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Tan Sri Eddy Chen | Group managing director of MKH Bhd

Living by integrity, hard work and discipline

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Tan Sri Eddy Chen is a familiar face in the property industry, having been involved in it for more than three decades. He is also a very busy man. Apart from being the group managing director of MKH Bhd, Chen is the patron and past president of the Real Estate Housing Developers' Association (Rehda) Malaysia and a member of the Rehda National Council. He sits on the board of advisers for the Malaysia Shopping Malls Association and has been one of the esteemed judges for *The Edge Malaysia* Top Property Developers Awards since 2006.

We meet Chen for an interview just four days after his official appointment as chairman of Perbadanan PRIMA Malaysia on Oct 1. He is all smiles as usual.

Asked about the appointment, he says it is too soon to comment. "It is a big unknown. To comment further on it, I need to do a bit more exploration. Nonetheless, it is an honour and, at the same time, a challenge," he adds, showing us the appointment letter signed by the prime minister himself.

"If you look at it, it's like a big circle. When he (Tun M) first become our prime minister and we were facing difficulties, I was there. And now, I have been appointed PRIMA chairman," he observes.

Chen was Rehda president during the 1997/98 Asian financial crisis and played a major role in keeping the property industry on an even keel by implementing homeownership campaigns.

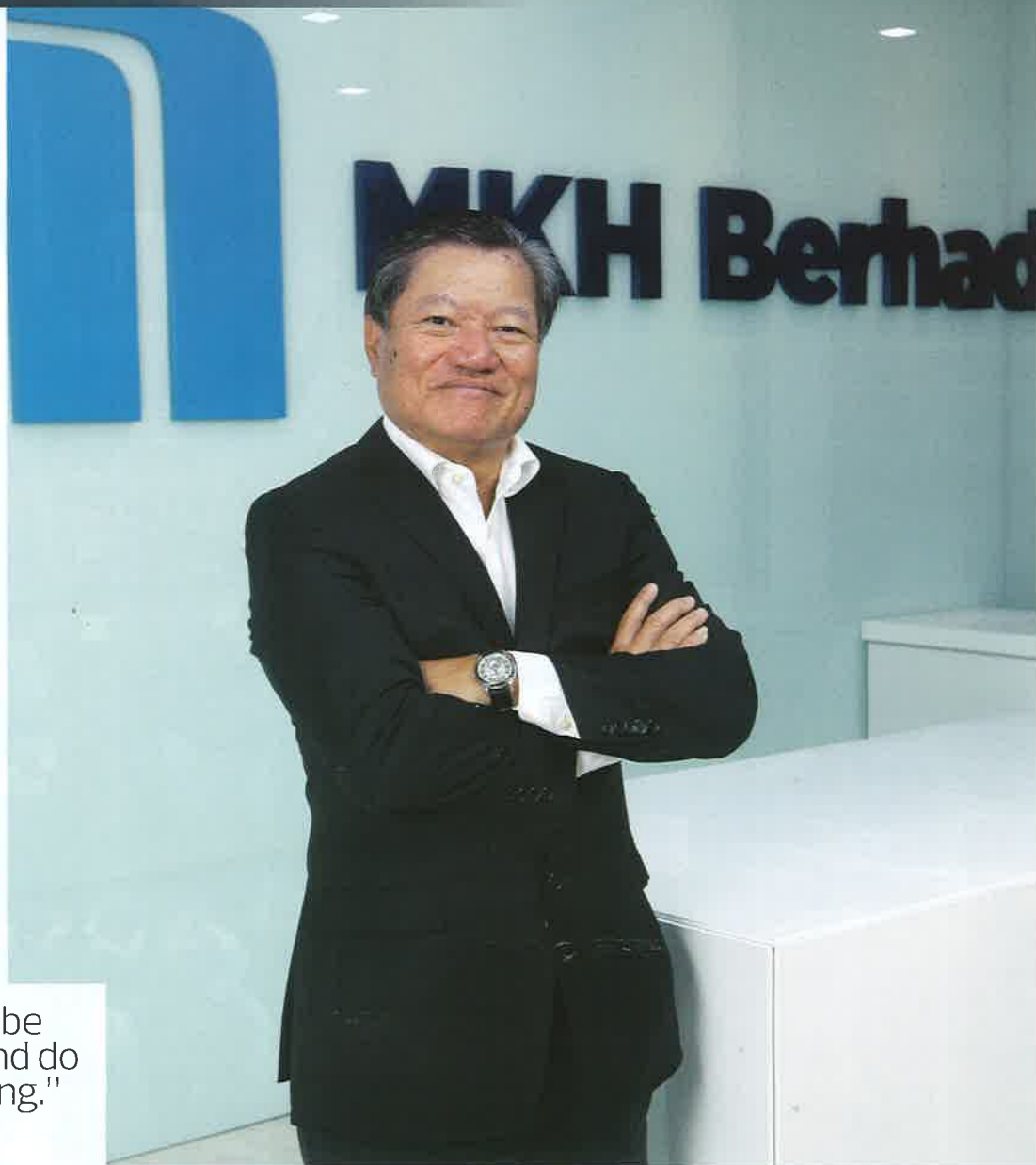
As the avid reader and golfer talks about his background and his days as a student activist (president of the Malaysian Students' Union of Australia, 1974-1978), one cannot help but be surprised that he eventually returned to Malaysia and got involved in property development.

