

SHENG TAI'S 5-STAR EXPERIENCE ROCKS!

Asian Property Review chats with Nicholas Leong, General Manager, Sheng Tai International Sdn Bhd on Sheng Tai's business model and achievements.



Nicholas Leong

1 Please elaborate more on your property tour packages in Malaysia. How does it work and its success rate? Do you also help your foreign buyers to apply for MM2H residency?

Ninety-five per cent of our buyers are foreigners whom we offer our customised 5-star Sheng Tai property tour to Malaysia. The aim is to make them fall in love with Malaysia. Once they fall in love, they would want to buy property and stay here. So, we don't just sell empty space but the Malaysian lifestyle and culture.

Every month, about 400 prospective foreign buyers come on our tours. Once they come out from the airport, it's all the way the 5-star Sheng Tai experience, with white princes and princesses at their service. They are dressed in white to represent our company's integrity, passion and sincerity.

We take them to eat local delicacies for example char kway teow, bak kut tei because food is the first in the menu. After that, we take them to their 5-star hotel. During the 4-day 3-night stay, we take them to visit our partners' as well as our own developments. The costs is all borne by us.

We have property presentations and closing sessions with lots of food in between such as beachside BBQ party, hawkers' delights, musang king durians, etc.

We also help them to apply for MM2H should they require the service.

2 With the recent confusion and uncertainty surrounding Country Garden's Forest City project, how do you think this would impact on foreign investors' appetite for Malaysian properties, in particular Chinese Mainlanders and Hong Kongers?

In our opinion, there might be a lot of miscommunication among the different stakeholders, perhaps some might even be misquoted, and maybe the news is also sensationalised.

I believe if the information is better clarified, there would be less confusion. But it will take time to clarify to the public. In any case, I am fully confident of the government's handling of this issue.

Malaysia needs Foreign Direct Investment (FDI) badly and foreigners irrespective of nationality bring in hard cash. It's an effective and genuine way to boost the Malaysian economy.

Some media reports seem to suggest that Malaysia will ban the sale of properties to foreigners; this is inaccurate, if the foreigner follows the proper procedure to buy property, the transaction is still legal, even more so if the foreigner has obtained the 10-year MM2H visa (Malaysia My 2nd Home). The visa qualifies the visa holder to buy property here.

To date, Sheng Tai is still seeing many potential buyers from Hong Kong and China, Japan and South Korea. For example in August, we welcomed over 300 foreigners. So, the confusion has a minimal impact on the appetite of foreigners for Malaysian properties especially for investment purpose.



“ Some were so enthusiastic after our five star hospitality that they buy multiple units and recommend to their friends. So, we get a lot of repeat sales ”

The latest update is that the Cabinet will look into this matter. But as far as we are concerned, property tourism and investment grade products are still a hit with foreigners. It is still premature to make a conclusion now as Prime Minister Tun Mahathir Mohamad has clarified that Chinese and all foreigners are still welcomed to buy Malaysian properties; just that there is no automatic residency upon purchase.

3 What current projects are you selling?

1. Regalia Beachfront Residence, Tanjung Kling, Melaka
2. AMES Hotel suites, Ayer Keroh, Melaka
3. MetraSquare Serviced Suites, Ayer Keroh, Melaka
4. NOVO at Jalan Ampang, KL
5. DC Residensi in Damansara Heights, KL

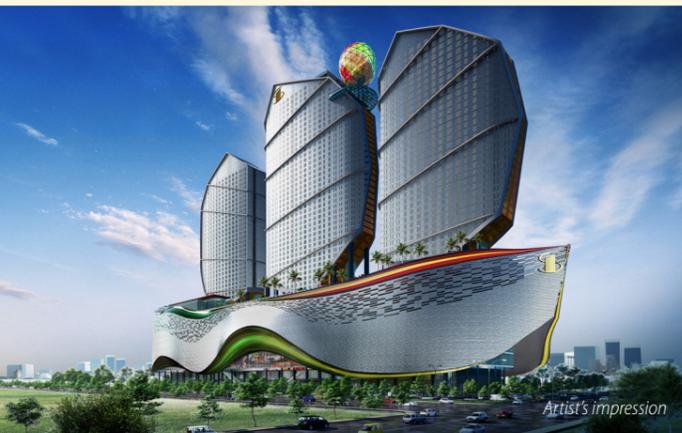
Our properties are very attractive in terms of investment or GRR terms and are supported by top notch hospitality, for example, our LSL Group of Hotels partners with Alorie Hotels and Resorts to manage our hotel properties. Alorie has about 46 years of hospitality experience globally.

4 Your next overseas market is planned for Seattle in the United States. Why Seattle?

There are about 725,000 residents in downtown Seattle in 2018, comprising 65% Caucasians and 14% Asians. As the biggest city in Washington State and Pacific Northwest region of North America, it has one of the fastest growth rates in the US at 3.1%. Seattle's economy is comparatively very strong – it is a hotbed for startups especially new economy internet and technology, and green tech. This is where Starbucks, Amazon and Microsoft started.

