

Copyright © (1996)

ISBN : 981-00-7764-5

Stephen R. Evans

Abdul Rahman Zainal

Rod Wong Khet Ngee

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means electronic, mechanical, photo copying, recording or otherwise, without prior written permission of the authors.

Printed by :
Calendar Print Pte Ltd
Singapore
(1996)

M
959.521
EVA

M

30 JUN 2001

D/O 1884

SEA

THE HISTORY OF
LABUAN
ISLAND
(VICTORIA ISLAND)

by

Stephen R. Evans
B. Sc., MA., FCMI.

Abdul Rahman Zainal
BA. Soc. Sc. (Hons)

Rod Wong Khet Ngee
BE. (Hons)

AUTHORS PROFILE

STEPHEN R. EVANS

was born in Keningau, Sabah.

He holds a B. Sc and MA Degrees in Public Administration, and Diplomas in Journalism and Agriculture, which he earned from British and American Universities. He was awarded a Colombo Plan Scholarship by the Government of New Zealand in 1966 to study Public Administration and local Government.

He was a former member of Malaysian Parliament, a Senator, and a State Legislative Assemblyman for a total term of 15 years.

He has also served The Sabah Land Development Board for eight years and six months as a Chairman and Board of Directors. He was awarded a PGDK, Commander of the Order of Kinabalu (Second Class Datukship), by the Sabah State Government in 1977 and on the 16th September, 1989 he was again conferred the State's highest award, SPDK, Grand Commander of the Order of Kinabalu (First Class Datukship) Datuk Sri Panglima.

He has written several books published locally by the Borneo Literature Bureau and by Overseas Publishers. His latest Book was Sabah (North Borneo) Under the Rising Sun Government.

He is also a life member of the Commonwealth Parliamentary Association, and Malaysian Parliamentary Association.

ABDULRAHMAN ZAINAL, ADK,

was born in Labuan, Sabah.

He received his early education in Sabah and his tertiary education in West Malaysia, at the University Science Malaysia, Penang, where he obtained his Bachelor of Social Science (Hons.) Degree. He has worked for the State Government for several years, attached to the State Development Office, Chief Minister's Department, Kota Kinabalu. He has also worked for the Sabah Land Development Board as General Manager and Chief Executive Officer. He is an active Rotarian.

ROD WONG KHET NGE, ADK

was born in Kudat, Sabah.

He received his early education in Sabah, and after passing the Overseas Cambridge High School Certificate Examination, He was awarded a Colombo Plan Scholarship by the State Government to study Engineering at the University of Tasmania, Australia, Where he obtained his Bachelor of Engineering (Hons.) Degree. He has also taken advanced Engineering Course in London, related to his profession as an Engineer. He has worked for various Engineering Firms in Kuala Lumpur and Sabah, Before joining the Sabah Land Development Board, as Chief Engineer for eight years. He is currently employed by a Singapore Firm as a Consultant Engineer for its China and Indonesia based Companies. He is a good Chinese Scholar and an active Rotarian.

Acknowledgement

Grateful thanks are due to
The State Government of Sabah for granting us
permission to reproduce the photographs from
“Sabah History in Pictures”.

Preface

History as everybody knows is the past experience of mankind. More exactly, history is the memory of that past experience as it has been preserved, largely in written records. In the usual sense, history is the product of historians work in reconstructing the flow of events from the original written traces or sources into a narrative account.

The existence of written records distinguishes the historic era from prehistoric times, known only through the researches of archaeology. The subject matter of history is the significant past, meaning the institutions and individual actions that affect the experience and development of the whole communities.

Traditionally history has focused on the actions of Governments, their leaders, and the conflicts among them in other words, political and diplomatic. In the last 100 years the scope of historical interest has broadened to include the history of ideas and the patterns and trends in economic and social life that characterize or influence society as a whole.

The object of this book "History of Labuan Island" (Victoria) is to provide factual information to the people of Sabah, and future generations of our State, so that they would be knowledgeable in many ways, with the past and present history of the Island of Labuan, which is part of the mainland of the State of Sabah, East Malaysia. Labuan Island was made a Federal Territory on the 16th April, 1984.



TIMBALAN MENTERI PERUMAHAN DAN
KERAJAAN TEMPATAN
ARAS 5, BLOK K,
PUSAT BANDAR DAMANSARA,
PETI SURAT 12579,
50782 KUALA LUMPUR

Telefon: 2547033
Kawad: "MINUMAMAH"

Raj. Tuan:

Raj. Kami:

Tarikh:

FORWARD

LABUAN ISLAND which is also known and recorded in the early history of North Borneo (Sabah) as Victoria Island, was the scene of the earliest association of Great Britain with North Borneo.

The Sultan of Brunei ceded the island to Queen Victoria in 1847, Labuan began as a separate colony with its own Governor, garrison and postage stamps. Its main purpose was to root out the pirates and in this it succeeded.

A secondary purpose was to develop trade with the mainland, and optimists saw visions of a second Singapore. Others with a less rosy view saw that if Labuan were to prosper, the mainland of Borneo must be developed first. That proves to be the course and Labuan's progress has been slow.

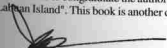
Labuan means anchorage and its harbour is excellent. Along the sea shore may be seen old graves of officers and men of the Royal Navy who did much to suppress piracy. Most of these graves are protected by concrete slabs to prevent Headhunters from the mainland digging up and taking away the skulls.

Near the post office may be seen slabs of commemorating the cession and other events in its history. The fallen stone with the Japanese inscription records the Japanese occupation of Labuan Island in 1942. Most of the inscription is hidden on the underside of the stone.

In 1946, Labuan Island was joined to North Borneo to make one Colony. Labuan has strategic importance. Here the Japanese Army landed in 1942, to capture the rest of North Borneo, (Sabah) and here also in 1945 the Australian Army landed its 9th Division to defeat the Japanese Armed Forces and recover the country.

The beginning of Labuan and Sabah's existence in general as an Administrative entity was certainly dominated by personalities who were extremely daring and adventurous. History is indeed the essence of innumerable biographies.

I would like to congratulate the authors for their time and efforts in writing the "History of Labuan Island". This book is another contribution to Sabah's History.



(YB DATUK DR JEFFREY G KITINGAN)
Deputy Federal Minister
Ministry of Housing and Local Government
PH.D (FLETCHER/HARVARD)
MALD (FLETCHER/HARVARD)
MPA (FLETCHER/KSG)
BBA (WAIT)

C o n t e n t s

Labuan -----	1
Labuan (Victoria Island) - First British Colony in Northern Borneo, Sabah -----	4
Rajah Brooke, the first Governor of Labuan Island -----	13
Labuan Coal Mine -----	15
The end of Sir James Brooke's Governorship -----	19
Brooke and The Commercial Adventurers -----	20
Brooke resigned as Governor of Labuan -----	22
Labuan 1890 -----	24
Labuan under the Chartered Company -----	26
Troubles in Labuan Island -----	28
Christianity in Labuan -----	30

Pope Hennessy and Hugh Low -----31

American Trading Company -----33

British Traders on the East Coast -----37

William Clark Cowie -----38

Adventurous historical background of Labuan----- 40

Labuan under the Japanese -----50

Labuan became a Federal Territory -----65

Labuan became a political issue -----69

Development in Labuan started to move up ----- 78

Property Boom -----86

Labuan as an International Offshore Financial Centre ----- 96

Letter from The Sabah State Government
(Ref: CMD.C. 202/26/99 dated 10th July, 1995)----- 107



LABUAN

STRAITS - SETTLEMENTS a former British Colony in the Malay Peninsula. It comprised three settlements - Singapore, Penang, and Malacca, which, with adjacent islands, had an aggregate area of 1,242 square miles. Dependencies of Singapore settlement were the Cocos Islands, Christmas Island, and (until 1912) these raising the total area of the Straits' Settlements to 1,338 sq. miles, from 1912 Labuan was a fourth settlement. The seaport city of Singapore was the capital. The Governor, of the colony was also High Commissioner for all of the Malay states (both federated and unfederated) and for Sarawak and British North Borneo.

When first brought under British control, the settlements were separately administered by the East India Company. In 1826 they were organised as a single government as a presidency of India, the capital being at Penang, and in 1830 the Straits Settlements were placed under Bengal; Singapore became the capital in 1836. With abolition of the East India Company in 1858 administration of the Straits Settlements was vested in the India Office in London; this continued only until 1867, when control was transferred to the Colonial Office. It was not until 1886 that the Cocos Islands, Christmas Island, and Labuan were placed under the control of the Governor of the Straits Settlements. Labuan Island, (North Borneo) is

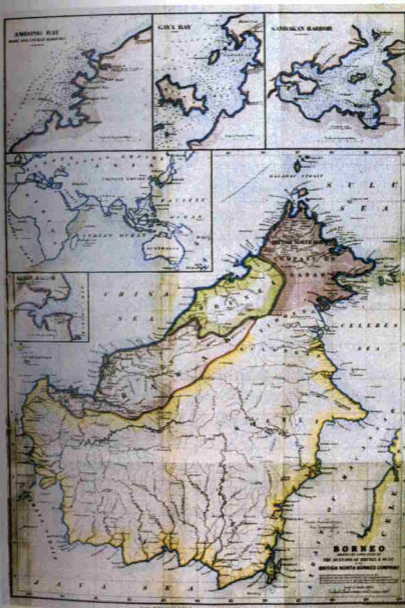
situated 6 miles off the northwest coast, at the entrance to Brunei Bay, and 20 miles northeast of the town of Brunei. It has an area of 35 square miles, with the greatest length about 11 miles and the greatest width about 8 miles.

There is an excellent harbour and an airport at Victoria (Population in 1951 - 2,526) the capital, on the southeast coast. Seven smaller islands included in Labuan. The terrain is mainly low and marshy, the climate warm and humid. Chief products are rice, rubber, sago, copra, live-stock, fruits and fish.

Labuan was ceded to Great Britain by the Sultan of Brunei in 1846 and two years later was made a crown colony. In 1889 its administration passed to the British North Borneo Company; in 1905 it was transferred to the Straits Settlement and in 1907 was incorporated as part of Singapore; in 1912 it was constituted as a separate settlement. It was occupied by the Japanese from 1942 to 1945 during the Second World War, and in 1946 was joined to the newly made British Colony of North Borneo, (population in 1951 - 8,603 of which 4,532 were indigenous and 3,005 Chinese).

In 1942, soon after entering World War II, the Japanese overran the Straits Settlements (and all the Malay Peninsula) remaining in occupation until the surrender in 1945. Thereafter there were sweeping constitutional changes. The settlement of Singapore became a separate colony in 1946. Penang and Malacca were incorporated in the newly organised Union of Malaya (reorganised in 1947 as the Federation of Malaya); Labuan was made part of the newly constituted Colony of North Borneo (Sabah).

The Map of Borneo 1880



LABUAN (Victoria Island) – First British Colony in Northern Borneo, Sabah

Labuan Island is situated off the coast of Sabah, just outside Brunei Bay, approximately 40 miles from Brunei Town (Bandar Seri Begawan). It is about 35 square miles in area and low-lying. Its highest point is Bukit Kalam, which is 280 feet above sea level.

The name 'Labuan' means 'Anchorage' and on the south-east of the Island where the town Labuan, formerly called Victoria now stands, there is a very fine harbour. It has great advantages as a base for the Navy and as a port for merchant ships. Being a low lying Island, Labuan also has the present-day advantage of being a fine base for the Air Force and commercial aircrafts.

As has been seen, the British Government was from time to time very keen in having a base in Borneo to protect their trade. This is because Hong Kong had been ceded in the year 1841, they needed a cooling base in the North Borneo (Sabah) area. As their trade grew piracy on the other hand also grew, such a base became more and more necessary and important to the British. When Sir James Brooke took over Sarawak, he made it a point as his main plans to ensure that this base is established.

In 1843 Captain Sir Edward Belcher in H.M.S. Samarang was sent to do survey work in Borneo waters and at the



The Map of North Borneo, 1905

same time locate a suitable base for British ships. Coal was very important at that time especially for steamers, and Belcher had to look for a place where coal could be mined. When HMS Samarang arrived at Kuching, Belcher was not happy about Labuan and Brunei. He was much more unhappy and disappointed when his ships, which had on board all the survey equipment, struck a rock in the Sarawak River when she was on her way to Brunei. Rescue ships were sent from Singapore but she was raised by local ships before they arrived.

When Belcher left for Brunei a second time he had the Sarawak ships Royalist and Ariel, HMS Harlequin and HMS Wanderer, and two other steamers HMS Diana and

HMS Vixen. Samarang left on 6th August, 1843, she hit the same rock a second time but was fortunately not damaged.

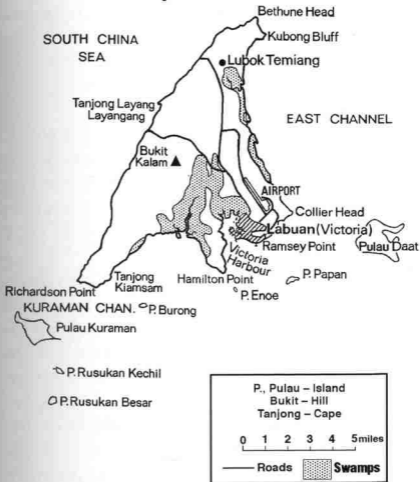
The Sultan of Brunei received his visitors warmly, and gave Sir James Brooke, the State of Sarawak and asked for Raja Muda Hassim to be sent back. The fleet then visited Labuan.

Belcher did not like Brunei, and reported that there would not be much coal in Labuan.

Sir James Brooke was very angry when he heard what Belcher had reported and he probably had good reason for his anger, as there was an outbreak of smallpox in the area which initiated Belcher to rush the job and recommend Balambangan Island as a possible ports, however, this choice did not pleased Sir James Brooke as he considered it not suitable.

In the following year 1844 Brooke and Belcher visited Brunei once again, bringing back Raja Muda Hassim and his Court. Belcher finally seemed to have changed his mind about Labuan. He allowed Brooke to put the case strongly to His Highness the Sultan of Brunei that Labuan should be given to the British Government. The Sultan wrote a letter to Her Majesty Queen Victoria saying - The Sultan and the Raja Muda Hassim desire to gain friendship and assistance from the Queen of England for the suppression of piracy and the encouragement and extension of trade; and to assist in forwarding these objects they are willing to cede to the Queen of England the Island of

The Map of Labuan Island



Labuan and its islets on such terms as may hereafter be arranged by any person appointed by Her Majesty.

