



GuocoLand scaling up in UK, Australia while keeping tabs on core markets

It is tweaking its strategy in Singapore, China and Malaysia following a stocktake of its business

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EVEN as GuocoLand Ltd is ramping up its scale in the UK and Australia, compelled by the need to diversify its earnings stream, the developer remains upbeat about its core markets Singapore, China and Malaysia in the next two years.

A stocktake of its businesses following a spate of senior management changes in the past two years has also sparked a shift in the way the Singapore-listed developer operates in its existing markets.

"I realised that we are quite fragmented in the way we have operated," said GuocoLand group president and CEO Raymond Choong, in his first interview with *The Business Times* since he joined the group about one and a half years ago.

While the group has done well in Singapore, it has not managed to build scale nor a sterling track record in Malaysia despite having a massive landbank there. Over in Shanghai, it has only one ongoing major integrated project called Shanghai Guoson, while a smaller integrated project in Vietnam's Binh Duong – The Canary – is not doing as well, Mr Choong conceded.

Singapore has been the key earnings contributor for the group controlled by Malaysian tycoon Quek Leng Chan, making up 50-60 per cent of net profit. This is followed by China's 30-40 per cent share.

"But to be realistic when we look forward, Singapore is going to be a challenging market. It would not be as big as we'd like it to be. Margins are much lower compared to those markets outside of Singapore," Mr Choong said.

The long-term plan is hence to have a more diversified mix of income stream. In identifying new markets, the UK and Australia offer scalability due to their depth and transparency, he added.

GuocoLand's chief financial officer Richard Lai said the group will see a smaller percentage contribution from Singapore as contributions from China and the UK step up. In the long run, Singapore and China will be comparable in their net profit contributions.

With development margins in Singapore being compressed, the group is looking to build a bigger portfolio of recurring-income assets. Income from investment properties accounted for only 2 per cent of total group revenue in fiscal 2016 ended June 30.

The completion of the S\$3.2 billion mixed development Tanjong Pagar Centre this year will mark its first step towards building a substantial base of recurring income, with its full-year impact to be reflected from fiscal 2018. Both the office and retail components of the project are about 90 per cent committed.

GuocoLand is open to explore syndicating of funds with capital partners to acquire investment properties. "Those are under consideration,



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but we are not in a rush," Mr Choong noted. He revealed that there have been enquiries from various parties to acquire either a stake, a component or the entire Tanjong Pagar Centre, a 80-20 joint venture between GuocoLand and Malaysia's Employees Provident Fund.

But the group is not inclined to sell unless someone tables an "obscene" price that is too good to refuse.

Meanwhile, GuocoLand is slated to launch this year the residential component of Tanjong Pagar Centre, the 181-unit Wallich Residence, which already has 16 caveats lodged at an average price of slightly above S\$3,000 per square foot; and the 450-unit Martin Modern in prime district 9.

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Unlike in Singapore, the focus in Malaysia and China will still be on development projects where margins remain attractive. The group has set up new management teams in Malaysia and China in the past 12 to 15 months to rebuild the business, Mr Choong shared.

But the group is speeding up its time-to-market in Malaysia, launching new projects within 12 to 15 months after acquiring the sites. For its remaining landbank of over 1,200 acres in Sepang and 4,000 acres in Malacca that have been held for a long time, it is exploring to either dispose some of them or work with partners who can expedite their development.

"The business is no longer the same as in the old days when you can hold the land for many years and the

property appreciates in value," Mr Choong explained. "Today, with the more competitive market and lower margins, speed and execution are very critical."

In the next six to 12 months, the group will be launching two residential projects in Cheras, Selangor, after completing the acquisition of the sites last week. "With these new projects in Malaysia, we are trying to rebrand ourselves and (build) a name for ourselves as a developer of quality," Mr Choong added.

Its flagship integrated project in Malaysia, Damasara City, is also slated to complete this year with the opening of a hotel in July. Recurring income from this project will also be more clearly felt from fiscal 2018.

In China, Mr Choong said GuocoLand will be kept busy for at least the next five years with the phased launch and construction of a predominantly residential project in Chongqing on four sites it recently acquired. It is expected to have total above-ground gross floor area of about 5.5 million sq ft.

"We have looked at other sites in Chongqing but we are not rushing in yet till we get this project running so we know the market better," Mr

Choong said. "But there's a lot of potential there as prices in Chongqing have not run up as much as in other cities in China."

Notwithstanding the competition from large local players and a high tax rate, China remains an important market for the group due to its sheer scale and attractive margins, he pointed out. In Shanghai, the group is completing the 664-unit Changfeng Residence by June, with approval to sell the remaining 260 units, and an office park in Shanghai Guoson this year.

It would seem that Mr Choong has wasted no time in putting his deal-making finesse to work at GuocoLand, having switched into real estate after 30 years with Citibank Malaysia and Hong Leong Financial Group Berhad.

In less than two years in GuocoLand, he has been instrumental in sealing the latest 27 per cent stake acquisition in EcoWorld International (EWI) for RM777.6 million (S\$246 million), based on EWI's listing price of RM1.20 per share. The stake acquisition helps GuocoLand leapfrog into new markets, with immediate access to S\$4.1 billion worth of projects that EWI has in London and Sydney.

Trading of shares in EWI begins on

Monday. Its parent firm Eco World Development Group Bhd was founded by Liew Kee Sin, who earned a reputation in London for the Battersea project when he was president and CEO of SP Setia Bhd. He is also executive vice-chairman of EWI and owns a 10.3 per cent stake of EWI post-listing.

Mr Choong's relationship with Mr Liew dates as far back as 30 years ago when they started their career in banking; Hong Leong Bank is also among EWI's principal bankers, going by EWI's IPO prospectus. "We are already exploring sites in London, Melbourne, Sydney with EWI. Hopefully, they will try to announce something within the first 30 days of listing."

GuocoLand could choose to undertake joint ventures with EWI for new projects or to go in alone. The focus will be on residential projects, according to Mr Choong.

"Having two groups combined gives us the ability to do so much more in the UK market," he added. "Many Malaysian developers go in and build one project but they have no presence with just one or two projects in the UK. For us, we have a much-bigger vision in the UK and Australia. EWI will be our vehicle to expand into these markets."