



OFFICIAL REPORT

THE PEOPLE'S REPUBLIC OF
CHINA



**China and the United Kingdom:
A Golden Era of Partnership**

PUBLISHED BY FIRST TO MARK THE STATE VISIT OF HIS EXCELLENCY
XI JINPING, PRESIDENT OF THE PEOPLE'S REPUBLIC OF CHINA

FIRST

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Official Report
produced to mark the
State Visit of H.E. Xi Jinping,
President of the People's
Republic of China to the
United Kingdom

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A UK hub for Asian investment

By **NICK LYNE** AND **ALASTAIR HARRIS**

SENIOR STAFF WRITER AND PUBLISHING EDITOR, FIRST

Advanced Business Parks is investing £1.7 billion to develop the 35-acre Thames-side expanse of the former Royal Albert Dock

Thinking big: ABP's flagship development in Beijing

Having established itself as one of China's most successful large-scale business district developers over the last decade, ABP is now undertaking the biggest real estate development by a Chinese company in the UK as it seeks to turn an historic Victorian dock in East London into an international business hub to bolster trade links with Asian markets and attract new companies from there to set up European HQs.

Advanced Business Parks, founded in 2003 by Xu Weiping, is investing £1.7 billion to develop the 35-acre Thames-side expanse of the former Royal Albert Dock, a few miles downstream from the centre of London in the borough of Newham, where it aims to build around 4.7 million square feet of office, residential, retail and leisure space through to 2025.

In a city as 'fashion forward' as London, it pays to make an impression, and Mr Xu, as he is universally known, has become a familiar figure in the business pages of the British press, thanks to a fondness for colourful designer suits, collectable watches and luxury cars. There is steel behind the style, however, and the former engineer, who grew up against the backdrop of China's Cultural Revolution and made his initial 'fortune' selling electric fans during the country's first flush of capitalism in the 1980s, says ABP will use up to £500 million of equity money and some £1.2 billion in finance to fund the project, depending on how many units it sells early on, the idea being to funnel this money back into developing the later stages.

"We want to attract high-quality businesses from China, from the rest of Asia and Europe across a range of sectors, including high tech, science, innovation technologies, and finance. But our development will also have a strong emphasis on culture, art and leisure for those business people working here," says Mr Xu, citing the 'executive clubs' – including a multi-storey, largely subterranean, fine wine emporium – that are a feature of the company's Beijing flagship.

Made in China

ABP's business model, pioneered in Beijing, is based on finding undeveloped land on the margins of fast-growing cities that local governments are keen to develop, then building on a large, cost-effective scale, creating new business districts with their own 'economic gravity' in the process.

"Our success is based on moving away from central business districts (CBDs). Traditionally, in the city centre, because of the costs, we had to increase the height of the building or pull in more investment – but we changed that approach," explains Mr Xu, adding: "We moved the CBD to the outskirts of the city, because it has a better ecosystem and less traffic, enabling us to lower the investment and service costs."

ABP calls this the 'headquarters economy' – the literal translation of the company's name in Chinese. As ABP's Vice Chairman, and CEO of ABP London, Nancy Xu, explains: "It's a model designed to appeal to China's expanding small and medium-sized businesses, giving them the opportunity to own their own building outright. It also gives larger companies the chance to open regional offices in key cities, at a fraction of the cost of city centre schemes. For a company growing up to a certain stage, it is important to show confidence and project a brand image to the market: owning your own building is very important and can be done for the same cost as renting," she adds.

This strategy of focusing on the businesses of the future rather than those of the past is echoed by the company's founder: "There are many companies not ranked in the Fortune Global 500 which have also made a major contribution to the world economy and have enjoyed rapid growth, which is why ABP decided to focus on serving those companies by creating new business parks tailored to meet their needs."

ABP already owns four business developments in China, all on a much bigger scale than the Royal Albert



Dock project. The company's first, and to date only, completed scheme, in Beijing's Feng Tai district on the city's fourth ring road, consists of more than 400 individual office buildings. It was built in just 10 years and all units had been sold by the time it was completed in 2013, with some 60,000 people now working at the site, according to ABP.