"When I came back to Malaysia, the idea was to look for a job. The first place I went, with my eldest brother (MKH Bhd chairman Tan Sri Alex Chen) was to see our friend who was then the managing director of (what was then known as) Bandaraya Bhd. He is a good friend until today. He asked us, 'Why don't you go and do your own housing development? Why get a job here?'"

Where it all began

In 1983, less than a year after that fateful meeting, the brothers embarked on their first property

You have to be confident and do the right thing."
— Chen



Housing and Local Government Deputy Minister Datuk Raja Kamarul Bahrin Shah (third from left), with (from left) The Edge Media Group chairman Datuk Tong Kooi Ong, Chen and The Edge Media Group publisher and CEO Ho Kay Tat

project. "An opportunity came where a landowner had a small piece of land in Kajang. It was just my brother and I, and a clerk operating from the first floor of a shophouse. Two offices and a mahjong room," Chen laughs, recalling the old days.

Today, MKH has over 400 employees in its property division alone.

The joint-venture project offered 24 units. "It was not just about making money but also about each of us owning a house there. That's how it started. We went on to build Taman Indah and to date, we have built close to 30,000 houses," says Chen.

Didn't he think the project was risky? Chen shrugs. "Those days, we didn't think about risk. It was something built on optimism. There was no thought of failure on our mind. Just do it. Go to the bank, get approvals from the authorities, and so forth."

However, as they had no property background, there were critics. "Our father was very sceptical. His exact words were: 'You have never held a hammer in your hand before and now you want to build houses?'"

"But, of course, we didn't actually build the houses ourselves — we hired contractors. Our role was to match land and finances and handle the approvals," Chen says.

Kicking off in Kajang was a natural choice for the brothers. Those days, everybody knew everybody in the town, says Chen. There was only one roundabout back then, which was also part of the Kajang park, where the residents went every evening, and everybody knew whose daughter was dating whose son, he recalls with a big smile.

Integrity, hard work and discipline are values they learnt from their father, says Chen. "Our father was very hardworking, a no-nonsense man. Integrity was something we learnt from him. If he borrowed even one sen, he made sure he paid it back. Those days, it was difficult and when you borrowed money from your friends, it was all based on trust. Even with the first project we did, the landowner wanted RM1,000 as a deposit. We didn't have the money, so we borrowed it from our cousin.

"But if you ask me about entrepreneurship, that came from our mother. Back in the day, we used to live next to a railway track ... our mother utilised a strip of the railway reserve land to plant vegetables, not only for our own consumption but also to sell in the market. We also had a fruit stall in the market at the time. She was very enterprising.

"Another example would be the time she heard about a herb that could cure cancer. Immediately, she went to secure the herb and started planting it and sold it in the market. She was doing all this while raising nine children. I remember every day during dinner, she would talk about business," he reminisces, adding that he was lucky to have grown up in such a loving family in a cohesive environment.

The property journey

According to Chen, most of the 30,000 homes built by MKH were in the affordable category, ca-

PICTURES BY MKH



tering for the medium, medium-high and lower income groups. Around 5% to 7% were in the luxurious category.

Chen points out that their journey was not plain sailing. “The first time we felt a project could actually be difficult was in the 1980s recession. We had to go back to the bank to renegotiate terms. We were lucky as we had a helpful bank those days (D&C Bank). We got a second loan and they even gave us extensions. Of course, every sen went to development. The bank’s confidence in us stemmed from seeing the money going into the project. Even when sales were stagnant, there was progress in the development of the project. Then the market rebounded and we started another project — the 90-acre Taman Bukit Mewah — and we just went on.”

The first launch in Taman Bukit Mewah was in 1988.

Then the 1990s recession came around and they were hit again. “But we have been making money in the past 30 or so years in the industry. While businesses were closing, we were still making money,” says Chen. “I think that comes from being hardy. We know what we are doing and we are confident we will see ourselves through the difficult times. There were tough times, we had to let go of some colleagues.”

On the lessons he learnt from the recessions, Chen says, “You have to be confident and do the right thing. Don’t cling on to or be sentimental about a property or land. If you have to let it go at the right price, let it go.”