We have established some contacts there which enables us to penetrate the Asian community market. It makes sense for them to buy in Southeast Asia, particularly Malaysia since they are from Asia. We are still in the midst of expanding our network and channels there; and are preparing resources in Malaysia to support our Seattle office.

During our past trips, I have met some Malaysian agents, businessmen and workers working there. From there, we discovered there are many Malaysians who



The Sail, Kota Laksamana, Melaka



Melaka Dynasty City (MDC), Ayer Keroh, Melaka

are long-time residents in Seattle and who have not bought any property in Malaysia.

We will adopt the same Hong Kong/China marketing model for Seattle with some slight adaptations to cater to the different culture, just like how we adapted our marketing strategies for the Japanese and Korean market.

From 2019, we intend to go full steam to finalise some partnerships there including potential marketing agents and projects.

5 What are 5 key factors to securing sales with foreign investors?

Sincerity, integrity, passion, sound and proven packages, and 5-star hospitality.

6 What is Sheng Tai's vision for the next 5 years?

We started off as sales agent, then became white knight, and now developer (we have developed properties in Cameron Highlands in Pahang and Perak), so our experience is very diverse. In the near future, we are poised to become a niche developer specialising in key investments and overseas markets. In line with that, we plan to expand our share in the local market especially in the residential and commercial sector.

In terms of hospitality, we plan to expand to cover the luxury hotel, business hotel as well as resort segment, for example, the upcoming Regalia Beachfront Residence and Nyra Hotel.

Other future developments include The Sail in Melaka covering 20 acres of land near Impression City in Melaka. The mixed commercial development is expected to be officially unveiled end December 2018. The Sail concept is inspired by the Belt & Road Initiative and it makes sense to make the sail concept due to the maritime activities in Melaka – as an iconic building, it can represent not just Melaka but Malaysia.

We are also in the midst of developing Melaka Dynasty City (MDC) in Ayer Keroh, Melaka, which has an estimated gross development value (GDV) of RM2.5 bil. It's expected to be unveiled by 2nd Q, 2019.

We are also working closely with another big player, Bina Puri in a joint venture to build a mixed development comprising SOHOs, serviced apartments and wellness centre in order to attract more foreigners to invest.

Melaka is well-known for medical tourism – one of China's most famous hospital brands, Huaxi is in the planning stage. We have a major stake in providing the services which will be built 10 mins away from the Ayer Keroh toll gate.

7 What's your opinion of Finance Minister's Lim Guan Eng's recent call to developers to lower prices in view of the abolition of GST? Would this mean a new era of lower or more sustainable prices in Malaysia?

It's too early to tell if prices will fall as the new tax, SST took effect only recently. Major building materials



Buyers booking their units

such as steel bar cement, concrete and bricks are exempted but the truth is some elements, for example, compliance costs, cost of land and labour might offset the exemption. Typically, construction services and building materials take up 50- 65% of the total cost of development. Land makes up between 15 -25%; compliance costs 10 -15%; marketing, management and finance about 7 -12%. Of the total building materials cost, bricks, cement and steel make up only 20 -30%, so total savings may only amount to 1 -2% overall.

According to REHDA, the cost of owning a house might be reduced slightly as it is a single stage consumption tax applied on importers and manufacturers of building. The new tax implementation is still at the observation stage but we foresee at least some changes in property price and we expect to see positive response from the market if all factors are in favour such as the policy, economy, rate of foreign investment into local property market, better transparency, and key policy changes (e.g. easing of housing loan requirements).

8 Sheng Tai's top achievements so far?

(a). **White knight story** – we took over 2 large abandoned projects in Melaka a few years ago. Instead of following the norm when reviving such projects, we honoured the previous contracts with buyers and did not cancel the promised Guaranteed Rental Returns nor ask them to pay extra. We resolved amicably all the

issues such as court cases, banking and contractor issues and even added tremendous value such as beautifying and bringing in an international hospitality company, and pursuing a new branding exercise. Of course, the buyers were all very happy! Our business model is to convert parts of these abandoned projects into hospitality types and luxury stay units and then renting them out to generate income to give back to investors.

(b). **Property tourism and ownership model** – Our CEO, Dato' Leong Sir Ley believes that the Belt & Road Initiative (BRI) will bring in a wave of Chinese investments and Malaysia will be a big beneficiary, particularly Melaka. She believes that the world views Malaysia as an investment and retirement destination; many people from Hong Kong and China like to invest here. That's why she took on the task of promoting Malaysia to them. It's not just property she promotes, but more importantly, she promotes Malaysian beauty, culture and lifestyle, thus effectively becoming something of an 'ambassador' for Malaysia.

As a result, we receive an average of about 400 guests from Hong Kong and China every month coming to Malaysia to experience its culture first-hand. Once they fall in love with Malaysia, naturally, they want to invest here. Some were so enthusiastic after our five star hospitality that they buy multiple units and recommend to their friends. So, we get a lot of repeat sales.

