



Rip-off warning over UK property

Agent claims some properties are being misrepresented to Asian buyers.

> Page 15



The man who made selling tires attractive.

> Page 16

Classical novel tells new story

Dream of the Red Chamber gets a modern management interpretation.

> Page 17

china business weekly

CHINA DAILY 中國日報 CHINADAILY.COM.CN/BUSINESS



MONDAY, AUGUST 9, 2010

Chinese settle on London as prime location

Asians dominate property market in UK's capital city center hot spots

By ANDREW MOODY
CHINA DAILY

LONDON — Walking around some of London's affluent retail areas such as Bond Street and Knightsbridge, the intonations of *Putonghua* are never far out of hearing.

Expensively dressed Chinese people are there to shop for the expensive items they now see as their right.

But it is no longer just Luis Vuitton handbags or diamond jewelry they are buying. China's new rich now want to splash out millions to buy property in one of the most expensive cities in the world.

According to the research arm of Knight Frank, the leading estate agent, people from Hong Kong and the Chinese mainland are now the biggest overseas buyers of central London new-build property, accounting for one in 10 of all purchases.

Such properties do not come cheap. Even modest flats in central London can change hands at more than 1 million pounds (\$1.57 million), or 11 million yuan.

One of the most exclusive new developments currently on the market, which has attracted a lot of Chinese interest is The Lancasters by Hyde Park, where the biggest four bedroom apartments are for sale for 20 million pounds.

John F. J. Kennedy, a partner at Knight Frank, said the influx of Chinese buyers has been a relatively recent phenomenon.

"Just over 12 months ago we began to see the first signs of this. The people coming in are mainly from the Chinese mainland and Hong Kong. They are either looking for investment or somewhere for their children while they are at university," he said.

The Chinese buyers appear to be taking advantage of what



The exchange rate has been a major driver for investment in London over the last 12 months."

LUCIAN COOK
DIRECTOR OF SAVILLS RESEARCH, UK

seems to be a once in a generation opportunity.

The value of the pound (in which London properties are obviously valued) has slumped by around 30 percent against the yuan over the past two years while properties fell in value in prime central London by around 25 percent from their peak in 2007 to the first quarter of 2009. Although values have since recovered, at one stage prices in yuan terms were half the price they were at the top of the market.

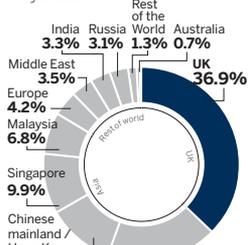
"The exchange rate has been a major driver for investment in London over the last 12 months," said Lucian Cook, director of Savills Research, the property information division of the leading international estate agents.

Few ask questions about how the Chinese manage to get their money out of China when the individual annual limit for them for foreign exchange is just \$50,000, a hopelessly inadequate amount for even the smallest deposit on a London property.

According to those close to the market, people buying properties are often doing so through corporate transactions, usually involving their own companies, or taking advantage of underground money exchangers who have proliferated in southern

WHO IS INVESTING?

Central London new-build residential purchasers by nationality, 12 months to May 2010



Source: Knight Frank Residential Research
Note: The percentages do not add up to 100% due to rounding up.
SHEN WEI / CHINA DAILY

China, in particular.

Some speculate what might happen should the Chinese government relax the restrictions on people taking money out of the country.

Edward Lewis, a director of Savills estate agents in the company's Berkeley Square headquarters, has no doubts.

"At some stage there will be a relaxation of the amount of money you can take out of China and at that point the dam bursts," he said.

The company is arguably one of the best placed to capitalize on such an event with 14 offices in China already.

"We want to make sure we are there to offer our service when that happens," he added.

Property developers are already adjusting the layouts of their schemes to make them attractive to Chinese buyers.

Daniel Knight, 35, who develops properties around exclusive St John's Wood in London, just northwest of Regent's Park, said he was conscious of the Chinese concerns about the *feng shui* of any building.

"I stopped putting mirrors opposite the front door in my properties since that apparently reflects the energy flow right back out again," he said.

