A PRELIMINARY STUDY OF ECONOMICS; THE SURVIVAL STRATEGIES EMPLOYED BY THE MAJOR CONTRACTORS IN MALAYSIA DURING THE ASIAN FINANCIAL CRISIS

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ABSTRACT

It is clear that the 1997 economic crisis has given a great crash to the performance of Malaysian economy. Realizing the pressure facing the industry, the question on ‘how the local construction firms can survive’ particularly those which are listed on KLSE have been explored. The most fundamental method of the research is the historiography particularly in evaluating the information from the case studies. Four companies were selected as case studies. It was found that the most accepted strategies during the crisis are (1) diversified in other businesses, (2) secured domestic projects by coping in line with the Government’s policy and allocation, especially in infrastructure and housing sectors (3) to secure project(s) in other countries, (4) reduce cost by effective resource management and (5) to complete the project earlier then the targeted completion date.

Keywords: Contractors, Financial Crisis, Strategies

1. INTRODUCTION

Malaysia has experienced several economy crises. As of Malaysia’s history, it was observed by the economist that the distance of every crisis in Malaysia was about 10 years. It is now year 2009 and again Malaysia (as well as other countries) facing with the economic slowdown (Global Financial Crisis). It is therefore prudent for the industry to gain knowledge from the past experience as to go through the tough situation and to be more preemptive to battle any possible shocking events.

This study conducted based on a descriptive research paradigm. Characteristically, under this approach, the whole framework of the research is of the historical-narrative which uses a narrative to examine and analyze the sequence of strategies utilized by the contractors. Analysis of documents and materials (to evaluate historical or contemporary confidential or public records, public feedbacks on the internet and report) were carried out. Interviews with experience construction personnel were further carried out to get more data and to reveal any hidden issues. As the scope of study, the research has selected construction companies on Main Board of KLSE. The main reason why the researcher only concentrated on Main Board listed companies because it was easier to recognize the strategies of larger companies. Also, the annual report and banks report were more accessible to the researcher besides providing a major source of information. The listed companies were the most suffered from the financial crisis due to the sharp declined in KLSE and the loss of confidence of the investors.

A list of construction companies was obtained from KLSE files. To select the most reasonable construction companies as case studies, the researcher has narrowed down the companies by referring to the top-ten list of the construction sector from year 1996 to 1999 as tabulated below.

Table 1: The Top Companies in Construction Sector

Ranking	1996	1997	1998	1999
1	UE (M)	YTL	YTL	YTL
2	RENONG	RENONG	UE (M)	UE (M)
3	YTL	UE (M)	RENONG	RENONG
4	HS LEE	GAMUDA	PSCI	GAMUDA
5	INTRIA	SG WAY	GAMUDA	RBH
6	IJM	IJM	IJM	PSCI
7	RBH	RBH	SG WAY	IJM
8	SG WAY	INTRIA	RBH	SUNINC
9	PROMET	HS LEE	INTRIA	MTD BHD
10	GAMUDA	ABRCORP	MTD BHD	INTRIA

(Source: Investors Digest, 1997, 1998, 1999, 2000)

Out of the list as in Table 1, seven construction companies were short-listed because they appear on the top-ten list for each studied years. The companies are:

1. UE (M)
2. RENONG
3. YTL
4. INTRIA
5. IJM
6. RBH
7. GAMUDA

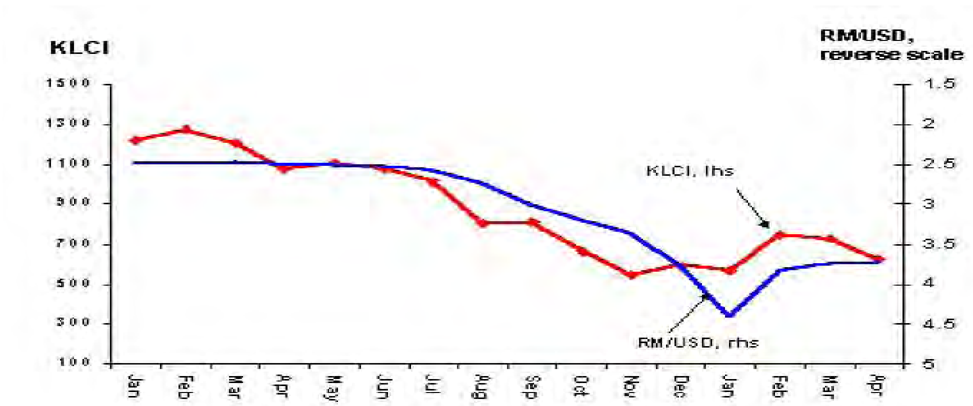
Since that the current research has limited the case studies to four companies, further study was made. The list (for the year 2005) of listed construction companies on Main Board was obtained. The purpose was to look whether the seven short-listed companies had successfully survived throughout the crisis years. It was initiated that RENONG and INTRIA were not on the listing. The researcher found that these two companies were incorporated in UEM. Therefore, four best companies for the rationale of the research have been selected.

There are several reasons on why the researcher referred to the top-ten listed construction companies and selected the best four for the purpose of the study.

(1) It was found that these companies were not only managed to survive, but they have performed well with the unhealthy economy following the financial crisis.
(2) Other companies or even individuals that refer to this research can learn from these selected companies due to the tremendous performance that ensure the survival of their business.
(3) The case studies were interrelated for the researcher's study on the effect of the crisis to the allocation for the construction industry in Seventh Malaysia Plan (1996-2000) and also the contribution of construction industry during the crisis.

2. OVERVIEW OF THE 1997 ECONOMIC CRISIS

It is unambiguous that the fall of currency and share market has disorganized Malaysia in mid year 1997. It was also acknowledged that a lot of Malaysian companies became bankruptcy as a result of the crisis. Malaysia's export declined by more than 11% in the first seven month of 1998 and non-performing loans and business failures were a growing problem (Kamer, 2004). Malaysia's condition was not stirring during that time. The value of Ringgit declined sharply against US Dollar. On 14th July 1997, the Ringgit fell to RM2.61 from RM2.50 to US$1, and gradually to RM2.72 (11th August) and RM2.83 (12th August), before reaching RM3.00 on 2nd September 1997 (PNMB, 1999). On 7th January, 1998, the Ringgit dropped to an intraday low of RM4.88 (Nambiar, 2003) before recovering along with the regional stock market rally after the Chinese New Year/Hari Raya Puasa holidays during February and March (Yeoh, 1998). Following poor local corporate performance and negative developments in Japan, the Ringgit weakened and reached RM4.16 on 8 July 1998 (Mohamad, 2000). By 1st September 1998, Malaysia's currency had lost 40 per cent of its value. The instability at the KLSE was strongly attached to the Ringgit depreciation as illustrated in Figure 1.



(Source: National Action Council National, 1998)

Figure 1: Asset prices and exchange rate from January 1997 to April 1998

The composite index declined from over 1,000 at the beginning of 1997 to about 500 at the end of the year (Arrif et al, 1998). To be more specific, from the high level of 1271 in 25 February 1997, the KLSE composite index decreased to 477 points on 12th January 1998, with a loss of about 800 points or 63 per cent. The market capitalization (comprising the main board and the second board) was dropped from RM917 billion at high in early 1997 to RM308.69 billion on 12th January 1998. The KLSE composite index recovered temporarily with the Chinese New Year/Hari Raya rally (Yeoh, 1998) and increased to 745.12 on 2nd March 1998. Due to the reports of poor corporate performance as well as the depreciation of the yen in mid-May, the KLSE CI started falling again since 2nd March 1998. The KLSE composite index was 467.55 on 7 July 1998 (NERP, 1998), 302 points on August 1998 (Nambiar, 2003) and touched 262.70 points on 1st September 1998 (Ariff and Syarisa, 1999).