The offer was studied by the British Government but not immediately accepted.

Two events forced the British Government to make up its mind about Labuan. Early in 1845 U.S.S. Constitution called at Brunei with an offer from the Government of the

United States of America of a trade treaty in return for the right to mine all the coal in the Sultan's kingdom. The Americans might have succeeded, except for the fact that they employed an interpreter a man who had been dismissed from Brooke's employ for drunkenness.

This man made the American requests sounds like threats, and the Sultan and Raja Muda Hassim were very frightened. Hassim did, however, inform Brooke that if the British were not going to make a proper arrangement, Brunei wish to be free to obtain help elsewhere.

Sir James Brooke passed all this on to the British Government. The second event was the murder of Hassim and Beruddin and the triumph of the Haji Saman (Pirate Chief) group, which favoured piracy. At the same time certain Chambers of Commerce in Britain sent demands to the Government to take up the Sultan's offer of Labuan and to make it an anti-piracy base and the Dutch. Still the British Government could not make up its mind. Then the Government fell, and a new one came into power. This finally made the decision and orders to take up the Sultan of Brunei's offer. In the meantime, the action taken by Admiral Cochrane against Brunei and by Captain Mundy against Haji Saman was unknown to the British Government. The Sultan had timidly reseated himself on his throne, and Captain Mundy in the H.M.S. Iris returned to Singapore. At Singapore he received orders to go to Brunei and take possession of the Island of Labuan, from the Sultan of Brunei.

THIS ISLAND
WAS TAKEN POSSESSION OF
DECEMBER 24TH 1846
IN THE NAME OF HER MAJESTY
VICTORIA
QUEEN OF GREAT BRITAIN AND IRELAND
UNDER THE DIRECTION OF
HIS EXCELLENCY REAR ADMIRAL
SIR THOMAS COCHRANE, CB
COMMANDER IN CHIEF
BY
CAPTAIN G. R. MUNDY,
COMMANDING
H.M.S. IRIS

*Possession of Labuan Island (Victoria) by
Her Majesty Queen Victoria, 24th December 1846.*

Captain Mundy felt that the Sultan would want cash for Labuan, and Rajah Brooke, when they met in Kuching, Sarawak, agreed that this would be so. Captain Mundy had no instructions about payment and was clearly ordered to obtain the island as a gift. He decided to take a strong line with the Sultan. As expected, the Sultan and the Pengirans who had lost income because of the suppression of piracy wanted money for Labuan. Captain Mundy was firm and pointed out that they had attacked British warships and the British Government was not pleased. This reminded the Sultan of the visit of Admiral Cochrane and his own flight to the jungle, the burning of his palace and his other misfortunes. He agreed to give the Island of Labuan to the British Government.

The treaty was signed on 18th December 1846 and was quite short. The Sultan ceded Labuan Island and its islets to the British Crown forever; the British Government promised to suppress piracy and protect trade, and the Government of Brunei promised to assist in this.

Captain Mundy decided to take over Labuan at once. The Sultan said he would be happy to be present at the ceremony but a journey over the sea made him sick so he asked to be excused. The Pengirans, however, all agreed to make the journey.

The first map of Labuan was prepared by Sir Edward Belcher on his survey trip in H.M.S. Samarang. It is really a sailing chart and has, apart from the names of some of

the islets, only these places bears mark on it, North Tongue, North Bluff, and Collier Point. There were only a few fishing huts on shore. Mundy had brought with him gear for clearing the jungle.

Spencer St. John said later that Labuan had one of the finest forests in the Far East. From all this we can see that though Britain had obtained a new Colony and would no doubt set up a Government, there was no one to govern.

Mundy arranged the flag-raising ceremony at Labuan on 24th December, 1846. He was a man who made preparations early. He brought with him a large slab of granite from Hong Kong, and his sailors inscribed it with the lettering we noted in this book (Photograph on page 8). He brought all the tentage, flags and other apparatus for a grand ceremony. He made his anchorage off what is now Ramsey Point. He decided to hold his ceremony and to make the first settlement here, on a piece of flat land opposite his anchorage. Although the land was swampy, it did not worry him, but it worried the others later.

There was a grand parade and ceremony at the hoisting of the flag. HMS Wolf under Commander Gordon had arrived. Pengiran Momin took the place of the Sultan on the platform with Mundy and Gordon. Momin had a royal yellow silk umbrella and Mundy a bright scarlet one originally meant as a present for an African Chief. There was a guard of honour of 180 bluejacket and

marines. The official speeches were short, and after the ceremony there was a feast with champagne and beer. The visitors liked the beer best. The crews later set to work to make buildings and a landing place, but as the area was swampy many men became sick. Commander Gordon died and his grave could still be seen on Labuan Island. Iris and Wolf sailed away on 12th January, 1847.

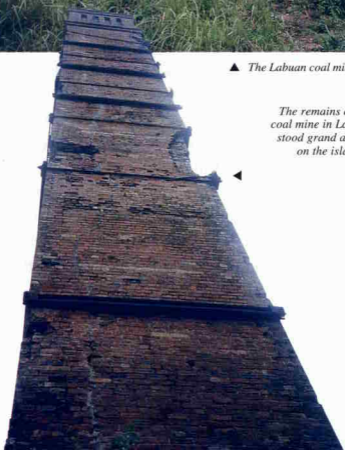
Raja Brooke, the first Governor of Labuan Island

About this time James Brooke had returned to England and found he was a hero. Keppel's book and the Rajah's journal had been very well read, and everyone, including the Government, wanted to do him honour. When he returned to Borneo in H.M.S. Meander, commanded by his good friend Captain, the Honourable Henry Keppel, Royal Navy, it was as Sir James Brooke, Governor of Labuan and Her Majesty's Consul-General in Borneo. (Her Majesty's Government seemed to have forgotten that he was also Rajah of Sarawak). Sir James Brooke had a salary of £2,000.00 pounds per annum which was indeed an enormous salary in those days. With him came William Napier, Lieutenant - Governor (Deputy Governor), Hugh Low, Colonial Secretary and Spencer St. John, the Rajah's private secretary. John Scott, Surveyor General, was already in Labuan looking for coal. This was quite a large staff for an island of thirty-five square miles, for the most part covered in trees, with only a few fishermen's huts on shore.



▲ *The Labuan coal mine (1849).*

*The remains of the first
coal mine in Labuan still
stood grand and mighty
on the island today.*



Labuan Coal Mine

The policy was to build up Labuan as a Coal base for British ships, as a naval base against pirates and as a free port for International traders. The coal on Labuan Island was therefore one of the main reasons why the island was chosen. An English adventurer called William Henry Miles, was given a contract by the British Navy to supply coal to its vessels in the days before Rajah Brooke's arrival, at that time John Scott, the official surveyor and engineer, was the only official at the post. Miles scratched up the coal lying on top or just underneath the ground. (This is called by the miners "surface" or "open cost" mining). The coal he dug was of poor quality and the holes he made while mining, flooded, which made mining very difficult. There were many complaints from the engineers of the British Navy who had to burn this rubbish in their furnaces.

In July, 1849 the coal mining was taken over by the Eastern Archipelago Company. This was formed by another Englishman called Henry Wise, who was once Rajah Brooke's business agent in London. The Company was not very successful. The mines were ten miles from Victoria, near Lubok Temiang, situated on the north of Labuan Island, and there was no road access to the coal mine. It was also difficult to find and employ workers.

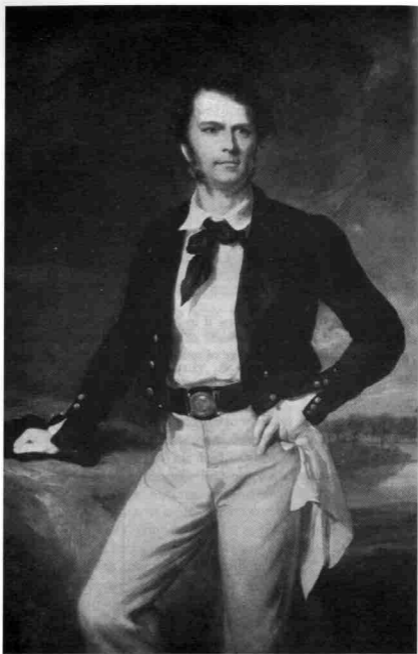
The manager was not given enough money by the Company. He had to borrow £600.00 pounds from the Government in 1849 to pay his workers. There was trouble between Wise and Governor Sir James Brooke. The partnership between them had broken up in 1848 before the Company started work. Brooke said that the Company had the right to mine coal. Wise said that it had the exclusive right. In the end the British Government agreed with Wise, but this did not really help the Eastern Archipelago company. In the year 1851 Sir James Brooke returned to England, and here he brought the Eastern Archipelago Company to court on a charge of fraud. In the event that followed he won this case, and the Company lost its charter.



The railway at Tanjung Kubung coal mine was used to transport coal to the harbour (Source : Private collection)

After this there were other companies who took on the mines without any great success. There were the Labuan Coal Company (1866-1869), and the Oriental Coal Company (1869-1880). A railway was built between the mines and Victoria Town, where the coal was transported for shipping. This line also carried passengers. A.J. West who later built the British North Borneo Railway from Weston to Beaufort and from Beaufort to Melalap was at first employed to build the coal railway at Labuan.

This was in the days when Labuan passed under the control of the Chartered Company, which ran the State of North Borneo. At that time the coal was mined by the Central Borneo Company. Coal mining stopped in 1911. If the mining had done well, it could have made Labuan prosperous. Unfortunately it never was, even though the companies brought in expensive machinery and Chinese workers.



Portrait of Sir James Brooke, 1847.

(Source : from the book "The White Rajahs of Sarawak")

The end of Sir James Brooke's Governorship

When Sir James Brooke was Governor of Labuan, William Napier, Hugh Low, and John Scott were also Government staff. Napier was a very rude and quarrelsome man. Hugh Low married Napier's daughter, but this did not stop regular quarrels between the two. Soon after the beginning of British rule on Labuan, most of the Government staff became very sick. Brooke was most ill of all. Only Spencer St. John and John Scott escaped the illness. To make matters worse a high sea from the monsoon then blowing, flooded the houses which were built on low-lying ground near Ramsey Point. Fortunately, help was sent from Singapore. Captain Keppel, Rajah Brooke's great friend, took the sick aboard his ship MEANDER on a voyage to Sulu. The Sultan of Sulu made the party welcome and soon all had recovered.

William Napier never ceased to quarrel and in 1849 Sir James Brooke dismissed him from office. There was no doubt that Napier made life difficult for the people of the colony, but his dismissal was not just. Brooke acted very hastily. The charge against Napier was that he was engaging in trade. It happened that William Henry Miles, who had a licence to import and sell liquor, sold his licence and shop to Napier's Clerk, Meldrum. Meldrum bought some goods on credit and Napier who helped him out, guaranteed the bills, Napier was not in trade as his Clerk's partner and he did only what many others would have done to assist an employee. Brooke had his way, however, and John Scott was made Lieutenant-Governor in Napier's place.

Brooke and The Commercial Adventurers

James Brooke had very strong ideas about Europeans trading with the people of Borneo. As it was stated, he was against the idea of allowing adventurers to come and obtain rights to mine ores or trade in precious stones, metals, pearls and such articles and to take all the profits giving nothing to Sarawak in return.

He wanted good sound companies to work in Borneo and the profits of trading to be shared equally between the company and the people of Sarawak. He did not, however, know much about trade and commerce. His friend Captain Keppel once said, "My friend Brooke has as much idea of business as a cow has of a clean shirt"

Two examples can be given of the way Rajah Brooke dealt with commerce, both of which we have mentioned before. There was the case of Eastern Archipelago Company. Brooke thought that the sum paid to the Sultan of Brunei for the coal



rights was not attractive enough. He also felt that the agreement was to mine coal but that did not give exclusive rights, and he kept up his fight against the Coal Company until he had it expelled from Labuan.

In the case of Robert Burns who lost his life while trading in Marudu Bay, Brooke made wrongful use of his powers by advising the British Government to stop Burns from mining antimony at Bintulu, which was in Brunei and outside his authority. This made the merchants in Britain very angry with Brooke, and later, when he was attacked in the House of Commons (Parliament) over the matter of piracy, the British trading companies came out against him.

Government office Labuan (1908).

(Source : Private collection)



Brooke resigned as Governor of Labuan

Sir James Brooke was a man who did a great deal of good during his lifetime. He was the best friend that the Dayak people of Sarawak ever had and as a ruler he was greatly admired. But as Governor of Labuan he was a failure. He cannot be blamed for this because too much was expected of him. Because of his other duties he was able, for example, to spend in the year 1849 only thirty-nine days in the Island. In addition to that although Brooke tried very hard in the matter, the British Government had never made clear what they thought of his position in Sarawak.

In 1854 because of constant complaints against Brooke, the British Government set up a commission in Singapore to inquire into certain matters concerning Sir James Brooke and particularly to consider whether he could be Raja of Sarawak and at the same time hold his post in Borneo which was a position under the British Crown.

The story of the events which started this inquiry and how it went on did not really come into our history of Sabah, but a year before the Commission started work. Brooke decided to give up his posts as Governor of Labuan and British Consul-General in Borneo. This was in September 1853. The two Commissioners, Prinsep and

Devereux, did not agree on all points when they made their reports but they did agree on one important issue. They agreed that Brooke had not been trading while holding a post under the crown. They also said, however, that it was not possible for him to be Governor and Consul-General and to be Raja of Sarawak at the same time.

If Sir James Brooke had been hoping to be given his posts back, he was disappointed to learn that he will not get his post back.

Labuan – 1890

Labuan was not a success as a coaling station and it was also not a success as a base against pirates. The British Navy did not station any ships at Labuan, and if any were sent to Borneo waters the Captains attached themselves to Kuching because the Raja's town was much livelier than Labuan.

Trade did not grow, except perhaps the trade of guns, gunpowder, and ammunition. It was difficult to employ workers in Labuan, so trading vessels had to face long delays in loading and unloading of cargos. The Island was used as a settlement for convicts from Hong Kong and Singapore. This helped with the labour problem, but under Prison Rules, convicts could not be used for some jobs, such as underground mining, which were very necessary.

