took the legal form of sole trading firms or partnerships. Therefore, local enterprise was stunted in growth and their output could not compete with output from the heavily capitalised and mechanised western firms. For the promotion of their interests, most of the western mining companies belonged to the IWS Chamber of Mines, while the Chinese were represented by the All-Malayan Chinese Mining Association. These two bodies collaborated closely to exert a control over the mining industry of Malaya.

3. Refer Appendix III, p. 42

By 1954, changes in the ownership of tin-mining companies were evident. The locals began to re-assert their influences; in particular, Chinese participation has gradually increased. These changes constitute the third trend, and cover the period under study. The rise in local ownership will be analyzed in detail.

The most notable change in the appearance on the scene of the Selangor Dredging Company, in 1964. It was newly formed in 1963, and all the shareholders are residents in Malaya. The only exception is the 6.9% of the capital held by some foreigners residing in Malaya. Other changes which indicate decreasing foreign ownership are best presented in percentages. The most drastic reduction in European holdings is shown by the Sungai Per Dredging Company Ltd. It was reduced from 81.4% in 1954 to 12.6% in 1964, a reduction of about 75%. The local ownership increased from 18.6% (1954) to 78.4% (1964), an increase of about 60%. Similarly, foreign interests in Lower Perak, Berjuntai, Rantau and Johore Dredging Companies were reduced by about half in 1964, over a period of 10 years. Most of the these exchanges happened on the eve of Independence, August 31, 1957.

There are two exceptions to the trend, when the shareownership of foreigners have risen rather than fallen. This is reflected in the cases of Batu (from 85.2% to 99.8%) and Renong (from 91.4% to 99.8%). But these two exceptions are of negligible significance when compared with the increases in local ownership. The average increase per company is 22.2%. The only company that did not reflect any changes is the Lipis Mines Ltd. This is because the company is owned "in totum" by two foreigners.

The decade from 1954 to 1964 also saw the births and deaths of a few dredging companies. Those that were incorporated were all local companies. The first is the Lindings Tin Dredging Ltd, incorporated in the States of Malaysia in 1965. It had an authorized capital of 850 million, and is owned by four Chinese and one Indian, all of them Malaysian citizens. Next is the wholly Malay owned concern, called the Malay Mining (Selangor) Ltd. This is on a small scale compared to the Selangor Tin Dredging Ltd. The latter was registered in 1963, and was floated by the issuance of shares to the public. The companies that were liquidated were the Malay Mining Syndicate which existed from 1936-1963. It was an exception because all the owners were Malays.

Table 3

Local and Foreign Ownership of 19  
Dredging Companies in Malaya, 1954

Name of Company	Shareownership (%)	
	Local	Foreign
1. Ipoh Mines Ltd.	-	100
2. Kuala Lumpur Dig. Ltd.	20	80
3. Austral-Malay Dig. Ltd.	19	80.1
4. Kundang Dig. Ltd.	22.3	77.7
5. Pungan Dig. Ltd.	28.7	71.3
6. Batu Mines Dig. Ltd.	14.3	85.2
7. Kg. Kemuning Dig. Ltd.	28.9	71.1
8. Johor Dig. Ltd.	21.8	78.2
9. Kraut Dig. Ltd.	19.3	80.2
10. Mantau Dig. Ltd.	34	66
11. Remong Dig. Ltd.	3.5	91.5
12. Petaling Dig. Ltd.	100	-
13. Kg. Lenjut Dig. Ltd.	30	70
14. Austral Amalgamated Dig. Ltd.	24.7	75.3
15. Selangor Dig. Ltd.	-	-
16. Lower Perak Dig. Ltd.	4	96
17. Berjantai Dig. Ltd.	1.9	98.1
18. Laut Dig. Ltd.	38.7	61.3
19. Sungai Way Dig. Ltd.	18.6	81.4

