

Confidential Information for Lee Wing, Importer and Entrepreneur

The year is 1996 – just before the United Kingdom returned Hong Kong to the People's Republic of China.

You own lots 77 and 78 on Tai Po Kau Harbour Road in Hong Kong (see diagram). Lot 77 is a small, vacant piece of land, while a large warehouse occupies Lot 78. Outback Foods owns a warehouse on Lot 76.

You are Lee Wing, a successful Hong Kong Chinese importer. Back when you first started in the late 1950s, you imported anything, but over the years you found it best to specialize. Now, you only import building materials. Times change, however, and you are growing older. You are especially concerned about what will happen after 1997 when Hong Kong returns to China. The Chinese say you will be able to keep the wealth you spent a lifetime earning. You are skeptical, but – unlike many of your business associates – you are not cynical.

Your current situation began as a casual comment by your spouse about what might happen after Hong Kong is returned to China. Then one of your friends sold his business, obtained a visa and moved to Canada. Shortly after, your neighbor moved to the United States. Finally, your brother emigrated to Australia. And then you began to wonder: am I making the right decision by remaining in Hong Kong? You were not so worried for yourself, but you did worry about passing your wealth on to your children.

You first visited your brother in Australia six years ago, in a place near Brisbane called the Gold Coast, and you have been back for a visit every year since. These Australians aren't so bad – certainly no worse than the British. Why not join your brother?

You learned that you would qualify for an Australian immigration visa if you were to invest \$750,000 in Australia and start a business. You can pull together that amount of money if you sell your business in Hong Kong, though you are not yet prepared to sell your Kowloon home that looks out over beautiful Victoria Harbour. You applied for a visa, and after 18 months, it was approved. Then came the hard part. Should you leave all your friends behind and emigrate to Australia? It was a difficult

decision, but finally you realized that you must consider the best interests of your children. The business and warehouse went up for sale, including Lots 77 and 78.

News of the sale travelled quickly via word-of-mouth, and one day William (Bill) Ling dropped over for a visit. You had not seen Bill since his father died four years ago. Bill's father helped you learn the importing business back in the early 1960s. In fact, a couple of your first big contracts were due to his assistance. Certainly you owe much to the Ling family.

After several meetings with Bill, you begin to learn of his interest in your business. Initially you were pleased that you might be able to pass your business on to the son of an old friend. But when you started looking at Bill's finances, you realized that he just did not have the funds to buy your business, plus both lots and the warehouse. So you and Bill started talking about only selling Lot 78 and the warehouse since Bill really had no use for Lot 77. You and Bill agreed on a price for the warehouse and Lot 78.

But what are you going to do with Lot 77? No one is going to buy Lot 77 and build a house or office when it sits between two warehouses. A small warehouse could be built on Lot 77, but most businesspeople do not need or want such a small warehouse. It's just not economical. Clearly, it is going to be difficult to sell Lot 77 without selling Lots 78 and 77 as a package.

Six years ago, you purchased Lot 77 for \$70,000* from the company that owned Lot 76, and last year that same company sold Lot 76 and the warehouse on Lot 76 to Outback Foods. When you bought Lot 77 you planned to expand your warehouse, but you never got around to it, and your decision to move to Australia has put an end to those plans.

Bill does not really need or want Lot 77, though he is prepared to buy Lot 77 if it is the only way to buy Lot 78. Bill has secured a loan from a friend for \$50,000, but that's all the money he can raise.

Then you thought about Outback Foods. They had the cash to buy their warehouse and Lot 76 last year. Maybe they have the cash to buy Lot 77. So yesterday you made a call to Terry Jones, the Hong Kong manager for Outback Foods. Although Jones has been working next door for the past five years, you really do not know Jones very well. Over the telephone Terry says that Outback has no interest in buying another warehouse -- without giving you a chance to ask about Outback's interest in Lot 77 -- but you insist on a meeting and Jones agrees.

If you are unable to convince Terry to purchase Lot 77, then you will reluctantly sell this lot to Bill for \$50,000 since you don't need to own such property while living on the Gold Coast.

Pak Long St.		
Outback Foods Lot 76	Lot 77	Lee Wing Warehouse Lot 78
Tai Po Kau Harbour Rd.		