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Millionaireasia
EXCLUSIVE

THE MAN WHO CAN TRANSFORM WASTELAND INTO WONDERLAND

In 1974, Tan Sri Jeffrey Cheah who began his career as an accountant, founded the Sunway Group of Companies. The conglomerate is involved with hotel, education, health care and infrastructure interests. The group weathered the 2009 recession with sterling results and has made its founder one of the 18th richest people in Malaysia.

BY BRIAN YIM

As soon as we sat down to begin the interview in his boardroom, Tan Sri Jeffrey Cheah handed me a copy of the local dailies that highlighted the plight of two families hard hit by gambling. One article featured a 35-year old father who was believed to have sold his 3-year old toddler to settle his gambling debts. The other story highlighted the work of a Malaysian television celebrity involved with a charity group to rehabilitate problem gamblers. The celebrity revealed that he volunteered to help the cause because he remembers the pain of his family breaking up when he was just 11 years old due to his father having a gambling addiction and had usually come home drunk and became violent whenever he lost his bets.

The Integrated Resorts in Singapore, each with a casino, are the latest buzz words reaping the operators hundreds of millions in profits within just months of opening. Malaysia's Sunway Group operates one of the earliest Integrated

Resorts in the region in Malaysia and I had asked the group's chairman & founder, Tan Sri Jeffrey Cheah if he would ever consider taking up a casino licence.

Cheah, aged 65, named by Forbes as the 18th richest person in Malaysia in 2010 with a net worth of USD350 million, was in fact offered not one, but two casino licenses in a neighbouring under-developed country but he declined even though that would boost his personal wealth significantly. It was evident he was dead set against the gambling business as he explained: "I don't want to go into this business because it ruins a lot of lives. I came from the small town in Ipoh called Pusing. Basically, these people are poor and they think that they want to go into the casino and gamble to try their luck. But the odds are so much stacked against gamblers. Many suffer losses and I am sure there are many sad stories that you don't hear. You only hear the stories of people winning

Lamborghinis. Why do we need to go into such businesses? We don't need to do things that hurt other people and break up families."

"I am not saying people involved in gambling are bad. But in my own mind, in my philosophy, I think gambling is bad. And if I believe in it, I should not get into it and I would not change my mind about getting into the gambling business as long as I am alive."

With neighbouring Singapore's glitzy and mega bucks IRs attracting a record number of visitors, it has apparently not affected Sunway's business. On the contrary, the theme park continues to boom, attracting as many as 1.3 million visitors a year and its hotels are registering record profits. It is still difficult finding a car park lot even though they have built a 10,000 lot car park. It is targeting to hit 1.4 million visitors by the end of 2010 and expects revenues to top 25% to MYR75 million within the same period.

Cheah attributes its success to its concept of selling wholesome "family fun".



EVEN SINGAPORE'S MINISTER MENTOR LEE KUAN YEW WHO VISITED US IN 2004 COMMENDED US ABOUT OUR GOOD ECO SYSTEM AND OUR CONCEPT OF HEALTH AND SUSTAINABILITY.

"We have implemented a no-smoking rule in our buildings. When the Ministry of Sound (MOS) opened here, my GM said 'How can you not allow smoking in the pub?' We know smoking kills. Why should we promote this? I am very concerned about our young students. We have a no-smoking rule on campus also.

"I try to promote and encourage a non-smoking environment. All our offices do not allow smoking. By not permitting smoking, we will of course lose some business, but it is the price I must accept to promote this value. I do everything I can to ensure the townships we build are eco-friendly. We spend millions keeping every township green; sometimes people mistake our work thinking it's done by the local councils."

Cheah is known for walking around his township picking up litter anywhere he sees it. He explains the rationale: "Rubbish begets rubbish. It is also harder to litter when it's so clean. When it's dirty, you don't care and you just throw rubbish anywhere. Any manager that smokes run away when they see me because I will scold them and make a lot of noise."