The drastic collapsed of the Ringgit combined with the stock market crisis had their effect to a country (Nambiar, 2003). The impact of the 1997 financial crisis can be divided into several types. Most of the researchers examine on (1) the impact on economic, (2) the social impact and (3) the poverty on income distribution. (Paitoonpong, 2001) in her research has included the impact of the crisis on education and health. The construction industry, like all other sectors of the economy was not spared from the effects (NERP, 1998). One of the steps taken by the Ministry of Finance and central bank was limiting the construction activities (Mohamad, 2000). Banks were not allowed to give loan to any new property development project. Meanwhile, for ongoing projects, banks were to reinvestigate the viability and the financing amount was reduced. These weaken the construction firms especially with lower demand.

Following the crisis, Malaysian government has developed strategies to sustain both the macro-economy and the micro-economy. The Malaysian economy made the turnaround in the second quarter of 1999. The factors contributing to the growth are; the return of confidence, and a more stable economic environment through selective capital controls and the pegging of the Ringgit (Chiang et al, 2004). However, in order to survive, businesses need to have their own strategies as responses to the crisis.

3. SURVIVAL STRATEGIES BY PRIVATE COMPANIES

There are many remarkable actions commenced by private companies to defend their belongings from turn down. Among the strategies adopted by employers in Malaysia were pay-cuts, voluntary layoffs and voluntary separation schemes to cut labour costs (McGinness, 2005). Besides that, to cut cost, some measures taken by businesses were retrenchments, salary cuts, freeze in increment and no bonus payments (Yeoh, 1998). Likewise, in the pressure arose from the crisis, contractors were forced to cut cost by reducing salaries and retrenching workers (National Action Council National, 1998). As a result, winding up of experienced contractors will destroy valuable human capital and will create emptiness in the industry (National Action Council National, 1998). A research undertaken by Lindblad (2002), stated that there are few major strategies adapted by foreign companies; Export ratios were raised wherever possible; Japanese firms in particular were keen to cut back on expatriate personnel; Cost-reducing measures were introduced in most firms; Continued expansion; Korean and European firms associated with other enterprises; Elimination of many affiliated firms; and cut back its business scope and refocus on its core business.

As cases in point of non-construction related businesses, reported by Jayaseelan (1998), Yarn Manufacturer CNLT (Far East) Bhd (CNLT), has moved into expansion plan regardless of the economic doldrums. The main strategy is supported by funding from the listing, internally generated funds and bank borrowings. Furthermore, CNLT has upgraded its operations by having technology to increased the capacity and add new products. However, they also facing tight cash flow. Consequently, CNLT immediately hedged their exports to their purchaser. This means that the customers had locked in their buying for certain time and quantity and CNLT is secured. Overall, the strategies adopted by CNLT were having sources of funds; improve on production; and hedging exports to purchasers. Padiberas Nasional Bhd (Bernas), nevertheless control costs as the battle to the crisis (Nazatul, 1998a). Firstly, Bernas has joint-ventures with wholesalers – to strengthen both upstream and downstream activities. Secondly, Bernas kept away from dealing in USD and transacting only in Ringgit and other regional currencies – to avoid high exchange rate. Thirdly, Bernas has moved into farming area to harvest supply.

A construction and development based company; Pancaran Ikrab Bhd (Pancaran) took two approaches as their strategies (Chidambar, 1998). First, Pancaran restructure the corporate by taking new board of directors - to tap the experience and specialization of the newcomers. Second, Pancaran planned to enters new business activities such as projects privatization, undertaking offshore construction projects and manufacturing. Similarly, Kuala Lumpur Industries Holdings Berhad (KLIH) entered a new business; an airport privatization project in Germany (Nazatul, 1998b). Following to the project, KLIH issued new shares to the project vendor. To safeguard KLIH, the vendor has guaranteed profit for three financial years. Besides the privatization project, KLIH also remained its businesses in property and timber activities.

