CHAPTER ONE

INTRODUCTION

1.1 The Copper Mining Industry In Sabah: An Overview

Sabah is one of Malaysia's richest states in mineral resources. Although there are abundant mineral resources in the state, they remained unexploited until the first copper mine was opened in 1975. In the 1970s right up to the 1980s, Sabah's economic activities depended heavily on timber resources. However, the steady depletion of timber resources in the state and the government's policy of reducing the export of logs, slowly eroded this sector as the main source of the state's economic growth. The decline in timber as the major income earner for the state prompted the state government to diversify its economic activities by promoting industrialisation and large- scale plantations. The growth of commercial plantations such as cocoa, rubber and palm oil, however, was affected by the unstable prices of these commodities. Consequently, several cocoa and rubber plantations were either abandoned or replanted with other cash crops.

The growth of industrialisation in Sabah, which was hoped to be the source of economic growth, was slow compared to many of the states in West Malaysia. In 1992 and 1993, Sabah's economic growth was 7.5 and 4.2 per cent respectively, both below the 1993 national economic growth of 8.3 per

cent. Sabah's weak economic growth is not only attributable to the decline in timber exports and the fluctuation in commodity prices but also to sluggish investment as a result of political interest via non cooperation with the federal government.[1]

The state government was trying to reduce its dependence on plantation and manufacturing activities. It attempted to diversify its economic activities by encouraging investors inside and outside the country to explore its mineral resources. Currently, Sabah's state geological department, with the assistance of foreign geologists from Japan, carries out massive explorations, prospecting for minerals in Sabah. One exploration which has been successfully completed by the state government is at Bidu which is situated in the east coast of Sabah. A private company which was awarded the licence to operate the mine at Bidu, has yet to start operations pending the company's application for low royalty payment from the government.

Mamut Copper Mining Sdn Bhd (MCM) is also planning to carry out explorations prospecting for copper in Merungin Ranau and is awaiting exploration licence approval from the state government.[2] MCM has just completed an exploration prospecting for copper and bauxite at Pingan, which is situated in the northern part of Sabah.[3] Although all these exercises are

1 Daily Express, Wednesday, 2nd February 1994.

2 The Mamut Quarterly Magazine, Jan 1992-April 1993.

3 The feasibility study completed in 1993 found that the ore reserves and grade are insignificant, hence uneconomical to be mined.

taking up a great deal of time, effort and money, the long term benefits in terms of exports is vital to the state economy.

Despite the abundant reserves of minerals in the state, the growth of the mining industry in Sabah is slower than expected. The poor infrastructure, the lack of governmental incentives such as low royalty payments, the sunk costs[4] involved in mining activity, and the relatively unstable prices of metal[5] especially copper and gold, are factors that have discouraged investors from engaging in the mining industry.

1.2 Outline Of The Study

The study comprises six chapters. The first chapter focuses on a brief explanation of Sabah's economy in relation to the copper mining industry. It provides the historical background of MCM; tracing the discovery of the minerals deposits and its early development in 1975 right up to 1994. A brief historical background of Mega First Corporation is also covered in this chapter.

Chapter Two examines the company's structure of organisation and its system of incentives. This chapter traces the changes in the structure of organisation from being headed by a Japanese team, when the company was a public company to being managed by a Malaysian team as a private limited

[4] Sunk costs refer to the irrecoverable expenses in the event of failure of locating minerals or instance, the cost of prospecting and exploration for minerals will not be recovered if minerals' reserves are not found.

[5] Metal here refers to copper, gold and silver

company. By observing the structure of organisation of MCM, a reflection on the costs of running the system, that is its transaction costs, is highlighted.

Chapter Three examines the cost performance of MCM. The company's total cost, average unit cost of production and cost reduction techniques are examined. Chapter Four measures MCM's labour, capital, total factor productivity and returns to scale. Factors such as characteristics of the ore. pit stability, metal recovery, and research & development are discussed. Malaysia's share of world copper concentrates and the production trends of MCM are also illustrated. This chapter also compares the production of copper concentrates by MCM, included to that of other Asean countries namely Indonesia and Philippines. Besides this, MCM's profits, sales, and export performance are discussed in chapter Five.

Chapter Six concludes in two parts. The first part summarises the discussion of the study's findings and draws specific conclusions on the finding of MCM's economic performance. The second part recommends several policy suggestions to further enhance the future prospects of MCM.

