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Tongkah's 12.3pc stake in Pantai sold at a huge loss (HL)

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TONGKAH Holdings Bhd has sold a 12.3 per cent stake in its associate company Pantai Holdings Bhd at a huge loss just a day after its former owner Datuk Mokhzani Mahathir made his exit from the corporate world.

The sale on Friday, at almost 80 per cent below its average cost of investment, raised some eyebrows coming so soon after Mokhzani sold his controlling stake in Pantai to soap-maker Datuk Lim Tong Yong at the same price.

It was also a puzzling move since the shares are part of the collateral that back the company's RM462.5 million bonds due in 2004, and the identity of the buyer is still unknown.

Analysts said the sale will hurt the company's balance sheet and may even result in negative shareholders' funds.

Mokhzani on Thursday resigned as executive chairman of Tongkah. He also resigned as chief executive of Pantai after he sold a controlling 32.8 per cent stake in the company to soap-maker Datuk Lim Tong Yong on the same day.

Lim, a founder of Paos Holdings Bhd, takes Mokhzani's place as chief executive at Pantai. He holds no posts in Tongkah, which he now owns through Pantai's 16.1 per cent stake in the company.

Tongkah on Friday said it sold 8 million Pantai shares for RM22.4 million, or RM2.80 each. The price was 4 per cent below the stock's RM2.92 close on Thursday. Pantai shares ended 16 sen higher at RM3.08 on Friday.

Tongkah paid an average of RM13.50 per Pantai share between 1997 and 1999.

It said the loss from the disposal is RM85.6 million, which would reduce its net tangible assets per share by 51 sen.

Tongkah reported a NTA per of 41.8 sen for its second half ended December 31 2000.

The company did not name the buyer, saying only that the disposal is part of its plan to reduce its debts by selling assets.

"The proceeds of the disposal shall be deposited into the sinking fund of the bonds," it said.

Tongkah was not the only big seller on Friday.

Another 2.9 million Pantai shares were crossed offmarket in three blocks at the same price, all within the same hour.

In that time, 1.5 million shares of Tongkah were also crossed at 60 sen each, or about 8 per cent higher than the previous close of 55.5 sen on Thursday.

Earlier, two million Tongkah shares were crossed in a married deal about thirty minutes before trading began.

At 46 sen each, the price was about 17 per cent below its Thursday's close. Tongkah gained 3 sen to end at 58.5 sen last Friday.

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