Tenggara Capital Bhd's executive chairman, Kamal Salih shared his strategies to survive from the crisis. As been reported by Surviving the Fallout (1998), the first strategy was the increased of exports. Following the strategy, a company must have strength and the base to enable company to compete with other players. The second strategy was restructuring. If a company is a diversified company, internal group adjustments are necessary. The third strategy is to position corporate to take advantage of the market conditions. Since that the demand and financing of low-cost housing was good, Tenggara position themselves by introduced Tenggaraform (a building system made from recyclable steel suitable for low and medium-cost construction) and as a result they gain projects which use cost-effective methodology for construction of low-cost housing. The fourth strategy is cut costs, such as to let go some assets which are not producing on the current situation, cut down unnecessary expenditures. The fifth strategy is to have income-generating activities or fast cash. The last strategy is to maintain good network with banks, clients, stakeholders, government and employees. He (Kamal Salih) added that it would be very valuable if a company or personnel have a good strong team, good strategic partners and good bankers.

Pheng and Hua (2002) have categorized the strategies adopted by the private companies during the crisis into several themes that are Restructuring, Shrink Selectivity, Marketing, Cost-cutting, Long-term strategies, and Other Measures. Among approaches for each themes are as follows:

<u>Restructuring</u> - Production restructuring – quality improvement, elimination of waste, reduction of the production cycle, and buy sources directly from the producer.
Corporate restructuring – change the top management, add new people with new skills to manage teams, adapt new methods of managerial control, and eliminate old hierarchical layers.

Shrink Selectivity – scaled down activities by focusing upon specific product-market segments which require least working capital, sale of investments to get funds, shift position in the value-adding chain and necessary cutbacks.

Marketing – keep in touch with existing client, re-focus on client's need for financing, promotion, concern upon the product features (such as time-saving, aesthetic, unique, functional and convenient), and provide better services.

Cost-cutting – overhead cost reduction of unnecessary activities, time management (no double handling works, fewer meetings and cutting back on report writing), bonus cuts, freeze salaries, employ staff on a project basis, cut overtime, keep only core personnel, dispose assets for cash, reduce wages and retrench employees that did not perform.

Other strategies – turn to leasing equipment, diversification, connection with developers and suppliers, and improving morale.

In addition, in order to survive, Yeoh (1998) has outlined 8 key things as strategies. First is to review the vision and mission – to have clearer targets. Second is to redefine focus – to know the strength and weaknesses. Third is rethinking of strategy - to set tactics to be more competitive. Fourth is to improve operations – to be better. Fifth is to cut waste and extravagance – to identify unnecessary cost. Sixth is to invest in the future – to make new investments. Seventh is to think on long-term – to identify time taken to change. Eight is to gear up for global competition – to prepare for facing international competition. From the strategies, we could see that the crisis should not be seen as a disaster but it can present a lot of opportunities.

From the above reviews, among strategies adopted are capital injection, enter new business, increase productivity, hedging, repatriation, corporate restructure, joint-ventures, and cost-cutting. Essentially, these are few popular strategies which normally practices by companies facing economy difficulties. However, it is clear that the most famous strategy to survive is to go global.

4. CASE STUDIES

Company A

In year 1997, the Group was found not having any material cost implication despite the adverse foreign currency exposure. The annual report for year 1997 did not shows any severe impact of the crisis to the financial performance (please refer to Figure 2) since that the report is for the year ended 31st July 1997 that was just before the currency declined sharply. The average Ringgit value on July 1997 (where the Ringgit was floated on 14th July) was RM2.64 compared to 1USD. Moreover, some of the actions and event taken earlier by Group has saved them during the crisis.

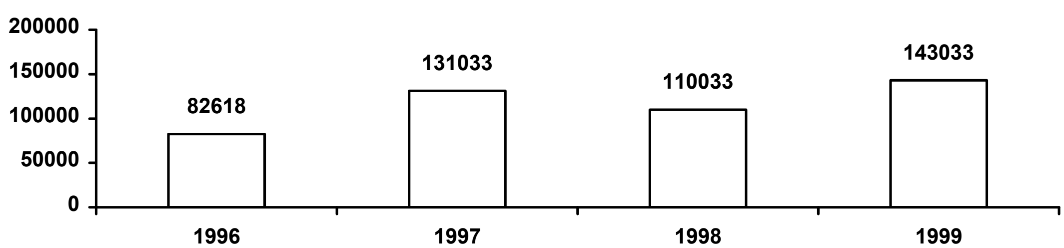


Figure 2: Company A's Profit before Tax (1996-1999)

