

# THE SARAWAK CLUB

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To all Members of  
The Sarawak Club.

8 September 2011

Dear Members,

An EGM of the Club was held on the 31<sup>st</sup> July 2011 and several Motions were passed. The Motions have created some dissatisfaction among some of our Members. This letter seeks to address some of the issues raised by them.

The present Management Committee (“MC”) was first elected into office in October 2009. From the very first MC meeting, we found out that the Club was, for all intents and purposes, insolvent. The cash in bank had shrunk to a few hundred thousand ringgit. The Samarahan Resort (“the Resort”) was running at an average *deficit* of RM108,000 per month. In fact, the actual deficit for September 2009 was RM159,487.00 according to the report by the Admin and Finance Manager to the MC at its first meeting on 13.11.2009.

There have been some accusations going around that the MC “cooked up” a financial report to give a false impression that the Club was in financial strife when it actually was not. *That accusation is totally baseless.* The cash-flow crisis that the Club faced in November 2009 was real and the financial figures were given to us by the Club management. The Club office and the present MC are fully prepared to answer any questions members may have regarding the actual financial situation that prevailed in November 2009 at the forthcoming AGM.

A senior member of the former MC recently wrote an email which criticized the present MC for accumulating a reserve of RM3 million in cash and suggested that the “surplus” be returned to members. He also accused the present MC of being unable to manage or read financial statements.

I acknowledge that we are clearly not his equal when it comes to reading financial statements but allow me to state some plain facts and let the Members judge for themselves:

1. Due to the Resort's monthly operating deficit, the Club was losing about RM110,000 each month in November 2009.
2. The Club had a few hundred thousand ringgit in the bank. Bills from suppliers were overdue between 3 to 6 months. Payments were deliberately delayed by the Club office because the Club needed to conserve and stretch its cash flow.
3. However, the minutes of MC meeting held on 15 October 2009 revealed that, just 2 weeks before the former MC left office, they authorized a payment of RM300,000 to the contractor for the golf Resort.
4. In addition, they authorized a letter promising to pay the contractor a further RM60,000 *every month* until August 2010.
5. On top of that, they also promised to pay the contractor a sum of RM296,880 from the money the Club expected to receive from the insurers in respect of the fire that destroyed the Club.
6. After the present MC came into office, we engaged the contractor in negotiations for settlement, having regard to the Club's cash-flow constraints at that time.
7. Before settlement could be reached, it was discovered that there were serious defects/omissions in the construction of the golf course. We have 2 expert reports to verify that. As a result, the Club declined to make further payment to the contractor until this issue could be resolved as the amount required to address the defects/omissions would be very substantial. A court case is now pending between the Club and the contractor. The contractor is claiming about RM2.3 million from the Club while the Club is counterclaiming for loss and damage arising from the contractor's breach of the development contract.

8. Whilst it is true that the Club currently has bank deposits of about RM3 million, we have trade creditors of about RM1.2 million leaving a net of about RM1.8 million. We used to owe our trade creditors up to 6 months. Now we have reduced it to 2 months which is more reasonable.
9. This MC is also mindful that about RM2.3 million has to be set aside as contingency for the contractor's claims. Although the Club's legal counsel has advised that we have a good case, the Club cannot be so cavalier as to assume that we will surely win.
10. The Club also need reserves for repairs and renovations to Club facilities. For example, the drainage around the tennis court has collapsed and we are now getting quotations to rebuild it. The squash courts surfaces have worn out and need to be re-sanded and re-varnished. The tennis courts were recently re-surfaced and the squash court walls were repaired. The gym needs new equipment as the treadmills have worn out. The golf course drainage needs substantially more work.
11. With all due respect to the former MC member, in my view, it is foolhardy to talk of returning the reserves we have to the Members and leave the Club with no money to meet all these contingencies. I should also point out that this gentleman was in office when the Club had reserves in excess of RM6 million before 2006. He never suggested returning any money to the Members back then when the Club had such huge reserves.

Those are the facts. I make no accusation against anyone and will leave it to Members to judge the performance of the present MC based on the situation that confronted us when we took office compared with the situation that prevails today. Is the present MC as inept and incompetent as some of our critics paint us?

Today, the operational losses at the Resort has been trimmed to less than RM50,000 per month. Although the financial situation has been stabilized, our cash flow positive situation is still very fragile and any major need for capital expenditure or maintenance expense can still

make us cash flow negative. It is therefore premature to talk of reducing subscription or reducing F&B prices other than to try to win some popularity. We will not do that. We will not sacrifice the Club's present financial stability which was so hard-won just to be re-elected.

The former MC member's email called for a new team to come in and "clear this mess". I am not sure what "mess" he is referring to but I hope that he will attend the next AGM so he can personally enlighten the Members. In fact, I hope that all members of the former MC will attend the AGM so that we can have a full and frank discussion to clear the air once and for all.

It is no good to circulate emails or post anonymous messages on web forums to malign the present MC. The actions of these anonymous posters only serve to tarnish the image of this great Club.

Those who make the allegations have not actually come forward to confront the MC themselves. I invite them to do so. A dialogue will be held on 2<sup>nd</sup> October 2011 for them to bring their complaints directly to the MC and to all the Members.

I acknowledge that the present MC may have made mistakes along the way. We hope that we learn from our mistakes and do not repeat them. We accept constructive criticism from everyone.

Whilst we have tried to do our best in the management of the Club, we also acknowledge that there are things we can improve on. We will continue to work on those improvements.

Yours truly,



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GEORGE LO  
Honorary Secretary.