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`A long-term strategic investment'

Zuraimi Abdullah

HEALTHCARE services provider Pantai Holdings Bhd describes its multi-million ringgit purchases of strategic stakes in Tongkah Holdings Bhd and Avenue Assets Bhd as a "long-term strategic investment".

The company expects to realise the RM330.4 million investments now that the economy is back on track.

Executive chairman Mokhzani Mahathir said Pantai also expected to improve its turnover in the current financial year with its three core businesses of healthcare services, support services and investments providing the growth impetus.

The company made RM116.05 million turnover for the year ended June 30, 1999, with a pre-tax loss of RM70.43 million.

Pantai bought 16.78 per cent or 26.72 million shares in Tongkah and 28.15 per cent or 42.25 million shares in Avenue Assets - formerly known as PhileoLand Bhd - during the mid-1997 economic and financial crisis.

The RM108.75 million Tongkah acquisition was made through Maxgold Investments Group Ltd, a wholly-owned subsidiary of Pantai Investments (Cayman) Ltd which in turn is wholly-owned by Pantai.

The Avenue Assets purchase for RM222.15 million was made by Glossmere Investments Ltd, another wholly-owned subsidiary of Pantai Investments Cayman.

Pantai obtained shareholders' approval and ratification for the purchases during an extraordinary general meeting in Kuala Lumpur yesterday.

Mokhzani, who owns nearly 30 per cent interest in Pantai, said: "The next move (after getting shareholders' approval and ratification) is to fully realise the potential of the investments.

"Now that the economy is back on its previous track, we can assist Tongkah and Avenue Assets to redevelop their operations," he told reporters after the EGM.

Mokhzani said Avenue Assets, in particular, had been burdened with debts. The company was hopeful of reducing its current debts amounting to about RM500 million to RM150 million within the next six months.

Towards this aim, Avenue Assets had disposed of several buildings and was now talking to various parties to sell several other assets.

Tongkah and Avenue Assets are involved in diversified activities ranging from manufacturing, financial services, healthcare services and property development.

In its circular to shareholders, Pantai said: "The (Tongkah and Avenue Assets) acquisitions are a strategic long-term investments for Pantai.

"The investments in Avenue Assets complement Pantai's existing business, especially in providing land banks for the development of new hospitals as well as providing the opportunity to diversify its earnings base.

"The Tongkah investment represents a diversification to broaden the earnings base of Pantai. The directors anticipate an enhancement in its earnings base from the acquisitions in the long term."

On whether he was aware of market talk late last year of Pantai's tussle with property developer Land & General Bhd for control of Avenue Assets, Mokhzani said: "It's news to me.

"Perhaps, they (market players) were trying to push up (Avenue Assets) share prices."

On Avenue Assets' purchase of 100 per cent stake in MGI Securities Sdn

Bhd, he said the exercise would be completed by the end of September.

Avenue Assets would be paying RM120 million for the stake.

Mokhzani, who is Tongkah executive chairman, did not say whether there was likelihood MGI Securities would be merged with Tongkah's stockbroking outfit Kestrel Securities Sdn Bhd.

Market talk had it that Avenue Assets was poised to buy two brokerage firms to offset its possible loss of a banking interest in PhileoAllied Bank (M) Bhd, which is likely to be bought over by Malayan Banking Bhd.

Avenue Assets owns about 20 per cent equity in PhileoAllied Bhd, which owns PhileoAllied Bank.

Elaborating on Pantai's activities, Mokhzani said the company was offered several opportunities to increase its Hospital Pantai medical centre chain.

"There are lots of private hospitals in the Klang Valley... We are also considering opportunities in Johor... not just buying into hospitals, but also other related services."

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