

Land grant and other contractual arrangements for Ma Wan Park

The Government announced today (March 31) that it has executed a land grant at nominal premium to Ma Wan Park Limited (MWPL), a wholly owned subsidiary of Sun Hung Kai Properties Limited (SHK), for the development and operation of Ma Wan Park (MWP), which is a community project without commercial gain. To ensure timely delivery of MWP Phase 2 and good governance of the entire MWP, the Government has also entered into a Supplemental Agreement (SA) and a Management Agreement (MA) with SHK.

The Government and SHK signed in June 1997 a Heads of Agreement (HoA) that provides for the implementation of various developments on Ma Wan Island, including MWP.

Pending execution of the land grant for the entire MWP, the main facility in MWP Phase 1 (namely Noah's Ark, which is a multiplex centre with a hotel on the top floor) started operation in December 2008 on a short-term tenancy at nominal rent. The other major facilities therein include the Nature Garden (an ecological park) and Solar Tower (an education centre with solar telescopes). It had been the Government's intention to execute the land grant for the entire MWP when the way forward for Phase 2, the details and completion date of which were not specified in the HoA, was agreed with SHK.

The Government and SHK have been in discussions and have now reached an agreement on the completion of MWP Phase 2 as well as the financial and management arrangements for MWP as a whole. It has been agreed that MWP Phase 2 will proceed according to the Master Layout Plan approved by the Town Planning Board in 2014, focusing on preservation, restoration and renovation of the old Ma Wan Village for adaptive re-use. Old Ma Wan village houses will be revitalised into an artist village, with art studios, workshops, retail, and food and beverage places. Historic relics, including the Tin Hau Temple, the Kowloon customs commemorative tablet and stone tablet, and the Mui Wai rock inscription, will be preserved. It has also been agreed that the construction of MWP Phase 2 shall be completed within three years from the date of land grant.

"The Government looks forward to the early implementation of MWP Phase 2, which would contribute to our local and non-local tourism," a spokesperson for the Development Bureau said.

MWP, including both Phase 1 and Phase 2, is a community project without commercial gain. As set out in the HoA, the capital costs for developing MWP are subsidised by public funds capped at \$1,031.48 million, which is an amount determined with reference to the sum set aside from the land premium payable by SHK in 1997 for the site on which Park Island was developed. Phase 1 of MWP is operated, and the entire MWP upon completion of Phase 2 shall be operated, by MWPL on a self-financing and commercially sustainable basis, and

any net profit to be generated from the operation should be ploughed back into MWP.

Taken together, the land grant, the SA and the MA enshrine understanding between the Government and SHK on major aspects as follows:

(a) The entire MWP site (covering both MWP Phase 1 and Phase 2) would be granted to MWPL by a single land grant taking retrospective effect from December 31, 2008, when the main facility in Phase 1 started operation, up to December 30, 2029, at a nominal premium which is consistent with the nature of MWP as a community project. In accordance with established policy, renewal or otherwise of the land grant thereafter would be considered nearer the time of expiry and subject to mutual agreement between the Government and SHK;

(b) SHK shall complete and commence the operation of MWP Phase 2 within three years from the date of land grant;

(c) SHK can use a maximum of \$57.35 million for the construction of MWP Phase 2, being the unexpended balance out of the maximum spending cap of \$1,031.48 million for the implementation of MWP. SHK shall meet all the remaining construction costs of MWP Phase 2 exceeding the \$57.35 million out of its own pocket;

(d) SHK has returned to the Government a total of \$340.51 million, being the sum of the interest accrued over the years (\$339.31 million) on the unexpended balance of the amount set aside in 1997 and the pre-paid interest (\$1.2 million) on the \$57.35 million to be kept by SHK for the construction of MWP Phase 2. SHK has also returned to the Government savings from infrastructure expenditure (\$2.8 million) and from reduction in the number of village type houses required for the relocation of villagers on private land (\$35.76 million);

(e) While noting that MWP Phase 1 has hitherto been operating on a deficit, MWPL has agreed to set up a sinking fund to capture any net profit of operating MWP after deducting reasonable operating costs, and the sinking fund shall only be utilised for the maintenance, repair and improvement of MWP. The final (positive) sinking fund balance upon the expiry of the land grant (if not renewed) should be returned to the Government. As a goodwill offer, SHK will inject \$21 million into the sinking fund;

(f) The Board of Directors of MWPL should be expanded to comprise 10 members, of which five members should be nominated by the Government. The duties of the Government-nominated directors include monitoring the performance of MWPL, ensuring that MWPL operates and discharges its obligations and safeguarding the public's interests in relation to the construction, management and operation of MWP; and

(g) SHK, being the parent company of MWPL, has provided the Government with a Corporate Guarantee to guarantee MWPL's performance and in addition pay on demand to the Government the estimated costs (subject to a maximum amount of \$70 million) for remedying any breaches by MWPL, in the event of the Government exercising its right under the land grant to re-enter the MWP site

or its rights under the MA to assume responsibility for the maintenance and/or operation of MWP.

"The SA and the MA, which are both legally binding, provide solid ground to ensure the timely completion of MWP Phase 2 and the proper operation of MWP," the spokesperson said.

The Government, through the Secretary for Development, will nominate five persons drawn from government officials from relevant bureaux and departments as well as non-government officials with experience on community projects, to sit on the Board of Directors of MWPL. The Government aims to complete the nomination process in the next month or so.

Separately, an Advisory Committee comprising members nominated by the Government and SHK and operating since 2009 will continue to advise MWPL on the operation, management and maintenance of the park.

"The execution of the land grant, the SA and the MA ensures the delivery of the entire MWP, including Phase 2, as a properly managed community facility, on the basis of details further developed from the broad framework agreed in mid-1997 under the HoA. The Lands Department and the Government-nominated directors will closely monitor the implementation progress of MWP Phase 2 and the operation of MWP as a whole taking into account public interest and public benefit," the spokesperson said.