

HNA to sell flats to Hong Kong staff at cost after muscling into city's real estate, founder says

'We couldn't have got into the market without paying above market prices,' says chairman Chen Feng

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HNA Group, the biggest buyer of land in Hong Kong last year, said it is aiming to build and sell apartments at cost for its staff at the former Kai Tak airport site, part of a plan to muscle into the city's real estate industry.

The conglomerate, which paid HK\$27.2 billion (US\$3.5 billion) over a four-month period for four parcels of land in Kai Tak, said its aggressive bids – setting one price record after another, often 50 per cent above valuations – were motivated by the burning desire to snatch land and pricing power from the city's real estate cartel.

Watch: A photo slideshow of Chen Feng

“We couldn't have got into the market without paying above market prices,” HNA founder and chairman Chen Feng said. “High home prices will affect Hong Kong's competitiveness in attracting international talent, so the stranglehold should be broken.”

He was speaking to the *South China Morning Post* at the penthouse office of his Haikou headquarters.

HNA, which Chen founded in 1993 in Hainan, has grown into a global conglomerate with 290,000 employees, 6,000 of them in Hong Kong.

Local and international staff would be given the first preference to buy Kai Tak units at cost, he said.

“HNA will not make a single cent from the sale of these properties to staff,” the 65-year-old said, adding that it was doing its part to help alleviate Hong Kong’s residential affordability and help the local government attract talent.

HNA started as Hainan Airlines in 1993, operating four aircraft to improve transport links to the island province.

Chen Wenli remembers the early days. The HNA vice-chairman, who is responsible for airline operations, left Air China as a 27-year-old in 1993 to start the company with Chen Feng and four other co-founders.

“We were motivated by the desire to simply do something together,” Chen Wenli said in a video interview from Beijing. “We slept in a rented office for months on end.”

HNA’s head office in Haikou now occupies a sprawling 32-storey tower, its design resembling a sitting Buddha, with a Starbucks cafe operating near the lobby.

To survive in a capital-intensive industry dominated by state-owned behemoths, Chen Feng said he had to resort to global capital markets for help.

“I spent 100 days on Wall Street making presentations to all the investment banks, hedge funds, audit firms and lawyers,” he said.

Eventually, the English-speaking executive persuaded American financier George Soros to invest his Quantum Fund in Hainan Airlines.

“Foreign investment was a vital part in helping HNA globalise its management and operations,” Chen said. “Coopers & Lybrand, Lehman Brothers” were brands that no longer existed but were the kind of professional managers that HNA sought out “to bring our management to global standards”.

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Chen Feng, chairman, HNA Group

The 2003 outbreak of the Severe acute respiratory syndrome (Sars) epidemic dealt a huge blow to HNA’s business as air travel nearly collapsed from quarantines imposed in Chinese cities. It awoke the company to the need for diversification. Thus began a global expansion strategy along the business lines of transport and logistics, tourism and resorts, and financial services.

Last year alone, the firm spent US\$26 billion on global acquisitions, according to Dealogic, such as the purchase of Ingram Micro for US\$6 billion. It also bought 25 per cent of Hilton Hotels and Resorts for US\$6.5 billion. Recently, it took a 9.9 per cent stake in Deutsche Bank, making it the single largest shareholder.

HNA has grown into a conglomerate with 1 trillion yuan (US\$146 billion) of global assets. It is also the founder of Hong Kong Airlines. By 2018, the firm is poised to be counted among the ranks of the *Fortune Global 100* list of companies, three years ahead of schedule.

<http://www.scmp.com/business/companies/article/2099902/hna-sell-flats-hong-kong-staff-cost-after-muscling-citys-real>