Knight developed an apartment in a block that listed no fourth floor in Abbey Road, famous for the pedestrian



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The Lancasters by Hyde Park, one of London's premier new-build developments, which is proving popular with Chinese investors. Prices start at 22 million yuan for 90-square-meter apartments, rising to 215 million yuan for the 900 square meter version.

crossing the 1960s pop sensation band The Beatles were pictured walking across on a top-selling album cover. The number four is considered unlucky in parts of China because in Cantonese it sounds like the word for death.

"This was a property mainly marketed at Hong Kong buyers so it was thought sensible not to have a fourth floor," he said.

Knight said Chinese buyers, like other international buyers, have key demands that must be met.

"They want security and they want portage. It is often their second and third home and they just want a place they can just lock up and leave. I have a flat in St John's Wood with a garden that has been on the market for nine months and they are not interested. It would normally be bought by a UK buyer but they can't get mortgages at the moment," he added.

According to Knight Frank Research, UK buyers now

make up only just over a third (36.9 percent) of those buying central London new-build property with many struggling to raise finance.

Asian buyers, including substantial numbers from Singapore and Malaysia as well as China, completely dominate, making up nearly half (45.6 percent) of all purchases in this category.

"The UK banks have gone back to traditional lending," said James Hyman, partner of the residential sales division of chartered surveyors Cluttons, at his office, near Tower Bridge.

"Before the financial crisis UK buyers were able to borrow eight times their salary. Now it is back to three-and-a-half times. They are also required to put down a hefty 25 percent deposit and have a completely clear credit history. Any late payments on any credit card and a mortgage could fall through."

By contrast, the sky seems to

be the limit for Chinese buyers. Joseph Lau, the 59-year-old Hong Kong billionaire and chairman of Chinese Estate Holdings, paid 33 million pounds for a six-floor mansion in Eaton Square, Belgravia. The property had its own cinema, swimming pool and gym as well as plenty of room for servants.

Mainland buyers — often using intermediaries — tend to keep their purchases out of the media spotlight, avoiding questions about how they managed to get their money out of the country in the first place.

Over in Grosvenor Square next to the American Embassy in London, Matt Tack, director of global investments and asset management for Hamptons International, is planning to open an office in Hong Kong this autumn to take advantage of this new wave of buyers.

"We are going to Hong Kong rather than Shanghai or Beijing because our brand is already

recognized there," he said.

Tack said that although Chinese investors have been painted as unsophisticated, they have proven to be quite calculating in their purchases.

"They are actually very astute investors. We are not witnessing what we saw with Middle East buyers who had a lot of money and had to invest in something with no real science behind it," he said.

Tack went out to Hong Kong in May to present a portfolio of prime London property at the Mandarin Oriental Hotel.

"If we had done that 10 years ago most of the people there would have been British or Australian expats. The people attending now are mostly from the mainland. They might have up to 1.5 million pounds to spend even to buy accommodation for their children while they are students."

Tack says sales efforts by UK

SEE "LONDON" P15

Huanglong jade helps to create tales of rags to riches

By LI YINGQING
AND GUO ANFEI
CHINA DAILY

KUNMING — In the Qingfeng Jewelry Shop located in Longling, Yunnan province, there is a superb collection of carvings and raw gemstones made of Huanglong jade. Some of the carvings are valued at more than 10 million yuan (\$1.47 million) each.

"I have a carving showing an old man fishing alone on a boat in the snow, which is a perfect combination of the Huanglong jade material, creative design and carving craft. Someone offered 8 million yuan for it, but I didn't accept it," said Chang Guoqing, president of Qingfeng Jewelry Ltd Co.

Chang, who used to be a driver at Baoshan Passenger Terminal, is now worth more than 100 million yuan. After failing at running a restaurant and a car washing station, Chang started to invest in

Huanglong jade. He hasn't looked back since.

Chang's success story began in 2004 when he was 25 years old. Two businessmen from Guangxi found an attractive yellow-colored stone near Longling. They were interested in collecting more samples and Chang agreed to help them. He paid a local farmer 300 yuan for one piece of the stone, and sold it for 500 yuan. What he had stumbled upon was a valuable repository of Huanglong jade.

