

Turnaround Success

How EcoFirst Managed To Change Its Fortunes After Eight Years in the Red



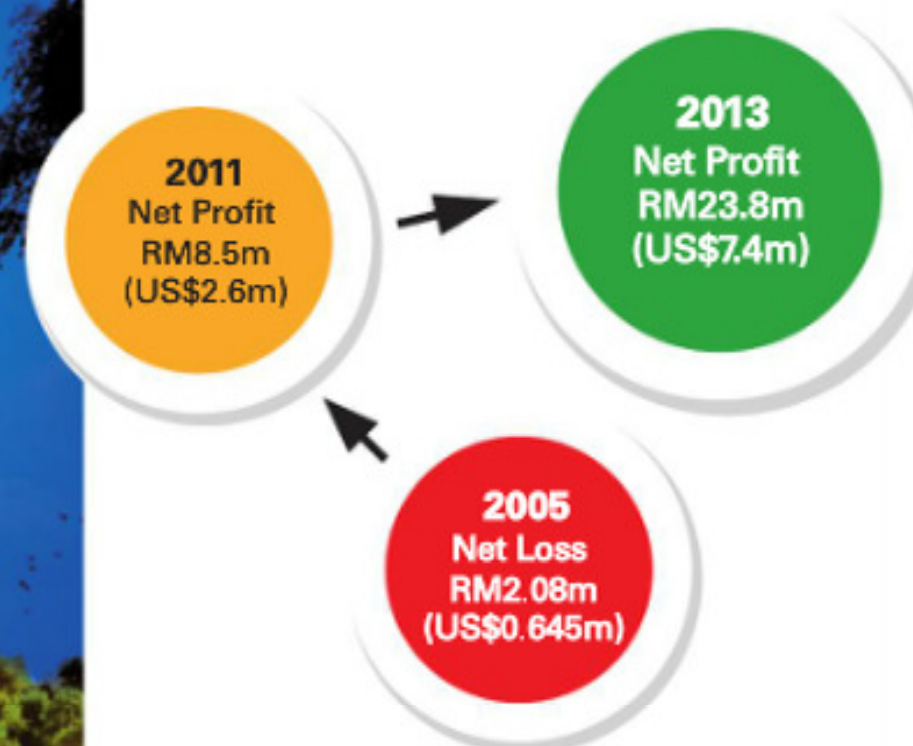
During the Asian Financial Crisis of 1997/1998, a large number of building projects in Malaysia were discontinued owing to a lack of funds. One company which was particularly affected was EcoFirst Consolidated. A conglomerate with diverse business interests ranging from minerals to biotechnology, its main focus is in construction, property investment & management and property development. Due to the precarious economic conditions, it had to stop work on its 1Segamat Mall project in Segamat, Johor, while the yields from its South City Mall development in the Klang Valley did not match the cost of building it.

With the company hemorrhaging money to the tune of RM41m (US\$12.7m) by early 2008, a drastic change was needed, and the Board of Directors made the first step by appointing turnaround expert, Datuk Tiong Kwing Hee, as Group Chief Executive Officer (GCEO) in January 2009.

“Our main objective in our corporate social responsibility programmes is to innovate and develop economically sustainable solutions that serve the communities while adding value to both South City Plaza and 1Segamat mall.”

— Datuk Tiong Kwing Hee,
Group Chief Executive Officer of EcoFirst Consolidated

EcoFirst's Growth in Net Profit



EcoFirst was not Datuk Tiong's first experience of such a situation. He was widely recognised for overhauling a main market Bursa Malaysia listed company, Mercury Industries, from a net loss of RM2.08m in FYE 2005 to a consecutive 8 years of profit from FYE 2006 until 2013 totaling RM43.99m. Mercury has been paying good dividend yields over the last 4 consecutive years. Leveraging on over 25 years of experience, Datuk Tiong went to work.

With the new GCEO at the helm, South City Plaza was repositioned as an education mall. Currently home to a number of academic institutions, including SEGi University and the Asia Pacific University of Technology & Innovation (APU), the mall was integrated with The Academia—two blocks of 13-storey service apartments constructed on top of the plaza complex. The units sold out in record time. Today, The Academia is home to more than 2,000 International students.

According to Datuk Tiong, prior to the organisational restructuring, the occupancy rate of the plaza was less than 50%. Presently, it is over 75%, and EcoFirst Consolidated is in talks with a potential anchor tenant that could boost the occupancy rate to 95%.