1.3 Importance Of The Study

MCM is interesting and important for Sabah because copper is a precious commodity which experienced rapid expansion since late 1960s to the 1990s in almost all Asean countries. Although the rate of expansion in the copper mining industries in Malaysia has been rather sluggish, the

government's economic policies of diversification may help to stimulate the future growth of the copper mining industry.

The study on MCM, which is the sole producer of copper concentrates in Malaysia, may shed some lights on the operation of copper mining in Malaysia. The outcome of this study may also provide useful suggestions to future policies and strategies to enhance its performance. Potential investors who plan to venture into copper mining may also find this study useful for it provides information on the mode of copper mining operation, operation costs, equipment, mode of purchasing and prices of major raw materials.

1.4 Objective And Methodology Of The Study

The objective of this study is to attempt to examine the performance of MCM. Performance here refers to the performance of productivity, cost and profitability of MCM. By looking at the performance of productivity, cost and profitability over a period of time, we would be able to determine whether MCM is viable investment. It is important to examine the company's performance as this may be useful for MCM to streamline its current operation through modification in technology and other inputs needed to produce the desired copper concentrates volumes at the lowest possible cost to make the company's investment more viable. This study may also be useful for MCM as reference in planning for further exploration and expansion of the mine as

well as providing some useful informations whether copper mining is viable for investment.

To accomplish this, the company's productivity, profitability as well as its cost performance are measured using time series data. In this analysis, productivity performance is measured using labour, capital and total factor productivity. Productivity measures tend to evaluate the efficiency of an individual, group and organisation (Koss and Lewis 1993). Productivity goes up if inputs are efficient or rather when inputs per unit of output go down. In this case, productivity which can be derived from output divided by factor inputs, may give an indication of production efficiency of MCM. Apart from productivity measurements, the study also attempts to examine the returns to scale using the technique of regression, that is, Ordinary Least Square. The aim is to determine the scope for expansion on the size of capital and technology used in the production process.

The cost performance of MCM is indicated by the trends of the total cost and annual average unit cost per ton of copper concentrates produced which can be derived by dividing the total output with the total input used per year. The long run average unit cost represents the least unit cost of producing each possible volume of copper concentrates. Therefore, a declining trend of the total costs and the average unit cost of production over time, may give an indication of performance.

Profit performance is based on MCM's annual profit calculated as total sale revenues less total cost. An increase in the annual profit level would indicate a favourable performance if it were simultaneously achieved through an increase in productivity, and a declining cost structure.

This study also aims to examine MCM's organisational structure The rationale here is to show how MCM structures its organisation to improve its system of coordination, cooperation and incentives so as to be efficient. This is looked at from the point of view of transaction costs analysis (Coase 1937, Alchian and Demsetz 1972, Williamson 1984, and Milgrom and Roberts 1992).

1.4.1. Source Of Data

MCM's performance is analysed basically through the use of primary information and data gathered from 1975 to 1994. Primary information refers to the information derived from internal reports produced by MCM and personal interviews. However, some data between 1975 to 1979 were not available. Primary information and data were obtained from unpublished internal monthly reports, internal memorandums and internal departmental meeting reports Extensive personal interviews were also conducted. Information and data were also acquired from published materials such as MCM Annual Reports. Mamut Quarterly Copper Magazines, Bulletin Of

Statistics relating to the mining industry of Malaysia, economic journals, mining journals, mining books and relevant articles from various newspapers.