The British Government could not make decision regarding Labuan. At times it wanted to give it up, at others to keep it on for a little longer. As the Governor was also Consul-General to the Native of Borneo States he served a useful purpose but the Colony did not. As time went on the staff was cut down further and further. The end was reached during the acting Governorship of A.S. Hamilton when they were only two officers, the acting Governor and a goaler who could hardly read or write. Hamilton, in order to obey Colonial regulations, had to write letters from himself in one post asking permission to carry out plans he had made

in another post. This was in the year 1888 and all the Government buildings in Labuan were falling to pieces. By this time the British North Borneo Company (The Chartered Company) had been ruling the State of North Borneo for seven years. The British Colonial office decided that the best thing for Labuan was to place it under the control of the Chartered Company. This was done on 1st January, 1890.

**Stamps of The State of North Borneo (Sabah)
used during the Chartered Company's
Government in 1890.**



Labuan under the Chartered Company

The Chartered Company did not gain anything from this arrangement except the honour of controlling a crown colony. Labuan did not become part of the State of North Borneo. It still remained a free port and it was therefore difficult for the Chartered Company to raise enough revenue to pay for the costs of governing the Island. All laws made for Labuan had to be agreed by the British Government. Labuan had a Legislative Council to make laws, but the Colonial Office allowed this to be suppressed.

Stamps of The State of North Borneo (Sabah) used during the Chartered Company's Government in 1890.



Currency notes and Coins used during the British North Borneo Company's Rule in North Borneo (Sabah) and Currency Note of the Government of Sarawak used during Rajah Brooke's rule.

January, 1918



May, 1927



Source : Private Collection

January, 1935



1934

1841

1891

1929

Troubles in Labuan Island

The Europeans in Labuan had a long and outstanding history of childish quarrelling which continued under the Chartered Company. A new Coal Company called the "Central Borneo Company" took over the mining business, and the builder of the first Sabah State Railways, A.J. West, built a railway from the coal mines to the town of Victoria, as stated earlier in this book. The railway land was owned by the Central Borneo Company. Also on this Island stood the Labuan Club. The coal-mining people were not allowed to use the Club, so they built a fence around it. Later, when the Club members cut the fence down, the coal miners brought the case to Court.

On another occasion, the manager of the Coal Company complained to the Resident (the Chartered Company placed a Resident in-charge of Labuan) that when he was staying in town the bugles of the Government soldiers woke him early in the morning. When the Resident did nothing about this, the manager brought a railway locomotive to a place near the town, fixed a steam whistle on it and kept this blowing all night long.

In 1895 an official complaint by the people of Labuan was made against the Chartered Company's Govern-

ment. The complaint was found to be untrue. Later in 1902 there was a dispute between the Directors of the Chartered Company and their own Governor, Mr. Birch. Birch was well-liked by the British Colonial Office, and they were very upset when Birch was dismissed. The Colonial Office found Birch a good post in Malaya and later removed Labuan from the control of the Chartered Company in order to show their displeasure at the treatment of Birch.

In 1906 the Chartered Company ceased to rule Labuan, and in 1907 it was placed under the Government of the Straits Settlements. In 1946 after the Second World War, Labuan became part of the Colony of North Borneo, (Sabah).

Christianity in Labuan

In 1848 James Brooke brought to Sarawak the Reverend Francis Mc Dougall. He was a doctor as well as a priest. By 1855 Brooke thought that his kingdom deserved a bishop, even though Mc Dougall had only one outstation, run by the Reverend W. D. Gomes. A difficulty was that Sarawak was not British, so an Anglican Bishop could not be appointed, Mc Dougall, therefore, was made Bishop of Sarawak and Labuan. In this way the Anglican Church came to Labuan. In 1855 a Roman Catholic priest was made prefect apostolic of North Borneo and Labuan. This Monsignor Quarteron was no stranger in Borneo waters. He was a ships's captain, a Spainard from Cadiz, he had sailed there as a pirate and slave trader in Brunei.

History revealed that he captured a rich treasure from a sinking and deserted ship and made good his claim to the cargo in the Hong Kong Courts. On his way home he nearly lost his life in a typhoon. At the height of the danger he vowed to God that he would give up his evil ways and work to release slaves in Brunei State and nearby countries. His ship was saved, and true to his word, he went to Rome and finally became a priest. To redeem his promise he was sent to Labuan. For a short while had some helpers but was then left alone. He worked as a missionary from Labuan until shortly before his death in 1870. No one knows where he kept his treasure.

Pope Hennessy and Hugh Low

One of the most outstanding Governors of Labuan was John Pope Hennessy. He was an Irishman and a Roman Catholic. As a young man, he studied Law and Medicine, and was brilliant in both subjects. He was also a Member of Parliament and was considered a good speaker. He would have had a great political career, but it was most unfortunate that he could not pay for his election expenses when he stood for Parliament for a second term. However, as a sign of respect and reward for his services, he was made Governor of Labuan. He arrived in Labuan in 1867 and remained there until 1871.

Pope Hennessy was a man of great charm, but he took strong likes and dislikes to people. He was full of brilliant ideas, but he often dropped plans when they were half done if he had lost interest in them. Some plans were however carried out successfully. If his superiors in London disagreed, Pope Hennessy would lose the file or simply disregard the letter without giving them a reply.

There appeared to be quite a great difference between Pope Hennessy and the other Colonial Governors of his time. He did not believe that the local people were inferior, and in the colonies he later ruled over, he was hated by the ruling British groups because he wanted to give the local people a share in the Government. This was particularly so in Barbados and Hong Kong.

He was successful in his policy in Mauritius, though at one time his enemies forced him to be suspended without pay. The people of Mauritius were, however, so grateful to him that they put up his statue in their capital, Port Louis, and named streets after him.

In Labuan he startled everyone by inviting the local Malays and Chinese to the Government house. Shortly after his arrival, he married the youngest daughter of Hugh Low. Hugh Low had been in Labuan since he arrived with Rajah Brooke and had acted as Governor many times. He was rather a disappointed man, because he would like to become Governor himself. He and Pope Hennessy did not get on well even after he became the Governor's father-in-law and their relations remained strained until Pope Hennessy departed. Pope Hennessy tried hard to improve something in Labuan by making the coal mines pay, clean up the town by filling up the swamps to reduce health risks, improve drainage and sewerage systems, but he failed.

Low did not leave Labuan until 1877 when he was appointed British Resident in the State of Perak (West Malaysia). He was a PhD degree holder in Natural Science. His garden in Labuan was famous for rare plants and trees, and he had done extensive exploration for botanical specimens in many parts of Sabah, including Mount Kinabalu. His garden at Kuala Kangsar, in Perak, also became famous, and in it were planted some of Malaysia's first rubber trees. The highest point of Mount Kinabalu is named Low's Peak after him.

American Trading Company

Judging from the early history of Labuan, the British Government had little interest in having a Crown Colony in Borneo, though it was interested in protecting British trade in the East. It woke up, however, when the United States showed that it was interested in the area. In 1865 the United States Government sent a consul to Brunei. This officer, Charles Lee Moses, had an eye for business. He executed an agreement with the Sultan for three cessions of land on a ten-year lease. This gave him most of the present State of Sabah and the Islands of Banggi, Balabac, and Pahalawan. He agreed to pay £9,000.00 pounds (Nine thousand pounds a year).

Moses had no money himself (when he reached Labuan on his way to Brunei, he had to borrow money for his fare), but he transferred his rights to a company called The American Trading Company. The partners in this company were J. W. Torrey and T. B. Harris and some Chinese merchants. Torrey was given the title "Raja of Ambong and Marudu"; he decided to make his capital at Kimanis and he called it Ellena. He built some houses and warehouses and a jetty for traders. With the assistance of loans from Chinese merchants in Labuan, some planting of tobacco, sugar-cane, and rice were made, but Torrey could not interest or attract the wealthy merchants of Hong Kong in his settlement and it died at the end of 1866.

Moses, the American Consul, left Brunei in 1867 after unsuccessfully trying to obtain money from the Sultan for the loss of his house which was gutted by fire. The American Trading Company lasted a little longer but only as a trading company. Joseph Torrey, however, still held the rights to the territory.

The only sign left of Torrey's settlement that existed today is the grave of Harris, which can still be seen on Kimanis Estate which is now the property of SLDB (Sabah Land Development Board). The tombstone read as follows:-

**In Memory of
THOMAS BRADLY HARRIS**

**Late Hon. Chief Secretary
in the Colony of
AMBONG and MARUDU**

By birth a citizen of the U.S.A.

Died 22nd May, 1866.

Aged 40 years

**Erected by H.E. The Rajah
as a tribute of respect to
the memory of an old faithful
and esteemed friend.**

'After life's fitful fever he sleeps well'.

The final line probably had more than a little truth in it, as Harris was supposed to have become ill after a trip into the Interior, which took him as far as Keningau. The grave is 130 years old (1866 - 1996).



MEMORIAL OF
THOMAS
HARRIS
CHIEF SECRETARY
AMBONG AND MARUDU
DIED 23 MAY 1868
ERECTED BY THE RAJAH
IN RESPECT TO THE MEMORY OF AN OLD
VALUED AND ESTEEMED FRIEND

*The grave of the late THOMAS BRADLY HARRIS
Chief Secretary of the Colony of Ambong and Marudu*

Copyright © 2000



This Grave is located at the SLDB Estate in Kimanis

British Traders on the East Coast

British and German merchants from Singapore carried on a large trade with Sulu. The Spanish Government of the Philippines had always claimed rights over Sulu, since 1638 but it failed to enforce them. In 1873 it decided to settle the issue with Sulu once and for all, and among the steps taken, it made a rule that no ship other than a Spanish vessel could trade with Sulu.

The Singapore merchants protested against this and three years later, the Spanish agreed that there could be free trade at the port of Jolo (Southern Philippines). During the three years of continuous negotiation among the Governments there was ample opportunities for brave traders to make a fortune by smuggling arms and ammunition.

William Clark Cowie

There was a Company known as the Labuan Trading Company. The leading partner in its company was Carl Schomburg, and the other partners were Captain John Ross, a well-known merchant and sailor with years of experience in trading between Singapore and Labuan, and an adventurous Scotsman called William Clark Cowie. Cowie was a great friend of the Sultan of Sulu who gave him permission to make a base on the shores of Sandakan harbour.

The Labuan Trading Company smuggled arms and ammunition, spirits, opium, tobacco, and other goods into the port of Jolo, in the Philippines.

Cowie, the Labuan based Manager, was in charge of this business. He was very adventurous and as a result he became a close friend of the Sultan of Sulu. Labuan Trading Company imported rotan, camphor, and pearl shell from Sulu.

Cowie was rather surprised when he sold his goods in Hong Kong that he had to pay ten percent duty which was imposed by the Rajah of Ambong and Marudu because the goods came from Cowie's base in Sandakan, which was within the Rajah's territory. Cowie refused to

pay for the ten percent duty imposed, but instead, he tried to persuade his partners, to buy Torrey's rights. His plan did not succeed. Finally, Cowie left the Company and set up a trade on the east coast of North Borneo (Sabah) from his original base in Sandakan, Cowie's trading partner was the Sultan of Sulu. Cowie played a great part in the history of the Chartered Company of North Borneo (Sabah).



The Memorial Stone in front of District Office Labuan to commemorate the visit of His Royal Highness the Prince of Wales to Labuan on 17th May, 1922

Adventurous historical background of Labuan

One hundred and thirty three years ago, (1863-1996) there was a famous sea fight off the Island of Labuan, Captain John Ross of the sailing ship *Lizzie Webber* fought a pirate fleet single-handed. The action was also remarkable because Ross's wife was on board the ship and far from remaining hidden below, she played her part in the fray. Not so her small son who wanted to be in it too. She bundled him kicking and screaming into a cabin out of harm's way.

Captain Ross was a shipowner and trader who plied between Singapore and the Borneo ports of Labuan and Brunei. His first ship was named the *Wild Irish Girl*, and he and his vessel became well known in Borneo waters. Captain Ross was a good friend of Sultan Abdul Mumin of Brunei. In 1862 a strange thing happened to him. His ship, the *Wild Irish Girl* was laying off Labuan when a Royal Navy vessel, *H.M.S Bulldog*, put in to the harbour. Her captain was under orders to stamp out piracy in that area. The chief pirate was the brother of the Sultan. Ross was ordered to pilot *H.M.S. Bulldog* up the Brunei River and to act as interpreter for the Naval Officer. It was difficult for him because the Naval Commander would have no delay and harshly demanded that the pirate prince should be put to death. Ross was ashamed to put these rude orders to his friend, the Sultan, but he was given no choice. Next day the death sentence

was carried out on the deck of a prahu tied up near the Sultan's palace. A tall handsome man dressed in robes of yellow was duly strangled with a silk cord that befitted a prince of royal blood. Ross refused to watch the execution and as the Naval Officer had never seen the prince, he had no doubt that his request had been complied with. And so it had - after the royal customs of those times when a slave could be sacrificed in place of his master. Some say the prince went to Sulu and others say that he went to Palawan Island, but he was never seen in Brunei again. Ross remained a good friend of Sultan Abdul Mumin.

Soon after this, Captain Ross sold his ship *Wild Irish Girl*, and bought a bigger ship as his business was doing well. The new ship was called *Lizzie Webber*. She was a fine ship and well armed because in those days of pirates trading captains hope for the best but always prepared for the worst. She had six twelve-pounder guns, and six muskets per man as well as small arms like pistols and cutlasses and parangs. Before long even the *Lizzie Webber* was too small for Ross and he made a bargain in Singapore to buy a ship twice her size, the *Don Pedro*. Meantime, he made one last trip in the *Lizzie Webber*.

In 1863 she set sail for Labuan and Brunei and made a peaceful voyage to the Brunei River. There she took on her cargo which included a large sum of money. Ross was an easy man to deal with. He got on well with the local people and ship was usually crowded with traders, the captains of the local craft from nearby lands. This time one

of the people call Si Rahman, made several trips to the ship to trade but he did not strike any bargains. He seemed very interested in the Lizzie Webber's guns. Kassim, the Lizzie Webber's Serang (Boatswain), did not like this at all. He knew they had a valuable cargo including cash and could be in very great danger. He found out that Rahman was an Illanun (Pirate), and to Kassim being an Illanun or a Pirate does not make any difference. He went to Captain Ross and told him the story. The Captain had never had any trouble before. Although he listened to Kassim, he did not take the warning seriously. The ship sailed for Labuan (Victoria Island) where she took on more cargo and a passenger called Meldrum who was bound for Singapore.

