

## Property magnate and babe magnet

**Hong Kong property tycoon Vincent Lo talks to Karina Robinson about his strategy for doing business with Mainland China**

Vincent Lo is referred to in the Chinese media as "Sheung Hoi Siu Yeh", which roughly translates as Shanghai Tycoon. "He is a much admired and sought after gentleman by the ladies in Shanghai," says a Hong Kong peer, speaking of the owner of one of the largest foreign property development companies in China.

Mr Lo, who is separated from his wife, is also rather cagey about the value of his property development and construction materials company - perhaps he does not want those covetous ladies to know too much.

Pressed on the subject, he confesses to owning more than 6 million square metres of buildable space for property development in China.

With 80% of his assets in Shui On Properties, his private company - as opposed to his Hong Kong-listed arm with turnover of HK\$2311m (\$300m) - he has no obligation to reveal anything more.

### **Prestigious projects**

Mr Lo is best known for the prestige Xintiandi project. Good taste and \$168m turned a run-down area in Shanghai into a prestige boutique, restaurant and cafe area that appeals to upmarket residents. His next mega-project, which is partially completed, is in Hangzhou, a southern Chinese city that is a popular holiday destination, receiving more than 30 million visitors annually. And he has just signed up for a 1.3km<sup>2</sup> project in Chongqing, the largest city in the world, with a population of 31 million.



**What advice does he have for those seeking to make money on the mainland? No bribes and lots of lobbying.**

Underlining the great shift in investor opinion about China is the fact that Mr Lo is now criticised for not including more of his mainland assets in his public company, which was first listed in 1997. "China property was a dirty word in those days. Now people are clamouring: 'Why don't you put your China property there?'" he says.

He injected one large-scale mainland residential property into the listed company, SOCAM, in 2001. As a result, 60% of its assets are now on the mainland.

In 1985, Mr Lo was one of the first foreign investors in China, launching a \$23m venture with the Communist Youth League to finance a hotel in Shanghai. He remembers that it took up to three hours to get into Shanghai from the airport because the roads were so bad; now it takes 45 minutes. Back then foreigners were only allowed to stay at the Jin Jang Hotel, which was always overbooked - he was once forced to share a room with a stranger. Today, he has a luxury many-bedroomed house in Shanghai.

What advice does he have for those seeking to make money on the mainland, a rather unusual occurrence there? There appear to be two main tips: no bribes and lots of lobbying.

"A lot of Westerners don't understand that working in China is not just (about getting along with) the administration," Mr Lo explains. "It is the NPC's (National People's Congress) local unit, it is the Chinese People's Political Consultative Conference local unit, it is the party organisation and the administration. Four groups of people that you need to get on side. All you need is one group opposed to the idea and you are stuck." As a consequence, lobbying consumes much of his time.

As for reports of required bribes for party officials and others to secure contracts, he insists it is not necessary. "I basically established a reputation: if you want something funny, I don't do it," he asserts. Many officials need their region to develop economically to get a promotion. By working with him, says Mr Lo, they know their chances are better and the need to grease palms disappears. It's an interesting theory.

### **Former black sheep**

The 55-year-old, golf-loving Hong Kong native, schooled at the elite St Joseph's College and the University of New South Wales in Australia, insists with a straight face that he was the black sheep in his prominent family. After two years working in

the family firm - property development, naturally - he left to set up Shui On with a HK\$100,000 loan from his father.

Of course, before accepting any of his tips, readers would undoubtedly like to be certain that Mr Lo's company is profitable. The most he reveals is that "the Chinese operations are in profit but not enough. But next year they will be, as the market becomes more sophisticated."

Mr Lo's private company has investments in Shanghai, Beijing, Hangzhou, Guangzhou, as well as Hong Kong and New York. In New York he is working with Donald Trump's company to create Trump Place in Manhattan, in line with his belief in high quality developments.

### **Quality and reputation**

"I can now compete (in China) on quality and reputation rather than price," he says. He is betting on the urban dweller with money to spend, a safe bet as China continues to grow at astronomical rates.

Priorities have changed for the segment of the population that he is catering for due to their increasing style awareness and the fact that they can now buy or rent housing rather than it being allocated to them. That means he continues to pour money into China in a bid to create a premium brand, a strategy that many of his fellow foreign investors are following.

The father of two insists, however, that he has not abandoned his Hong Kong roots. Speaking in his 34th floor office in Shui On Centre in the regenerated Wanchai area, wearing a non-descript suit and tie - unlike the cool jacket from Hong Kong's Blanc de Chine in the photograph above - his bugbears about his native land rise to the surface and bubble forth. "I was born and raised here but we are not leveraging our strength and advantages right now because of the mentality of Hong Kong people and politics," he says, referring to the demonstrations last summer about a security law and debates about democracy.

"We are too focused on politics. That's our disadvantage. We are tying our hands behind our backs, while in China no-one talks of ideology. We should not feel so superior to the mainlanders. We have a lot to share with them, but I would not use the word 'teach'. We should make full use of our flexibility but we need to be frank with

ourselves."

At one point he almost seems to advocate replacing Tung Chee-Wa, the chief executive of the Special Administrative Region (SAR): "For any place (on mainland China) that is not performing well in terms of GDP growth, the leaders get changed."

Mr Lo disputes the government's view that the SAR should focus on the Pearl River Delta, an area that has a population of "only" 40 million, he says (Chinese magnitudes are rather different from those of the rest of the world), as opposed to the Yangtze Region, which is responsible for 46% of China's gross domestic product and has a population of about 82 million.

"If we just focus on the Pearl River Delta, I don't think we will ever see high growth again," he states. "Hong Kong should be the control centre for businesses going in and out of the mainland."

Mr Lo is president of the Yangtze Council, a group that aims to encourage foreign investment in the region, consisting of the powerful Shanghai Municipal government and some of the great and the good in Hong Kong.

He is also on the mega-prestigious, invitation-only International Business Leaders' Advisory Council to the Mayor of Shanghai, where he rubs shoulders with the heads of Philips, General Motors and the like.

### **Outspoken yet popular**

His outspokenness about Hong Kong's rigidities apparently has not made him unpopular there. He was voted Director of the Year by the Hong Kong Institute of Directors in 2002 and was named Businessman of the Year in 2001 by the DHL/South China Morning Post Awards. In earlier years, he helped to draft the Basic Law, or constitution, of the SAR.

Meanwhile, this "incessant, indefatigable traveller" (in the words of Sir David Aker-Jones, formerly chief secretary of Hong Kong and a former director of Mr Lo's company) spends a third of his time in Shanghai - surely time enough for those ladies to move in for the kill...