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$1.5b land deal to help China

The Government is planning to buy back 52 million square feet of farmland at Tin Shui Wai, near Yuen Long — and save China embarrassment.

The SCM Post understands that the Government is prepared to pay $1.46 billion for the land, which is mostly owned by a China-backed consortium.

A major objective is to ease financial pressures on the Peking-controlled China Resources Company in Hongkong which, according to some quarters, has over-committed itself by becoming involved in the giant development.

The land was bought in October 1980 for $600 million and the China-backed companies with their Hongkong partners originally planned to build a satellite city of 500,000 inhabitants — the largest private development in Hongkong.

Reliable sources have told the SCM Post that a "heads of agreement" for resuming the land has been drawn up between the Government and the companies participating in the consortium.

The Hongkong Government, the sources added, was asked by China to take the land back and save the embarrassment of China Resources having to offload it and lose money.

Chinese authorities had suggested that the Hongkong Government was to blame for reducing the viability of the original project.

The consortium, Mighty City, which is 51 per cent owned by China Resources, 25 per cent by Trafalgar Housing Ltd and 12.5 per cent by Cheung Kong Holdings, secured ownership of the land through another Chinese-owned company, Beehive Enterprises.

A Lands Department spokesman yesterday refused to confirm or deny the resumption deal, but limited himself to saying: "The issue is under discussion and no decision has yet been made."

The spokesman declined to answer whether the Government had already agreed upon a price.

Last week the Secretary for City and New Territories Administration, Mr David Akers-Jones, was reported as confirming that the Government had taken the decision to resume the land.

He was reported as saying the decision had been tabled before the Finance Committee but refused to give details, which he said would have to be established later.

Sources said, however, that the broad outlines, including the price, have already been established.

The Government is ready to buy back the entire piece of land for $1.46 billion, sources said, but will then return a portion of it, understood to be around one-fifth, and invite the consortium to re-submit plans for the development of the area as a Home Ownership Scheme estate.

The developer will take its profits from the development of the HOS estate.

The consortium's original plan was to develop the land into a new town for 500,000 inhabitants, with the projected engineering investment bill set at up to $10 billion.

This would have been the biggest development undertaken by Hongkong's private sector.

Earlier this year, however, the Government had decided to change its outline development plan for the area because it was felt it would seriously overburden the area's infrastructure — for example, roads and public transport.

Even now, with development restricted to one-fifth of the area, the infrastructure may not bear the strain of the new estate.

On other occasions, China Resources had bought several plots of industrial land in Kowloon Bay at high prices when the market was at its height.

The transactions turned

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$1.5 billion to save red faces

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out ~~to be ill-advised~~ as the property market dipped substantially soon afterwards.

The ambitious Tin Shui Wai development had also aroused opposition from villagers living there, who had threatened resistance to any development. Some had also demanded high compensatory payments.

Reliable sources said that when the burden of investment in Tin Shui Wai was added to the other problems, plus the fact that the huge project would have taken from about 10 to 15 years to complete, China Resources had clearly overstretched itself and senior Chinese officials opposed the company's continued involvement in the project.

It was said that Communist Party Vice-Chairman and one of China's senior economic planners, Mr Chen Yun, had suggested the money would be more wisely invested in the neigbouring Shumchun Special Economic Zone.

So the Hongkong Government was persuaded to step in, and long negotiations have taken place.

Partly in exchange, the Chinese authorities have agreed that they will guarantee a continued supply of rock fill from China for the Government's development projects.

There have been serious slowdowns in some Hongkong development projects because of a shortage of rock fill.

China Resources has good access to rock fill across the border, and is planning to expand the volume brought over by conveyor belt.

China Resources, which has never been incorporated in Hongkong, has undergone a reshuffle recently, sources said, a move connected with the company's involvement in the Tin Shui Wai project.

It is understood that staff have been recalled to China and newcomers posted here in their place.

The ageing general manager of China Resources, Mr Chang Kuan-dao, was replaced recently by Mr Chang Kin-wah.