With all snug aboard, the Lizzie Webber set out from Labuan, but the winds were light and she made little headway. This continued during the hours of darkness when the ship slowly drifted towards the Brunei coast. With the next day's dawn the wind dropped completely and she came to a stop as sailors say - becalmed. As the light grew, Ross and his crews could see eight long low war prahus lying in wait for them. No one mistook these bats for peaceful fishing vessels. Everyone knew they were Illanun Pirate ships moved by oars, fast and dangerous.

Captain Ross my not have paid much attention to Kassim before but he knew now that he and everyone on board was in terrible danger and wasted no time. He rapped out his orders, guns were made ready, muskets loaded and

placed to hands, cutlasses passed out and the crews took their posts to repel an attack. Ross went below and spoke to his wife. She was ordered to stay down out of harm's way and to look after their four-year old son called Johnny. Her husband gave her a pistol and said if all was lost she was to shoot the boy and then herself. It was a grim moment. As it happened Mrs. Ross did none of these things. She locked little Johnny away and went off to play a very important part in the struggle, and if she used the pistol at all it was against the pirates and not against her family.

Back on the deck Ross watched the pirate fleet bearing down on him. Twenty oars flashed in each boat, armed men crowded their decks, the captains of each boats proudly standing on the central platform clad in their red war coats. It was not hard to identify Rahman in the leading prahu. The boats came within earshot and Rahman yelled that he was short of tobacco and asked if he could come aboard. Ross look at the faces of Simpson, his mate, Kassim, his boatswain, and Meldrum, his passenger. He knew no one was deceived. He yelled back to Raham that he knew a pirate when he saw one and if he did not haul off he would be blown out of the water. Rahman yelled back that Ross had better surrender as he had not a chance. He declared that he was a Keбал (Invulnerable), and could not be killed or wounded. Captain Ross kept silent except Kassim, who was very excited though his captain had raised his hand in a signal for battle, and he opened fire on the enemy ship with his twelve pounder gun. The rest of the ship's guns crashed out at broadside

and those of the crews not serving the guns seized their muskets and let fly at the enemy with shots after shots. There were forty-three men in all and six loaded muskets a man, so they were able to produce a heavy fire. The pirate replied. The had small swivel cannon. Their prahus had sides especially strengthened with belian, (Sabah Iron Wood). This could take the shock of a cannon ball. The men were heavily armed and outnumbered the Lizzie Webber's crews, but she probably made up for this because her guns were loaded with bullets as well as cannon balls.

Simpson, the mate, and three other sailors were wounded and had to be carried below where Mrs. Ross tended their wounds. It was then that little Johnny got in the way, so she locked him up, howling with rage, in a cabin.

The pirates did not come in for a direct attack. If they had done so it would be disastrous for the Lizzie Webber and her desperate crews. But direct attack was not the pirates way of attacking, they kept on circling their prey, keeping up a hot fire hoping that they would fight their victims to a standstill. Captain Ross answered their fire keeping the pirate prahus at a distance but he know that they could afford to play a waiting game. Though he was well armed he feared for his stocks of gun powder and shot which could not last until the fight is over.

Si Rahman, trusting in his powers of kebal, scorned the protection of the iron-wood bulwarks and stood up on his platform open to shots like a sitting duck from gun of

rifle, encouraging his men, and urging them on to kill. Ross was determined to pick him off. For goodness sake do bowl over that ruffian in the scarlet dress, he yelled to his passenger Meldrum (at least we are told he said this, but a rough sailor like Ross in the heat of battle would badly have used words).

Meldrum took careful aim at the prancing Rahman, but missed. Ross fired and missed. Shot after shot was aimed at Si Rahman but he remained unhurt, taunting the marksmen and mocking them for their bad aim. Kassim, the boatswain, grew desperate and fired a cannon ball from his gun at the pirate, but without any effect.

The Lizzie Webber's crew anxious and desperate and in the heat of the attack began to make mistakes. One of them nearly finish off the gallant brig and all souls on board. Mr. Jenkins, the second mate, was now first officer because Mr. Simpson was lying wounded below. He saw that the gun powder was running out, so he ordered two Malay seamen to bring up more barrels from the magazine. To reach the magazine they had to go through an opening in a store room. Leading to the magazine were trails of powder spilt when kegs had been hastily hauled up before the battle started. Spilt powder covered the floor of the magazine itself. The sailors without thinking, took a flaming torch with them to light the gloom deck below. They were about to enter the magazine with the torch held aloft when Mrs. Ross saw them. She grabbed the flame from them and hurled it through an open port-

hole. It was indeed fortunate that she was not at the time of the incident, sitting in the cabin reading a fairy tales for little Johnny to keep him quiet. Shortly after this, and approximately three hours after fight had opened at day-break, Rahman drew back his pirate forces. Some of the ship's company thought or perhaps hoped, that the enemy was going to retreat. Even had the pirates gone off to refit there would be a chance of a wind and the hope of escape. But Captain Ross gave his men no time for thinking. He gave orders to sponge out the guns, bring up the remaining gun powder, load all rifles, muskets and pistols and clear away ready to repel another attack. Within a short time, Si Rahman wearing a scarlet coat making him an easy target, swept in to the attack at the head of his fleet of war prahus. They came in on the starboard side of the Lizzie Webber aiming to run in close and leap aboard (sailors call this boarding). As they outnumbered Ross's crews this would have meant the end, had they succeeded in getting aboard. Captain Ross knew his chances were slim and he knew the cruel fate which would come to all of them on board. For one wild moment he thought of dashing below and killing his wife and child to give them a swift, merciful death, but his courage remain unchanged and he is determined to fight to the end. The fleet came on and now the Lizzie Webber's starboard guns were firing as fast as they could be reloaded, but as the prahus came nearer the gunners could not bring their guns to bear down on them, as they were too low in the water. Every shots fired went harmlessly over the heads of the attacking pirates.

Si Rahman's prahus was now almost alongside the Lizzie Webber, its men ready to leap on board for the hand-to-hand battle that would finish her off. Kassim aimed his gun at the pirate boat and was about to fire when Ross, seeing that once more the shot would pass over the enemy's head, leaped in to stop him. Kassim showed his captain that he could not get his gun down any lower and Ross, seeing that this was so, looked wildly around for help. His eye fell on a spar lying on the deck. He was a very strong man but his despair must have added to his strength and made a Superman of him. He lifted up the gun, piece mounting and all, and yelled to Kassim and the rest of the gun crew to roll the spar under the gun. This they did while their captain, every muscle straining, held the gun up. The spar in place brought the muzzle of the gun down enough to bear on Si Rahman's prahu. Ross coolly squinted along the gun sights, allowed carefully for the movement of the vessels and fired. The shot found its mark. Screams of pain from the Pirates mingled with cheers from the Lizzie Webber. Wreckage covered the water and through the clearing smoke Ross saw his redcoat enemy sink to his grave in the ocean.

The fight was not over, but danger for the time being was lessened as the pirates drew away to tend their wounds and at the same time to decide what plan to execute next after the death of their leader. Abroad the trading brig guns were again cooled and cleaned and the small arms reloaded and laid ready. The ship's company took time off for their meal of the day. Their luck seemed to be turning

because a breeze sprang up and the ship began to move under her sails. But the pirates hung on like a pack of hungry wolves. With their oars they could move much faster than the Lizzie Webber in the light breeze and their best plan was to wait for darkness and continue the attack. Ross knew that to stand a chance he must have a good stiff wind. His ship was speedy and with a strong wind she might get away. As it grew dark the wind got up and Lizzie Webber picked up speed. The pirates saw their fortune slipping from their grasp and they move to attack once more. Once more battle was joined, as hot a fight as before. The Lizzie Webber's crew must have been in the lowest depts of despair. After all they had come through and all their hopes they were in as great a danger as ever. No one knew their feelings better than Mrs. Ross and when she saw that the powder in the magazine was down to the last six barrels she came up on deck and told the Captain herself. She feared if the rest knew they would give up the struggle. Ross received the bad news calmly and sent his wife below. Mrs. Ross obeyed and was no doubt prepared to shoot her son and herself if the ship were taken by the pirates.

Captain Ross was not beaten yet. He loaded his guns with their last charge of powder and decided to attack. The Lizzie Webber rounded on the enemy and before they knew where they were. She was among them guns blazing. A prahu faltered and its steerman lost control so that it came broadside on to the Lizzie Webber, a sitting target for attack. Ross spun the wheel and his brig

rammed the enemy's so hard, grinding it to matchwood, but some of its crew managed to clamber aboard the trader, only to fall under the cutlasses of Captain Ross's Malay crew. It was then fully dark and the pirates had enough. They fell astern as the Lizzie Webber sped through the night free from harm and danger.

All this time little Johnny had been below and no doubt was still raging for missing all the fun. But it is to him we owe the story of the Lizzie Webber. Later in life he wrote a book call Sixty Years Life and Adventure in the Far East, and his book contains this story amongst many others.

Labuan - under the Japanese

Labuan has strategic importance. During the Second World War, the Japanese Army landed in Labuan during the New Year. They invaded Labuan on the 1st of January, 1942 to recapture the rest of Sabah (North Borneo) from the British and occupied Labuan and the mainland of Sabah (North Borneo) from 1st January, 1942 to June, 1945, and here, also in 1945, the Australian Army landed its 9th Divisions to conquer the Japanese Army and recover the country.

When the Japanese Army invaded Labuan other Japanese Army Divisions were moving Southwards down the Malay peninsula to the conquest of Singapore.

In Labuan the British Resident and two other civilians were engaged in destroying the notes and currency issues. The Europeans in Labuan were interned at once and the Japanese carried on the Government there with the assistance of the local Headmen.

On the 9th September, 1942 Labuan Island was named "MAIDA ISLAND," by the Japanese Government. The memorial was made by order of General Tojo and was officially declared opened by General Tojo himself who passed through Labuan Island in July, 1945. The plaque read as follows:-

“This Memorial Commemorates General Maida, Commander-in-Chief of the wartime Japanese Forces in British Borneo who was killed in an aircrash at Bintulu, (Sarawak) on the 6th September, 1942 when en-route to Labuan to open the Airfield here. On 9th December, 1942 Labuan Island (Victoria) was named Maida Island by the Japanese Government. The memorial was made by order of General Tojo, who passed through Labuan Island in July, 1945.”

Map of North Borneo (Sabah) under the Japanese



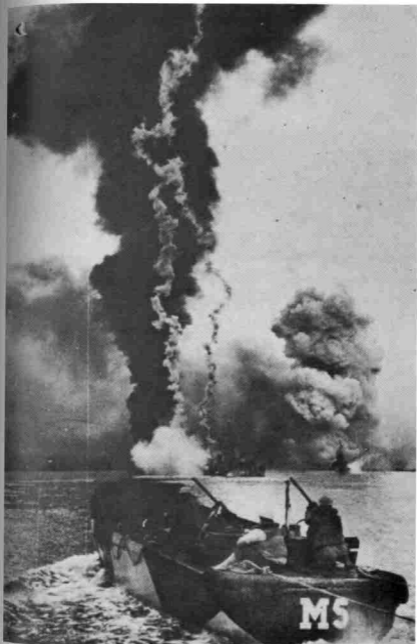
Any visitors to Labuan Island, may have a look at the Memorial which was located permanently in front of the District Office, Labuan. After the 2nd World War Labuan remained under British Administration until 18th July 1946, when it became part of British Colony of North Borneo. Labuan came into the Federation of Malaysia along with Sabah on the 16th September, 1963.

Flares from the Australian guns, June 1945

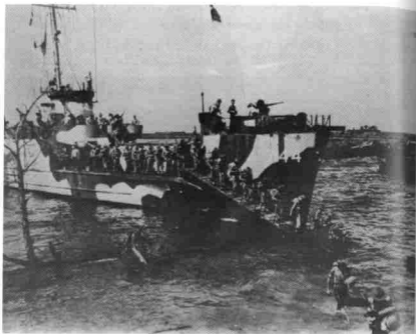


Perpustakaan Nasional

The 9th Division Australian Imperial Forces
Bombarding Japanese positions in Labuan prior
to their historic landing at Labuan on June, 1945.



This picture has been reproduced with the permission of the Sabah State Government.



This picture has been reproduced with the permission of the Sabah State Government.

**Member of the 24th Brigade of the 9th Division
Australian Imperial Forces landing in Labuan**



(Source : Private collection 1945)

**General Mac Arthur Supreme Commander of
The Allied Powers in the Far East and Pacific,
visited Labuan during the course of his tours
of all areas captured by The Allied Forces.**

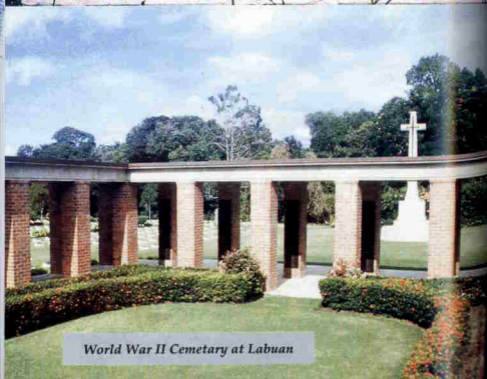
THIS MEMORIAL COMMEMORATES
THE LANDING OF UNITS OF THE
9TH DIVISION AUSTRALIAN IMPERIAL FORCES,
ON THE 10TH JUNE, 1945,
WHICH LED TO THE LIBERATION OF LABUAN
AND BRITISH BORNEO FROM THE JAPANESE.

*A monument to
commemorate the
liberation of Labuan
Island and British
North Borneo
(Sabah) by the
Australian
Commonwealth
military forces from
the Japanese.*



THIS CEMETERY WAS BUILT
AND IS MAINTAINED BY THE
COMMONWEALTH WAR GRAVES
COMMISSION

ON BEHALF OF THE GOVERNMENTS OF
THE UNITED KINGDOM, CANADA,
AUSTRALIA, NEW ZEALAND, SOUTH AFRICA,
INDIA AND PAKISTAN



World War II Cemetery at Labuan



AUSTRALIAN
IMPERIAL FORCE

AUSTRALIAN INFANTRY
2/27 INFANTRY BATTALION

LIEUTENANTS
VX4090 FUDNEY C.
CORPORALS
VX11640 THOMAS W. F.