The most important event for the company was the completion of the first package of the Shah Alam Expressway and it was opened to the public on 16th December 1996, which was four months ahead of the schedule. The toll collection had been outstanding and provides a steady source of cash earnings over the concession period. Company A always target to complete their job earlier as their strategy. With this, the group can start to collect earnings from the early operation. Besides than the projects in hand, Company A has succeeded to secured several local privatized (infrastructure) projects for them to work over during the years of crisis. Meanwhile, the property Division played an important role in generating profit. The Kota Kemuning Township which was strategically located in close proximity to high growth areas of Westport, the Kuala Lumpur International Airport, Putrajaya and Cyberjaya, has generated over RM1 billion of sales. The premix and aggregates production was increased due to the strong demand. The quarrying activity also targeted few several large projects in the state of Perak and planned to install a new crusher line in order to cope with the anticipated increased demand.

Referring to Figure 2, the profit for the financial year ended 31st July 1998 showed a decline. The declined in financial performance was principally due to the delayed project inception of Lebuhraya SPRINT which was originally planned to have begun at the end of 1997. It was due to the restructuring process on the financing agreement where a supplemental concession agreement was signed on 4th September 1998. Even though the financial performance was decline, the financial performance for the year 1998 was better if compared to year 1996, the booming year. While other companies strived to survive by so many immediate strategies, Company A’s in other way round targeted to concentrate on completing and also secured new projects mainly on the infrastructure and also the housing development in local market. In 6 April 1998, the second package of the Shah Alam Expressway was opened to public. The construction was 3 years ahead of its original schedule and again, Company A have another source of cash earnings. Besides that, part of the Lebuhraya Damansara-Puchong had been progressively opened to local traffic, provided the public a preview of the outstanding benefits of the expressway. However, there was no collection made. This was the strategy to attract public to keep on using the expressway. Since in the middle of 1997, the demand for properties costing more than RM250, 000 have been adversely affected by the crisis, but the demand for properties below than RM150,000 remained strong. Therefore, Company A strategically planned on developing properties in good locations. Part of the properties development strategy, Company A had also launched the sale of medium cost walk-up apartments in Kota Kemuning.

The main profits of Company A during the crisis were contributed by the infrastructure and housing activities, which was accounted at more than 80 percent. Besides than these two core businesses, below are some simplified strategies taken by the Group to ensure earnings were gain every year, to be competitive and favorable so that more projects can be secured.

(1) Company A sensibly managed the Group’s financial resources which in turns has improved the cash position to RM365 million for the year ended 31st July 1998. The cash reserves were more than sufficient for Company A to meet their commitments during that time.
(2) Company A’s order books of RM3 billion provided the Group’s construction business with steady stream of construction works.
(3) Issued new share to both the public and the eligible employees to obtain funds
(4) The projects secured brought up other in-house businesses such as the Quarrying and Manufacturing Division.
(5) The Group has implemented several initiatives to forge a stronger corporate culture, to improve management performance and to raise skills and competencies. Some of the initiatives were (1) entrenching corporate values through a Code of Practices, (2) linking performance targets and incentives systems to ensure that management is focused on results, and (3) streamlining and flattening the organization to empowered and improved accountability through the ranks. The corporate performance enhanced competitiveness of various businesses by the Group.

The financial year ended 31st July 1999 of Company A has been excellent which showed an increment in the profit up to 30%. The continuing efforts have showed good results in Company A’s long term investments of toll concessions, the properties development, as well as other businesses. The official opening of the Damansara Puchong Highway has further boosted Company A’s cash earnings and it was reported that the overall financial health remained strong by RM215 million cash position.

Company B

The group realized that the construction industry is very vulnerable to the vagaries of the economic cycle. Therefore, a strategic approach has been taken by Company B since year 1980 which was enfolding in their corporate strategy. The strategies approach (known as the two-pronged approach) taken by the group has mainly aided them during the financial crisis 1997. The two-pronged approaches were to:
(1) expand construction business into new markets via geographical diversification,
(2) focused on new businesses that require long term investments and produce recurrent income.