Source: Share Register of company, Registry of  
Companies, Kuala Lumpur

Table 4

Local and Foreign Ownership of 19  
Dredging Companies in Malaya, 1964

Name of Company	Shareownership (%)	
	Local	Foreign
1. Ipis Mines Ltd.	-	100
2. Kuala Kampar Ddg. Ltd.	37.8	62.2
3. Austral-Malay Ddg. Ltd.	15.4	84.6
4. Kundang Ddg. Ltd.	30.6	69.4
5. Pungah Ddg. Ltd.	46.3	53.7
6. Batu Mines Ddg. Ltd.	0.2	99.8
7. Kg. Kamunting Ddg. Ltd.	55.3	44.7
8. Johan Ddg. Ltd.	60.9	39.1
9. Kranat Ddg. Ltd.	52	48
10. Rantau Ddg. Ltd.	68.5	31.5
11. Manong Ddg. Ltd.	0.2	99.8
12. Petaling Ddg. Ltd.	66	34
13. Kg. Lanjut Ddg. Ltd.	87.2	12.8
14. Austral-Analysated Ddg. Ltd.	50.4	49.6
15. Solangor Ddg. Ltd.	93.1	6.9
16. Lower Perak Ddg. Ltd.	41.6	58.4
17. Berjantai Ddg. Ltd.	47	53
18. Lent Ddg. Ltd.	60.7	39.3
19. Sungai Way Ddg. Ltd.	78.4	21.6

Sources: Share Register of Company, Registry of Companies, K.L.

It is possible to indicate the trends in the ownership held by individuals. But there is no trend in the ownership held by the corporate holders, or companies. Basically, the amount of the shares owned remained much the same. The changes occurred one year after the period under study, that is, in 1965. The changes are particularly related to parent companies owning shares in subsidiary companies. This is true in the associated Mines Complex.

Table 5

## Shareownership of Associated Mines Ltd.

Corporate Holders	Amount of Shares Owned		
	1964	1964	1965
Subsidiary companies			
Tronoh Mines	20,000	20,000	21,250
Southern Tronoh Ltd.	10,000	10,000	10,625
Sungei Besi Mines	15,000	15,000	15,937
Ayer Hitam Tin Ltd.	15,000	15,000	15,938
Kepong Dredging Ltd.	5,000	5,000	-
Sungei Way Ltd.	10,000	10,000	10,620
H.D. Brown	10,000	10,000	1
Pahang Consolidated	1	1	10,625

In 1965, the relationships within the company changed. Kepong Dredging Ltd. was liquidated and its shares split between the other holders. The Pahang Consolidated acquired 10,625 shares in 1965, as compared with only one share in 1964. The reverse happened to H.D. Brown who had one share left in 1965 out of 10,000 shares in 1964.

This is an illustration of how dredging concerns expanded during the decade under discussion. The growth of existing companies is associated with the financial consolidation of smaller companies. It is not a growth marked by the proliferation of new undertakings,

as it was in the 1920's. The general trend, then, is for foreign ownership and control to be gradually superseded by local ownership and control.

### (c) Causes of These Changes

There are four causes for the changeover from European ownership to local ownership. From the beginning, dredge-mining was in European hands. The reasons are not far to seek. Dredging made heavy demands on resources of capital, technical knowledge and large-scale enterprise. The local environment could not meet these conditions because Malaysians had little experience of large-scale management and lacked the means of financing it. It was the Chinese tycoons, such as Eu Tong Sen, Loke Yew and Lau Pak Kuan who slowly started the process of replacing the European producers. They started by buying shares in the European companies. This practice gathered popularity up to the present day, when even the working class own shares in the companies.

A second possible cause is the rising standard of living in Malaya. This means that the majority enjoy a higher income. They tend to invest their savings, and what better prospects than the tin companies which pay high dividends.

The World Depression of the 1930's also contributed to the reasons. The tin industry tried to adjust its difficulties by imposing international restriction schemes. These had unwelcome effects. The war also resulted in heavy damages to the dredges. At the end of 1946, the number of dredges in operation was only 18 compared with 104 in 1940. This troubled environment induced many foreigners to sell out. They had suffered too many losses. The situation worsened when the Emergency Period commenced. Once the war was over, prospecting started anew, and new ventures flourished. This opened up new fields of investment for the local people, when hitherto, investment was mainly from the foreigners who had capital. The result was a rise in local ownership.

A further reason is afforded by the fact that older companies were opening their doors to local capital. This development is only partly economic in origin. The political changes of 1955-57 affected the policies of many foreign companies. New companies and some of



the older ones, in accommodating themselves to these changes, probably thought that local capital would be an insurance against nationalistic pressures. On the eve of Independence, the Stock Exchange recorded active transfers of shares between London, Sydney, Kuala Lumpur and Singapore. Similar changes in the board of Directors of foreign owned companies also took place as Independence arrived.

Transfers of shares and directorships from foreigners to locals is the present trend. But there is no evidence how long this trend will prevail. It is unlikely that other foreigners, apart from the British and Australians, might consider coming into Malaysia and dominate the scene in the future, as they did in the 1930's.