HK STANDARD 9 DEC 83

## $2.5B STANDBY FACILITY

# Land mortgages Phase One of Exchange Square

—by—
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**HONGKONG Land has mortgaged the Phase One of the Exchange Square, which is the last HK Land piece left free from mortgage, to secure a standby facility of $2.5 billion in a bid to lessen its current debt amounting to $14 billion.**

The seven-year facility is being provided by seven to eight international banks led by the Hongkong Bank, and the deal has been discussed for about only one week, the executive director of Hongkong Bank, William Purves told the Business Standard yesterday.

### Facility

However, he declined to reveal the names of the member banks.

Moreover, he also refused to disclose the interest rate and the terms of the facility.

Financial sources said about $18 billion of the $20 billion available facility for Land, including the sum signed yesterday, is on a long term basis.

David Davies, the chief operations officer of Land, expected the new facility will bring the total facilities available to the company to a level significantly above the group's $17 billion projected peak debt, which will come between 1985 to 1986.

However, financial sources expected by 1985 the HK Land's debt would hit $20 billion.

Mr Davies added that this facility would give the company greater flexibility in its future debt strategy.

~~They said Land's single~~ largest sum due will be the payment of $1.9 billion due on the Exchange Square site by the middle of next year.

~~Sources said the new~~ facility would not tie Land to one approach and lower the cost of borrowing.

Mr Purves said the Hongkong Bank is delighted to get this facility, which will improve the financial options available to Land.

Hongkong Land purchased the Exchange Square site at $4.76 billion in February of 1982, when the property market was on the verse of collapse. The granite-and-glass office complex will cost $6.5 billion.

In 1982, Land planned to rent the building at $40 per square foot, but now the company made a downward adjustment to $23 to $25.

In February this year, Hongkong Land started the first step of debt restructuring by rescheduling its short-term debts in a package that involves securing loans on properties, a move that is seen as a significant departure from past practice.

The company obtained a $4 billion eight-year loan facility from a group of 15 banks, led by the Chartered Bank and the Hongkong Bank. The loan, arranged by Jardine Fleming was the largest Hongkong dollar loan on record at that moment.

The facilities replace certain of Land's existing short-term lines and mean that the whole of the company's present borrowing requirements are met by medium to long-term facilities.

The loan is secured against four buildings from Hongkong Land's portfolio of long-term investment properties.

Since then, Land has sold a number of profitable assets in order to rescue itself from the mounting debt problems.

### Holdings

In March, the company sold its entire holding of 35.13 million ordinary shares in Hongkong Telephone for realising about $1.4 billion in cash, making a gain of over $400 million in its investment.

In October, it sold a 23-storey office building in Central Honolulu for US$59.6 million in cash.

In August and September, Land withdrew from several property development projects, including those with Far East Consortium and Carrian group.

In September, the company reported a net loss of $107.1 million in its current financial year and decided against declaring an interim dividend for the first time in seven decades.

The principal cause of the poor performance this year was the loss provisions totalling $429.6 million, which had been made against certain property trading projects in Hongkong, Australia and Singapore.