1.5 Limitation Of The Study

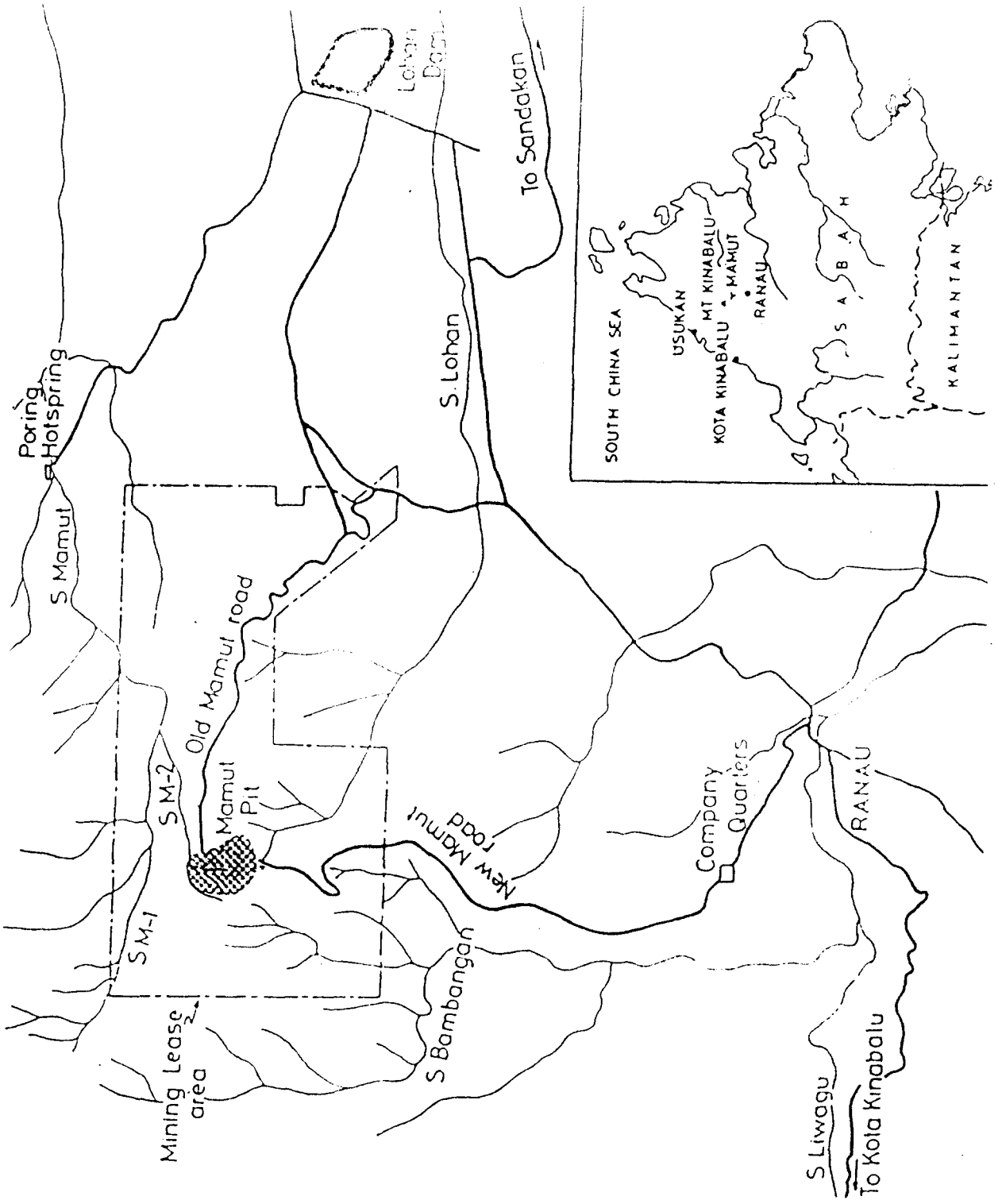
Studies on MCM in the past, have all been environmental studies. This is a first study on the development and performance of MCM. The scarcity of reading materials on MCM and the difficulty in obtaining relevant primary data and information, which are classified as confidential, pose some difficulties and limitations to the study.

1.6 Historical Background Of Mamut Copper Mining

MCM operates a large open pit copper mine and milling plant at Ranau, Sabah on the southeastern slopes of Mount Kinabalu (see figure 1.1). It was incorporated on 21 May 1969 under the name of Overseas Mineral Resources Development Sabah Bhd - a joint venture between the Japanese Mitsubishi Metal Corporation and the Sabah state government. The company became a private limited company on 17 January 1987 and assumed its present name: Mamut Copper Mining Sdn Bhd on 5 June 1987 with a paid up capital of RM150 million.

Figure 1.1

Location Map Of The Mamut Mine



Mamut's ore deposit was first discovered by a United Nations Exploration Team in the mid 1960s. In late 1968, following an international tender exercise, a prospecting licence was issued to Overseas Mineral Resources Development Co. Ltd. of Tokyo, Japan. Between 1969 to 1970 the company carried out exploratory diamond drilling and tunnelling to confirm the ore deposit. This was followed by a detailed feasibility study in 1971. Development and construction began in 1972. In the same year a complete power plant and mineral processing facility was installed at the mine site. In February 1973 a Mining Lease Agreement was signed between the company and the State Government of Sabah. Following this the Copper Development Agreement between MCM and the Federal Government of Malaysia was signed. The agreement provided for and covers every aspect of both the Government's and the company's rights and obligations, and method of operations, for a 30-year-period; from 1973 to the year 2003.[6] Under the agreement, MCM is required to pay mineral royalties to the state of Sabah and corporate tax to the Federal Government. The rate of royalty payment is 5 per cent ad valorem for gold while the rate of payment for copper concentrates is calculated at the price of copper minus 36 per cent ad valorem divided by three and a half (P is the copper metal price in U.S. cents per pound) for copper concentrates. The rate of payment for Export duties on the other hand, is 10 per cent ad valorem. The payment rate is shown below.