By contrast, ABP's Qingdao scheme, around 500 miles southeast of the capital, benefits from its immediate proximity to the city's airport and is made up of around 800 buildings, of which around a quarter have already been built. The scheme is due to complete in 2019, and Mr Xu says around 40 per cent of the units have now been sold. Like the company's Maya Island Hotel in Beijing – an agglomeration of seven interconnected buildings topped with ziggurats and decorated throughout with replicas of Mexican artefacts from the country's ancient Maya civilisation – the architecture of ABP Qingdao was inspired by Mr Xu's travels: in the latter's case, London's neoclassical facades and Georgian terraces. Some of the development's office buildings also include luxury penthouses for the use of visiting company executives, an approach ABP is keen to replicate in London.

Some 900 miles south of Beijing, in Mr Xu's home region of Zhejiang, a vast new project is taking shape on the outskirts of the city of Haining that will be home to some 2,000 units spread over 12 square kilometres. "ABP Southern Yangtze taps into the rapidly expanding Zhejiang region, which is dominated by Shanghai, and is one of the country's wealthiest," explains ABP's Vice Chairman, Nancy Xu. The region also boasts the country's most developed private sector, whose entrepreneurs are widely predicted to be the main engine for growth in the new, post-slowdown, consumer-driven China.

"This is where we're developing our factory store concept – rolling offices, retail, design and production into one – providing office and development space for the mass of manufacturing sectors located nearby," adds Ms Xu.

Individual offices are complemented by nearby retail outlet stores, where products can be displayed and sampled, tapping into what ABP calls the Online to Offline (O2O) offering: an offline [physical] experience combined with an online delivery that gives customers greater confidence in the quality of the product, as well as facilitating customisation to the client's specifications.

ABP's fourth project is in the northeastern city of Shenyang, where the company is building more than 2,000 office units, of which more than 400 have been built, and the majority already sold. This is perhaps ABP's most bullish undertaking, given the decline of the region's traditional heavy industries and the recent slowdown in the Chinese economy. Home to seven million people, Shenyang is in the process of transforming itself from an industrial centre into a hub

for service industries and R&D, but this is not a process that is likely to happen overnight.

Confidently rebuffing concerns about oversupply of office space in Shenyang, Mr Xu says his model of selling smaller units will allow all his projects to ride out the problems that may hit the Chinese economy in the coming years. Nevertheless, his decision to set up shop in London seems an astute one.

Friends in high places

John Miu, COO of ABP London, who is overseeing the Royal Albert Dock project, says ABP's experience is that local governments are keen to cooperate, providing infrastructure to accompany schemes that generate millions of pounds in business taxes, as well as local employment.

As in China, the local authority in London responsible for the Royal Albert Dock, Newham Borough Council, is keen to attract this kind of investment. The site is one of the largest undeveloped areas in London and has been a major headache for the city, resisting 30 years of attempts at regeneration. The plan has the backing of Newham's Mayor, Sir Robin Wales, who points out that rising demand from tenants as Britain's economy continues to recover, combined with a backlog of planned developments, is pushing up rents and creating a shortage of supply in Canary Wharf a couple of miles upstream. Mr Xu believes that the Royal Albert Dock will eventually add about £6 billion to the British economy and transform the area into "a world-class international business district." Sir Robin says the project will not repeat the "mistakes" of Canary Wharf, describing the 1980s development as "symbolic of a divided London, with a rich, cosmopolitan workforce largely cut off from some of the capital's poorest neighbourhoods."

City within a city

Royal Albert Dock was the United Kingdom's largest purpose-built dockyard when completed in 1880, at

ABP's development of the Royal Albert Dock will eventually add about £6 billion to the British economy and transform the area into 'a world-class international business district'

Working on water: ABP is keen to highlight the leisure and amenities aspects of its Royal Albert Dock project



the height of the British Empire. In its imperial heyday, it was the country's most modern waterfront, the first to use electricity, and equipped with cutting-edge cranes and steel winches that unloaded tobacco from the United States and fruit and meat from continental Europe. But by the 1960s it was becoming outdated and couldn't handle container traffic, finally closing in 1981. Coincidentally, the area is also a stone's throw, in London terms, from the site of the city's original Chinatown, at nearby Limehouse.

