

Magnum-Toto merger on the cards?

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"LUCKY Tan," muttered a punter as he dropped his losing ticket outside one of 600-odd lottery outlets Tan Sri Vincent Tan controls.

Already one of Malaysia's richest men, investors are betting the 49-year-old Malaysian and his gaming outfit, Berjaya Sports Toto (Toto), may benefit from potential industry consolidation they believe is being brokered by the Government.

Despite denials from the companies, some analysts foresee a merger between Tan's Toto and Malaysia's top numbers-forecasting games operator, Magnum. as the Government limits the number of lottery licences to appease an Islamic lobby within its own ranks and the Opposition.

"It does look like a merger between Toto and Magnum may be on the cards," said a gaming sector analyst. "Such a move allows the Government to gain high moral ground with Muslim voters, and at the same time do some corporate spring cleaning."

Gambling, frowned upon but allowed, is deemed a vice by many people among the country's majority Malay Muslims.

That doesn't stop it being a favourite pastime among the minority ethnic Chinese, and Malays and Indonesian immigrants loafing around outside numbers

shops are a common sight in Kuala Lumpur.

A tie-up between Toto and Magnum would create a giant operator, with a network exceeding 1,100 outlets. Shares in Toto have risen 35 per cent from their post-September 11 low to RM5.50, while Magnum's have gained 31 per cent to RM2.23, compared with the broader market's near-7-per cent recovery.

For some analysts the Finance Ministry's approval of the appointment of a Tan associate, Tan Kok Ping, as executive chairman at Magnum two weeks ago added credence to the speculation.

Others believe Tan's long-time lieutenant, who until recently held directorships at both Toto and flagship Berjaya Group, could be about to come out from under his mentor's shadow.

Recent media reports alleged Magnum's parent, Multi-Purpose Holdings Bhd (MPHB), is under government investigation over deals transacted in 1999 by its former management, led by businessman Akhbar Khan.

The reports, which MPHB has refused to comment on, sparked speculation of an imminent shake-up at both Magnum and MPHB. MPHB's 51-per cent stake in Magnum is its main asset.

"What's visible is there's a battle for control at Magnum and Multi-Purpose, with the state involved somehow, while Berjaya is struggling to restructure," said an analyst at a foreign bank.

"But who benefits may not be Tan. Kok Ping could be mounting a challenge for Magnum in partnership with parties unrelated to him."

Analysts include, as Kok Ping's likely partners, businessman Hamzah Zainuddin of property and financial services group Asian Pac and the Malaysian Chinese Association, a member of Prime Minister Datuk Seri Dr Mahathir Mohamad's ruling coalition.

A merger with Magnum, which has a 42 per cent share of the RM7 billion a year lottery market, would be a big boost for Tan's flagging fortunes.

The ethnic Chinese entrepreneur, regarded as having Dr Mahathir's ear, got his first break when he persuaded US fast food giant McDonald's to sell him the local franchise.

But like other corporate czars hit by the Asian financial crisis, Tan's resources have been sapped by the downturn and dragged by a RM2 billion project to build the country's biggest shopping mall and commercial complex.

Stablemates within his empire, which has interests ranging from gaming to telecommunications, hotels and properties, resorted to borrowing money from group cash-cow, Toto.

The inter-company lending angered investors, who sold down their stocks, prompting Tan to propose a RM2.6 billion restructuring plan six months ago.

But that proposal was pulled back at the same time that Kok Ping's appointment to Magnum was announced, adding fuel to the tie-up talk.

The Berjaya Group said its plan needed reviewing following the September 11 attacks on the US, but gave no details. - Reuters