[6] The agreement is a confidential document of the company and its content is never released for public viewing. See Information On Mamut, MCM internal document.

Minerals	Rate
Gold	5 % ad valorem
Copper Concentrates	P-36 % ad valorem

	3.5

The Export Duties is 10 % ad valorem

Note: P is the copper metal price in U.S. cents per pound

Source: Bulletin Of Statistics Relating To The Mining Industry Of Malaysia, 1991

Due to heavy accumulated losses of RM133 million between 1975 to 1987 and outstanding foreign loans which stood at RM120 million ringgit, the state government decided to privatise the mine on 17 January 1987. The mine was sold to a Malaysian private company; Mega First Corporation,- a West Malaysia-based company belonging to Datuk K.K. Lim of Ipoh who was a former Assistant General Manager of Overseas Mineral Resources Development Sabah Bhd when the company was still under the control of the Japanese. During this period the company, Overseas Mineral Resources Development (OMRD) had incurred losses of more than RM1.7 million a month.[7] Since the mine was important for Japan's national joint-venture project with the state government as part of her economic programme with ASEAN countries, the Japanese management team recommended that it remained open and requested the State Government to rescue it by reducing

[7] The New Straits Times, 21 January 1987.

the royalty rates for exports of copper concentrates. Following this, the state government took the decision to privatise it.

After 1987, before Mega's acquisition of MCM, the latter was owned by Bonanza Resources (with a stake of 60.2 per cent), Sabah Kaihatsu (19.5 per cent), Mines Management (10.5 per cent) and Sabah Economic Development Corporation (9.8 per cent). Datuk K.K. Lim became a substantial shareholder of MCM through Bonanza Resources and Mines Management, which in turn are substantial shareholders of Mega First Corporation. Mega First, a public listed company is currently under the control of Datuk K.K. Lim with a paid up capital of 194 million ringgit. It is reported that at least between 85 to 90 per cent of Mega First's revenue comes from the Mamut copper mine (Devadason 1991).

After the take over, a massive restructuring scheme was initiated by Datuk K.K. Lim which was implemented in early 1987. This involved the conversion of RM120 million of its outstanding foreign debts to equity and increasing its paid-up capital from RM30 million to RM150 million. As a result, the burden of interest payment was substantially reduced. With the timely recovery of metal prices from mid 1987 onwards, coupled with lower mineral royalty payment, the company finally made some profit at the end of 1988. All outstanding loans were fully repaid by May 1989.

Between 1975 and 1991, MCM experienced considerable price fluctuations due to the weak demand for copper. On top of that, increases in

oil prices especially in the early 1980s, adversely affected mine operation costs. High interest payments from heavy foreign borrowings further compounded the problems faced by MCM in the initial years. Although prices of copper, gold and silver began to improve in the early 1980s, the second oil crisis in the 1982 and 1983 period wiped out the gains achieved earlier. Operating costs soared and the recession which followed the second oil crisis caused a dwindling demand for copper and hence, depressed copper prices. In 1987, however, copper and gold prices began to improve. With the continuing buoyancy of copper prices, lower mineral royalties and decreasing interest burden, MCM continued to perform satisfactorily despite encountering lower ore grades in 1988. Then, in the early 1990s, the strong demand for copper pushed up copper prices to as high as RM1.20 per pound. Although the price decreased to 0.72 cents per pound by the end of 1993 due to weak demand, it increased to RM1.40 per pound at the end of 1994 and early 1995.

1.6.1 Production Process

Mamut Mine is situated on a porphyry copper deposit located at an elevation of about 1400 metres on the flanks of Mount Kinabalu. The copper mineralisation is associated with intrusions of adamellite porphyry rocks which occur within a series of tertiary sediments and ultrabasic rocks.[8] A

[8] Adamellite porphyry rock is a variety of granite containing a calcium-bearing plagioclase, usually oligoclase, and a potassium feldspar, in roughly equal amounts. Ultrabasic rocks refer to igneous rocks consisting essentially of ferromagnesian minerals to the virtual

subsequent intrusion of granodiorite dykes; which are not themselves mineralised, cuts across the adamellites.[9]

Mining is by open-pit methods using: drilling, blasting, loading with hydraulic shovels and wheeled loaders and hauling with off-highway trucks. Currently, mining is at the rate of 6 million tonnes of ore and 24 million tonnes of waste per year. The ore contains about 0 50 per cent copper and small amounts of gold and silver.[10] Mining conditions are difficult, because of the steep terrain in which the ore deposit is located and the relatively weak strength of many of the country rocks, combined with a heavy rainfall of around 4,000 mm per year.

