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Country Garden eyes Malaysia market

China property developer to launch ambitious RM18bil Danga Bay project

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MALAYSIA is now high on the list of China's 7th largest property developer to extend its international footprint, with the transformation of a piece of Iskandar Malaysia to become a waterfront development fronting Singapore.

In a recent trip to Guangdong organised by Country Garden Holdings Co Ltd, the contingent of media members from both Malaysia and Singapore were brought on a whirlwind trip across the province, with the priority to have a first hand look at the company's projects in China.

As "guang" as its name aptly described, Guangdong is certainly vast, and Country Garden's projects are mostly scattered across the province, reachable within a couple of hours drive. However, it was all worth it to put things into perspective and gave a sneak peek of what was in store for the Country Garden Danga Bay project. Could this be just a promise by foreign parties planning to make a quick buck out of a hot segment of the local property market?

First of all, the company has already spent close to RM1bil to purchase the 22.25 hectares of land, and financing its investment is definitely part of its agenda.

Planned as an RM18bil project, the ambitious Danga Bay project is expected to mirror one of China's future national business districts, the Cullinan Bay spanning 172 hectares in Nansha, which is being developed by Country Garden as well.

Cullinan Bay shares a handful of similarities with Danga Bay, particularly its strategic location which is in between matured business districts like Shenzhen, Hong Kong and Macau.

Nansha was declared the sixth new economic area by the Chinese central government, and investors could enjoy a slew of preferential policies on taxes, land management, financial innovation and industrial development, according to the development plan.

Likening this to Danga Bay, the southern tip of Johor is just right next to Singapore, the world's fourth leading financial centre, and is expected to benefit from the spillover effects from the country. The area within Iskandar Malaysia is also projected to be the next metropolis of the future in Johor.

Slated for a launch on Aug 11 with the Johor Ruler Sultan Ibrahim ibni Almarhum Sultan Iskandar gracing the event, it would be a milestone as the first project outside of China completely undertaken wholly by the company.

Country Garden

Established in 1992, Country Garden shares the same roots as martial arts legend Bruce Lee in Shunde. It kicked off its maiden property venture there and expanded to Guangdong a year later.

After developing more than 200 projects throughout China, Country Garden is now China's 7th largest property developer and is armed with a war chest of RM20bil, which could be used for further leverage on mega projects it intends to embark on.

Out of 31 research houses on Bloomberg tracking Country Garden's stock, 27 have a buy call on the Hong Kong listed company while 3 have a hold call and one with a sell call.

Among the research houses, Orient Securities (HK) Ltd said the company is a leading mass residential developer focusing on tier 3 cities and suburban areas of tier 1 and tier 2 cities. The other aspect is Country Garden also owns the largest number of hotels.

"Despite a depressed property market in tier three cities from second half 2011, Country Garden achieved sustained pre-sales growth. Furthermore, its product average selling price kept growing from RMB4,900 square meter (RM241 sq ft) to RMB6,551 square meter (RM327 sq ft) in 2013," it said.

Founded by chairman Yeung Kwok Keung, who shuns publicity and keeps a low profile, Yeung toiled hard over the years to build his company. He was a farmer and worked on construction sites before turning to property development.

There has been a number of management changes with the appointment of chief executive officer Mo Bin in 2010, which saw the transformation of a family business into a modern enterprise, with the CEO working hand in hand with Yeung.

Orient said the company maintained its pre-sales of over RMB400bil in two consecutive years, and had sped up its pre-sales significantly in 2013, with a 94% year-on-year growth as of June.

The company experienced a steep growth trajectory, raking in RMB6.85bil (RM3.63bil) in net profit for its financial year ended Dec 31 2012, which was up 60% compared with RMB4.29bil (RM2.27bil) recorded in 2010.

Revenue came in at a mind boggling RMB41.89bil (RM22.2bil), up 62% from RMB25.8bil (RM13.6bil) previously.

The Chinese have arrived

Country Garden regional president for Malaysia Kayson Yuen is leading the Malaysian team responsible for the Danga Bay project. He and his team are handling the execution of the project in Danga Bay right to the smallest of details.

"Although the Danga Bay project has not officially launched, the response received from the public especially from Malaysia, Singapore and China has been huge. Country Garden's philosophy of "One-Phase Development" which is to have all the amenities and property management up and running before the completion of the project, and this would give the confidence of homeowners to our company," he says.

Lured by the attraction of owning freehold properties, it is said that Chinese buyers had taken up the lion's share of the 9,000 residential units available in the Danga Bay project. Such tenures compare favourably with properties in China, where residential properties have a leasehold of only 70 years.

The freehold status of the land is an attraction for investors and buyers from China who are looking for investments for the future. Furthermore demand for property is deeply ingrained in the Chinese culture. Observers said over 2,000 eager Chinese investors were coming in busloads daily, thronging Country Garden's Johor showroom for a piece of the project.

Average selling prices are from RM700 per square feet onwards, and is below some projects within the area that are already pushing through the RM1,000 per square feet mark.

During the trip in Guangzhou, a similar scenario was projected when buses of mainland Chinese were seen arriving at the Country Garden's 10-mile coast development, where countless eager investors were listening intently to sales personnel armed with laser pointers and brochures, conversing animatedly over the unique selling points of the project.

This was nothing compared with the sales on its Phase 2 launch day in 2012 that recorded sales of over 3,300 units in just a single day, breaking all real estate records in China. According to reports, Chinese citizens account

Country Garden Danga Bay

1. Main entrance
2. Clubhouse
3. Infinity pool
4. Children's playground
5. Commercial street (Sea view)
6. Shoplot
7. Commercial street
8. Yacht club harbour
9. Commercial centre
10. Man-made beach



Country Garden's Cullinan Bay project in Nansha, Guangzhou.

for 2,733 Malaysia My Second Home (MM2H) applications over the past 10 years, making it the country with the most applicants followed by Bangladesh, the UK and Japan.

Some of the Chinese shopping for a second residence overseas are rich. In China, cash is king, and most asset purchases are in cash.

"Country Garden will execute its promotional campaigns through the press, electronic and online media and establish an international brand image. Moreover the group has also injected millions of ringgit to create a launching theme called the "Universal Carnival" which will celebrate the project launch," he says.

Country Garden expects to also attract Malaysians and Singaporeans who are looking for a change of lifestyle. Instead of buying Housing Development Board (HDB) flats,

those investors could instead commute from JB to Singapore and stay in bigger and relatively cheaper property in Johor across the Straits of Tebrau.

"The introduction of Rapid Transit System which is expected to be completed by 2018, and the High Speed Rail which connects Kuala Lumpur to Singapore has made Johor one of the best places to invest in Malaysia," he says. It is understood that the company is reviewing several more landbank proposals which are located within the Iskandar Malaysia region.

"Country Garden is going to launch two more projects in Rawang and Kajang. In addition, we are already in talks and are looking at other potential locations, and are ready to develop more projects in Malaysia. Details will be announced soon," he says.