Within a decade, Mr Xu says, this symbol of post-industrial decline will be transformed into a 24-hour 'city within a city'. Local residents will also be able to enjoy around half a mile of waterfront, along with eight new public squares, a dockside promenade and green links throughout the site. ABP has proposed to develop just over 20 per cent of the site for residential use, with an indicative maximum of 845 units given in the outline planning application. "A mix of uses, particularly residential, is critical to creating and sustaining a 'sense of place'" and "residential development is very important to create vibrancy and activity," according to Mr Xu.

When complete, Royal Albert Dock will have some of the best transport links in the capital, with direct access to central and west London via the new Crossrail station, opening in 2018. It also benefits from close proximity to the University of East London, the ExCel exhibition centre and City Airport ("the only airport in London," as Sir Robin Wales is fond of pointing out to Chinese dignitaries), providing direct links to Europe's key business destinations.

ABP has already received more than 60 expressions of interest from Chinese companies in taking office space on the site and, earlier this year, ABP established First Stop London, a corporate landing service to help Chinese enterprises locate in the capital and access the support they need to succeed. At the same time, Mr Xu says he is reaching out to businesses from the UK and across Asia:

"It's not just for Chinese firms but for everyone. This isn't a Chinese business park: it's a global business park."

Attracting global investment

The same applies to potential investors. In July, ABP announced that Indian property company Strawberry Star Group was investing in the Royal Albert Dock, in return for equity.

"We have taken 8 per cent of the total equity in the main company for £40 million; that translates into 50 per cent of the residential element, which in turn accounts for 16 per cent of the main scheme," says Santhosh Gowda, Chairman of Strawberry Star Group.

Strawberry Star is also behind the Hoola development in the adjacent Royal Victoria Dock, where it is building two large residential towers.

At the official sales launch of the Royal Albert Dock project in June, more than 10 businesses from the UK and Asia signed confirmation agreements, each paying a £50,000 reservation fee to secure office space in the first phase of the development, in advance of construction work starting on site later this year.

Among the first occupiers are companies operating in the life sciences, high tech and financial sectors.

Building bridges

As part of its mission to promote international trade through the Royal Albert Dock project, ABP has set up what it calls the ABP International Alliance. "The purpose of the Alliance is to build a platform of cooperation and communication for enterprises in the UK and China, to assist businesses to expand into new international markets and to take advantage of opportunities emerging through the strengthening of trade relations between the UK and China," says Mr Xu.

The transformation of the Royal Albert Dock into a hub for Asian investment adds a new dimension to London's strategy to strengthen its global standing in the 21st century. At the same time, Mr Xu's project fits perfectly with the Chinese government's One Belt, One Road policy to rebuild the country's historic Silk Road trade links with Europe and Asia, extending its global influence by financing infrastructure projects abroad, while winning new markets for companies weighed down by profit-crushing overcapacity at home.

With a foot in both camps, Mr Xu believes he is once again well positioned to reap the benefits of the next phase of China's development: "ABP has every confidence in the development of the Chinese economy – and at the same time, the company is conducting its own transformation."

The transformation of the Royal Albert Dock into a hub for Asian investment adds a new dimension to London's strategy to strengthen its global standing

Holding court:

Back (left to right): ABP London COO John Miu, Director City Account of Siemens, Mark Jenkinson, GLA Director, Strategic Projects & Property, Simon Powell, ABP Vice Chairman Nancy Xu, CEO of London Borough of Newham, Kim Bromley-Derry. Front (left to right): Vice Mayor of Haining City Hu Yanzi, Mayor of London Borough of Newham, Sir Robin Wales, ABP Chairman Xu Weiping and Chair of Chinese People's Political Consultative Congress Zhang Weifen