The ore is first crushed in a gyratory crusher with further crushing in a series of secondary and tertiary cone crushers. It is then conveyed to the concentrator building where it is fed to two rod mills followed by two ball mills. After milling, the finely ground ore passes to banks of rougher and cleaner flotation cells. The flotation cells separate the valuable metallic minerals from the gangue minerals.[11] Small amounts of chemical reagents are fed to the cells and air is blown through them continuously. The reagents[12]

---

9 exclusion of quartz, feldspar and feldspathoids (see Appendix I foi details). Granodiorite Dykes is a coarse grained acid igneous rock consisting of quartz (20-40%), calc-alkali feldspar, and various ferromagnesian minerals, dominantly horn blende and biotite.

10 Ore refers to the sum total of ore minerals and gangue minerals and country rocks which constitute the material worked for the purpose of extracting a metal from the ore minerals.

11 Gangue Minerals are part of an ore deposit from which metal or metals are not extracted (see Appendix I for details).

12 Reagents refer to different component of chemicals used for treating the ore

activate the minerals in the ore and also cause a froth of bubbles to be formed from the stream of air. The valuable mineral grains attach themselves to the bubbles and are floated to form a concentrate, while the gangue minerals which do not respond in like manner, pass on to tailings. The tailings are piped first to a tailings' thickener, where some water is reclaimed and returned to the concentrator and then fed by gravity to a tailings dam situated at Lohan which is about 15 km from Mamut and 900 metres lower in elevation. The dam perimeter is partly constructed of waste rock and partly from coarse sand separated from the tailings by cycloning. The remaining slimes are stored in the centre of the dam and allowed to settle. Water is then decanted and fed back into the natural drainage.

The concentrate from the flotation cells on the other hand, is pumped to a concentrate thickener where some more water is decanted and returned to the concentrator. The concentrate is then dewatered in vacuum filters to establish a final moisture content of about 10 per cent. It is then heaped in the concentrate shed ready for transportation. The company has its own private port at Usukan about 120 km from the mine and the copper concentrate is carried there daily by a fleet of trucks. The port can handle ships of up to 15000 tonnes and 12 to 15 shipments are made each year to smelters in Japan.

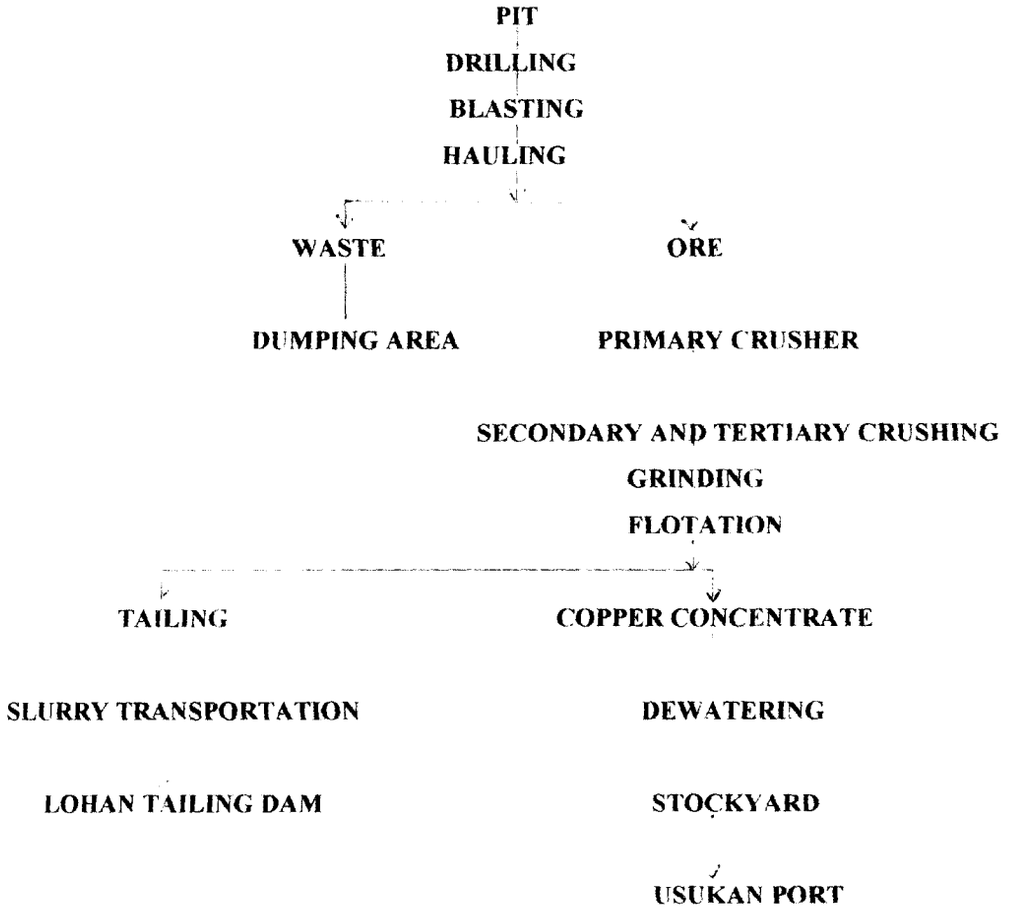
The concentrate contains at an average of about 24 per cent copper per tonne, 20 grammes of gold and 120 grammes of silver per tonne.[13] In all,

