

Property Development Plan at the Northern Part of KCRC Hung Hom Station

Between January 1997 and August 2000, KCRC was engaged in discussion, on a no-commitment basis, with Cheung Kong (Holdings) Ltd. (Cheung Kong) arising from an unsolicited proposal by Cheung Kong to explore the development opportunities in respect of the area of land to the immediate north of Hung Hom Station (Millennia site), and adjacent to a site being jointly developed by KCRC and Cheung Kong (the Metropolis site) following an open tendering exercise.

2. Studies identified vehicular access difficulties, which could only be overcome if access could be secured through the Metropolis site, thus precluding a joint venture for the development of the Millennia site with any developer other than Cheung Kong.

3. Throughout the lengthy negotiations, KCRC and Cheung Kong did not manage to agree on the material terms and conditions of the development. As no binding agreement had been entered into at any stage of the negotiations, the question of KCRC suffering a financial loss did not arise.

4. It is also important to note that the KCRC Board had been fully consulted before the commencement, and regularly updated on the progress, of the negotiations with Cheung Kong.

5. Despite continuing negotiations throughout 1997 to 1999, the parties were unable to reach agreement on major issues, particularly in respect of the profit sharing and development mix, largely due to the rapid deterioration of the property market.

6. Notwithstanding further negotiations, the parties could not reach agreement on the key terms and conditions of the joint venture thus preventing a legally binding contract from being signed by the parties. Despite repeated requests on the part of KCRC at various stages throughout the negotiation, both parties did not manage to agree on the execution of heads of agreement. Negotiations finally ceased in August 2000.

7. After termination of the negotiations, KCRC began related preparation work in order to secure the relevant development permits with the intention of seeking another joint venture partner through open tendering.

8. At present, in view of the various railway projects, including the Shatin to Central Link, which may have some influence on the demand for property at Hung Hom Station, KCRC has decided that it would be prudent to undertake a full review of the potentiality of future property development at Hung Hom before any decision is made.

Kowloon-Canton Railway Corporation
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