The approach has encouraged Company B to enter new markets such as in India, Thailand, Australia, China, Argentina and etc. The approach has also taken them into the oil palm industry as well as investments in privatized infrastructure. During the crisis, for the year ended December 1997, the Plantation Division of Company B recorded profits due to the high crude palm oil prices following the depreciation of the Ringgit. The overseas investments had also contributed profits. Company B has wisely secured projects in their order-book, before and during the crisis, locally and internationally, with their presented capabilities and strong identity, which in turns has helped them to survive the crisis. Nonetheless, the group's profit before tax was decline compared to the year 1996 (please refer to Figure 3).

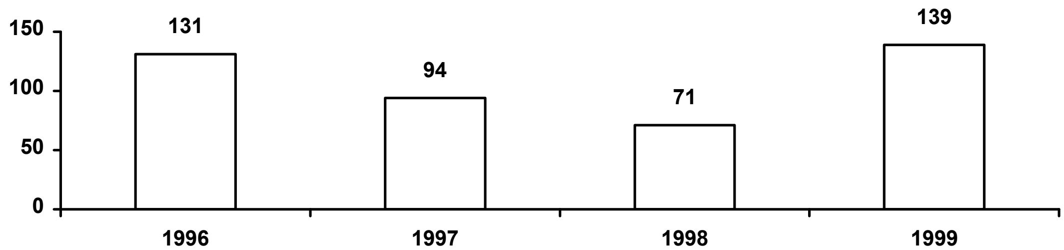


Figure 3: Company B's Profit before Tax (1996-1999)

Significantly, the group has also assessed their assets and businesses. As results, in year 1997, they took several new measures;
(1) sell some of the investments of the group to cut down borrowings
(2) the group has reduced cost by enhanced productivity and better deployment of people and physical assets
(3) The listing of Torsco Berhad, a 90% subsidiary company that was programmed to be listed on the second board of the KLSE on 1997, has been delayed. This step has delayed the costs implied to the listings and also as to avoid lost due to the diminished in market confidence.

These measures have helped the group to survive for year 1997. However, in year 1998, the crisis became worst. Company B recorded more decline in their profit before tax compared to year 1997. The two-pronged approach continued to be active where the palm oil business saw better prices and the international division saw better returns in China and Australia. These activities have balanced (or facilitate to recovered) the loss from manufacturing and quarrying division due to a severe contraction of demand for its products in line with the sharp downturn in the construction industry. In year 1998, several new measures have been tackled;
(1) The group has aborted the proposed listing of Torsco Berhad due to (i) the weak performance of the companies to be acquired as part of the listing exercise, (ii) weak stock market sentiment and (iii) tougher new rules for initial public offering.
(2) The group actively concentrated on collecting the receivables (slow payments from clients)
(3) Downsizing and strategic relocation of sites had taken place as part of the rationalization exercise for manufacturing and quarrying division.
(4) Established the Remuneration Committee to review and determine the terms and conditions of the employment and remuneration of executive Directors and key senior executives, including monitoring

and evaluating of their performances. The committee also reviewed the succession planning, and assesses nominations to the Board of Directors of the Company and the group.

(5) The 'Home Ownership Campaign' by government has encouraged the group to be active in property sales which helped to reduce the stock of unsold units. The campaign has also encouraged to group start new property projects in good location area.

(6) The major focus of the group was to reduce bank debts incurred in funding long-term investment in infrastructure-based projects.

(7) The group stressed on reducing their cost by enhanced productivity and better deployment of people and physical assets.

Following the ills of the crisis in year 1997 and 1998, the group achieved significant improvements on their performance for the year ended December 1999. However, the Plantations Division which helped to sustain the group's performance during the year of 1997 and 1998 recorded a major decline in profit contribution due to significant decline in crude palm oil prices.