This strategy works so well that a lot of our competitors are mimicking them. We have been around in Hong Kong since 2012 so we are pretty well-known there and our reputation is getting stronger there by the day.

We also have Q & A sessions for the buyers where our experts like bankers, lawyers, accountants, project managers and tax experts are on hand to answer questions.

We want to make our buyers feel at home, like part of a big family. It's not buying property anymore but a total experience.

What makes us different is our services, sincerity, integrity and passion.

'Come and join the Sheng Tai experience and you will never forget it in your lifetime!' – That's our aim.

HKGERS LOVE MALAYSIA!

1

HO YEE MAN | *Tuition teacher*

"I found out about Sheng Tai property through a brochure that my husband brought home one day. We chose Malaysia to buy property due to the similar culture, language, food and the people here are very friendly. The weather is also great, it's not crowded like HK and medical costs are far cheaper than HK. I have already bought 3 properties in Melaka (managed by Sheng Tai) and is considering buying a fourth one.

Among all the countries in Asia which we were considering, we picked Malaysia because it's the cheapest and we have more confidence in the country after the recent change in government. Japan has earthquakes, tsunamis, etc, while there were language barriers in Thailand. Singapore is very expensive so Malaysia is the best option among all Asian property markets. Besides, we have also applied for the MM2H visa which allows us 10 years of residence plus other benefits. We will definitely consider retiring here.

It's also very convenient in terms of our transportation from Hong Kong, It takes only 3 ½ hours to fly here and from the airport, it's very convenient to take the train to the city."



2

ERIC WONG CHUN MING | *Property agent*



"Sheng Tai is quite well known in Hong Kong. HK property is very expensive and sought after. And you can't buy separate hotel suites in HK – you would need to buy the entire hotel. So, when we saw hotel suites being offered in Melaka with Guaranteed Rental Returns, full management plus buyback options above market value, we thought it was a great deal. There was very limited downside for us.

So we came here to view the property and meet the developer to ensure that this is a genuine investment. After all our questions were answered and after experiencing with our own eyes their hospitality and service standards, we were convinced it's a deal that we shouldn't miss.

In Hong Kong, investing in shares is a big risk and most people lose money. It's also very difficult to do business in HK – not only is the rental expensive, if your business is thriving, the landlord will increase your rental further.

As a result, I am considering doing business in Malaysia. We have friends who opened businesses in Malaysia and did very well. Seriously, there are golden opportunities for business in Malaysia.

As I have 2 young kids, I intend to apply for MM2H and then settle down here to do business. I believe in 10 years' time, Malaysia may become very prosperous, but by then it would be too late to invest.

Right now, for the same price of a 120 sq ft parking lot in HK, you can buy a luxurious 1,600 sq ft apartment in a prime area in KL. KL is very nice and advanced unlike about 15 years ago. I believe Melaka will eventually become very developed like KL and Penang. Prices are still very low now in Melaka so it's the best time to buy and especially so after the change of government. It has given us more confidence."



WHAT'S IN A 5-STAR RATING?

Asian Property Review talks to Balachandran G. Pillay, VP (Operations) of Alorie Hotels & Resorts on his experience running 5-star hotels around the world.

"I have spent 30 years in China running several 5-star hotels including Intercontinental Hotel (General Manager), and Crowne Plaza as well as business hotels, golf resorts and conference centres. I have also worked in Germany, Canada and Malaysia.

It's an advantage being a Malaysian because our multiracial and multicultural background makes us more tolerant of people. The problems running a 5-star hotel is the same everywhere.

In Malaysia, the main problem is human resource. The local staff are not exposed to 5 star hotel practices. Of course, the solution is training.

For example, for Sheng Tai's 4-star 600-unit Hotel MetraSquare, we have about 300 staff, sourced mainly from the surrounding area. We ensure they get the right training.

Hotel MetraSquare is next to the 5-star AMES Hotel which will officially open next year. I believe it's the only combo of 4-and-5-star hotel in Melaka town located next to each other and sharing some facilities like the 700-capacity ballroom.

Hotel MetraSquare has just opened recently and is already averaging 70% occupancy. Once we have a full marketing and sales team, we are confident of higher occupancy and net profit, with guests coming mainly from overseas.

Nowadays, the definition of 5 star hotel has become rather fluid due to guests' reviews on OTA (Online Travel Agencies) like Tripadvisor or Booking.com.

Technically, to be a 5-star hotel, you need a minimum of facilities such as swimming pool, lounge, bar, specialty restaurant, etc. But nowadays the guests are the ones who give the rating, for example, even a 2 or 3-star hotel can be considered 5-star if the guests say so. In conclusion, whether a hotel is of 5-star quality boils down to attitude which is reflected in the guests' reviews." ■



Artist's impression of Hotel MetraSquare