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Realtor, investor, financier, pop-up store operator

Privately held ZACD is positioning itself to be an investment firm and integrated service provider with a whole suite of financial and real-estate services. See our Cover Story on Pages EP8 and EP9.

ZACD group managing director Ryan Gwee

Partners at the inaugural Wow Singapore pop-up store in Chongqing (from left): Gwee; Sim Mong Teck of Sim Mong Teck & Partners; Dr Beng Teck Liang, CEO of Singapore Medical Group; and Dora Chng, general manager (property sales & marketing), GuocoLand Singapore



Realtor, investor, financier, pop-up store operator

Privately held ZACD is positioning itself to be an investment firm and integrated service provider with a whole suite of financial and real-estate services

| BY CECILIA CHOW |

With his showmanship and maverick ideas, Ryan Gwee is no stranger to controversy. The latest venture by the group managing director of ZACD is the "Wow Singapore" pop-up store, which will be set up in a series of road shows in the six fastest-growing cities across China. They include Chengdu, Xi'an, Wuhan, Changsha and Guiyang.

The inaugural event was held in Chongqing at end-July. Two 40ft containers and a 20ft container were converted into the Wow Singapore pop-up store and were placed at Jiefongbei Square, the busiest part of the Chongqing CBD.

The response to the pop-up store was much more than what Gwee had anticipated. "I was expecting 500 to 1,000 people to walk in each day," says the 40-year-old, who looks 10 years younger. "But we had 5,000 to 6,000 people every day."

Partners in the event included developer GuocoLand, prominent lawyer Sim Mong Teck and healthcare provider Singapore Medical Group. To draw people to the pop-up store, there was a disc jockey playing music all day and distribution of free gifts such as Super Group's instant coffee mix and Prima's famous laksa paste.

ZACD even got the endorsement of the Sin-

gapore Tourism Board and International Enterprise Singapore (IE Singapore) "It was a publicity event to showcase the best of Singapore," says Gwee.

The group is even collaborating with travel agencies in these cities. As the response from the road show has been overwhelming, Gwee is starting to get a little worried. "We've just done one city — Chongqing — and hundreds have signed up for a trip to Singapore,"

he says. "The number is growing daily. And these are high-net-worth clients, not random visitors to the booth."

Gwee has even planned the itinerary, which will include tours of GuocoLand's projects, durian parties, free health screening by Singapore Medical Group and legal advice on property purchases and conveyancing by Sim Mong Teck & Partners. "The Chinese are mainly interested in three things — education, health

and investment, especially real-estate investment," he says.

'Getting new clients'

The series of pop-up stores in China is a vehicle for acquiring new clients, according to Gwee. The cost is estimated to be at least \$250,000 per weekend in each city. "To sustain your business, you have to keep growing your client base — it's the lifeblood of any business," he says. "And which country has the biggest population of consumers? China."

After the road shows in each city, ZACD will also set up a representative office there to follow through with interested parties. The China head office is in Shanghai, where Gwee is located. He continues to split his time between Shanghai, where he has lived for the past five years, and Singapore, where he spends three days a week.

Gwee knows China well as he was head of private banking in China for Standard Chartered in 2011, and dealt with ultra-high-net-worth investors, he says. Prior to that, he was head of relationship management for Southeast Asia and key partnerships at Standard Chartered Private Banking and based in Hong Kong.

Before joining ZACD as an equity partner and group managing director in October 2015, Gwee was CEO of private-equity group Asia Capital Pioneers Group in Hong



Gwee speaking to the press in Chongqing at the launch of the Wow Singapore pop-up store

Kong, where the group has more than US\$1 billion (\$1.36 billion) in assets under management.

"At the time, the principals of the private-equity firm wanted to diversify out of Hong Kong and allocate funds to Southeast Asia," recounts Gwee.

Joining forces

That was when Gwee thought of Stanley Yeo, ZACD's founder, who obtained a fund management licence from the Monetary Authority of Singapore in 2011. Yeo and his wife Kain Sim, who are also co-founders of real-estate agency SLP International, have been personal friends with Gwee for the past 17 years. "We go back a long way," Gwee says.

He remembers the couple when they first started SLP as a real-estate agency that specialised in the industrial space. At the time, SLP's office was in an old industrial building in Bukit Batok and it had just half a dozen agents. "They were thinking and strategising how to sell 10 industrial units each month just to make ends meet," he recounts.

Back in 2001, banks were reluctant to provide financing for strata industrial purchases. Gwee was only in his early 20s and the youngest branch manager at an international consumer bank. According to Gwee, he was one of the first to convince his bank to offer loans to SLP's clients. The next few weekends, Gwee, together with his colleagues and the agents, went to Bukit Batok, Woodlands and even Ubi to distribute flyers of the industrial properties that SLP was marketing. "You have to work like that if you want to get results," he says. "It's the classic case of having the banker and realtor joined at the hip to achieve success."

That marked the first of many collaborations between SLP and Gwee. Over the years, Gwee also saw how the SLP founders progressed as their business grew. Yeo used to drive an old Toyota Harrier that

kept breaking down. He then upgraded to a newer model and now drives a Porsche Cayenne. The couple, who initially lived in an HDB flat in Bukit Batok, upsized to a private condo and then a landed home.

Streamlining ZACD

ZACD was initially set up as an educational fund for Yeo and Sim's two sons, Zachary and Darius. It started with \$165,000 in 2005. Today, it is worth \$75 million.