2/28 INFANTRY BATTALION
LANCE CORPORALS
VX10012 VIRGONA A.

2/29 INFANTRY BATTALION
CAPTAINS
VX19015 SUMNER A. B.

SERGEANTS
VX15217 DAVIDSON R. R.
VX20455 NEWNHAM S. P.

LANCE SERGEANTS
VX31855 FANSHON W. L.

CORPORALS
VX41464 BALDING H. M.
VX29172 HOLMES R. P.
VX37231 MANNERS J. E.
VX48256 PEACH J. T.
VX34067 TIMPSON H. J.

LANCE CORPORALS
VX23218 WOOLARD A. I.

PRIVATES
VX05028 ARNOLD L. R.
TX2382 AYTON A. C. J.
VX20284 BARAGWANATH W.
VX45020 BENNETT A. D. W.
VX56527 BENNETT H. C.
VX37947 BOYES W. E.
VX48219 BRLEN P. A.
VX02238 CAMPBELL J. P.
SERVED AS CASEY J. P.
VX33463 CHRISTIE E. R.
VX33845 CLAYTON J. H. V.
TX5859 CLEAR J. A.
VX44452 CORNFELDE W. R. P.
VX48356 COX L.
VX18177 CRAFTTENDEN R. P. T.
TX8299 DORRIN T. R.
VX27004 DUNSTAN W. J.
VX80254 FORD W. D.
VX36464 FRY V. J.
VX30235 GILLET K.
VX28476 GORDON G. W.
VX51078 GOVE K. J.
VX38234

The fallen heroes of
2/43rd. Battalion,
Australian Imperial
Forces at Labuan
War Graves..



VX94745 PRIVATE
D. L. CLARK
2/17 INFANTRY BATTALION
31ST OCTOBER 1945 AGE 19

LOVING MEMORIES LEFT BEHIND



77 GROUP CAPTAIN
L. C. M. HOLSWICH
ROYAL AUSTRALIAN AIR FORCE
10TH DECEMBER 1945 AGE 51

"SWICH"



406070 FLIGHT LIEUTENANT
N. J. CULLEN
ROYAL AUSTRALIAN AIR FORCE
10TH JULY 1945 AGE 26

DEARLY LOVED - REGUDED AT 18 PAGE

INDIAN SIGNAL CORPS
COOK
6230051 P VIRABHADHAN 25TH FEBRUARY 1944

INDIAN INFANTRY
2/15 PUNJAB REGIMENT
NAIK

5629 RAN SINGH 10TH MAY 1944

LANCE NAIK

3242 CHHOTE LAL 25TH MAY 1944
6728 RAN SINGH 25TH MAY 1944

SEPOY

5412	AMAR SINGH	22ND	MARCH	1944
14514	BHARAT SINGH	26TH	MARCH	1944
7377	CHATAR SINGH	3RD	FEBRUARY	1944
9157	CHHOTE LAL	6TH	APRIL	1944
9337	DEVI SINGH	4TH	JUNE	1944
15446	DINAN SINGH	15TH	APRIL	1944
5759	FATEH SINGH	18TH	MAY	1944
9202	GANI RAM	51ST	MAY	1944
15004	GANI RAM	2ND	MAY	1944
12671	GULAB SINGH	18TH	MAY	1944
10035	HAR LAL	26TH	APRIL	1944
45290	KEHRI	4TH	APRIL	1944
12992	MANGE	13TH	JUNE	1944
15334	MANI RAM	15TH	MAY	1944
8062	PAHLAD	25TH	APRIL	1944
12846	PAT RAM	21ST	JUNE	1944
10512	PIR DHAN	10TH	MAY	1944
32649	PYARE RAM	7TH	JULY	1944
15524	RAMJI LAL	17TH	APRIL	1944
12422	RAM SINGH	5TH	JUNE	1944
15211	RAM SINGH	4TH	JUNE	1944
15228	BIJAL SINGH	7TH	APRIL	1944
12990	SHIV DHAN	15TH	MAY	1944
15456	SULTAN SINGH	14TH	APRIL	1944
15005	SURAT SINGH	18TH	APRIL	1944
12334	UJJALA RAM	26TH	APRIL	1944

WATER CARRIER

23 BHANGI RAM 8TH JUNE 1944
12 WAZIRA 26TH DECEMBER 1942

INDIAN ARMY MEDICAL CORPS
NURSING NAIK

N/8/1344 KANTA PARSHAD 10TH MAY 1944

DHOBY

N/1/19361 SITA RAM 16TH JULY 1944

List of fallen heroes of the Allied Forces
(Indian infantry 2/15
Punjab regiment).

The Indian infantry
2/15 Punjab Regiment
monument at the war
cemetery Labuan.



INDIAN SIGNAL CORPS
COOK
6230051 P VIRABHADHAN 25TH FEBRUARY 1944

INDIAN INFANTRY
2/15 PUNJAB REGIMENT
NAIK

5629 RAN SINGH 10TH MAY 1944

LANCE NAIK

3242 CHHOTE LAL 25TH MAY 1944
6728 RAN SINGH 25TH MAY 1944

SEPOY

5412	AMAR SINGH	22ND	MARCH	1944
14514	BHARAT SINGH	26TH	MARCH	1944
7377	CHATAR SINGH	3RD	FEBRUARY	1944
9157	CHHOTE LAL	6TH	APRIL	1944
9337	DEVI SINGH	4TH	JUNE	1944
15446	DINAN SINGH	15TH	APRIL	1944
5759	FATEH SINGH	18TH	MAY	1944
9202	GANI RAM	51ST	MAY	1944
15004	GANI RAM	2ND	MAY	1944
12671	GULAB SINGH	18TH	MAY	1944
10035	HAR LAL	26TH	APRIL	1944
45290	KEHRI	4TH	APRIL	1944
12992	MANGE	13TH	JUNE	1944
15334	MANI RAM	15TH	MAY	1944
8062	PAHLAD	25TH	APRIL	1944
12846	PAT RAM	21ST	JUNE	1944
10512	PIR DHAN	10TH	MAY	1944
32649	PYARE RAM	7TH	JULY	1944
15524	RAMJI LAL	17TH	APRIL	1944
12422	RAM SINGH	5TH	JUNE	1944
15211	RAM SINGH	4TH	JUNE	1944
15228	BIJAL SINGH	7TH	APRIL	1944
12990	SHIV DHAN	15TH	MAY	1944
15456	SULTAN SINGH	14TH	APRIL	1944
15005	SURAT SINGH	18TH	APRIL	1944
12334	UJJALA RAM	26TH	APRIL	1944

WATER CARRIER

23 BHANGI RAM 8TH JUNE 1944
12 WAZIRA 26TH DECEMBER 1942

INDIAN ARMY MEDICAL CORPS
NURSING NAIK

N/8/1344 KANTA PARSHAD 10TH MAY 1944

DHOBY

N/1/19361 SITA RAM 16TH JULY 1944

THE MEMORIAL COMMEMORATE
 GENERAL MADA
 WHO WAS KILLED IN ACTION ON 17 JULY 1943
 WHILE ATTEMPTING TO LAND ON
 LABUAN ISLAND IN THE BOLD
 ATTEMPT TO TAKE THE ISLAND FROM
 THE JAPANESE
 WHO HAD OCCUPIED IT SINCE
 THE JAPANESE INVASION OF
 MALAYA IN 1942
 THE ISLAND WAS TAKEN BY
 GENERAL TOJO
 ON 17 JULY 1943

*Proclamation of Labuan Island by
 General Tojo as "Maida Island" July 1943
 during the 2nd World War.*

HERE ON THE 9TH SEPTEMBER 1945
THE COMMANDER OF THE
9TH DIVISION AUSTRALIAN IMPERIAL FORCES
RECEIVED THE UNCONDITIONAL SURRENDER
OF THE 32ND JAPANESE SOUTHERN ARMY
IN NORTH BORNEO AND SARAWAK.

The surrender point at Layang Layangan, Labuan where the 32nd Japanese Southern Army in North Borneo (Sabah) and Sarawak surrendered unconditionally. (9th September 1945)



*The inscription on the stone read:
"Peace is the Best"*



*Peace monument erected by the Japanese at the
surrender point Layang Layangan, Labuan.*

Stamps of The State of
North Borneo (Sabah) used during
The British Military Administration.
After the 2nd World War
1945 – 15th July 1946



North Borneo stamps used during the
Reign of King George the VI
when it became a
British Colony in 1946.



Colony of North Borneo stamps
used when Queen Elizabeth II
became Queen of England.



Labuan became a Federal Territory

The Sabah State Government under Chief Minister Datuk Harris Salleh handed Labuan to the Federal Government in an effort to hasten the process of national integration between Peninsular Malaysia and Sabah. The handing over of Labuan will enable the Federal Government to develop Labuan as a regional centre for international trade, conferences and tourism owing to its strategic location in South East Asia, particularly ASEAN.

BERJAYA, the party which ruled Sabah from 1976 – 1984 at the time when Labuan was handed over to the Federal Government, was defeated by PBS during the State General Elections in 1985.

As a Federal Territory, Labuan comes under the jurisdiction of the Ministry of Federal Territory. The territory comprises Labuan Island and all areas within 4.8 kilometres of it, including the Islands of Rusukan Besar, Rusukan Kechil, Keraman, Burong, Papan and Daat.

The change in the status of Labuan has the agreement of the Federal Cabinet, the Conference of Rulers, and the BERJAYA Government State Legislative Assembly.

After Labuan became a Federal Territory, the Federal

*Signing ceremony and
proclamation of Labuan Island
as a Federal Territory by the
Prime Minister of Malaysia,
16th April 1984.*



Photographs by Thompson Weng



Government had to undertake development of Labuan, which had until then been the responsibility of the Sabah State Government.

Labuan is strategically located in the path of vital shipping and air routes in the region. It has a sheltered port which can easily be developed into a terminal for oil and gas industry, as it is situated close to Sabah's oil and gas wells.

Labuan can also be developed as a resort to attract tourists from other countries because of its good geographical location. Labuan is 1,552 kilometres (By Air) from Kuala Lumpur; 1,258 km from Manila, Philippines; 3,037 km from Bangkok, Thailand; 1,368 km from Singapore, 1,500 km from Jakarta, Indonesia, and 53 km from Bandar Seri Begawan, State of Brunei.

Most of the People in Labuan are local Bumiputras of Kadayan, Brunei Malay and Dusun/Kadazan descent, who are fully engaged in the cultivation of wet padi, vegetables, sugar-cane, and fishing and work in the Government Services and private sectors. There are also some Chinese and Indians, who are engaged in business; and a few Indonesians and Filipinos who have been granted permission to work there.

April 16th, 1984 is a historical day to Malaysia, because Labuan has been proclaimed a Federal Territory officially by the Right Honourable, The Prime Minister of Malaysia,

Datuk Seri Dr. Mahathir Mohamad. The Prime Minister said, "I pray to God that all of us in the Peninsular, Sabah, and Sarawak, will always remain staunchly united as Malaysians" after signing the declaration on the handing over of Labuan to the Federal Government. The signatory for Sabah State Government was Datuk Harris Salleh.

The Prime Minister also gave an assurance that the privileges the people of Labuan Island had, would never be disturbed by the island becoming a Federal Territory. The Government will continue to develop the Island not only as a tourist resort but also as an important entrepot centre in ASEAN, in line with its position as a Free port. Datuk Seri Dr. Mahathir had said that Labuan was a special place in relation to Sabah and Sarawak and it was appropriate for it to be given the recognition and status that was given to it by the British.

Labuan became a political issue

The move by the ruling multi-racial Party Bersatu Sabah (PBS) to seek a referendum to determine whether the people of Labuan Island want their Island to remain a Federal Territory has spurred the Federal Government to rush development aid to the free-port centre. Prime Minister Datuk Seri Dr. Mahathir Mohamad immediately summoned Federal Territory Minister, Datuk Abu Hassan Omar to visit the 88 square kilometre Island, 130 kilometres southwest of Kota Kinabalu, after the PBS first Congress held on 30th August, 1986 approved a resolution to ask for a referendum to review the status of Labuan as a Federal Territory.

On Tuesday the 26th August, 1986 the Federal Territory Minister announced that he would visit Labuan on September 7th to identify potential development projects for the benefit of the 30,000 people (Residents of Labuan Island) who complained bitterly of economic hardship because of the recession since their Island was ceded to the Federal Government by the former BERJAYA State Government on 16th April, 1984.

The Federal Territory Minister promised that his Ministry would carry out various development programmes in 1986 to ensure rapid development on the Island which faced difficulty in selling sponge iron and methanol from

its billion ringgit gas industrial complex.

The Federal Territory Minister however said that Labuan would remain a Federal Territory and that nobody should question the Government's decision to federalise Labuan. Datuk Seri Dr. Mahathir Mohamad refused to comment on the PBS decision on Labuan Island. Information Minister Tengku Rithauddeen announced that Radio Television Malaysia would launch a special radio broadcast on Malaysia Day for the Islanders. The five-hour broadcast called Radio Wilayah Labuan will begin daily from six o'clock to half past eight in the morning and from half past four to seven o'clock in the evening. Tengku Rithauddeen said the broadcasts would have programmes featuring on development and activities of the Government and the people on the Island.

Defence Minister Datuk Abdullah Ahmad Badawi warned the people of Sabah that attempts to review the status of Labuan as a Federal Territory, could start a Constitutional crisis.

"The decision to make Labuan a Federal Territory was endorsed by the Federal Parliament of Malaysia and the Sabah State Legislative Assembly, and any attempts or moves to reverse this decision is deemed unconstitutional", Datuk Abdullah told news reporters in Kuala Lumpur.

He said a referendum to determine whether Labuan should remain a Federal Territory was a "pointless exercise".

He said nobody could gain from a review of the status of Labuan, especially since the decision was taken constitutionally. "All I can see in such a move is nothing more than problems. Nobody, including Sabahans will stand to benefit. If the matter is pursued, there will be a constitutional crisis," the Defence Minister said. Datuk Abdullah refuted allegations that the people of Sabah were not consulted on the Federalisation of Labuan Island. It is a fact that the elected representatives of Sabah and the nation were consulted and their views considered. It is a fact that the matter was discussed, he said, adding that Sabahans stand to gain if Labuan remain a Federal Territory.

