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TONGKAH-TURNAROUND

TONGKAH TO START MAKING A TURNAROUND IN 2000

KUALA LUMPUR, May 25 (Bernama) -- Tongkah Holdings Bhd expects to start making a turnaround in the company's performance for the financial year ending June 30, 2000, said executive chairman Mokhzani Mahathir.

The better performance will mainly be driven by its manufacturing division, he said at a press conference after Tongkah's extraordinary general meeting (EGM) here, today.

In the previous financial year ended June 30, 1998 Tongkah's pre-tax profit dropped significantly to RM549,000 from RM100.272 million on the back of a higher turnover of RM608.243 million from RM468.741 million.

Subsequently, Tongkah incurred a loss before tax of RM95.352 million for the six months ended Dec 31, 1998 while turnover stood at RM239.158 million.

Mokhzani said that the manufacturing division is expected to contribute about RM200 million a year or 50 percent to the group's turnover, he added.

He said contract orders from large corporate clients like Texas Instruments and Sony Corporation for Tongkah's plastic and electronic components, have increased significantly since the economy started to recover.

Most orders came in the second quarter of the year for delivery in the third and fourth quarter, he said, adding that the drastic increase in demand could also be due to the phasing out of competitors in the previous 18 tough months.

On Tongkah's healthcare services under Hospital Pantai Holdings Bhd, he said it was a good long-term investment but admitted that it was under bad timing.

Tongkah had to take quite a heavy gearing to finance the purchase of shares in Hospital Pantai Holdings, previously known as Hospital Pantai Bhd, when the economic turmoil took place.

But he believed that in the longer term, Tongkah's investments in the healthcare services will bear fruit as demand for better healthcare services are rising, given the better standard of living among Malaysians.

The upgrade in the country's healthcare services is also near compulsory as the government has been pushing industry players to adopt quality standards, in line with international standards.

Under the group's finance division, Mokhzani said that Tongkah is considering merging its 75 percent-owned stockbroking firm, Kestrel Securities Sdn Bhd, with MGI Securities Sdn Bhd.

It was previously reported that Tongkah was to acquire the stockbroking license and operational assets of MGI Securities but the company later decided to merge both entities.

Mokhzani said that a merger will be more beneficial as the geographical differences of both companies would enable Tongkah to enlarge its customer base and market share in the stockbroking business and take advantage of the uptrend in the Kuala Lumpur Stock Exchange (KLSE).

Kestrel Securities is situated in Muar, Johor while MGI Securities operates in Kuala Lumpur.

However, the merger plan is still pending as MGI Securities has yet to solve its internal problems, being outstanding client losses of about RM70 million to RM80 million.

On Tongkah's debt restructuring plan, Mokhzani said that the company's shareholders and bondholders were unable to pass the proposed resolutions

due to short of quorum at the EGM today.

The proposed debt restructuring proposals will be carried forward in the next meeting, which is expected to be reconvened in another three weeks' time, he said.

He said the scheme will provide tongkah a five year breathing space to focus on strengthening profitability of the group in order to pay-off any obligations at the end of tenure and avoid ventures into unfamiliar business areas.

Under the scheme, Tongkah proposed to restructure debts amounting to RM530 million, which required the issuance of RM162 million Irredeemable Convertible Unsecured Loan Stocks 1999/2004 (ICULS), RM463 million of Redeemable Convertible Secured Bonds 1999/2004 with detachable warrants.

Accounted for in the RM530 million outstanding debt was the RM49 million nominal value of five percent Redeemable Unsecured Bonds 1994/1999 plus RM987,409 in interest.

Also proposed was an offer for sale of the rights to the allotment of up to a maximum of 191 million warrants to entitled shareholders of Tongkah on the basis of six shares for every five Tongkah shares held.

Tongkah's authorised share capital will also be increased to RM1.0 billion from the present RM500 million.

The Tongkah group is involved in the manufacturing of plastic and electronic components, property development, construction, healthcare services, information technology and stockbroking business. -- BERNAMA

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