Previous page: An artist's impression of EcoFirst Consolidated's proposed 5 blocks of high-end 12-storey condominiums comprising 529 units at Jalan Golf Kelab, Ipoh, Perak, with an estimated gross development value of RM300m (US\$94m).

Right: The company's South City Plaza which was rebranded as an edu-Mall in 2009 with the integration of facilities, including residences, for academic institutions.





The Game Changer

International Business Review speaks with EcoFirst Consolidated's GCEO, Datuk Tiong Kwing Hee about the group's milestones and turnaround success, as well as its projects and plans for the future.

When you joined EcoFirst in 2008, the company was losing money and the development of its 1Segamat project in Johor had stalled. What measures did you take to turn the company's fortunes around?

The company was on the brink of collapse with little hope of surviving. Although many believed that EcoFirst Consolidated was beyond salvation, I studied the Group's businesses in detail to structure a conceptual turnaround scheme.

One of the most crucial aspects, financial restructuring, was particularly important because a letter of demand from any of our many lenders would have put the Group in the status of PN 17 Company – a company in financial distress, which according to regulations detailed in Bursa Malaysia's Main Market Listing Requirements (MMLR) does not warrant continued listing on the main board of the KL Stock Exchange.

To address this situation, we came up with proposals to restructure all our non-performing loans. We have settled all our smaller loans with a number of financial institutions, leaving just two larger debts which we have restructured into long-term agreements according to the cash flow generated from our malls. During this process, we were accorded over RM45m (US\$14m) in waivers through rebates and future interest savings from the banks. So presently, all our loans are being serviced regularly.

Another aspect we had to revamp was the Group's operations. None of the business units I inherited were making money, and our non-core business units – such as network marketing, organic farming and engineering works – were not even saleable. I had to halt their operations and cut our losses, while maximising the potential of the EcoFirst brand to leverage the Group against competitors.

The final phase that required overhauling was the Group's corporate structure. I devised a scheme which consists of acquiring a piece of prime land in Ulu Kelang, and reducing the issued and paid up shares, the capital expenditure, and share premium. Also to be included are private placement with warrants, free warrants issue, ESOS (Employees' Share Options Scheme) and amendments to the company's Memorandum of Association.

All of this was approved at our Extraordinary General Meeting by the shareholders on the 20th June 2014, after which the Group will have a clean balance sheet and will be poised to scale new heights.

With its involvement in diverse business interests, how does the company bring different disciplines together and consolidate them into a cohesive unit?

I believe that having a strong culture, valuing action and doing things better and faster than competitors, forms the backbone of the organisation. When the staff do not share the same values that epitomise the Group, then we all suffer. One of the first priorities after my appointment was to build and develop this corporate culture which brings our people together.

In addition, the corporate culture maximises our collective potential to create a functional team to achieve excellence. Over time, I have assembled managers and staff from different disciplines. They form my core team members and will bring the EcoFirst Group to the next levels.

The 1Segamat project had been on hiatus for a number of years owing to the Asian financial crisis. Why did you decide to revive it? Was there any point where EcoFirst's Board thought, 'Let's just abandon the project'?

1Segamat is a success story beyond expectations. Although the project had stalled, the Board of Directors and the bank eagerly supported my plans to revive it. Not continuing with it was a luxury we could not afford, owing to compounding liabilities in the form of non-performing loans and the liquidated agreed damages that accrued over the decade that the mall project was suspended.

We recommenced construction activities in June 2010 and 1Segamat was completed by December 2011 together with a Certificate of Fitness. After the shopping

centre opened for business in June 2012, occupancy rate reached 100% in 2013, and it has remained like that since then.

Presently, we are planning to create an additional level due to persistent high demand for rental space. We are also very proud of the fact that DYMM HRH the Sultan of Johor Sultan Ibrahim, who officiated at the opening of 1Segamat, has visited it three times. In fact, it is the only mall in Johor to have had that honour. In essence, with 1Segamat, we created a shopping mall environment of a different kind.

You have rightfully gained a reputation for being a turn-around expert, even prior to joining EcoFirst. Looking back at where you have managed to bring this company, which achievements are you most proud of?

One of the areas that I consider crucial and one of my proudest achievements, is motivating, developing and inspiring key people to embrace the new corporate culture, and to be passionate and show conviction in performing their tasks. EcoFirst Consolidated now has a wide range of managers who are leading the various business units within the group.

