

# Who will prevail in Ho Hup tussle?

Thursday's EGM will decide management control of the company

By **IZWAN IDRIS**  
izwan@thestar.com.my

**PETALING JAYA:** Who will emerge triumphant from Ho Hup Construction Co Bhd's EGM to be held on Thursday?

The EGM will pit current board of directors, led by executive deputy chairman Datuk Vincent Lye, against a group of investors that had rallied behind ousted managing director Datuk Low Tuck Choy.

At stake here is control of the troubled builder that was founded 50 years ago. In the run-up to the EGM, it was reported that a so-called "third force" may have emerged as potential kingmaker, a possibility that was acknowledged by Ho Hup's present management, but not clearly established.

But what about the minority shareholders in Ho Hup? To quote Ho Hup's press release issued last week, if there is a third force planning a "coup", can the minority shareholders be called the fourth party, if just to even out the odds?

The Minority Shareholder Watchdog Group has recommended shareholders attend the EGM to decide whether to remove or retain the company's current directors.

While the resolutions dwelled only on Ho Hup's boardroom composition, the outcome would have a wider implication on how the PN17 company will go about with its turnaround plan.

## Ho Hup's regularisation

Saddled by debts and weighed down by losses in recent years, it is clear that Ho Hup needs to swallow the bitter pill to give it a cleaner bill of health and a fresh start. But the approach to Ho Hup's "regularisation" is where the two major shareholders are at loggerheads.

The Feb 4 EGM was called by Low early last month because he believed the current management had put



together a regularisation plan that was "destructive" to existing shareholders, which was why he had proposed to replace every director, save for his own brother, from the present board.

Low had also proposed an "alternative regularisation" plan, although he maintained that he was not seeking an active role in the company.

Meanwhile, the management countered with its own "revised" regularisation plan about two weeks after Low put forward his alternative plan.

"The revamped plan takes into account views from all shareholders and stakeholders. At the same time, it will deal with all the financial problems faced by the company once and for all," Ho Hup managing director Lim Ching Choy told *StarBiz* in an interview on Jan 22.

He was, however, quick to point out that the "problems" had originated during Low's tenure as managing director of the company prior to his suspension in August 2008.

The revised regularisation scheme, which has yet to be "finalised" and submitted to Bursa Malaysia, is on the surface, a significantly better deal for Ho Hup's existing shareholders.

Lim said the revised scheme differed in structure from the original plan submitted on Oct 30 last year because of "changing circumstances and market sentiment."

Prior to the submission of the original regularisation plan, Ho Hup shares were hovering at around 60 sen. The price dipped to a low of 33.5 sen on Nov 2 two days after the company proposed a massive 95% capital reduction and plans to sell new shares to new investors under

its original regularisation scheme.

The stock began to climb in mid-December and peaked at RM1.99 on Jan 6. Interest in the stock, however, tapered off significantly after Low Chee & Sons Sdn Bhd and another shareholder with a combined 26% stake in the company called on Jan 5 for an EGM to be held on Feb 4. Ho Hup's shares closed at RM1.05 last Friday.

The new plan in the works by Ho Hup's current management calls for a less painful 60% cut in capital and offers a bigger opportunity for existing shareholders to participate in the fund-raising exercise.

In a brief telephone interview last week, Low commented that the Jan 22 announcement showed that the company could come up with a better deal for existing shareholders compared to the original one submitted in October.

He also questioned the timing of the announcement despite Ho Hup having yet to make the official submission to Bursa.

## Crown jewel

Despite its current financial woes, the company has managed to hold on to its prized assets.

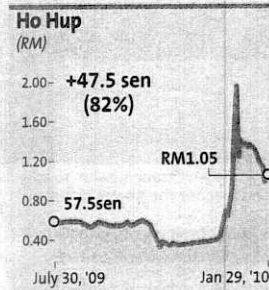
Lim estimated that the group's 60-acre landbank in Bukit Jalil has a gross development value of "more than RM1bil."

Recent launches by the group include a small number of double-storey houses starting at about RM700,000 a unit. More launches are being planned.

Lim was brought into Ho Hup in June last year by Lye with the task of reviving the ailing company. What he needs to unlock the value of this land is a cleaner balance sheet and enough cash to start its projects.

Prior to Lim's appointment at Ho Hup, he was the managing director at Magna Prima for 18 months.

The former banker had previously helmed Mah Sing Group Bhd during



the group's transformation years before emerging as a major property developer.

Lye, who owns a 27.95% stake in Ho Hup, is also a major shareholder of Magna Prima.

Lim said he preferred to "look forward rather than backwards" when asked during the interview with *StarBiz* to comment on recent developments in the company.

This, however, had not stopped the torrent of press releases and announcements made to Bursa in the past weeks that highlighted alleged wrongdoings by Low during his tenure at the company.

On Jan 8, Ho Hup's solicitors had filed a suit against Low for damages amounting to RM235.6mil.

The fallout between Low and Lye became public in June 2008 after Lye re-emerged as a substantial shareholder of Ho Hup the month before.

Low, who is the eldest son of the company's late founder, was suspended from his post in September 2008. He failed to garner enough votes at an AGM later that year that saw his removal as a director.

Things blew up again in the third quarter of last year over land disposals by the company, with Low leading the opposition that gained momentum after Ho Hup announced a massive capital reduction in October.

At an EGM held on Dec 31, 2009, the proxy fight between Low and Lye saw the resolutions to sell two parcels of land being approved only after votes were counted.

The upcoming EGM on Feb 4 will deal directly with management control, as shareholders will have to decide on the removal of seven directors and the appointment of six new ones.

It is unclear at this point who would emerge the victor in this battle, but it is crucial that all shareholders make an effort to attend the meeting as every vote counts.