He later discovered he could turn 1,000 yuan into 2,000 yuan buying and selling the microcrystalline silicates and saw a huge business opportunity. He opened his first exclusive Qingfeng Jewelry Shop to sell the Huanglong jade in Baita Shuixiang Market, a specialist trading venue, in Longling in March 2006.

"At that time, I had accumulated 200,000 yuan from the 300 yuan investment in my first piece of Huanglong jade," said Chang.

Huanglong jade, first discovered in Supa River in 2004, is a

high-quality mineral enjoying equal popularity with Hetian jade and emeralds in China. The principal color of the stone is yellow with red, bluish white, black and other traces.

In Chinese traditional culture, yellow represents dignity and elegance and was the official color of the imperial family, said Mo Tai, a jade expert.

"A high valued jade is famous for its mellow, translucent and flinty texture, and Huanglong jade has all these good characteristics," said Mo. Huanglong jade attracts people with its soft luster, and there is a plenty of scope for it to appreciate in value, he added.

Huanglong jade ore has recently been selling at more than 10,000 yuan per kilogram. Bangles made from it cost about 1,000 yuan each. In Chang's opinion, the market price of Huanglong jade is only 10 percent of its value. That means, for instance, a 100,000 yuan sample of Huanglong jade today could be sold at 1 million yuan in the future.

Yang Huren, a farmer from

Longling, told China Daily that the annual income of his family of six people was only 5,000 yuan when they relied on farming for an income. He started to sell Huanglong jade ore in 2006 and, thanks to the fast rising price, Yang earned more than 60,000 yuan last year, enabling him to buy a van.

Many farmers in Longling have become rich by trading Huanglong jade. Their living conditions as well as the local infrastructure have improved considerably. Most of the farmers have bought motorcycles or vans. They moved to brick-made buildings from adobe houses and they could afford televisions, washing machines and fridges.

The local government has been exploiting the resource since 2004. An industry involving Huanglong jade mining, processing and trading has grown rapidly in Longling. Research shows there are more than 600 private companies involved in the business, with 40,000 to 60,000 employees. Between 20,000 and 30,000

of them are outsiders mainly from Fujian, Henan, Shanghai and Guangdong.

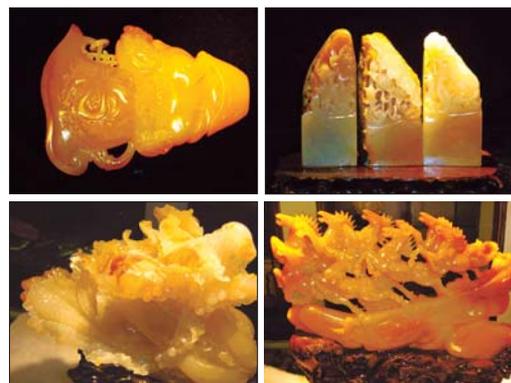
According to local policy, if a company's total sales of Huanglong jade are more than 100 million yuan after public auction, the company should give 24 percent of its income to local farmers, and use 6 percent to maintain the mines. Meanwhile, the locals can annually get 800 yuan per mu (0.067 hectare) of their contracted mining area from the local government.

Investors in Huanglong jade were mainly from Guangdong and Guangxi previously. However, coal mine owners from Shanxi have begun to invest in it since the beginning of this year, injecting 50 to 60 million yuan into the industry. And after the readjustment of the nation's real estate policy, investors from Zhejiang and Liaoning moved their capital from the property market into Huanglong jade.

Huanglong jade mines are mainly located in Xiaoheshan and the Supa River area in

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MO TAI, JADE EXPERT



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Huanglong jade's prices have jumped rapidly in the past five years as its popularity with collectors grew.

Longling. Its reserves are put at 420,000 tons. The distribution area of high-quality Huanglong jade ore in Xiaoheshan is about 2 square kilometers while the

whole mine area is almost 40 square kilometers, according to Hou Desheng, the chief executive of the Huanglong Jade Industry Association.