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Tongkah to undergo restructuring exercise

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TONGKAH Holdings Bhd yesterday proposed a restructuring exercise which will see its 21 per cent associate firm, Hospital Pantai Bhd, becoming its financial services arm.

Under the exercise, Tongkah will acquire Hospital Pantai's entire healthcare assets and business for a total of RM190 million in cash.

Hospital Pantai, in turn, will acquire the entire stake in stockbroking outfit Kestrel Securities Sdn Bhd for RM300 million in cash and also negotiate to buy the entire interest in Perdana Finance Bhd.

Tongkah executive chairman Mokhzani Mahathir said the exercise will not see any change in the existing equity structure in either Tongkah or Hospital Pantai.

After the proposals are affected next year, Tongkah's earnings are expected to grow 30 per cent for the year ending Jan 31, 1999, while Hospital Pantai is expected to see its profit increased three-fold.

The exercise will also leave the companies debt-free.

Hospital Pantai will use the proceeds from the earlier sales of its stake in Parkway Limited.

At present, Hospital Pantai has about RM500 million in cash reserves.

The existing Pantai hospital name will also be maintained after the exercise to tap into the goodwill already attached to the hospital chain.

He added that the exercise was to consolidate Tongkah's existing healthcare business as "... it also provides for a more efficient utilisation of management and financial resources that ultimately benefits both companies."

The exercise also involves Tongkah acquiring the remaining 49 per cent stake it does not already own in Tongkah Medinvest Sdn Bhd for RM34.3 million in cash.

Tongkah Medinvest is part of a three-firm consortium awarded a 15-year concession worth RM7.5 billion to provide medical support services to the 123 Government hospitals from Jan 1 this year.

Together with Faber Medi-Serve Sdn Bhd and Radicare (M) Sdn Bhd, Tongkah Medinvest will help upgrade and modernise services under the world's largest healthcare privatisation exercise.

As for Hospital Pantai, its core business will now be changed to financial services with the two acquisitions.

Kestrel is presently a 75 per cent subsidiary of Tongkah. Tongkah is now also in the process of acquiring the 88 per cent stake in Perdana Finance from the United Merchant Group Bhd for 84.48 million.

Mokhzani said the long term aim of Hospital Pantai is to turn it into a financial supermarket.

"We tried to get approval to buy a bank but failed. So now, we will focus on the existing two financial entities and try to grow slowly. We may possibly look at asset management."

The corporate office for Tongkah and Hospital Pantai will be relocated to Damansara Heights, by the end of this month and named THB Satu.

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