Welfare Minister Datuk Shahrir Abdul Samad, former Federal Territory Minister, shared Datuk Abdullah's view on Labuan. He said the decision of the Sabah State Government to cede Labuan to the Federal Government was made by the State Legislative Assembly, which had the right to decide for the people, moreover, it was endorsed by the Federal Parliament and this constituted an amendment to the Federal Constitution, he added. Datuk Shahrir called on Party Bersatu Sabah (PBS) to respect any decisions made by the State Assembly and Parliament through the democratic process although it disagreed with them. He said the PBS could bring up the Labuan issue with the Barisan Nasional federally ruling coalition since PBS was a member.

Datuk Shahrir said the Federal Government did not gain financially with Labuan as a Federal Territory. He said the

Federal Government took over the financial responsibility in administering Labuan. This included financing housing projects of the Labuan Local Council through Federal grants and loans, he said. Datuk Shahrir added that Labuan was not a gift to the Federal Government although it was ceded without compensation since the Federal Government assumed total financial responsibility for the Island.

Oil industry sources said although large tracks of offshore potential oil fields now come under federal jurisdiction with Labuan being a Federal Territory, the Sabah State Government is guaranteed of its existing five per cent oil royalties.

Former Sabah Chief Minister Datuk Harris Salleh said that he would publish a booklet to explain to the people of Sabah, why Labuan was ceded to the Federal Government. He dismissed allegations that the cession of Labuan Island was a "Private Deal" between him and the Prime Minister. But Datuk Haji Mohd Noor Mansoor who succeeded Datuk Harris Salleh as President of Party BERJAYA said the cession of Labuan was Datuk Harris's own decision. "He made the decision on his own and presented it to us in the State Cabinet. We dared not oppose him. You know how he is," he told the Star National newspaper in an interview.

Datuk Mohd Noor said BERJAYA cabinet members were all scared of Datuk Harris, Datuk Joseph Pairin Kitingan

Peaceful demo in Labuan

FT Minister in Labuan to keep BN promises

Labuan, Feb. 10.—A peaceful demonstration was held here today to demand the fulfilment of the promises made by the Federal Government to the people of Labuan.

The demonstration was held in the presence of the Federal Minister for Labuan, who was accompanied by the Chief Executive Officer of the Labuan Development Corporation.

The demonstrators, who were led by the Chief Executive Officer, presented a petition to the Minister, demanding that the Government should honour its promises to the people of Labuan.

The Minister assured the demonstrators that the Government was committed to the fulfilment of its promises to the people of Labuan, and that the Labuan Development Corporation was working hard to develop the island.



TODAY'S Magazine

Congress confirms council members

The House of Representatives today confirmed the members of the Council of Ministers, including the Prime Minister and the Deputy Prime Minister.

The Council of Ministers is the executive branch of the Government, and is responsible for the day-to-day running of the country.

The members of the Council of Ministers are:

- Prime Minister: Dato Onn Jaja
- Deputy Prime Minister: Dato Yusof Ismail
- Minister of Finance: Dato Yusof Ismail
- Minister of Education: Dato Yusof Ismail
- Minister of Health: Dato Yusof Ismail
- Minister of Labour: Dato Yusof Ismail
- Minister of Lands and Mines: Dato Yusof Ismail
- Minister of Transport: Dato Yusof Ismail
- Minister of Water and Power: Dato Yusof Ismail
- Minister of Agriculture: Dato Yusof Ismail
- Minister of Forests: Dato Yusof Ismail
- Minister of Fisheries: Dato Yusof Ismail
- Minister of Industries: Dato Yusof Ismail
- Minister of Trade: Dato Yusof Ismail
- Minister of Information: Dato Yusof Ismail
- Minister of Home Affairs: Dato Yusof Ismail
- Minister of Defence: Dato Yusof Ismail

Federal govt rushes aid to Labuan

PBS wants vote on cession

Labuan, Feb. 10.—The Federal Government is rushing to provide financial assistance to Labuan, which is facing a severe economic crisis.

The Government has approved a loan of \$10 million to the Labuan Development Corporation, to help it finance its development projects.

The Labuan Development Corporation is the main body responsible for the development of Labuan, and is currently facing a severe cash shortage.

The Corporation is also facing a crisis of confidence, as a result of its financial problems.

The Corporation is now seeking a vote of confidence from the Labuan Council, which is the main body responsible for the administration of Labuan.



LABUAN: THE DAILY NEWS

Daily

Vol. 10, No. 10, 1971

Labuan: Crisis in the brew

Labuan, Feb. 10.—A major development in the crisis of Labuan is the resignation of the Chief Executive Officer of the Labuan Development Corporation, Dato Yusof Ismail.

Dato Yusof Ismail resigned today, after a period of several weeks in which he had been unable to resolve the Corporation's financial problems.

The resignation of Dato Yusof Ismail has created a vacuum at the top of the Corporation, and has led to a crisis of confidence among the people of Labuan.

The Corporation is now seeking a new Chief Executive Officer, and is also seeking a vote of confidence from the Labuan Council.

The Labuan Council is the main body responsible for the administration of Labuan, and is currently facing a severe crisis of confidence.

No plans for new Labuan airport

LABUAN, Feb. 10.—The government has no intention of building a new airport here, Labuan, because of the high cost involved.

The government is currently studying the possibility of building a new airport, but has decided that it is not feasible at this time.

The government is also studying the possibility of building a new airport, but has decided that it is not feasible at this time.

The government is also studying the possibility of building a new airport, but has decided that it is not feasible at this time.

More development in store for Labuan

LABUAN, Feb. 10.—A major development in the crisis of Labuan is the resignation of the Chief Executive Officer of the Labuan Development Corporation, Dato Yusof Ismail.

Dato Yusof Ismail resigned today, after a period of several weeks in which he had been unable to resolve the Corporation's financial problems.

The resignation of Dato Yusof Ismail has created a vacuum at the top of the Corporation, and has led to a crisis of confidence among the people of Labuan.

The Corporation is now seeking a new Chief Executive Officer, and is also seeking a vote of confidence from the Labuan Council.

The Labuan Council is the main body responsible for the administration of Labuan, and is currently facing a severe crisis of confidence.

A. CONGRATULATORY

A 10-day plan of proposed changes to the proposed Financial Plan has also been submitted.

The committee of 100 members of the Legislative Assembly, which is the main body responsible for the administration of Labuan, has approved the plan.

The plan is a major step towards the development of Labuan, and is expected to bring about a major improvement in the standard of living of the people of Labuan.

It would however build a new airport, which is a major step towards the development of Labuan.

The government is also studying the possibility of building a new airport, but has decided that it is not feasible at this time.

The government is also studying the possibility of building a new airport, but has decided that it is not feasible at this time.

The government is also studying the possibility of building a new airport, but has decided that it is not feasible at this time.

SABAH TIMES

WEDNESDAY, APRIL 11, 1989
 PRICE: RM 1.00
 CIRCULATION: 10,000

Perez de Cuellar sabotaged Iran-Iraq peace: Tareq Aziz

Baghdad, Iraq - Iraq's foreign minister, Tariq Aziz, today accused UN Secretary-General Javier Perez de Cuellar of sabotaging the Iran-Iraq peace process.

He said the UN Secretary-General had been "inconsistent" in his handling of the Iran-Iraq war, and that he had "sabotaged" the peace process.

Mr. Aziz said that the UN Secretary-General had been "inconsistent" in his handling of the Iran-Iraq war, and that he had "sabotaged" the peace process.

Call to allow M'sians to establish offshore companies in Labuan

LABUAN, Feb. 11 - The government has had a meeting with representatives of the Malaysian diaspora in Labuan to discuss the possibility of allowing them to establish offshore companies in the island.

The meeting was held at the Labuan Development Corporation (LDC) offices. It was attended by LDC Chairman, Datuk Seri Dr. Yusoff Ismail, and several members of the Malaysian diaspora.

Dr. Yusoff said that the LDC was interested in the idea of allowing Malaysian citizens to establish offshore companies in Labuan. He said that this would help to attract investment and create jobs in the island.

He also said that the LDC was currently studying the feasibility of this proposal. He said that the LDC would be in touch with the Malaysian diaspora in the coming weeks.

Offshore banks report good business since Labuan made IOFC

LABUAN, Feb. 11 - Several offshore banks have reported a significant increase in business since Labuan was designated as an International Offshore Centre (IOFC).

The banks, which include Citibank, HSBC, and Standard Chartered, have all reported a steady increase in the number of new clients and the amount of funds deposited in Labuan.

One of the reasons for this increase is the island's strategic location, which makes it an ideal base for international trade and investment. Another reason is the island's tax incentives, which are attractive to many investors.

The LDC has also reported a significant increase in the number of new companies registered in Labuan since it was designated as an IOFC. This increase is a clear sign of the island's growing reputation as a leading offshore financial centre.

4 Thursday, 11 April 1989
NATIONAL

More debt unveiled for Labuan

A SENIOR government official has unveiled a package of infrastructure development projects for Labuan as the island gears up for an influx in the country's only International Offshore Centre (IOFC).

Foreign Investment Director in the Prime Minister's Department, Datuk Abdul Aziz, said that the island would get 12,000 telephone lines and other telecommunications services at a cost of 575 million under the 10th Malaysia Plan.

Another 575 million would be made available for a new airport terminal building, 10 new hotels and a private sector housing development project.

The spending, he said, is a part of the package of infrastructure development projects in the island, which is being spearheaded by the Federal Territory Development Director, Tan Sri Shabudin Ahmad, and the Labuan Development Corporation (LDC).

A 10-year plan of public land appears in the proposed Financial Plan has also been unveiled for the construction of 200 units of offshore residences.

As part of the administration's plan to attract the expected population, an accelerated plan has been laid out for the next five years.

Even earlier and proposed three new streets for the construction and expansion of a school was being reviewed by the Education Ministry.

"We have also identified 25 hectares in Kuching for a 10-story hotel project," he said on a 12-hour programme on the island on Feb 10, in a 377-room hotel, approved by the Prime Minister's Office and the Federal Territory Development Director.

No plan for airport

LABUAN, Feb. 11 - The Labuan Development Corporation (LDC) has no plan to build an airport on the island, it was revealed today.

LDC Chairman, Datuk Seri Dr. Yusoff Ismail, said that the LDC was currently studying the feasibility of building an airport on the island. He said that the LDC would be in touch with the Malaysian diaspora in the coming weeks.

\$5 million facelift for Labuan beaches

LABUAN, Feb. 11 - The Labuan Municipal Council (LMC) will see a \$5 million facelift in its beaches as part of the island's infrastructure development project.

The LMC Chairman, Datuk Seri Dr. Yusoff Ismail, said that the LMC was currently studying the feasibility of building a new beach on the island. He said that the LMC would be in touch with the Malaysian diaspora in the coming weeks.

Labuan becoming haven for commen

LABUAN, Feb. 11 - The Trade and Commerce Adviser today has revealed that Labuan is becoming a "hot spot" for the offshore banking industry.

He said that the island's strategic location, which makes it an ideal base for international trade and investment, is one of the reasons for this increase. Another reason is the island's tax incentives, which are attractive to many investors.

The LDC has also reported a significant increase in the number of new companies registered in Labuan since it was designated as an IOFC. This increase is a clear sign of the island's growing reputation as a leading offshore financial centre.

INSIDE

• Chief of police...
 • HILLTOP...
 • 10.17...
 • 10.17...
 • 10.17...

Week-long blitz on KK traffic

Got no co

Shoplifts gets J

Police...
 Police...
 Police...

was the only cabinet member who dare to speak against Datuk Harris, and he was purged by Datuk Harris. Datuk Pairin had left the cabinet when the cession of Labuan Island came up. He did not vote for it at the State Legislative Assembly. Datuk Mohd. Noor said the decision to cede Labuan to the Federal Government was already made by Datuk Harris Salleh when he informed the BERJAYA Supreme Council about it. It was presented to the State Cabinet and the State Assembly as a *fait accompli*. We had no choice whatsoever but to agree, said Datuk Mohd Noor Mansur.

The BERJAYA President said he was only aware that discussions on cession of Labuan Island were held between Datuk Harris Salleh and Datuk Seri Dr. Mahathir Mohamad.

Political analysts questioned Datuk Harris' belated attempt to explain the cession of Labuan to the people of Sabah. "If he had been on the level with the people he would not have created so much problems which brought his down fall. He should have told the whole truth about Labuan to the people of Sabah from the very beginning. Not now, it is too late. Nobody will believe Datuk Harris, he has lost his credibility," said an analyst. (Source: TODAY'S MAGAZINE (Weekly News) No. 30/86 dated, Saturday, 30th August 1986).

Former Prime Minister of Malaysia, the late Tengku Abdul Rahman Putra Al-Haj said the Federal Government should return Labuan to Sabah if the Islanders wanted their Island back. "Labuan is not an issue actually, therefore both sides should look at the matter with proper

assessment in the interest of the people," he said.

The Tengku said all states in Malaysia belonged to one Nation and that there was no "Big National Value" for Labuan to be made a Federal Territory. Opposition leader Lim Kit Siang said it would not be unconstitutional to hold a referendum on the status of Labuan. However, if the Sabahans decide they wanted Labuan back, constitutional measures would have to be taken, said Mr. Lim, who is a Secretary-General of the Democratic Action Party (DAP).

"If the Federal Government respects the wishes of the people of Sabah, then the constitution could be amended. The question of the action being unconstitutional would not arise," he added.

On Sunday the 7th September, 1986 (morning) a large group of people in Labuan staged a peaceful demonstration bearing large banners calling for a return of the Island's Administration to Sabah.

The demonstration was held to coincide with the arrival of the Federal Territory Minister, Datuk Haji Abu Hassan Omar, on a three-day official visit to Labuan Island.

According to a spokesman for the organisers, the demonstration was not under the auspices of any registered group, but a spontaneous reaction of the people in Labuan. He strongly denied that the demonstration was organised by the Labuan Division of Party Bersatu Sabah (PBS).

The demonstrators, holding up several banners lined up the road leading out of the Labuan airport and was orderly. There was no incidents, although approximately thirty policemen and Police Field Force Personnel were alerted on stand-by.