The paternalistic Cheah, who views his estate as a "playground" is well liked by his staff and business associates alike. His President, Dato' Chew notes that Cheah "treasures human talent" and would go to extraordinary lengths to attract and keep talented staff. "He takes time to listen and empathise and is not a dominating boss."

The measure of a man is the way he bears up under misfortune. Tan Sri Jeffrey Cheah's darkest moments are still vividly etched in his memories. In 1998, when the Asian financial crisis was full blown, he was faced with a mountain of debt to the tune of close to MYR2 billion. Interest rates shot up to a staggering and unsustainable 22% and to make matters worse, he borrowed in Euros and suffered a Forex loss of MYR150 million. He risked seeing his business completely wiped out.

Surprising, the huge bank loans were extended to Cheah without any security. "We were asset strong and the banks were so gung ho then, they allowed us to borrow without any charges. No mortgage. Nothing. If we were crooked, we would have sold the assets, because the banks don't have a

charge over these assets. But we told all the banks, don't worry, we are going to restructure and allow the bank to charge the assets."

He spoke to the creditors and said: "We can settle it. I told them I had debts that I could not collect. I've got banks knocking on my door. I've got stock I couldn't sell. I've got salaries I've got to pay and what do I do? That is why we need to sit down and talk."

Cheah takes pride in the fact that there was not a single court case filed against him or his business. "We settled everything. We paid every cent. Trust, integrity and a good reputation are very important in business."

In the face of a relentless storm, one hallmark of Cheah's character shone through. He always maintained a sense of calm. He likens himself to

a swan: "Looking calm on the surface but paddling hard underneath. That is the challenge of leadership. If you see the general running, the soldiers would follow suit."

Restructuring was just the start. He needed investors to inject new cash flow to keep his business afloat. Eventually, Singapore's Government Investment Corporation (GIC) was the white knight that invested MYR182 million (SGD78 million) for a 48% stake in Sunway Pyramid in 2000. GIC later took a share in the mall's MYR500 million refurbishment exercise. With the recent listing of Sunway Real Estate Investment Trust (REIT) in Malaysia in June 2010, Sunway REIT bought the mall for MYR2.13 billion and GIC reaped a huge profit when it divested its investment in Sunway Pyramid Shopping Mall and the Sunway Resort Hotel portfolio to the REIT.

After learning the painful lesson about not being over leveraged from the 1998 financial crisis, Cheah's recent REIT Initial Public Offering raised MYR1.49 billion (SGD459 million), the largest IPO in Malaysia this year and one of the largest REIT IPOs in Asia.

Deputy Chairman of Sunway, Datuk Razman, who used to be one of Sunway's bankers, revealed that it was a "difficult and painful" decision for Cheah to decide to sell off a large chunk of his assets he had painstakingly nurtured to GIC at that time.

"There was no denial about the dire situation. Tan Sri was not sentimental and he is one who knows when he is ill, he will see a doctor. People saw how he handled the situation and if Tan Sri is a credible man. If you are credible, people understand. There's a Chinese

saying that you judge people only after they have gone through a crisis. In partnership, it is important to stick to what you have agreed, even though the bite is painful and deep. That's what he did," said Datuk Razman.

Wasteland to Wonderland

Cheah made a name for himself as a visionary, when he rehabilitated an abandoned 350-hectare tin mine, 20 minutes from Kuala Lumpur into a sprawling and lush integrated township and theme park. When he shared his plans for the plot, most were sceptical anything could grow in the ugly and toxic wasteland.

"Now you see trees and shrubs everywhere. You can find snakes, earthworms and lizards. Even Singapore's Minister Mentor Lee Kuan Yew who visited us in 2004 commended us about our good eco system and our concept of health and sustainability," Cheah proudly proclaimed.

What is the single most important attribute to your success?

Hard work. Without the work and even if someone hands it out to you it won't last. You have to work hard for it. This is one important quality. In Sunway, everybody works hard. There is a good value system in place.

Succession Planning. What measures have you put in place to protect your family wealth and ensure business continuity?

