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$1.1bn project is postponed

By Maureen Lee

CHUNG Wah Shipbuilding and Engineering Co has postponed its $1.1 billion joint venture project in Tung Kok Tau in Shenzhen because of uncertainties in the market.

The firm has also held back plans to develop hotels in Hainan, Shun Te and Tai Pin due to the steep drop in the occupancy rate of one of its two existing hotels in the mainland.

The company's managing director, Peter Wong, said its proposed industrial estate project could be scaled down because of an expected decline in demand for industrial space in Shenzhen. The project includes the development of cargo handling facilities.

Mr Wong said plans would have to be altered and the size of the industrial estate reduced in light of the adverse effects of the recent unrest in China on Shenzhen's industrial market.

But the group intends to proceed eventually with the project, owned by Chung Wah (49 per cent) and Shenzhen Marine.

"The two parties have not yet come to a mutual agreement on details of the development project. We have not been in touch with our Chinese partner since the turmoil occurred," Mr Wong said.

But he said he would soon go to China to discuss details of the project.

Under the original plans, a 1.6-million-square-foot site was to be allocated for the cargo handling area and about six million square feet for factory space.

Of the 22 industrial blocks to be developed within the estate, 15 would be factories and the rest warehouses.

The site is covered by a 30-year lease and the venture is to be bankrolled through project financing.

The first phase of the project involves construction of seven blocks which was due for completion in the fourth quarter of this year. But construction work has not yet started.

Mr Wong said Chung Wah's stake in the industrial estate would be held as a long-term investment.

Early this year, the company had estimated its investments in China would increase by more than 30 per cent, from the original 25 per cent of total assets.

But the bloodbath in Beijing would change this investment strategy, Mr Wong said.

The occupancy rate at the firm's 128-room Sino Trade Centre in Guangzhou has plunged to 50 per cent. But the 86-room Dongguan Hillside Hotel has begun to pick up, its occupancy rate reaching 80 per cent.