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UNLOCKING THE LOCKDOWN

HOW CHINA'S DATA CENTRE ECONOMY WILL GROW IN THE POST-COVID-19 ERA



After years in the real-estate industry, Qingyuan Li became CFO of Chayora last year, where she has watched China lock down for Covid-19 and then come back to life. Data centres are vital to recovery, she tells Alan Burkitt-Gray.

As China gradually, cautiously emerges and recovers from its Coronavirus lockdown, it's clear that video streaming, e-commerce, games and other businesses that rely on data centres will be in a stronger position, says the CFO of Chayora, Qingyuan Li.

The whole nation, 1.3 billion people, was locked down from early January until late March. People "had nothing to do but watch videos, play games", she recalls. They relied on e-commerce and home delivery, but the occasional breakdowns meant that, once the pandemic is safely over, new investment will follow.

"I can see you are still in lockdown," said Li when I interview her from my home office in London. "For me and my colleagues, we are back in our office. In the whole of China, different places are restoring to normal business one by one."

Sitting in on the interview from Hong Kong is Chayora's CEO, Oliver Jones, who headhunted Li early last year. "We're expecting there to be a massive step up in demand for us, both domestically and internationally," says Jones. It's now proven "that we need the digital infrastructure more tomorrow than we do today".

Li says: "China has done a great job containing the virus and getting people's lives back to normal." But the lockdown was two months long, and "this is a very short-term impact", she says. "Over the mid to long-term it has brought much better results than we ever expected."

Now, "the interest will grow, the money will flow into this space," she adds. The crisis "will result in various policies from the government side, from the financial side, from the investor side".

During the lockdown, one of the largest video streaming and games services broke down, "because the whole nation was trying to hook on to it", she recalls. "They know they have to expand their capacity, not in a linear fashion but in an exponential fashion. They know they have to prepare for investment, and get more data centre capacity."

And the locked-down people in China survived with the aid of e-commerce. "Our lives can really survive by a few clicks on your keyboard. E-commerce companies are potentially very large customers for us."

Li joined Chayora last year after a long career in the real-estate industry. "I was



born in China, in Jiangsu province – that's the province encompassing Shanghai physically. I was educated in China until I finished senior high school." She went to university in Singapore, thanks to a grant from the government of Singapore, and later worked for a real-estate company, CapitaLand, which describes itself as "one of Asia's largest diversified real estate groups". Headquartered and listed in Singapore, it owns and manages a global portfolio worth US\$92 billion.

"It is not only a developer but also a fund manager," says Li. Its interests around the world include real-estate investment trusts and private equity funds. "I worked in CapitaLand for a couple of years in its Singapore headquarters, and then the Beijing office and the Shanghai



“The government’s new infrastructure stimulus plan focuses on “data centres, together with 5G, AI, and others

office,” says Li. “I started my career as a finance manager and later I moved to the investment side, making land acquisitions and also managing the private equity real-estate funds in China.”

Among the funds Li has worked for are Harvest Real Estate Investments, a real-estate private equity fund manager focused on China, and LimeTree Capital, where she was China COO and CFO.

“Other than working for a real-estate fund I also worked for Merrill Lynch and also Credit Suisse in investment banking – usually doing pre-IPO investments in companies, in real estate and infrastructure sectors.” Later she studied for a master’s in business administration at the University of Chicago.

“Immediately before I joined Chayora I specialised in a very niche real-estate sector – investing solely in car parks in China. Very niche.” It managed “several hundred million US dollars” worth of funds and focused “solely on car parks,” she says. “China is big and the market is huge.”

Chayora headhunted Li for the CFO role there. The company, which is backed by Actis Capital, a London-based emerging markets investment firm, focuses on hyperscale scalable data centres and data-centre campuses in China.

“My role in Chayora is a natural extension of this previous work in the fund space,” says Li. “But what’s different between Chayora and the other platforms I’ve worked for? This is the hottest, brand new sector now in China. Everyone wants to lay their hands on it. Some are successful, some are not so successful. This is the continuing nature of my career in the real-estate space in China.”

Did Li know about the data centre industry before she went into it? Had she studied it? “Certainly not,” she smiles over the Zoom screen from Beijing. “I had never really paid attention to the international data centre industry until about two to three years ago because I was in the niche car-park business, so I tended to look at them as a cluster of new niche asset classes.”

But then she made a small personal investment in Keppel, a Singaporean corporation that invests in data centres. “I didn’t know that!” chips in Jones from Hong Kong.

And did that make her interested in the industry? “In a way, yes,” she says. “I always like to watch, from a real-estate fund angle, what would be more interesting, new ones, interesting ones, those that are not just real estate, but are real estate that connects with people’s lives and technology.”

Not just core real estate, in other ways. “Nowadays, when people talk about real estate it’s always a crossover with technology, with people’s lives, with artificial intelligence. It’s really the trend now. That’s where I come from.”

But she joined Chayora only in May 2019, “so I’m still learning”, she smiles. What are the big things she’s learned? What are the surprises in the industry so far? “Surprises? From what I observe in China, I’m quite amazed at how this sector is attracting attention from both the government side and private investor side.”

She quotes an example from March, “when the Chinese government announced a stimulus plan to basically restart the economy and put the economy back in the fast track”, she says.

The government’s new infrastructure stimulus plan focuses on “data centres, together with 5G, artificial intelligence, industrial internet, high-speed rail, the smart power grid”, notes Li. “This is the new infrastructure identified by the Chinese government. So these few sectors are targeted, as a solution not only for restoring the economy of China but to take the Chinese economy to the next decade. Hopefully.”

This is a government push and “we are in this sector at the right time”, she says about Chayora. “In the data centre space there are various private investors, private funds, eager to get in this space. This is something I find very comforting. You realise they’re not for the short term, they’re for the long term, always there, no matter what happens.”

In practical terms, Li mainly works from Beijing, but “Oliver travels globally. He’s a very busy man,” she says. “We have our headquarters office in Hong Kong, but Oliver goes to other places to meet potential customers. And of course he comes to Beijing very often.”

Jones grumbles: “I’m in enforced quarantine in Hong Kong at the moment. Our headquarters is here. We have a small team, and the COO is here as well. We’re either in Beijing or Hong Kong or on the telephone.”

He adds: “Qingyuan has great insight into the China perspective. You can see why we asked her to join us.” As Qingyuan says, we’re focused on a very big market, and it’s got very big government support to get the whole economy going again, and we’ve got some significant resources from our investor.”

What’s been the effect of the virus? Jones hopes that Chayora is not losing more than “two to three months” on its projects. “And – fingers crossed because, you know, who knows where this is going? – we are very hopeful that the West – the US and Europe – will replicate as soon as they are able to many of the good things that we’ve seen in Asia. Hopefully we’ll see getting back to normal in a couple of months’ time.”

And Li, what does she see ahead in the long term? Does she want to be CEO? “No,” she replies. “In the past 20-odd years I have always been working in a position that combines real estate and capital. That’s my strength and also where my experience lies. The data centre sector is fundamentally real estate plus high technology. Plus, it’s a massive capital business. I am at home here in the long term.”