[13] Concentrate is defined as metallic minerals (copper, gold, silver) which is the final output recovered from the ore.

about 120,000 tonnes of concentrate are produced and exported each year. These contain about 28,000 tonnes of copper metal, 2 tonnes of gold and 15 tonnes of silver. The flowchart of the Mamut Mine production process is shown in Figure 1.2

Figure 1.2:

Production Process



1.6.2 Expansion

During the initial feasibility studies, the Mamut mine was projected to have an estimated life of 14 1/2 years from 1975 up to 1989. As mining progresses, and more mining operation data is made available, periodical reviews are carried out by the management which often results in changes from medium to long term mine plans. A study in late 1988 by RTZ Consultants of United Kingdom developed a new plan which would extend the life span of the mine to another 2 1/2 years.[14] In January 1990, RTZ Consultants presented another revised mine development plan which would extend the life of the mine by an additional five years to the end of 1997. The plan calls for the removal of some 24 million tonnes of overburden waste rocks per year for the next 3 to 4 years. The re-development cost is expected to be RM95 million. For this purpose, the mine bought two additional 10 cubic meter P & H hydraulic shovels and 17 units of 85 ton off highway trucks at a cost of 13 5 million. Implementation of the re-development program began in early 1990, and is now almost completed, with about RM70 million already spent. MCM's expansion programme also involves the enlargement of the pit to obtain the high grade ore located at the bottom of the pit. By 1994, it is expected that the stripping and enlargement of the pit's surface will be completed leaving only the ore at the bottom of the pit to be mined. With the completion of the redevelopment plan, increase in the

[14] Refer to the 'Information Of Mamut,' Mamut Bulletin, (1985)unpublished

production of copper concentrates is expected. In the fourth quarter of 1994, once again the RTZ consultants were invited by MCM to revise the mine plans. Its finding, which was officially announced by the MCM's managing director in February 1995, shows that the mine's life would be extended up to the year 2000. However, this plan is subject to the price of copper.

1.6.3 Importance Of Mamut Copper Mining

MCM has been a monopoly in copper production in Malaysia since 1975. Its importance to Sabah and the Malaysian economy is reflected in its annual production and sales which account for approximately 25 per cent of Malaysia's net mineral export revenue. Between 1975 to 1990, total exports of copper concentrates were valued at RM2.3 billion. The management of MCM maintains that this figure adequately reflects its importance for Sabah's economy and Malaysia in general. In fact, in 1991 and 1992, copper concentrates was one of the highest revenue-earners among Sabah's major exports. Table 1.1 on page 12 shows the export value of copper concentrates and the value of other major export commodities of Sabah.