“I have to mention that I have very supportive and understanding brothers, led by Tan Sri Alex. In any family, the support is very important.”

Chen looks up to this eldest brother as a mentor. “We have worked together from the very beginning. We started this together and we have supported each other all these years.”

So, what is his proudest moment in his career? “When we got our first syndicated loan to start Bukit Mewah in the late 1980s of RM31 million from Mitsui Nomura. In fact, I still have the plaque in my office,” Chen smiles.

“That was a major project and those days, syndicated loans were a big thing where four to five banks put in money to support us. It was one of our happiest moments — a foreign bank willing to give us a loan for our first flagship project. The sense of achievement!”

Back then, Bukit Mewah was the largest project in Kajang.

Prime Minister Tun Mahathir Mohamad is another person who has deeply inspired him, says Chen. During the Asian financial crisis, property was declared non-productive, so no bridging finance or financing for buyers. If revolving credit had been granted to developers, it was taken

back. The market was on the brink of collapse.

“I was the Rehda president at the time. Do you know how tough it was then? When housing was declared unproductive, I told the government it was not housing per se. That was my argument. If we died, all those involved — transport, architects, contractors ... everyone — would also die. Up to the glass manufacturers, furniture sellers ... so many related to housing.

“We had to lobby very hard for it and finally, the Cabinet agreed that there would be financing for houses below RM150,000. Tun M and Tun Daim (Zainuddin) took control of the whole thing and decided to make housing an engine of economic growth.

“That’s when we kicked off the national house ownership campaign. And every week during the campaign, Tun M would want figures and he would want to know how much was sold. To encourage homeownership, there were waivers (stamp duty and so forth). Banks were instructed to give 105% financing, believe it or not! Buy a property and get a loan and you will have enough money for your furniture and moving in costs.

“I had to announce the figures. For example, there was a month when we did sales of RM3.8 billion. That created a very, well, almost euphoric feeling in the housing market. The first-ever homeownership exhibition was held in the Putra World Trade Centre and Tun M attended. He was very supportive. There was a huge crowd. He saw that and asked for another. Why only four days? It should be a month, he said,” Chen recalls with a laugh.

Compared with Thailand, Malaysia recovered very fast from the economic crisis, he points out. “We didn’t have fire sales in Malaysia. Up to to-

Chen’s memorable golf experience with the late 11th Yang Dipertuan Agong Sultan Salahuddin Abdul Aziz Shah (third from left)

day, there has been no major housing disaster. Even during the US subprime mortgage crisis, the housing market was V-shaped. It went down and up. So, who do I look to in terms of housing development? Tun M. He is a visionary.”

Moving forward

MKH is not just in property. It is also involved in oil palm cultivation, furniture manufacturing and trading. Commenting on the company’s plans for its property division, Chen says, “We want to move further up the food chain. We would want to improve in terms of delivering quantity but also delivering quality homes.

“MKH will look at starter homes, have a platform for the young to build equity. The young should start building equity to beat (general) inflation, that’s very important. General inflation may be 3% but property inflation is probably 7.5% to 8%. When they build equity, that is enough for their next stage in life, which is building a family; they will need a bigger home. They can sell whatever they had bought, which would have appreciated, and put it in the next property.”

The developer is planning to launch the RM650 million MKH Youth City in Kajang, a mixed-use development that is just a seven-minute drive from town.

Touching on transit-oriented developments (TODs), Chen says MKH is probably one of the biggest players around. “We have about (including ongoing, new and future projects) 16,500 homes, which is a very good start for the millennial generation.”

When asked about the property industry, Chen says it is going through challenging times. “There is a mismatch between supply and demand. In terms of affordable houses, there are plenty. Since 2010/11, most developers have rejigged their plans to cater for this range. But they can only sell 65% to 70%, so there are cash-flow issues,” he explains.

“There are fewer launches now. Launches are much smaller and in phases. But everything will balance out, maybe not this year but by the end of next year or the following year. Still, we must be mindful. I think the banks, where necessary, should ease their guidelines. Then some of the unsold stock can be picked up by marginally qualified people. The (profit) margin of many developers has somehow come down. Because of that, whatever you are buying today is very close to cost. To build the same house in two years’ time is going to cost a lot more.

“So today, I would say the market is challenging but it is not going bust. It will be tough and there will be less money for investment.”

Nonetheless, Chen remains optimistic. “Whatever goes down must come up. Not whatever goes up must come down. There’s always a better day. At my age, you no longer worry too much. You know it will get better. At MKH, we have built a very good foundation. Where we are today, our land and location, with good partners and a wide network ... we know we will never run out of land or business,” he concludes with a smile. **E**

Chen with Mahathir at the home ownership fair 1998/1999 at the Putra World Trade Centre

