



New management, new investors for FHTK

The global food group, which owns major fruit trading and plantation operations in China, has appointed a new management team to turn around its business and return the company to profitability. **John Hey** reports

FHTK's financial woes have been the subject of much speculation in the international fresh produce business over the past few years, with questions raised over the company's ability to survive under the weight of serious and mounting debts.

The Singapore-listed firm posted a loss of S\$49m (US\$32.4m) for the year ended 30 June 2007, which includes a one time exceptional provision for the impairment of biological assets of S\$26.7m (US\$17.7m) and depreciation of fixed assets and biological assets of S\$14.7m (US\$9.8m). Revenues for the period dropped to S\$47.44m (US\$31.4m), a decline the company attributed mainly to limited cash flow for its fruit trading and plantation business in China.

But the end of June also signalled a potential re-birth for FHTK, marked by the appointment of a new management team. Ee Tai Ting, who founded the company back in 1965, relinquished his role as a director of the company on 7 June 2007 and resigned as CEO on 30 June. His son Richard Ee also resigned as head of sales and marketing on 29 June.

Meanwhile, Wee Liang Pin, a veteran of the food industry, took over as CEO of FHTK on 1 July 2007. Mr Wee joined FHTK from Singapore Food Industries, where he spent 28 years as the regional director for Asia Pacific and general manager of food supplies. He leads a new management team focused on turning around the company's business operations and getting FHTK back into the black.

The company has entered into a S\$60m (US\$39.7m) convertible loan agreement with new investors. "With the new investment monies, FHTK has repaid most of its creditors," Mr Wee tells Asiafruit Magazine. "We've also repaid most of the bank loans with the exception of one with the Agricultural Bank of China, which has been successfully restructured."

Three new directors have also been appointed to the FHTK board to help oversee the company's restructuring. Gary Loh Hock Chuan is now executive director charged with guiding the management in strategic planning across the various business units, while Michael Martin and Ricky Goh have become independent directors.

"We have significantly strengthened our management team over the past three months, especially in the areas of financial



FHTK's new CEO Wee Liang Pin (inset) says the company has repaid most of its creditors and bank loans

control, procurement, marketing and product development," says Mr Wee. "With the new investment that we've secured, we are also working on a programme to expand and upgrade our existing operations."

A key part of the company's recovery strategy is to reduce its exposure on the plantation side of the business by scaling back on the total size of its plantations. "We will instead focus on our core competencies in procurement for packing and marketing fruits," he explains. "Our plantations have been reduced to 17,000mu (1,133ha) from 26,000mu (1,734ha) originally and we will continue to review this side of our business. We are also going through a cost rationalisation exercise, streamlining our operations and improving our cash flow efficiencies."

The fruit trading business remains a core part of FHTK's operations. Mr Wee says the company continues to source, pack and distribute high-grade fruits to its key customers in more than 10 countries worldwide. "We have various plans for growth in this part of the business, including brand extension, expansion of our product mix to tap into our existing distribution network and geographical expansion of the customer base," he comments. "On this front, our management have been in negotiation over the past few weeks with a number of new suppliers outside of China and several new customers in new markets."

FHTK continues to market its fruit under the SunMoon and Trigem brands. "We are working on strengthening our corporate identity and branding, and there are plans to introduce a third label in the future," Mr Wee says.

The fruit trading business is supported by an extensive physical infrastructure. This includes the FHTK Longkou Industrial Park, where fruits are packed as well as coldstorage capacity amounting to some 50,000 tonnes through facilities across various parts of China, including Shandong, Shanghai and Guangdong. "Our Longkou operations are due to be upgraded in the coming months to support our expanded business activities," he reveals. "We're also focusing a lot of effort on reinforcing our current stringent quality controls by investing in technology to further improve our processing and inspection processes. This includes investment in technology designed to help with detecting pesticide residues and in developing a traceability system to achieve a high level of safety in our products."

FHTK also has expansion plans for its other core business unit: the dehydrated products division, which continues to produce and supply high-grade garlic and dehydrated onions from its plant in Tian, Shandong. "We are currently exploring expanding into higher margin new dehydrated product lines, such as dehydrated apples and vegetables," Mr Wee concludes.