The two-pronged approach continued to guide the group in its search for further growth in future. As additional of the future strategies, the group (Plantations Division) has increased its planted area by 9,356 acres to 33,048 acres in 1999. Besides that, the Education Division of the group has restructured the division's operations and its related assets following a strategic partnership with the INTI Group. The group had also undertaken an internal restructuring involving the transfer of investments from its holding company to its subsidiaries, which are the intermediate holding companies for its construction, properties and industries divisions respectively. This is to improve operational efficiencies within the Group.

Company C

The operating results for the financial year ended 30th June 1997 was tremendous for Company C with profit before tax recorded at RM130 million, an increase of 107% from the previous year (please refer to Figure 4). This is due to the commencement of construction of the Sungai Besi Toll road, the expedited completion of other projects and the resoundingly successful launches of Seremban Two development.

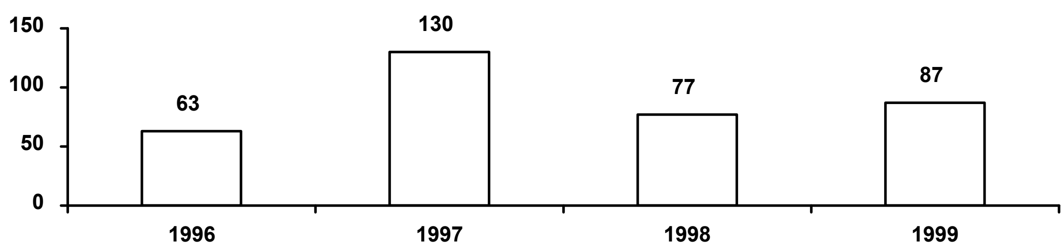


Figure 4: Company C's Profit before Tax (1996-1999)

Some of the actions taken earlier have reduced the impact of the crisis to Company C. The strategic actions were:

(1) Emphasized on the affordable homes in line with the market demand. The development was implemented in Seremban Two spearheading with 6,200 units of Affordable Homes.

(2) Kept the order book strong – has secured three road works, one water treatment works and several buildings construction

(3) The construction activities supported with downstream businesses in manufacturing of premix, ready-mix, steel tubes and clay based products, and quarry operations.

(4) The international division of Company C has explored construction related activities in the whole world. Two road projects have been secured in year 1997. Strategic efforts were also embarked on prospective venture into Brunei as a contractor in expansion of the current airport and seaport infrastructure.

The operating results of the Group for the year ended 30th June 1998 saw a decreased. However some measures have helped Company C to results in respectable financial performance. The measures includes were:
(1) the operations of Kuantan Port by the concession company (Kuantan Port Consortium Sdn. Bhd.), an associated company of the Group has been the sources of income which was amounted at RM3.1 million.
(2) in July 1998, Company C has secured a bridge construction project at Putrajaya costing RM75 million which made the order book remained strong
(3) on the property front, new sales achieved in 1998 amount RM95.6 million. Two launches of medium cost properties comprised of 747 units of single storey houses were completely sold giving total sales of RM65.5 million.

The financial year ended 30th June 1999 was challenging to the Group. It was stated that during the crisis, the Group has adopted a two-pronged strategy as to respond to the changing operating environment. The two-pronged strategy focused on Company C's cash-flow preservation and cash generating investment by concentrating at the resources that are potential to be used.
The strategy had enable Company C to successfully complete the Sungai Besi Expressway and to sell houses in Seremban Two. The expressway enables Company C to gained earnings from the toll collection.

As a result, Company C recorded an impressive improvement of 12% in Profit before Tax at RM87 million. Since that the cash generating strategy was working, Company C continued to focus on the related activities to have better financial performance in the years ahead.

Company D

In the financial year ended 30th June 1997, Company D's recorded an increment of the profit which was 32.9% higher than the previous financial year (please refer to Figure 5). During this particular year, the Group's power business was successfully listed on the main board of the Kuala Lumpur Stock Exchange and the listing of Company D Cement Berhad was transferred to the main board from the second board of the Kuala Lumpur Stock Exchange.

