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THB Industries plans to increase exports

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THB Industries Bhd, a subsidiary of Tongkah Holdings Bhd, aims to increase the export of its products to between 20 and 25 per cent of overall sales in the next financial year, from 15 per cent now.

Speaking at THB Industries' share underwriting ceremony yesterday, Tongkah executive chairman Mokhzani Mahathir said that with a projected growth of 18 per cent for the electronic industry in the next five years, THB Industries hopes to expand its market share in the central and southern region of Peninsular Malaysia.

He added that THB Industries mainly supports multinational corporations in the semiconductor and consumer electronic industries based in Penang, Kuala Lumpur, Malacca and Ipoh.

Mokhzani, who is also Tongkah's chief executive officer, said THB Industries exports its highly specialised products to the US, Japan, Thailand, Singapore and the Philippines.

THB Industries, en route to the second board of the Kuala Lumpur Stock Exchange (KLSE), specialises in high-precision tooling, machine automation and sheet metal works. (see CORRECTION above)

It has six operating companies: Polytool Automation Sdn Bhd, Polytool Engineering Sdn Bhd, Polytool Industries Sdn Bhd, Paradigm Precision Components Sdn Bhd, Bend Well Engineering Sdn Bhd, and Megatool Precision Sdn Bhd.

THB Industries group managing director Koay Hean Eng said its expansion in the southern region involves setting up a marketing office and a factory in Bandar Sunway, Selangor. It has invested about RM1 million in this.

Touching on THB Industries' overseas operations, Koay said the company has opened a sales office in the Philippines and is to set up an operation unit in that country by next year.

He added that a feasibility study is being conducted on setting up a factory in China, and an operation unit is also to be set up there next year.

Koay said the company plans to have a larger research and development team and will continue to work hand in hand with customers. THB Industries currently has 10 people in its R and D team.

In conjunction with its listing, THB Industries is to make an offer for sale of 12.26 million shares at RM2.50 each. This represents 23.01 per cent of the enlarged issued capital of the company.

For the offer 1.812 million shares have been set aside for existing Bumiputera shareholders, 5.338 million shares for other Bumiputeras approved by the Ministry of International Trade and Industry, 912,000 shares for eligible directors and employees of the group, and the balance of 4.2 million shares for the Malaysian public.

RHB Sakura Merchant Bankers Bhd is the managing underwriter for the public portion.

The initial public offering will raise proceeds of about RM36 million, which will accrue to existing shareholders such as Tongkah's wholly-owned subsidiary Tongkah Equity Sdn Bhd, Kobay Holdings Sdn Bhd and several individuals.

Tongkah through Tongkah Equity will receive RM22.66 million in proceeds from THB Industries' share offer. Tongkah will use the proceeds to repay bank borrowings, which is expected to result in interest savings of about

RM2.27 million a year.

Mokhzani told reporters that the group's net gearing is expected to be minimal, if there is any at all, once Tongkah's restructuring exercise is completed by February next year.

Tongkah has proposed a restructuring whereby the assets of Hospital Pantai Bhd are to be sold to Tongkah resulting in the company having a direct interest in healthcare services.

The restructuring will involve Tongkah buying Hospital Pantai's entire healthcare assets and business for a total of RM190 million cash while Hospital Pantai in turn will purchase the entire stake in Kestrel Securities Sdn Bhd for RM300 million cash. Tongkah is also to acquire the entire interest in Perdana Finance Bhd.

Hospital Pantai, which has RM500 million in cash reserves, is expected to change its core business from healthcare to financial services after the completion of the restructuring.

Mokhzani said any expansion exercise in future will be financed internally.

Asked which Tongkah subsidiary is to be listed on the KLSE after THB Industries, he said the group will have to look at the performance of each subsidiary, adding that a listing will also depend on market conditions.

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