The demonstrators began gathering near the airport, arriving in their own transport around 11.00 am. They dispersed after Datuk Abu Hassan's motorcade passed, following his arrival at 11.45 am.

Among the banners was one that read: "We want the Federal Government to return the administration of Labuan to Sabah". Another banner read: "The people of Labuan and Sabah are definitely people of Malaysia, but Labuan is definitely Sabah's property", while another read; "We the people of Labuan do not want separation from Sabah." The cloth banners bore a map of Labuan Island on both ends. The Divisional Chairman of PBS Labuan said he regretted that the PBS was not invited to attend a series of meetings Datuk Abu Hassan was holding with Barisan Nasional component parties on the island. The meetings were held with UMNO (United Malay National Organisation), MIC (Malaysian Indian Congress) and MCA (Malaysian Chinese Association) representatives on the island. But PBS (Party Bersatu Sabah) and USNO (United Sabah National Organisation) were completely left out. This, the Divisional Chairman said, is not fair, because we are in the Barisan Nasional and are part of the organisation.

Development in Labuan started to move up

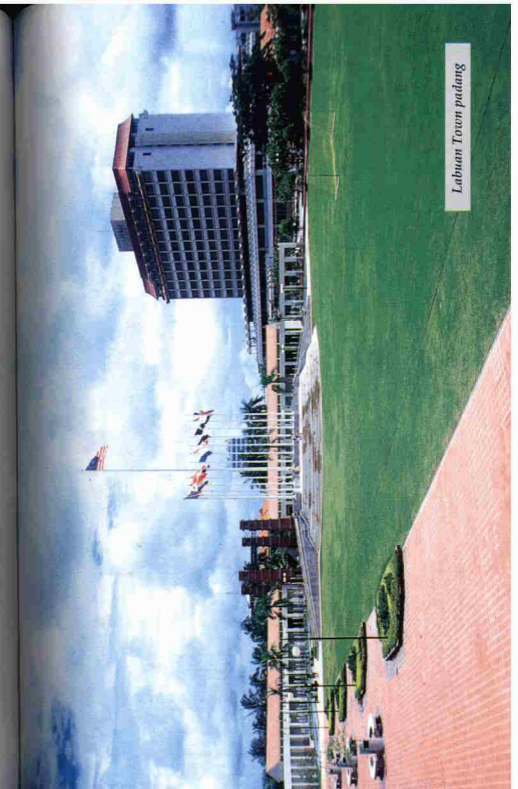
Since the declaration of Labuan Island as a Federal Territory on 16th April, 1984 amidst serious doubts among people regarding the wisdom of the move, the Island had been on an uncertain course and its economy was virtually stagnant.

The unemployment rate increased up to 11.4 percent, higher than the national average. Many businessmen could not service their loans and Banks began chasing after their defaulters. Properties mortgaged began to be sold by public auction but there were hardly any takers. Local Chamber of Commerce, reacting to the situation, filed memorandum after memorandum, on Federal leaders calling at Labuan, voicing suggestions on ways and means to save the Island of Labuan.

When the desired response was not forthcoming, frustration mounted, and many Islanders began to ask openly whether it was worth continuing to have Labuan under Federal Administration. In 1986 Federal Territory Minister Datuk Abu Hassan Omar, who was on official visit to Labuan, arrived to a cold and nasty "welcome". Large crowd of Labuan Islanders had lined up near the airport carrying banner calling for Labuan's return to Sabah.

The island's Chief Administrator and Municipal Council President (LMC), Kamarudin Idris, a senior Federal

Labuan Town padang



LABUAN

Tax Haven in the making

Malaysia is quietly turning a tiny island of Sabah into a full fledged International offshore Financial Centre (IOFC).

■ MONEY FROM HONGKONG

Many feel that as 1997 — when Britain returns Hongkong to China — draws closer, part of the colony's huge capital market will move and Labuan wants to tap the continuous flight of capital.

■ RECREATION

A M\$400-million Kiansan development project which would have an 18-hole golf course, retirement homes, condominiums and a resort hotel is planned for this year.

■ INFRASTRUCTURE

The government is pouring hundreds of millions of dollars into building schools, roads, houses and clinics on the island to make it hospitable to the expatriate community. Infrastructure facilities are being continuously upgraded. Also planned this year is a M\$17-million government office complex.



Things move very fast, and if we take too much time to make decisions, people will go elsewhere.

— Economic adviser to the Malaysian government, Tan Daim Zainuddin, advising



■ **TELECOMMUNICATIONS**

Telekom Malaysia (the national telecommunications authority) has spent MS 1.4 billion to upgrade telecommunications facilities with optic cable network to provide state-of-the-art international connections for Labuan.

■ **FINANCIAL PARK**

In July next year, the MS360 (US\$203 million) Labuan Financial Park will be ready. Most shops and companies will be based in the financial park.

■ **AIRPORT**

A MS20-million new airport terminal is planned for this year. Labuan is accessible by air from Kuala Lumpur and indirect flights via Kota Kinabalu, capital of Sabah. There are also direct flights to Brunei.

■ **HOLIDAY RESORT**

In April, Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad said the island will be developed into the top holiday resort in the South China Sea in five years. Labuan would be promoted as a charming island, especially for those seeking peace and tranquility. There are currently 24 hotels with 1,000 rooms, including two high-class hotels. Plans are under way to build beach and town hotels.

■ *This graphic does not represent exact locations of the various facilities.*

officer, was another victim of local discontent. In 1987 members of his council passed a vote of "no confidence" in him and demanded for his removal. This unexpected kind of action was unprecedented in the Council's history, and as a result, it drew serious attention from Kuala Lumpur.

For about six years, the people in Labuan had waited patiently for some changes to happen. Several months later, legislation went through Parliament and the IOFC mechanisms were in place. Early 1990 Prime Minister Datuk Seri Dr. Mahathir Mohamad announced in the Nations' capital of Kuala Lumpur that Labuan, a buccaneers' haven in the 19th century would be turned into a tax haven, the news was greeted with great enthusiasm here. In legal terms, "Tax Haven" meant the resource-scare island would be made an "International Offshore Financial Centre" (IOFC). The announcement aroused a fresh hope of an economic boom for Labuan.

When Dr. Mahathir unveiled the plans to make Labuan an IOFC, it virtually rang the death knell on anti-Federal Territory sentiments in Labuan that had worked very much to the political advantage of Party Bersatu Sabah from its very inception. In the 1990 Parliamentary Elections UMNO retained the seat, despite a challenge by proxy mounted by the PBS.

Labuan's failure to hit it off properly on the economic front according to reliable source was as a result of certain



New Commercial Buildings in Labuan Town.

golden rules practised by special breed of businessmen in the Island, whose objective in the business field is let them start, if they succeed we will follow. It is because of this situation, that although Labuan has been a free port since 1956 while the Island was under British rule it hardly made any headway as a tourist attraction Island.

When the free-port status was retained it was hoped that the private sector would capitalise on it and invest in tourism related facilities. But most unfortunately, it did not materialised. Standard and budget hotels did not sprout up and wares offered for sale were not impressive, and further more, whatever substandard facilities and services available, prices were not attractive. This is part of the main reason why Labuan after being a free-port for almost three decades, has only two major landmark buildings, one a 10 storey hotel built at a cost of



RM14 million ringgit in 1977 and the more recent 11 storey Wisma Oceanic. There is also a nine-hole golf course in Labuan.

The Federal Government studied several options before deciding to declare Labuan an IOFC. But to make Labuan a successful IOFC, the Federal Government realised that it would have to start virtually from scratch, even having to take the lead in providing good quality office space.

Against Labuan's rather backward background, former Minister of Finance, Tun Datuk Paduka Daim Zainuddin officially declared open two offshore financial institutions. He said in a speech at the time that Labuan would succeed as an IOFC because it is the right place at the right time. Right now it is still too early to assess how the IOFC move has turned out. Much of an IOFC's success depends on international response, and getting the word out in the corporate world, and convincing business leaders that this is no flash in the pan, it needs time.

The Federal Government has realistic expectations, saying that it may take an entire decade before the fruits of the IOFC move are seen. It is evident that a fair amount of success has been achieved over a year. There are at present 22 offshore companies, in the form of Banks, trusts and accounting firms in Labuan. But the presence of these companies is hardly being felt by the Islanders because some are merely operating a 'Brass Plate Office' and serving as mere contact centres.

Property Boom

The Government is not complaining. Such companies will be allowed to operate management offices in Kuala Lumpur until the infrastructure in Labuan is ready. Tun Datuk Paduka Daim's successor, Datuk Seri Annuar Ibrahim said. The lack of infrastructure is one reason why out of the 22 offshore companies operating here, none are fully owned by Foreign Company. Over the past year, many potential investors came to Labuan, but there appeared to be more onlookers than takers. Besides the lack of infrastructure, the recent escalation in property values and rental has turned out to be another setback to the success of the IOFC. Before the IOFC status was declared, office space was going for approximately RM2.00 per square foot. Today it is almost double that amount, and close to rates prevailing in Kuala Lumpur, where in the Golden Triangle office space is going for about RM5.00 per square foot.

On the property market front, shop houses at Jalan OKK Awang Besar and Jalan Merdeka can easily fetch as much as RM1 million ringgit. Before the IOFC was declared, hardly anyone was interested in such property especially in Labuan.

The main property transactions in Labuan over the past

years were the purchase of 9,888 square feet of prime estate at a cost of RM3.5 million ringgit by BBMB Properties Sdn. Bhd, (The property arm of Bank Bumiputera Malaysia Bhd.) The bank's plan is to erect a tower block, but now it appears that this might take a few years more to get off the ground.

The other noteworthy property transactions is related to the purchase of Dr. Ghait Pharon's bungalow for RM2.7 million ringgit by the Labuan Municipal Council, and more recently the four-storey USNO building in Labuan, excluding the section belonging to USIA. That property was sold for RM2 million ringgit.

The Government appeared to be concerned about the sudden and steep price in property rental values, and the trend is likely to be checked when the proposed financial pack development project covering 10.6 acres materialises. The park with its well-designed buildings plus other amenities, is expected to create ample supply of good quality office space and bring prices to more realistic levels. While these plans look rather bold and tailored to meet future demands, what remains unclear is that, who will invest in the scheme?

Other Governments' major contribution towards improving the infrastructure, is the allocation of the larger expected spending of RM412 million ringgits under the Sixth Malaysia Plan. The amount is expected to be used as follows:-

*The New Telecoms Department International
Telecommunication network at Labuan*



- 1) RM60 million for a new hospital which offer specialist services in the fields of gynaecology, cardiology and paediatrics.
- 2) RM159 million on a proposed new airport complex, of which RM71 million will go on the construction of a modern terminal building.
- 3) RM100 million on improving drainage and irrigation.

At this stage it is not clear whether the RM159 million will be spent on an entirely new airport complex, or on upgrading the existing airport. The existing airport has a 7,500 feet runway which can easily handle Boeing 737 flights, while the new airport is expected to have a 13,000 feet, runway capable of catering for a wide-bodied aircraft such as the Airbus 300 and Boeing 747. Other Government sectors have also announced high spending plans. Telecoms Malaysia Bhd. recently said it has earmarked RM75 million for improving communications facilities.

The Labuan Municipal Council has for its part, set aside RM10 million ringgit for a major island beautification project. Among the ambitious plans are to erect a replica of the famous coal chimney at the Merdeka Square near the Town Padang in Labuan. The chimney is expected to serve as the Island's landmark and provide a glimpse into Labuan's chequered past. Coal-mining started in Labuan in the year 1847 and continue until 1911. About 600,000

Labuan set for EAGA conduit role

LABUAN Labuan is poised to become the main conduit for channeling global investments into the East Asian Growth Area (EAGA) comprising Brunei, Indonesia, Malaysia and Singapore, Labuan, Sabah, Sarawak and Eastern Kalimantan (EAGS).

A spokesman for the Labuan Development Authority (LDA) said the island's status as an International Offshore Financial Centre (IOFC) with an extensive regulatory system for foreign investments was expected to be the main topic of discussion at the first meeting of EAGS-EAGA Working Group on Finance, held here over two days beginning yesterday.

The meeting, hosted by the Ministry of Finance in collaboration with LDA, is being

attended by 68 delegates, including the 36-member Malaysian delegation in the Ministry's Secretary-General, Dr Aziz Osman, who is the Malaysian Working Group's chairman, secretary of the Department of Finance, Mr Iswar Suda and

Indonesia is sending 22 delegates headed by its chief of Agency for Finance and Services for Brunei, Ministry of Finance, Dr Dana Brando while Brunei is sending 10 delegates headed by the Sultanate's Director of Financial Institutions, Mr Mohd Khair M Osman.

The closed-door meeting is also expected to discuss areas of cooperation in financial services and how such can be mutually exploited with a region which

endowed with rich natural resources but few services and infrastructure development.

The meeting would cover a wide range of issues including the approval of the IOFC status for Labuan.

Labuan 'to be focal point for foreign funds'



Labuan International Offshore Centre building complex.

ROYAL LONDON — Labuan will be the main focus of the first meeting of the EAGS-EAGA Working Group on Finance, held here over two days beginning yesterday.

Centre meeting for the influx of foreign funds.

Labuan to play central role

To channel global funds into the EAGA areas

LONDON (AP) — Labuan is poised to become the main conduit for channeling global investments into the East Asian Growth Area (EAGA) comprising Brunei, Indonesia, Malaysia and Singapore, Labuan, Sabah, Sarawak and Eastern Kalimantan (EAGS).

A spokesman for the Labuan Development Authority (LDA) said the island's status as an International Offshore Financial Centre (IOFC) with an extensive regulatory system for foreign investments was expected to be the main topic of discussion at the first meeting of EAGS-EAGA Working Group on Finance, held here over two days beginning yesterday.

The meeting, hosted by the Ministry of Finance in collaboration with LDA, is being

attended by 68 delegates, including the 36-member Malaysian delegation in the Ministry's Secretary-General, Dr Aziz Osman, who is the Malaysian Working Group's chairman, secretary of the Department of Finance, Mr Iswar Suda and

Indonesia is sending 22 delegates headed by its chief of Agency for Finance and Services for Brunei, Ministry of Finance, Dr Dana Brando while Brunei is sending 10 delegates headed by the Sultanate's Director of Financial Institutions, Mr Mohd Khair M Osman.

