

Crackdown on project delays

\$17m 'fine' imposed on developer

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In a new get-tough attitude towards property developers who appear to be delaying projects in a dull market, the Government is to impose a \$17 million penalty on one company.

The penalty, or premium as it is officially called, indicates a swing away from the Government's previously lenient policy towards those who fail to complete buildings in accordance with the conditions of sale, analysts said yesterday.

The penalty is the second to be imposed on the develop-

ers of Shatin new town Lot No 15, which they were granted in a Letter B tender in 1977.

The developers failed to fulfil the building covenant last year and paid a premium of \$1.3 million for an extension to this year.

Now they have asked for a further extension from next month and the Government has told them they will have to pay \$17 million — an increase of more than 1,200 per cent on the original premium.

The lot, with a site area of 12,266 sq metres which required the surrendering of Letter Bs representing more than 300,000 sq ft of agricultural land and a premium, is estimated by analysts to have a current market value of around \$50 million.

It was granted to World Realty Ltd, a subsidiary of ChinaChem which has substantial investment in the New Territories, All Best Wishes Ltd, Him Fook Co Ltd, and Chee Sheung Indus-

trial and Godown Ltd in 1977.

In the building covenant, it was specified that the companies spend not less than \$25 million developing a building or buildings before last year.

A senior executive of ChinaChem said the companies had already spent more than \$60 million building eight 22-storey residential/commercial towers.

The executive said the delay in completion is because of technical reasons involving foundation works and the slow approval of plans.

The executive said they would appeal against the decision to impose a "premium" of \$17 million.

Furthermore, four of eight buildings had been topped out and the others are partially completed, the executive said.

ChinaChem said they would eventually spend some \$100 million on construction costs, four times the sum specified, and they had already written to the Government department concerned requesting a meeting.

Official sources said the Government had to impose the penalty, despite the larger sum being spent, because the buildings have not yet been issued with occupation permits.

Sources added that further failure to fulfil the conditions of sale could lead to the Crown "re-entering the site."

Meanwhile, the selling of residential properties in the New Territories is slow and there are reports of defaults in payments by home buyers.

Although buyers are obliged to make full payment on completion of the buildings, and many have forfeited their down payments, developers have not yet instituted legal action against them.