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TONGKAH SEES MANUFACTURING AS MAIN CONTRIBUTOR IN FUTURE

KUALA LUMPUR, Dec 10 (Bernama) -- With the current downturn in the stock market, Tongkah Holdings Bhd feels that its manufacturing division will be the main contributor to its bottom line in the future, said executive chairman cum chief executive officer Mokhzani Mahathir.

"So far the contributions from its services, manufacturing and healthcare businesses to the bottomline are much-balanced," he told reporters after the company's annual general meeting and extraordinary meeting here today.

As for its stockbroking arm, Kestrel Securities Sdn Bhd, he said its exposure in the stock market is "very limited."

Asked on the possibility for Tongkah to merge Kestrel with other stockbroking firms, Mokhzani said, "If we have the opportunity to do something like that we will pursue it."

He said the group is fortunate to be in a position where it will be able to assist the government's aspiration to merge financial institutions.

"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."

However, Mokhzani said if the stock market persists at the current level for another six months, the group's finance sector "will not contribute as good as last year."

Contributions from finance would probably drop to about 20 percent of the group's overall performance and the manufacturing sector would take up that slide, he said.

At present, stockbroking contributed about RM35 million in terms of profit or 35 percent of the group's pre-tax profit. For the financial year ended June 30, 1997, the group recorded a pre-tax profit of RM100.3 million against RM57.8 million previously while turnover was at RM468.7 million versus RM528 million in 1996.

Commenting on manufacturing activities, Mokhzani said multinational corporations (MNCs) are moving back into Malaysia as a result of the current exchange rate in which the ringgit has slid against the US dollar.

In view of this, the company would probably see manufacturing becoming a significant contributor again. "Manufacturing is coming in as a saviour to Tongkah. In terms of turnover and profit, manufacturing has outdone the other sectors," he said.

Its manufacturing sector covers plastic injection moulding and precision components, sub-assembly of printed circuit boards, high precision engineering industry, processing and supplying of granite and stonework and manufacture of consumer electrical appliances.

"It is attractive to manufacture in Malaysia and so we are probably going to get better business throughput in our manufacturing this year," he said.

Despite some slowdown in several sectors of the electronic industry, Mokhzani said Tongkah still has some of the MNCs asking it to do more jobs for them as it was cheaper to manufacture in Malaysia.

"We are pursuing several deals with some of the big multinationals to do almost turnkey work for them. We are doing more and more for them," he added.

Mokhzani said Tongkah hopes to manufacture computer parts on a turnkey basis for a US-based multinational by the first quarter of next year.

He said Malaysia's manufacturing sector is matured and the work ethics of its workers are good but some MNCs had shifted some of their production to some other countries where labour is cheaper.

"But because of the present exchange rate, Malaysia now is more attractive as a package to MNCs. Despite other countries being able to offer cheap labour, they were unable to offer the kind of quality that Malaysia is able to provide here," he added.

Mokhzani said MNCs like Hewlett Packard are investing more in Malaysia and another MNC is coming in with a lot of projects to be done.

At the shareholders' meeting, shareholders approved the proposed share buyback of Tongkah's shares on the Kuala Lumpur Stock Exchange. The shareholders also showed their concern for Tongkah's share price, he said.

"I'm quite confident that the performance of the company is still quite stable and the price of the shares doesn't reflect the true value of the company, I'm sure this is common to other companies listed on the KLSE," he said.

Speaking of the future, he said, "Tongkah is still working hard to make sure that the company grows more at a conservative rate. Now we make sure that there is prudence and cautious management.

"We try not to slip from the current performance level that we have today. It is important that we stay afloat.

"With this current situation, I believe we can do that. And when the economy recovers, we will be in a better position to expand." -- BERNAMA

MK SHY