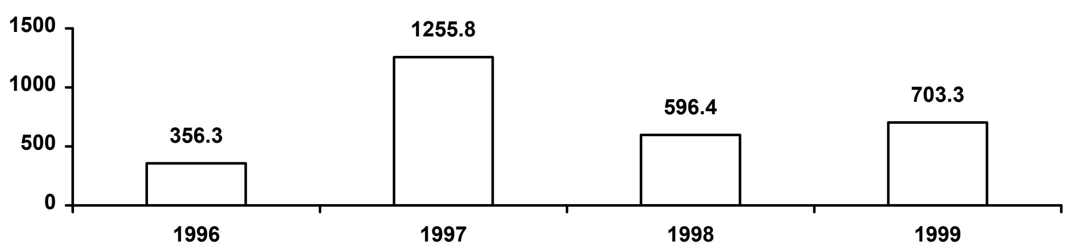


Figure 4.6: Company D's Profit before Tax (1996-1999)

Some of the Company D's strategies were (1) looked for new opportunities around the world, (2) continue to established strong technological partnerships internationally, (3) invested in technology and upgrade staff's skill, and (4) continued with its commitment of maintaining sensible financial management that contributed to low debt and high level of cash. Besides that, the construction contracting division has secured two new hotel projects and also the repair and upgrading of the existing Pangkor Airport for the Government of Malaysia and these has increased their order book for the year. Company D has also enhanced the cost control due to the economic slowdown.

The financial year ended 30th June 1998 was challenging for Company D. The overall economic slowdown, the sharp contraction in the country's economic activity and the tight financial liquidity in the financial markets affected the construction contracting, manufacturing and the property development activities of the Group. However, the impact of the crisis on the Group was cushioned by the restructuring exercise with the listing of Company D Power International Berhad on 23rd May 1997. The power generation sector was the major contributor to the Group's profit before tax. It has signed a Letter of Award for the privatization and expansion of the Hwange Power Station in Zimbabwe on 15th October 1998.

Company D has strategized to expand the Group's core businesses and to focus on investment opportunities. As results, Company D has expended the cement manufacturing business by opened an integrated cement plant at Bukit Sagu known as Pahang Sement Plant, a joint venture project with Pahang State Government. With this, Company D had been a major player into the cement manufacturing sector. The investment opportunities grabbed by Company D was the purchasing of several worth assets as future investment. The properties bought amounted at RM 323 million but in turns it provided steady recurring income. This activity reduced the profits of the Group. The assets are (1) Lot 10 Shopping Centre, Kuala Lumpur (2) Starhill Shopping Centre, Kuala Lumpur and (3) JW Marriot Hotel, Kuala Lumpur. Another strategy taken was the focused on the development of 'Special Low-Cost Housing Programme' at Taman Cahaya Masai which was a joint venture project with Kumpulan Prasarana Rakyat, Johor.

Company D achieved a profit before tax of RM703.3 million for the year ended 30th June 1999. The improvement in profit was due to the significantly higher contribution from power generation. Construction also posted an improvement when compared to the preceding financial year as a result of improved market conditions. The sales of low and medium cost properties increased. The bonds issue marks another success for the company in raising cost effective funds as an alternative to long-term funding from the private debt capital market.

5. CONCLUSIONS

It was found that every company has its own strategies to survive during the financial crisis. Some of the important strategies taken were as followings:

(1) Company A;
- Concentrated on the toll concession project, other highway projects and road works and continued with the development of the Kota Kemuning township
- Increased the speed of construction to earns immediate income
- Managed the Group's financial resources and saved certain amount of reserved cash

(2) Company B was actively;
- Concentrated on the plantation division (oil palm), Secured projects overseas, and Secured the housing and infrastructure works that allocated from the 7MP
- Reduced cost by enhanced productivity and better deployment of people and physical assets; Sell some investments and Downsizing

(3) Company C;
- Concentrated on the toll concession project, Secured several construction projects, expanded business in overseas; and continued the housing development in Seremban Two
- Increased the speed of construction to earns immediate income

(4) Company D
- Concentrated on the power generation sector in both the local and international market; Cement manufacturing, and Focused on the development of 'Special Low-Cost Housing Programme',
- Reduced cost by effective resource management; and Bought undervalued properties for investment in future

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