Over the years, ZACD has also launched 33 private-equity real-estate funds. Many had initially started as club deals among friends investing primarily in development projects. However, the investments involved became so large that ZACD applied for, and obtained, a fund management licence in 2011.

The group also successfully raised \$280 million for its Asia Pacific Real Estate Opportunistic (ARO) Fund Series II. The fund has made several offers for properties such as a prime condominium block and data centres in Singapore.

Gwee's vision is to position ZACD as an investment firm and integrated service provider that offers financial and real-estate agency services. "Imagine a bank and a major property agency as one entity," he says.

He is also working hard to transform ZACD from a traditional SME into a corporation with proper systems in place, with an eye towards a public listing. "A lot of changes have taken place," says Gwee, who has been instrumental in introducing the changes.

ZACD Group will be streamlined into different businesses — ZACD Posh (for Property One-Stop Haven), ZACD Financial Services and the new ZACD Real Wealth Academy, which offers a 10-day masterclass in all aspects of investing.

"Everything I've been doing since I came on board in October has been in my blueprint after six months of due diligence in the company," says Gwee. And that includes the pop-up stores in China, he adds.



The 40ft containers turned pop-up store in Chongqing



The pop-up store in Chongqing attracted 5,000 to 6,000 visitors a day over one weekend

Evergrande shopping spree to continue even as debt soars

China Evergrande Group's debt-fuelled expansion spree shows no signs of slowing down. Even as soaring interest payments and marketing costs ate into first-half profit, a top executive at the Chinese developer said on Aug 30 that the company wants to acquire brokerage and trust companies as well as smaller rivals — deals that would add to about US\$6 billion (\$8.19 billion) of purchases since the start of 2016. Evergrande, which made a surprise entry in August into the bidding war for the country's largest homebuilder, China Vanke, also signalled it may invest in other listed companies.

Billionaire chairman Hui Ka Yan's strategy of debt-funded dealmaking has befuddled analysts and left Evergrande with a credit rating that is among the lowest of large Chinese developers. Moody's Investor's Service, which in January cut the company's notes to a "high risk" rank of B3, in July reiterated its negative outlook, citing high leverage.

The earnings report on Aug 30 may do little to allay concerns about its balance sheet, with debt soaring 28% to RMB381.3 billion (\$77.87 billion) in the first half and interest payments tripling. The developer says it will also work on expanding its landbank in the second half to meet sales targets, and pursue "cost-effective" ways to add to projects, such as mergers and acquisitions.

Aggressive approach

"Growth wouldn't have been as high had Evergrande not been aggressive in the last two years," CEO Xia Huijun told reporters in Hong Kong on Aug 30, referring to the company's purchases of sites for its landbank. "We would have missed out."

Evergrande shares slumped 6.9% to HK\$5.36 in Hong Kong trading on Aug 31, the most since June 20. The stock has declined 21% this year, compared with an 11% increase in the Hang Seng Properties Index.

The Guangzhou-based develop-

er's core profit, or profit excluding property revaluations and foreign-exchange losses, fell 23% to RMB7.8 billion in the first half, from RMB10.2 billion a year earlier, according to a statement to the Hong Kong stock exchange on Aug 30. Marketing costs jumped more than 51% as the company said it embarked on nationwide "brand publicity activities".

The higher costs were offset by surging property sales, with contracted sales jumping 63% to RMB141.8 billion. The developer has pledged to exceed its RMB300 billion target for pre-sales contracts this year, a goal that is the highest among mainland builders amid a turnaround in China's housing market.

Evergrande's total borrowings jumped, with long-term debt surging 51%. Leverage would be even higher if the company's perpetual notes were counted as debt rather than equity — with the amount of notes on issue rising to RMB116 billion from RMB75.7 billion at end-2015, according to the filing.

Perpetual notes, which are bonds with no maturity dates, are usually booked as equity on company balance sheets.

"Despite strong sales, the results were poor in our view, and Evergrande's balance sheet remains stretched," Alan Jin, a Hong Kong-based analyst at Mizuho Securities Asia, wrote in an Aug 31 note. The perpetual notes are "essentially debt in our view", he says.

Including the perpetual notes, net gearing rises to 432%, which will harm shareholder returns, Eric Zhang, a Beijing-based analyst at China International Capital, wrote in a note published on Aug 31. The jump in perpetual notes put a "significant" burden on profitability, he says.

Cash-is-king strategy

The developer pledged to lower its net debt ratio and stabilise its net profit margin, citing what it calls a "cash is king" strategy, by collecting more cash from sales to roll over borrowings if needed. CEO Xia attributes

Evergrande's cash balance of more than RMB210 billion to its ability to collect more from pre-sales. Chinese developers typically begin selling properties while they are under construction and book profits upon completion.

Last year, Evergrande agreed to buy RMB13.5 billion of assets, mostly in mainland China, from New World China Land, as well as the Mass Mutual Tower in Hong Kong for HK\$12.5 billion (\$2.2 billion), a record for a commercial building in the city.

The firm in April agreed to buy shares in Shengjing Bank and China Calxon Group, before amassing its stake in Vanke. Projects bought from Hong Kong developers made a "huge" contribution in the first half, and the investment in Vanke has already generated returns on paper, Xia says.

"About how to invest in Vanke, we have a clear mind," Xia says, declining to elaborate, saying that details would constitute inside information. — Bloomberg LP