Last night, I was having dinner with my children. All of them were there and I told them, my only hope before I leave this world is that people do not quarrel over

money. I often remind them of this. What is the point if you have an extra one or two million? What is the big deal about it? You are in the same family and they are your brothers and sisters. Why do you want to fight? I have three children, my youngest is still studying and the other two are working here. They are not a director yet of the company and I am told they are well behaved. I even ask them to go and collect mail. Respect has got to be earned and not imposed upon.

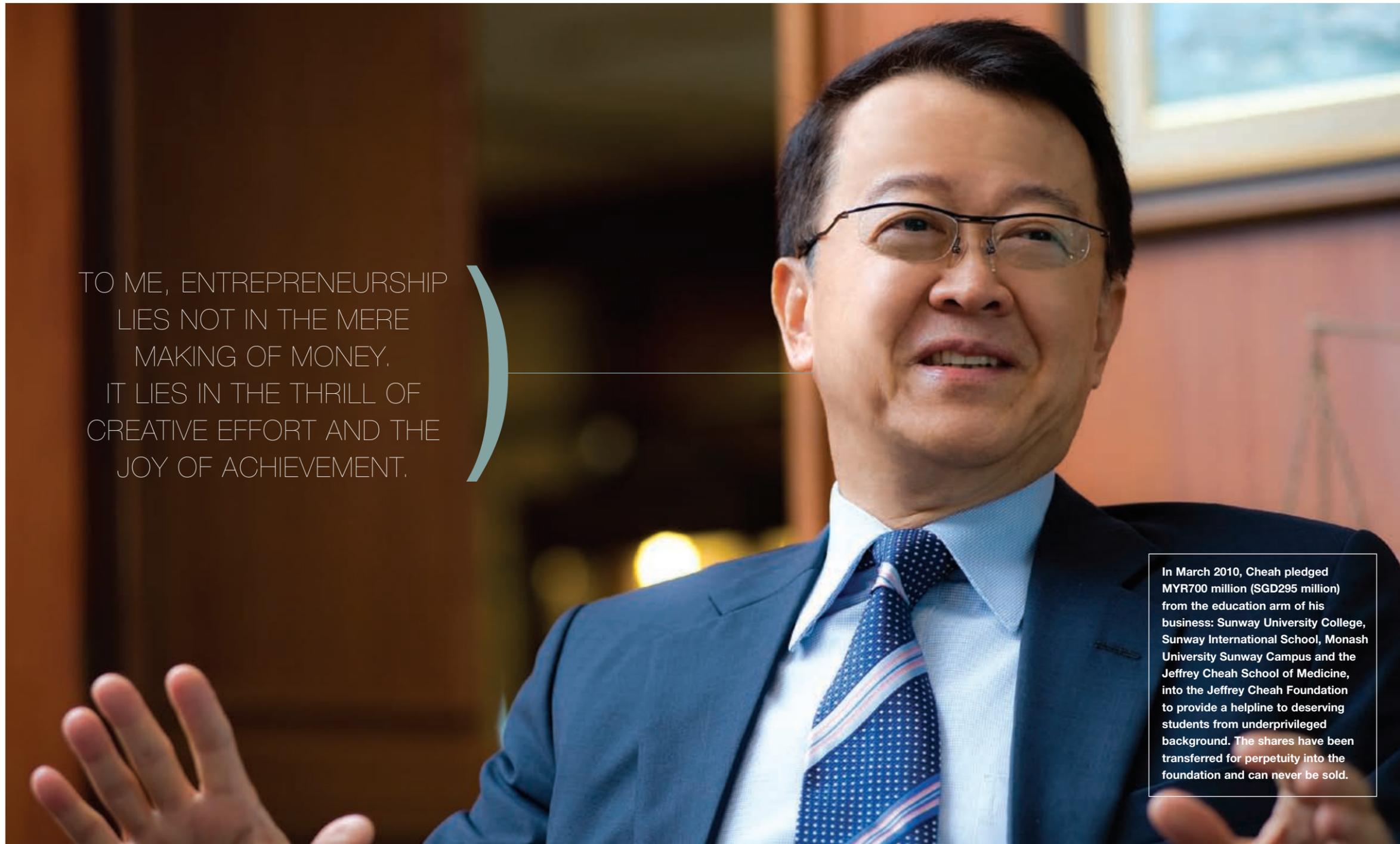
Do Asians tend to leave too much wealth for their children?

