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Tongkah restructuring to include sale of Asia Connect

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TONGKAH Holdings Bhd is in the midst of restructuring its business in its move to reduce its debt burden of about RM200 million, said Tongkah executive chairman Mokhzani Mahathir.

The restructuring will involve disposing of its 70 per cent-owned Asia Connect Sdn Bhd and merging another subsidiary with two foreign parties, subsequently listing the new company on an overseas bourse.

Mokhzani said Asia Connect, an IT services provider, has been working on several projects with the Starwood Group of Hotels in the US and with ITT Sheraton.

"Being a high-technology IT company, there has been a lot of interest from the US companies to take over (Asia Connect)," he told reporters yesterday in Kuala Lumpur.

He declined to say how much Tongkah will generate if Asia Connect is disposed of.

Mokhzani also said plans are under way to merge its 51 per cent-owned subsidiary, Tongkah Electronics Sdn Bhd, with a China-Singapore joint venture company.

"The merged company will then be listed on New York's Nasdaq, hopefully by the first quarter of next year," he said.

He added that this is not what the company had originally planned to do, but given the economic circumstances, it did not have much of a choice.

"We will, however, maintain Tongkah as the holding company concentrating on three core businesses - healthcare, manufacturing and financing."

Mokhzani said having the merged company based in the US will give it the advantage of tapping the vast US market.

Penang-based Tongkah Electronics, whose partner is Singapore's Goldton Ltd, assembles printed circuit boards.

Meanwhile, Tongkah's manufacturing arm carries out plastic injection moulding and precision plastic components, sub-assembly of printed circuit boards, high-precision engineering, processing and supplying granite and stonework, as well as the manufacture of consumer electrical appliances.

Mokhzani said before the economic slowdown, Tongkah Electronics would have registered some RM300 million in turnover and "... an easy RM25 million in profit".

He added that the group will be calling an extraordinary general meeting to seek shareholders' approval for these proposals.

On Tongkah's share price, Mokhzani said it has yet to reach a level that is a true reflection of the company.

"At one time, it even went down to as low as 42 sen which was ridiculously cheap," he said.

He added that Tongkah is in the right business and even with the debt burden, analysts have not been unkind in their analyses of the group.

Yesterday, the stock closed at RM1.17 with 1,052 lots traded. Since the minor run-up in the local bourse early last week, the price has steadily increased from 47 sen on August 28 to as high as RM1.34 on September 7.

(END)