Table 1.1

Sabah's Exports Of Major Commodities, 1991-1992

Commodity	January - December 1991 Value (RM Million)	1992 Value (RM Million)
Crude Petroleum	2,549.16	2,136.2
Sawn Timber	1,286.0	1,533.1
Timber Logs	969.8	890.4
Cocoa Beans	347.9	317.4
Palm Oil	332.3	303.1
Methanol	203.2	161.9
Hot Briquetted Iron	185.7	194.0
Uncoated Printing & Writing Papers	181.9	188.0
Copper Concentrates	**160.1**	**166.8**
Rubber	62.2	61.6

Source: Department Of Statistics, Sabah, 1992

In 1991, the export of copper concentrates was about 2.5 per cent of the total exports of Sabah. This increased to 2.8 per cent in 1992. Simultaneously, the value of exports for copper concentrates also increased from RM160 million in 1991 to RM166.8 million in 1992; an increase of 4.3 per cent. While other export commodities declined in 1992, sawn timber, hot briquetted iron, uncoated printing papers and copper concentrates showed an

increase in the value of exports by 19.2, 4.5, 3.4 and 4.2 per cent respectively. With the opening of the new mine at Bidu-Bidu (which does not belong to Mamut Copper Mining), a higher export in copper concentrates is expected which would enhance the state's overall economic growth.

MCM contributes not only to the state's economy but also to the social and community development in the region. It forms a crucial part of the state economy and is often described as the catalyst of development in the region. Prior to its establishment, the company built extensive infrastructures. Roads were widened and made accessible all the way from Kota Kinabalu to the mine site. Several bridges were constructed or improved by the company. Currently the company is still assisting the government in building roads to villages nearby the mining area, thus helping to inject economic life into the previously inaccessible districts. Now farmers all the way from the interior can bring their agricultural produce to the market centres. Schools and community services too can reach the villages in the interior

MCM is one of the major employers in the state with over 1,100 direct employees and 450 employed as contractors in 1991. Of the mine's total workforce, 94 per cent are Sabahans of which 67 per cent come from the Ranau district. With offerings of stable and good wages, the mine is an attractive source of income to Sabahans from all walks of life. Not surprisingly, staff turnover is low and many children seem to follow their parents' footsteps and seek employment with MCM.

With the opening of MCM in the 1970s, the Japanese mining technology had for the first time, been brought into the state. This included the equipment for pit operation and the milling processing plant. Even now, some of the major mining equipment are bought from Japan. MCM has trained, provided expertise and technical know-how to more than one thousand employees who are mostly local. In the early days of the mining operation workers especially in the production rank such as foremen and supervisors, were sent to Japan for intensive training in operations and maintenance. The areas of management and engineering were dominated by Japanese staff until 1990 after which the posts were filled by Malaysians. The transfer of open-pit mining technology to the state of Sabah was important in reducing the dependency on foreign expatriates for future mining operations in Sabah.

MCM also assists the community by providing financial support to education, schools, social services and community organisation.[15] Thus MCM contributes to the socio-economic development of Sabah. Without the mine, the growth in Ranau during the 1970s and 1980s may not have progressed to what it is today. The existence of MCM has been, and still is, important as a source for employment and foreign exchange earnings

[15] The company built an additional four classrooms for St. Benedict primary school in Ranau and donated a forty-eight seater stage bus to S.M.K. Mat Salleh, also in Ranau. It also provides scholarships (open for all Sabahan students) who pursue engineering courses at higher institutions

However, one can also argue whether the existence of the mine has really improved the livelihood of the people staying nearby the mine. Other than those hired by MCM, there are others whose sources of income have not improved. A small number of farmers in the region, although they were compensated in the form of cash payment in 1977, have been deprived of their sources of income when they lost their farms due to the adverse effect of the mining operations. In 1976 about 810 hectares of padi fields in Ranau were damaged by tailings due to the rupture of tailing pipelines. Despite hardship faced by the affected farmers, MCM in the early days became a catalyst of business development in the region. Local businesses prospered although the current growth of local business may no longer depend on the existence of the mine. Besides the tax collected by the federal government, the mine has paid a substantial amount of royalties to the state government. Since its establishment in 1975 until 31 March 1993, MCM had contributed 186.6 million ringgit in mineral royalties to the state government. The annual royalty payment from 1981 to 1993 is shown in Table 1.2.