It is not the amount you leave behind that causes family feuds. People can battle over one million, one hundred thousand or one old car. A sense of fairness, righteousness and love for your own siblings is important to prevent family feuds. No parents want feuds to happen when they are gone, but yet no one can be sure how to prevent it. One can only take all the necessary measures, like inculcating the right values and sorting out the details before it is too late. I share Warren Buffett's aphorism: you should leave your kids enough to do anything but not enough to do nothing.

I hope I will be able to divide the cake fairly. The quantum to leave behind to each one will be what I aspire to inspire upon them, the value of accomplishment. I do not intend to leave things in a mess. That is why I have left a large part of my shares to the Jeffrey Cheah Foundation, to give back by promoting quality education as my legacy to future Malaysians.

What was your worst investment?

The Malaysian Government granted to us a concession to design, construct, operate and maintain the 37km Kajang SILK Highway until 2037. There were at least two consultants that did studies on traffic volumes and the toll we could collect. We even hired another consultant to verify the numbers projected by the other and both agreed that the projections were realistic. Unfortunately, traffic volume was only 20% of forecast. If it was 50% or 60% we could still



TO ME, ENTREPRENEURSHIP LIES NOT IN THE MERE MAKING OF MONEY. IT LIES IN THE THRILL OF CREATIVE EFFORT AND THE JOY OF ACHIEVEMENT.

In March 2010, Cheah pledged MYR700 million (SGD295 million) from the education arm of his business: Sunway University College, Sunway International School, Monash University Sunway Campus and the Jeffrey Cheah School of Medicine, into the Jeffrey Cheah Foundation to provide a helpline to deserving students from underprivileged background. The shares have been transferred for perpetuity into the foundation and can never be sold.

survive. We lost a few hundred million in two years. It was a wrong decision made, with our eyes wide open. We were conned listening to the consultants. The lesson we learnt was never to believe all you read. Always question.

If you can do one thing to change the world, what would that be?

Education, educate our next generation and this world will be a much better place. This is why I put the future – my education institutions – into the Jeffrey Cheah Foundation.

For one who has already accomplished so much, could you share with us some of your greatest aspirations that have yet to be fulfilled from a business and personal perspective?

From the business perspective, I wish we could get into the high tech business that would allow us to be creative enough and to become a global player. This way, we can really contribute to achieving the high income goal of Malaysia. From a personal perspective, I wish to be able

to speak fluent Mandarin and master an insightful appreciation of Chinese art, literature and culture.

What do you regard as your most significant achievement to date and why?

I was able to weather through a number of recessions without having to compromise my values.

Do you have any regrets in life?

First, I must say I always do my best with the hand I have been dealt. If I were to be given the same cards,

would I do things differently? Probably not, maybe a little tweaking here and there. So regrets, not really. Of course, things can always be done better with hindsight.

If you were to teach a course about entrepreneurship, what would your message be?

Think creatively. Talk less and listen more; think beyond the downturn. Turn over every nook; be willing to walk away from a deal. Above all, an entrepreneur must be able to seize opportunities, be decisive and take

calculated risks. Try new things, see what works, pursue the ones that do, and then try again. No man is an island. So a successful entrepreneur must know how to spot talent to build his team. He should be passionate (and compassionate) in pursuing his goals, and be resilient when faced with difficulties. Getting a good coach or a mentor will go a long way in developing entrepreneurship.

To me, entrepreneurship lies not in the mere making of money. It lies in the thrill of creative effort and the joy of achievement. ▲