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Tongkah seeks means to get fresh capital

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TONGKAH Holdings Bhd is seeking means to bring in fresh capital into the company, probably through joint-venture opportunities but will only resort to divestment of assets as a last resort.

"We have to see whether we can have a joint venture to bring in new capital to invest in our operations. Divestment is an option we like to consider last, if possible," said Tongkah executive chairman and chief executive officer Mokhzani Mahathir after the company's annual general meeting yesterday.

With emphasis on this, he said, Tongkah is marketing its expertise to bring in joint-venture partners and new businesses, which could also include venturing overseas and therefore, has not identified any of its company for disposal.

In its annual report, Tongkah said it has the financial resources to maintain its current level of operations, until its short-term borrowings become payable towards the second half of the financial year ending June 30 1999.

However, in the annual report Tongkah said it will divest some of the company's assets to significantly reduce its short-term debt and is now having ongoing negotiations with investors who are interested in acquiring some of the company's assets.

For the financial year ended June 30 1998, Tongkah posted a lower group pre-tax profit of RM549,960, against RM100.27 million before. This was achieved on the back of a RM608.24 million turnover, as compared to RM468.74 million previously.

However, the group suffered a net loss of RM19.03 million, as compared to net profit of RM61.65 million before.

Tongkah, said Mokhzani, is also looking at all possible ways to reduce its gearing, including converting its short-term borrowing to long-term.

Mokhzani pointed out that the company is still suffering the after effect of the high interest rates that had earlier eroded its profits.

Nevertheless, he said, with lower interest rate and support from Tongkah's bankers, the future for Tongkah looks more promising compared to six months ago.

Thus, said Mokhzani, the company should be able to return to the black by the next financial year ending June 30 2000.

Mokhzani also said that its manufacturing arm - Tongkah Electronics Sdn Bhd, which has been part of engine of growth for Tongkah, would help the company to return to profitability.

"Tongkah Electronics has helped us get through bad times before, and if I can make sure that it is efficiently run, productive and profitable, I believe it can play the role again ... to turn Tongkah around to being a profitable company it once was," said Mokhzani.

Mokhzani said the company is still working on the listing of Tongkah Electronics on the National Association of Securities Dealers Automated Quotation (Nasdaq) exchange in New York.

"It has been a slow process and not as fast as we would like it to be, but that is one of our goals. That should bring in cash to the company, and hopefully can be done by second quarter of next year," he added.

On the acquisition of MGI Securities Sdn Bhd, Mokhzani said there are certain terms and conditions that are yet to be fulfilled. "So, at this point in time it is a project that we are not pursuing," he added.

He also said that the outcome of the deal would very much depend on MGI and its bankers. MGI in June, has obtained a court protection against its creditors.

On Hospital Pantai Bhd, which annual general meeting was held at the same venue yesterday, Mokhzani said the company expects the rebuilding of the Pantai Hospital in Bangsar in the next 18 months.

It was earlier announced that plans are under the way to build a RM80 million hospital adjacent to the existing Hospital Pantai in the Bangsar area.

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