

# Malaysia's Monster Mall

*Against all odds, Malaysian tycoon Vincent Tan has completed his giant shopping mall and hotel. But now comes the hard part—finding buyers*

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By Leslie Lopez/KUALA LUMPUR

**AFTER SLIPPING IN AND OUT** of several multibillion-dollar development ventures over the past decade, Malaysian tycoon Vincent Tan Chee Yioun is betting his personal fortune on one of the region's most audacious commercial projects.

Covering more than five hectares in central Kuala Lumpur, Berjaya Times Square—which has taken nine years to complete at a cost of 1.8 billion ringgit (\$473 million)—is no ordinary shopping mall. For one thing, it boasts an indoor theme park that features a roller-coaster capable of travelling 80 kilometres an hour as it careens through an enormous eight-storey atrium in the centre of the mall. It will also have 900 specialty shops, 65 restaurants and cafes, and 1,200 hotel service suites in its two 45-storey tower blocks.

"This is a going to be a destination mall. Its sheer size will be the main attraction," says Harminder Singh Bagrian, senior general manager of Berjaya Times Square, a private company controlled by Tan.

The project's sheer size is also the chief source of concern over its commercial viability, say private property consultants and bankers tracking Tan's latest property development. With its location on the fringes of Kuala Lumpur's central business district, Berjaya Times Square will add 675,000 square metres of commercial space to an already oversupplied market. Malaysia's National Property Information Centre estimates the value of currently unoccupied and unsold commercial property at roughly 7.6 billion ringgit.

"The fact is that the project has been completed and they've got some secured tenants, so you will see some life. But it is really hard to imagine it becoming a major commercial success," says a chief exec-

utive of a foreign property-consulting company. Others gripe that Tan is testing the limits of convention. For instance, Berjaya Times Square will have a 12-storey shopping arcade. "But from the Malaysian experience, shops located beyond the third-floor don't get the traffic," says one investment analyst, who tracks Tan's business ventures.

Tan, however, is absolutely self-assured. "We've eliminated a big risk by completing the project," he tells the REVIEW in a rare interview. A key feature of Tan's business plan is to sell at least half the commercial space at Berjaya Times Square, which his company has valued at about 2.5 billion ringgit.

Berjaya Times Square has so far sold just 800 million ringgit worth of commercial space and Tan blames the tepid response on what he calls a "whisper campaign" that he wouldn't be able to complete the development, which carries about 700 million ringgit in debt. "Now that it is completed, investors will see the value," he contends, adding that he expects to hit 1.25 billion ringgit in sales targeted under his business plan.

Tan has been a big beneficiary of government-awarded contracts and licences over the 22-year-long administration of Malaysian Prime Minister Mahathir Mohamad, a long-time close friend and admirer of Tan's "think big" attitude. The businessman first won the right to privatize a state-controlled gaming business called Sports Toto in the mid-1980s, an arrangement that has provided a large and steady source of profits ever since.

During the 1990s, Tan-controlled companies landed a contract for the privatization of the Malaysian national sewerage system and a licence to operate a cellular-telecommunications network. At the peak of Southeast Asia's 1990s development boom, Tan even secured an award to privatize a river running through Kuala Lumpur with the intention to build office towers and shopping malls along and above it, as well as a contract to build and operate a monorail system in the capital.

But Tan's actual track record has been less impressive than his grand plans. Apart from the gaming operations housed under Kuala Lumpur-listed Berjaya Sports Toto and mobile-phone company DiGi.Com, which he still controls, Tan has divested his problem-ridden sewerage project and the long-delayed monorail project, which has yet to become operational.

## TIMES SQUARE WAS CONCEIVED IN THE MID-1990S WHEN MALAYSIA WAS GROWING AT AN AVERAGE OF 8% A YEAR

And his ambitious river-development plans never got off the ground.

Instead, Tan has refocused his recent efforts on the leisure business, building a host of clubby establishments ranging from stables to eateries. Most notable is his Bukit Tinggi resort. Perched on a jungle hilltop about an hour's drive from Kuala Lumpur, the resort is built to resemble an 18th century French chateau and features everything from a golf course to karaoke lounges.

Bukit Tinggi, which has become a popular weekend destination for local and foreign tourists, has also attracted controversy. The Malaysian government's recent decision to let the resort operate 250 slot machines raised a huge outcry from the country's opposition parties, particularly Parti Islam SeMalaysia, which has accused the Mahathir administration of failing to uphold Islamic values.

The government has since delayed the opening of the slot-machine operations indefinitely. Tan calls the issue a "misunderstanding" and contends that the matter will be resolved soon.

The Bukit Tinggi setback aside, Tan believes that his Berjaya Times Square project will work. He concedes that the project was ambitious but points out that it was conceived in the mid-1990s, a time of swelling wealth in Malaysia driven by a booming stockmarket and an export-led economy growing at an average of 8% a year.

When Asia's 1997 financial crisis hit, Berjaya Times Square, like many other large property developments, stalled after bank borrowings and shareholder funding ran out in 2001. Then Tan and his younger brother Danny Tan Chee Sing, equal partners in the Berjaya Times Square development, were left with the dilemma of whether to proceed or walk away.

Danny decided against investing any more funds, but the elder Tan sold part of his interest in his profitable mobile-phone company, DiGi.Com, to raise about 250 million ringgit which he injected into Berjaya Times Square. Tan's bankers, a consortium of financial institutions led by AmBank (formerly known as the Arab-Malaysian Bank), matched him ringgit for ringgit, providing enough funds to complete the project.

Borrowings for the project currently stand at about 700 million ringgit and Tan says a repayment plan has been hammered out to "meet the debt obligation."

But there are still loose ends to tie up. Some early buyers of shop lots in the project have filed legal claims demanding compensation for late completion. Tan acknowledges the problem, but says he can't discuss the issue because it is before the courts. "We are trying to work out a settlement. But all parties should appreciate that if we didn't put fresh funds [into the project] the building would have never been completed." ■