The closed-door meeting is also expected to discuss areas of cooperation in financial services and how such can be mutually exploited with a region which

Private sector has a role too

BRITAIN'S PRIVATE sector has a role to play in the development of the East Asian Growth Area (EAGA) comprising Brunei, Indonesia, Malaysia and Singapore, Labuan, Sabah, Sarawak and Eastern Kalimantan (EAGS).

A spokesman for the Labuan Development Authority (LDA) said the island's status as an International Offshore Financial Centre (IOFC) with an extensive regulatory system for foreign investments was expected to be the main topic of discussion at the first meeting of EAGS-EAGA Working Group on Finance, held here over two days beginning yesterday.

The meeting, hosted by the Ministry of Finance in collaboration with LDA, is being



MINISTER FINANCIAL, THE CHIEF OF THE STAFF AND OTHER OFFICIALS OF THE MINISTRY OF FINANCE AND LDA, LABUAN, AT A MEETING OF THE EAGS-EAGA WORKING GROUP ON FINANCE, HELD HERE OVER TWO DAYS BEGINNING YESTERDAY.



General view of Labuan Township



tonnes of coal is reported to have been exported from Labuan Island before the industry collapsed. The site of the coal-mines at Tanjong Kubong is marked out by a towering chimney which is still there today.

Another significant LMC plan is to provide Jalan OKK Awang Besar a face-lift, linking the road from the Labuan Airport to Town. All these plans have been made known, there is an appreciable positive response from the private sector. The Labuan Municipal Council has already received five applications for the development of hotels, while another investor is toying with a massive plan to convert Pulau Keraman into a major island retreat capable of meeting the varied demands of the modern day travellers.

Pulau Keraman is a small island covering an area of 360 acres, with a coastal perimeter stretching over 44 km. The island lies about 12 km from Labuan and is considered a rich fishing grounds, coral life, and most ideal for water sport. The amenities planned for the Island includes resort-type motels and a 18 hole golf-course.

The proposed 18 hole golf-course at Pulau Keraman will be the third on the cards, with former Sabah Chief Minister Datuk Harris Mohammed Salleh already planning to build one at Kiansam, and the Government is considering building another one at Kampong Sungei Keling near the bank of Sungei Kinabinawa.



Front view of the new International Financial Centre, under construction in Labuan (IFOC)



The old government hospital in Labuan



The new government hospital in Labuan

The Hong Kong based IHD Holdings Ltd. through its wholly-owned subsidiary IHD (M) Sendirian Berhad recently entered into a conditional agreement to acquire 54.6 acres of land in Labuan for development into a beach resort, at Layang-Layang.

Another major private sector initiative is not likely to be in the form of a 36 storey tower block which will have two levels of basement floors and will provide under one roof, involving the same building, various facilities, including a hotel.

The project is to be undertaken by a Malaysian-based company in Kuala Lumpur and will be located at Jalan OKK Abdullah Anson. It is set to become the tallest building in the Island of Labuan. Another important development on the IOFC front over the past year is the appointment of Tun Datuk Paduka Daim, as the head of a new authority known as the Labuan Development Authority (LDA).

The main function of this organisation will be to promote and stimulate facilities and carry out economic and social development of Labuan. Tun Datuk Paduka Daim is well known in Malaysia as a "corporate wizard" and many Malaysian see his appointment as a good augury for the IOFC's success.

Labuan as an International Offshore Financial Centre

In turning the Federal Territory of Labuan into an International Offshore Financial Centre (IOFC) the following legislations have been introduced and passed in the Malaysian Parliament on the 25th June, 1990.

- 1) Labuan Offshore Business Activity Tax Act, 1990.
- 2) Income Tax (Amendment) Act, 1990.
- 3) Offshore Companies Act, 1990.
- 4) Offshore Banking Act, 1990.
- 5) Offshore Insurance Act, 1990.
- 6) Labuan Trust Companies Act, 1990.

Labuan island lies off the West Coast of Sabah in East Malaysia and came under Federal Territory jurisdiction on the 16th April 1984. Its free port status and the barter trade with Southern Philippines made the island an important business centre. The Federal Government aims is to develop Labuan as a regional trade, conference and tourist centre. Large scale industries, including gas-related projects, are being developed in Labuan Island.

A summary of the main features of these legislations, with particular reference to the one on taxation of IOFC, are as follows:

The Labuan Offshore Business Activity Tax Act, 1990

Tax Act, 1990 was enacted to provide for the imposition, assessment and collection of tax an offshore business activities carried on by an offshore company in or from Labuan with non-residents and where the transactions are conducted in non-Malaysian currency. Such activity excludes shipping and petroleum operations. An offshore company engaged in banking or insurance may however, carry out its activity with residents. Similarly, an offshore insurance company may also transact its reinsurance of domestic insurance business in Malaysian currency.

Offshore Trading Activities

This is defined to include banking insurance, trading, management, licensing or any other activity which is not an offshore non-trading activity. An offshore company carrying on any of these activities is taxed as follows:-

- (a) At the rate of 3 percent on chargeable profits as reflected in its audited accounts,
or

- (b) Upon election, at a fixed rate of RM20,000.00 or
- (c) In the absence of a basis period, at a fixed rate of RM20,000.00

For tax imposed under (a) the offshore company is required to submit a statutory declaration and a return of profits on prescribed forms. For those under (b) and (c), only a statutory declaration on a prescribed form has to be lodged. These documents must be submitted within a period of 3 months or within any extended period from the commencement of the relevant year of assessment.

Offshore Non-Trading Activity

This is described to mean an activity relating to the holding of investments in securities, stock, shares, loans, deposits and immovable properties by an offshore company on its own behalf. An offshore company holding such investments is not chargeable to tax and it is only required to file a statutory declaration in a prescribed form within a period of 3 months or within such extended period from the commencement of the relevant year of assessment.

Income Tax Act, 1967 to apply in Certain Circumstances,

The provisions of the above Act shall apply in respect of the following:-

- (a) where an offshore company carries on an activity which is not an offshore business activity;
- (b) Where the offshore banking business is carried on by a licensed Malaysian offshore bank through an office (but not a subsidiary) of a Malaysian bank.
- (c) Where the offshore insurance business is carried on by a Malaysian offshore insurer through a branch (but not a subsidiary) of an insurer which is a Malaysian Company.

Payment and Recovery of Tax

The tax chargeable for a year of assessment has to be paid in full at the time of filing the statutory declaration and the return of profits. Any unpaid tax is subject to a penalty of 10 percent fine.

Administration of the Tax

The Director General of Inland Revenue Department shall have the care and management of the tax and whose functions may be delegated to him. He may call upon any person to furnish information or particulars required by him for the purpose of the Act. However, any return of profits, statutory declaration or information made or received for the purpose of the Act shall be regarded as confidential

and shall not be communicated or disclosed to any person except for the purpose of the Act only.

In a separate amendment entitled Income Tax (Amendment) Act, 1990 it is expressly stated that:-

- (1) Income derived by an offshore company from its offshore business activity will not be subject to tax under the Income Tax Act, 1967.
- (2) Provisions of the Income Tax, 1967 will not apply in respect of dividends paid by an offshore company out of income derived from its offshore business activity or from income exempted from tax.
- (3) Where an offshore company receives dividends out of which tax has been deducted under the provisions of the Income Tax Act 1967, the tax so deducted will not be refunded or set-off against tax payable by such company.

An announcement has also been made by the Federal Government in respect of the following incentives in connection with turning Labuan Island into a IOFC:-

- (1) Interest, royalty and technical or management fee paid by an offshore company

to a non-resident or to another offshore company will not be subject to withholding tax.

- (2) Professional firms will be entitled to a 50 percent exemption on the adjusted income derived from their business of providing professional services to offshore companies in Labuan. This incentive will be available for a period of five years commencing from the year of assessment 1992.
- (3) Persons engaged on specific construction activities in Labuan will be given a 50 percent exemption on their adjusted income from such activities. The incentive will be available for five years commencing from the year of assessment 1992.
- (4) Expatriate employees who are employed in their managerial capacity in Labuan by an offshore company will be granted an exemption of 50 percent of their gross income from such employment for a period of five years commencing from the year of assessment 1992.
- (5) An offshore company will not be subject to stamp duty, under the Stamp Duty Act, 1949.

The Offshore Companies Act, 1990

The Offshore Companies Act, 1990 provides for the incorporation, registration and administration of offshore companies. An offshore company is one which is incorporated under the Act. Such company is required to have a registered office in Labuan, which office shall be the principal office of a trust company. It is permitted to establish branches worldwide but not in any States of Malaysia outside Labuan. Every offshore company must have at least one director who may be a resident director and one or more secretaries at least one of whom shall be a resident secretary.

No person, other than an officer of a trust company made available for the appointment by the trust company, shall act or be appointed as a resident director or as a resident secretary.

A foreign company (meaning one which is incorporated outside Malaysia) is not permitted to establish a place of business in Labuan or carry on business in Labuan unless it is registered as a foreign offshore company under the Act.

Such Company shall not carry on in Labuan, any business which an offshore company is prohibited to do.

The Offshore Banking Act, 1990.

The Offshore Banking Act, 1990 creates a legal regime for Offshore Banking business to be conducted in, from and through the Federal Territory of Labuan by Offshore Banks.

The Act provides new laws governing the following:-

- (1) The licensing and regulation of offshore banking business and persons carrying on such activities,

AND

- (2) The protection of the secrecy of information relating to the identity, affairs and accounts of customers of offshore banks licensed under the Act.

Offshore Banking business refers to the business of deposits and the giving of credit facilities in currency other than the ringgit. An offshore Bank is prohibited from transacting any business, or dealing, in Malaysian currency but not the buying and selling of foreign currency against Malaysian currency and swap transactions. No licence will be granted to an offshore Bank if its paid-up capital and reserves are less than RM10 million. Similarly, a licensed offshore Bank, unless permitted by the Minister of Finance, is also prohibited from carrying

an offshore banking business if its paid-up capital and reserves, unimpaired by losses, are less than RM10 million. A licensed offshore bank is prohibited from opening retain types of account or any account for a customer whose identity is not known to it.

The Offshore Insurance Act, 1990.

The Offshore Insurance Act, 1990 introduces new laws governing the licensing and regulation of persons carrying on offshore insurance business and offshore insurance-related activities. Under the Act, no person shall carry on or transact any business of an offshore insurance business unless it is an offshore company, a foreign offshore company or a branch of a Malaysian insurer and that it is the holder of a valid licence. Every applicant for an operating licence must among other things, satisfy the Minister of Finance that it has the following level of working funds:-

- (a) In carrying on either life or general insurance business or both, an amount of at least RM7.5 million, or its equivalent in any foreign currency.
- (b) In carrying on solely reinsurance business, an amount of at least RM10 million or its equivalent in any foreign currency.

- (c) In carrying on solely offshore captive insurance business, an amount of RM1 million or its equivalent in any foreign currency.

An offshore insurance business means insurance which is not domestic insurance business any where the transactions are carried out in foreign currency and includes offshore captive insurance business.

The Labuan Trust Companies Act, 1990

The above Act introduces legislations to provide for the registration of companies and foreign companies incorporated or registered under the Companies Act, 1965 to carry on business as trust companies in the Federal Territory of Labuan. These trust companies provide professional accounting, secretarial, trust and other services to offshore and foreign offshore companies as well as non-residents of Malaysia.

No Company is allowed to carry on business as a trust company in Labuan unless it is registered under this Act. The criteria for registration as a trust company are as follows:-

- (a) An authorised capital of not less than RM500,000.00.

- (b) At least one-half of the amount of every share issued by the company remains unpaid and is not liable to be called up except in a winding up or dissolution of the company.
- (c) At least RM150,000.00 of the authorised capital has been bona fide paid up.
- (d) A deposit of approved securities amounting to RM100,000.00 with the Accountant General.
- (e) The company's ability to meet its obligation apart from its liability to shareholders and the deposit of approved securities.

Note:

The various Acts mentioned in this book in respect of Labuan as an International Offshore Financial Centre (IOFC) are not intended to be comprehensive. These are written for general information only, and should not be acted upon without first obtaining professional advice from the Authorities concerned.

Telegram: "CHIEFMEN KOTA KINABALU"

Bil. CMD. C. 202/26/99



JABATAN KETUA MENTERI
(CHIEF MINISTER'S DEPARTMENT)
KOTA KINABALU
SABAH, MALAYSIA

10 Julai 1995

Y.Bhg. Datuk Seri Panglima Stephen R. Evans
P.O. Box 21
89007 KENINGAU

Y.Bhg. Datuk,

HISTORY OF LABUAN ISLAND - NEW BOOK

Saya merujuk kepada surat Datuk Seri Panglima bertarikh 9 Mei 1995 yang dialamatkan kepada Y.A.B. Ketua Menteri dan dinajukan kepada saya untuk tindakan mengenai perkara tersebut di atas.

2. Sukacita saya menyampaikan keputusan Kerajaan Negeri iaitu Datuk Seri Panglima boleh mencetak dan menggunakan tiga keping gambar yang telahpun diterbitkan dalam buku 'Sabah History In Pictures - 1881-1981'. Gambar-gambar itu adalah seperti berikut :-

- (a) Division ke 9 Angkatan Tentera DiRaja Australia menyerang kedudukan Jepun di Labuan sebelum pendaratan mereka yang bersejarah di Labuan pada 9 Jun 1945.
- (b) Nyalaan senjata api pihak Tentera Australia.
- (c) Ahli-ahli Briged ke 24 dari Division ke 9 Angkatan Tentera DiRaja Australia mendarat di Labuan pada 9 Jun 1945.

3. Sehubungan dengan ini, adalah dihargai jika Datuk Seri Panglima memberi akuan seperti "This picture has been reproduced or reprinted with the permission of the Sabah State Government" apabila gambar-gambar tersebut di atas dicetak dalam buku baru Datuk bertajuk History of Labuan Island.

4. Sekian dan harap maklum.

'BERKHIDMAT UNTUK NEGARA dengan BERSIH, CEKAP dan AMANAH'

Saya yang menurut perintah,

(DATUK BONIFACE P. MATINGAL)
Timbalan Setiausaha Kerajaan Negeri
b.p. Setiausaha Kerajaan Negeri
DADAH MEMBAWA SENGSARA DAN MAUT