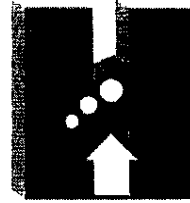


香港地產行政師學會
Hong Kong Institute of
Real Estate Administrators



香港物業管理公司協會
The Hong Kong Association of
Property Management Companies



香港房屋經理學會
The Hong Kong Institute of Housing



英國特許房屋經理學會亞太分會
Chartered Institute of Housing
Asian Pacific Branch

14th March, 2011

Mr. Chung Pui-lam SBS, OBE, JP
Chairman
Review Committee on the Building Management Ordinance
c/o Rooms 1601-1606, ING Tower
308-320 Des Voeux Road Central
Hong Kong

Dear Mr. Chung

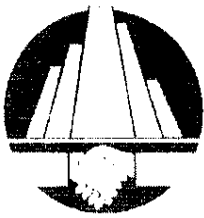
Re: Review on the Building Management Ordinance (Cap 344)

We, the Hong Kong Professional Property Services Alliance (HKPPSA), comprising The Hong Kong Association of Property Management Companies (HKAPMC), The Hong Kong Institute of Housing (HKIH), Chartered Institute of Housing Asian Pacific Branch (CIHAPB), and Hong Kong Institute of Real Estate Administrators (HIREA), refer to the captioned Review and are pleased to offer our views.

I. Growing Concerns on the Obligations and Responsibilities of Management Committees

Under the current practice, the Management Committee is bestowed the powers and authorities under the Building Management Ordinance (BMO), yet with limited legal responsibilities when it fails to perform its duties except those related to accounts of Corporation and third party risks insurance.

As the representative of the building owners to manage the building under the BMO, the Management Committee is obliged to diligently carry out its duties especially those related to the building safety. Hence, a more stringent monitoring and control mechanism should be established to ensure that the Management Committee is performing properly for and protect the interests of the owners to comply with any regulations related to building safety such as annual fire service inspection and mandatory building safety inspection, etc. This mechanism is of extreme importance to monitor the performance of those buildings not being managed by professional housing managers, as their awareness of building safety is low largely due to financial constraints.



香港地產行政師學會
Hong Kong Institute of
Real Estate Administrators



香港物業管理公司協會
The Hong Kong Association of
Property Management Companies



香港房屋經理學會
The Hong Kong Institute of Housing



英國皇家房屋經理學會亞太分會
Chartered Institute of Housing
Asian Pacific Branch

We have also observed that there were low owners' participation in major management decision such as renovation of buildings. To encourage the owners' participation, the quorum for owners meeting should be more than the current 10% level for procurement of services, goods or supplies exceeding 20% of annual budget. We consider the higher the renovation costs, the higher percentage on the quorum for owners' share should be in passing the resolution for the renovation. More financial assistance and professional support should also be provided by respective government departments to promote the importance of building maintenance and safety.

In order to assure the understanding of its duties under the BMO, it is recommended that key office bearers of the Management Committee shall be required to take up certain hours of training and briefing on their duties held by relevant authorities during their term of services.

II. Remuneration of DMC Manager

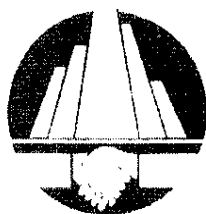
We consider the prevailing Guidelines for DMCs on Manager's Remuneration by the Legal Advisory and Conveyancing Office (LACO) of the Lands Department under conditions of Land Grants to be appropriate and useful to resolve the standard of the remuneration of Managers.

The Guidelines have clearly stated that the percentage must be based on the total number of residential units and parking spaces in the development and must not exceed the following:

- 20 residential units and parking spaces or below	20%
- 21 to 100 residential units and parking spaces	15%
- 101 residential units and parking spaces or above	10%

For non-residential developments, the Manager's remuneration must not exceed 15% of the total expenses, costs and charges necessarily and reasonably incurred in the management of the development.

After taking into consideration of the escalating expectation from building owners and the market situation as well as balancing the requirement of quality management services and the survival of property management companies, we stress that the prevailing standards mentioned in the Guidelines are appropriate and effective. Nevertheless, we opine that further discussions on the remuneration level can be made for those large-scale residential developments.



香港地產行政師學會
Hong Kong Institute of
Real Estate Administrators



香港物業管理公司協會
The Hong Kong Association of
Property Management Companies



香港房屋經理學會
The Hong Kong Institute of Housing



英國特許房屋經理學會亞太分會
Chartered Institute of Housing
Asian Pacific Branch

III. Administration Fees & Accounting Fees

The administration and accounting fees of the managers should be apportioned and shared appropriately by each of the buildings under management. We recommend that they could be set at the level of not more than 4% of total expenditure of the concerned period. Otherwise, the owners may have to employ their own administrative and accounting staff to perform the supporting and back-up duties that may be required to bear all the necessary costs and legal responsibilities related to the direct employment of the related staff.

IV. Mechanism for Termination of Manager's Appointment by Owners' Corporation

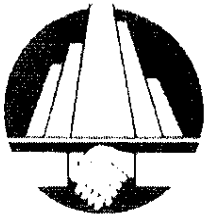
We would like to express our strong objection to the proposal to lower the threshold for termination of the appointment of Deed of Mutual Covenant (DMC) Manager (the "Manager") by building owners to less than 50% of the shares in aggregate.

A simple majority voting rule is universally adopted in most of the democratic policies. If the termination of the appointment of the Manager is supported by no less than 50% of the shares in aggregate, such termination does not and may not be able to represent the common desire of the majority owners. In actual fact, there are plentiful successful cases in which the services of many DMC Managers have been terminated under the prevailing mechanism. We therefore consider that the current percentage level for terminating the appointment of the Manager is the most appropriate, reasonable and receptive approach for the benefits of all stakeholders.

Most importantly, we would like to stress that any proposal under 50% may induce unnecessary conflicts among different groups of owners if they hold different views on whether the Manager should be terminated. In all likelihood, unwarranted disputes among building owners and property managers would inevitably arise. As such, the proposal is not beneficial to the interest of the government, building owners and the community at large.

Furthermore, property managers would very rarely be able to formulate and implement a long-term plan to fulfill the mission for proper building management as the proposal will induce frequent changes in the appointment of the Manager.

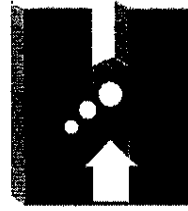
In this respect, we suggest that should there be any disputes arising among the building owners, owners incorporation and the management company on the above matter, an independent Mediation or Building Management Board can be established to deal with the disputes with a view to resolving them amicably. The proposed Board should comprise members from professional property management companies, independent trade professionals, government officials as well as esteemed representatives from the community.



香港地產行政師學會
Hong Kong Institute of
Real Estate Administrators



香港物業管理公司協會
The Hong Kong Association of
Property Management Companies



香港房屋管理學會
The Hong Kong Institute of Housing



英國特許房屋經理學會亞太分會
Chartered Institute of Housing
Asian Pacific Branch

We are pleased to share with you on these matters in more details at all times. Please feel free to contact Ms. Micheline Lo of our Secretariat at 2186-6101.

Thank you very much for your kind attention.

Yours sincerely

Ir Aikin KWONG
President
Hong Kong Institute of Real Estate
Administrators

Dr Edmond CHENG
President
The Hong Kong Association of
Property Management Companies

SHARE Tai Ki
President
The Hong Kong Institute of
Housing

Cliff WONG
Chairman
Chartered Institute of Housing
Asian Pacific Branch

c.c. Mr Tsang Tak Shing, Secretary for Home Affairs
Home Affairs Bureau