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Mokhzani: Manufacturing will be Tongkah's saviour

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TONGKAH Holdings Bhd foresees profit contribution from its financial business to decline substantially if the current bearish stock market conditions persist over the next six months.

The company's financial services, carried out by stockbroking outfit Kestrel Securities Sdn Bhd, accounted for about 35 per cent of Tongkah's group profit during the financial year ended June 30, 1997.

"If the stock market remains the same in the next six months, the profit contribution from our financial business in the current financial year might decline to 20 per cent," executive chairman and chief executive officer Mokhzani Mahathir said.

However, this would be cushioned by the company's manufacturing division, he added.

"Our manufacturing sector would be a saviour to offset any dip in the financial business," Mokhzani told said after Tongkah's annual and extraordinary meetings at its new corporate office in Damansara Heights in Kuala Lumpur yesterday.

During the recent year ended, Tongkah's group pre-tax profit improved 73.5 per cent to RM100.3 million, from RM57.8 million in the previous corresponding period.

Its after-tax profit jumped to RM80.47 million from RM43.83 million, but the group's turnover for the year fell by 11.2 per cent to RM468.7 million from RM528 million in 1996.

Besides the manufacturing and financial sectors, Tongkah's other core businesses are services and healthcare.

Mokhzani said following the lower value of the ringgit against the US dollar, several of Tongkah's clients, mostly multinational corporations, had asked it to supply and assemble more electronic products like external modems and power supply boards.

Tongkah's manufacturing business is largely undertaken by subsidiaries based in Penang. They include Tongkah Electronics Sdn Bhd and THB Industries Bhd.

Mokhzani said Tongkah was likely to carry out large-scale production of the read write head (a disc drive component) for a US firm in the first quarter of next year.

Responding to a question on the possibility of merging Kestrel Securities with other stockbroking firms, Mokhzani said the company was interested in pursuing the option.

"If there are good proposals put to us, we will go forward," he said, adding that "there have been talks but there is no confirmed company that we can approach".

At the meetings, Tongkah's shareholders gave approval for the special proposals to buy back its shares and amend its articles of association.

They also approved a resolution allowing the company to issue shares not exceeding 10 per cent of its issued and paid-up capital from time to time.

Mokhzani said shareholders expressed concern about the company's share price on the Kuala Lumpur Stock Exchange.

Giving an assurance to its shareholders, he said: "The company's performance (on the KLSE) is quite stable.

"(But) it does not reflect the true performance of the company.

"We are working hard to ensure the company stays profitable. Our intention is to continue to exercise prudent and cautious management in

the light of the current situation."
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