Table 1.2

Royalty Payment, 1981-1993

Year	Amount (RM million)
1981	28.0
1982	16.7
1983	16.2
1984	14.4
1985	10.9
1986	11.2
1987	3.3
1988	5.2
1989	4.5
1990	4.6
1991	4.4
1992	3.9
1993	3.7

Source: MCM, Chairman Report, 1981-1993,Unpublished

1.6.4 Background Of Mega First Corporation Bhd

In April 1991 MCM became a wholly - owned subsidiary of Mega First Corporation Bhd, a Malaysian public listed company. The lists of substantial and major shareholders are shown in figure 1.3 and figure 1.4 with the Sabah State Government retaining minimum shares. The shareholders of Mega First as of 31 October 1995 are as follows:

Figure 1.3

Substantial Shareholders	No. Of Shares	(%)
Dato Lim Keng Kay	67,415,000	28.57
Bonanza Venture Holdings Sdn Bhd	67,405,000	28.56
Bonanza Resources Sdn Bhd	67,405,000	28.56
Perbadanan Pembangunan Ekonomi Sabah	4,787,480	6.26

Source: Mega First Corporation Berhad, Annual Report, 1995

Dato Lim Keng Kay is a substantial shareholder of Bonanza Venture Holdings Sdn Bhd and Bonanza Resources Sdn Bhd.

Figure 1.4

Largest Shareholders	No. Of Shares	(%)
HSBC (Kuala Lumpur) Nominees Sdn Bhd	108,344,040	45.91
Perbadanan Pembangunan Ekonomi Sabah	20,904,480	8.86
Dato Hanifah Noordin	5,705,666	2.42
Permodalan Nasional Berhad	5,000,000	2.12
Lembaga Urusan Tabung Haji	5,000,000	2.12
Lembaga Tabung Angkatan Tentera	5,000,000	2.12
U.B. Nominees (Tempatan) Sdn Bhd	5,000,000	2.12
Koperasi Polis DiRaja Malaysia Berhad	4,876,000	2.07
Tan Sri Dato Mohd. Yusof bin Abdul Rahman	4,845,666	2.05
Tan Sri Datuk Hamzah Sendut	3,681,668	1.56
Preset Sdn Bhd	1,320,013	0.56
Ke-Zan Nominees (Tempatan) Sdn Bhd	1,320,000	0.56
Citicorp Nominee (Malaysia) Sdn Bhd	1,279,000	0.54
Grand United Holdings Berhad	1,210,272	0.51
Mayban (Nominees) Sendirian Bhd	1,208,279	0.51
Arab - Malaysian Nominees Sdn Bhd	1,070,166	0.45
HSBC (Singapore) Nominees Sdn Bhd	1,000,000	0.42
DB Nominees (Singapore) Pte Ltd	1,000,000	0.42
Silver Dollars Sdn. Bhd	942,390	0.40
Southern Nominees (Tempatan) Sdn Bhd	908,000	0.38

Source: Mega First Corporation Berhad, Annual Report, 1995

Mega First was incorporated in 1966 as Mega Chemicals Sdn Bhd which became Mega Chemicals Berhad in 1969 when it went public on 11 August 1970. Then in 1981, the company was renamed Supreme Plantations Industries Berhad With that change, a merger took place involving the acquisition of plantation and palm oil processing and refining companies. Three years later the plantations and chemicals were sold off and restructuring

brought another name change; this time, to Everpeace Corporation Bhd. Everpeace Corporation Bhd immersed itself in property development and investment holding for a year. However, following the Pacific Electric crisis on 5 December 1985, Everpeace shares were suspended from being traded in the stock market. With the situation being what it was, in 1990 Datuk K.K. Lim, through another of his companies; Bonanza Resources Sdn Bhd, successfully took over Everpeace Corporation Bhd and rechanged its name to Mega First Corporation Berhad. The list of companies owned by Mega First Corporation is shown in Figure 1.5.

Figure 1.5

List Of Companies Owned By Mega First Corporation in 1995

	(%)
Mamut Copper Mining Sdn Bhd	100
Mega First Industries Sdn Bhd	100
Consotech Sdn Bhd	100
MFCB Marketing Sdn Bhd	100
Mega First Corporate Services Sdn Bhd	100
Mega First Housing Development Sdn Bhd	100
Mega First Resources Sdn Bhd	100
Mega First Properties Sdn Bhd	100
Syarikat Cheng Sun Quarry Sdn Bhd	99.56
Parrange Sdn Bhd	97.5
S.R. Marble Sdn Bhd	80
Mega First Sakata Inx Sdn Bhd	70
Mega First Cladding Sdn Bhd	66.2
CEL Tractors Sdn Bhd	60
Bloxwich (Europe Asia) Sdn Bhd	51
Bloxwich Engineering Limited	51
Bloxwich Group Pensions Ltd	51
Serudong Power Sdn Bhd	51
Palmco Holdings Berhad	31.01
Rock Chemical Industries (Malaysia) Berhad	36.49

Note: The percentage indicates MFCB's share of ownership to the company

Source: Mega First Corporation Berhad, Annual Report, 1995