Another is being able to obtain banking facilities from the Malaysian Industrial Development Finance (MIDF) Group and the Malaysia Building Society (MBSB). Owing to many years of poor management, financial institutions avoided business transactions with us. Thankfully, the

MIDF and MBSB believe in our current vision and inspiration to transform and innovate the Group into an exemplary organisation.

Our recent purchase of new land in Ipoh and Ulu Kelang also marks a huge turning point for the Group. Finally, I am most proud of turning the EcoFirst Group from having eight consecutive years of losses into a profitable business entity for the last four years, without any new capital call from the shareholders. This would not have been possible without the contribution of my staff and the moral support shown by the controlling shareholders who have given me leeway to drive the Group.

What are the principles or values that are essential to EcoFirst Consolidated's success and how does the company instil such values across all levels of the staff and other stakeholders?

Timeliness of decision-making is one of the crucial values practised at EcoFirst Consolidated. I keep my organisational chart at three tiers, with myself as the head of the group, followed by all the division managers and their supporting staff. Keeping the organisation structure simple allows me to interact with my staff easier, while reducing the cost of maintaining my team.

As a Group CEO, I am a passionate, self-driven, competitive and result-oriented leader. I believe perseverance is more important than IQ (intellectual intelligence), EQ (emotional intelligence) and CQ (collaborative intelligence). Success in EcoFirst Consolidated has never come easy and achieving what I want requires working longer hours than many people do.

Where do you see EcoFirst in the next five years? Where do you think you are strongest and where will the biggest challenge come from?

Our market capitalisation surged from RM40m (US\$12m) in January 2009 to RM200m (US\$62m) in June 2014, and we are aiming to exceed RM1b (US\$310m) by 2019. Property development will become the major income contributor for the Group, with the high-end boutique mixed-development of its land in Ipoh and Ulu Kelang.

Being a listed business organisation, one of our core values is to maximise returns to stakeholders. As such, one challenge is blending and balancing our corporate values and corporate social responsibility initiatives to achieve long-term sustainable success in our business ventures. Ultimately, I always tell my team, "Everything that we do here, we have to do it fast and do it right." That is our corporate culture at EcoFirst.

In its rapid drive to leave its rocky financial past behind, one of EcoFirst Consolidated's latest proposals is a massive contemporary residential development in Ulu Kelang.



Above: Inspector-General of Police Tan Sri Khalid Abu Bakar (2nd from right) officiated at the Crime Prevention & Anti-Drug Programme, one of EcoFirst Group's corporate social responsibility initiatives.

Right: HRH the Sultan of Johor, Sultan Ibrahim ibni Almarhum Sultan Iskandar (3rd from left) with Datuk Tiong Kwing Hee, during the grand opening of EcoFirst Consolidated's 1Segamat Mall on the 25th of August 2013. Datuk Tiong oversaw the construction, after it was abandoned for more than a decade.



exhibitions, concerts, campaigns and competitions. The company also uses the avenue to engage the communities with corporate social responsibility programmes. Both the Group's shopping centres have played host to charitable events such as Save Earth Day, Charity Singing Contests, Crime Prevention & Anti-Drug Campaigns, Blood Donation Drive, Children Sports & Family Day and various events for the underprivileged.

These are just some of the achievements that Datuk Tiong has brought about since his appointment. In dollars and cents terms, EcoFirst Consolidated recorded its first profit in over eight years in FYE 2011 when it posted a net profit of RM8.5m (US\$2.6m), followed by RM10.2m (US\$3.3m) in FYE 2012 and RM23.8m (US\$7.4m) in FYE 2013. As at February 2014, its unaudited profits for the cumulative 3 quarters stood at over RM34m (US\$10.3m).

With a projected gross development value of more than RM2.0b (US\$606m) in projects planned on its land bank, EcoFirst Consolidated's future looks bright. In addition, it also plans to turn 1,000 acres of agricultural land into a plantation for organic gaharu or agarwood – resinous heartwood from *Aquilaria* trees native to Southeast Asia. The value of the gaharu plantation after 7 years will be astronomical. The global market for organic gaharu is estimated to be at US\$8b annually and rising rapidly. After a very perilous time, EcoFirst Consolidated is on the rise and the sky is the limit for its potential.

