

**立法會**  
**Legislative Council**

(These minutes have been seen  
by the Administration)

Ref : CB1/PL/HG/1

**Panel on Housing**

**Extract from the minutes of meeting  
held on Monday, 4 December 2006, at 2:30 pm  
in the Chamber of the Legislative Council Building**

- Members present** : Hon LEE Wing-tat (Chairman)  
Hon LI Kwok-ying, MH, JP (Deputy Chairman)  
Hon Albert HO Chun-yan  
Hon CHAN Yuen-han, JP  
Hon CHAN Kam-lam, SBS, JP  
Hon LEUNG Yiu-chung  
Dr Hon YEUNG Sum  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Albert CHAN Wai-yip  
Hon Frederick FUNG Kin-kee, SBS, JP  
Dr Hon Joseph LEE Kok-long, JP  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Prof Hon Patrick LAU Sau-shing, SBS, JP
- Members attending** : Hon LEE Cheuk-yan  
Hon Audrey EU Yuet-mee, SC, JP  
Dr Hon Fernando CHEUNG Chiu-hung
- Members absent** : Hon Fred LI Wah-ming, JP  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon James TO Kun-sun  
Hon Abraham SHEK Lai-him, JP  
Hon WONG Kwok-hing, MH
- Public officers** : Agenda Item IV

**attending**

Mr Michael M Y SUEN, GBS, JP  
Secretary for Housing, Planning and Lands

Mr Thomas C Y CHAN, JP  
Permanent Secretary for Housing, Planning and Lands  
(Housing)

Miss Mary CHOW Shuk-ching, JP  
Deputy Secretary for Housing, Planning and Lands  
(Housing)

Mr Carlson CHAN  
Assistant Director (Strategic Planning)  
Housing Department

Agenda item V

Mr Thomas C Y CHAN, JP  
Permanent Secretary for Housing, Planning and Lands  
(Housing)

Miss Mary CHOW Shuk-ching, JP  
Deputy Secretary for Housing, Planning and Lands  
(Housing)

Mr K K YEUNG  
Principal Assistant Secretary (Private Housing) Housing,  
Planning and Lands Bureau

Agenda Item VI

Mr Kenneth MAK, JP  
Deputy Director (Corporate Services) Housing Department

Mr Albert LEE  
Assistant Director (Housing Subsidies) Housing  
Department

**Attendance by invitation** : Agenda Item V

The Real Estate Developers Association of Hong Kong

Mr Stewart LEUNG  
Vice Chairman

Mr Emmanuel YIP

Representative

Mr Augustine WONG  
Representative

Mr Peter KWOK  
Representative

Mr Eric CHOW  
Representative

Mr Wilson WONG  
Representative

Mr Wilson CHAN  
Representative

Mr Louis LOONG  
Secretary General

Estate Agents Authority

Mr Steven POON Kwok-lim, JP  
Chairman

Ms Sandy CHAN  
Chief Executive Officer

Mr Pius CHENG  
Director of Regulatory Affairs & General Counsel

Consumer Council

Mrs Pamela CHAN, BBS, JP  
Chief Executive

Mr CHAN Wing-kai  
Head, Complaints and Advice Division

**Clerk in attendance** : Ms Connie SZETO  
Chief Council Secretary (1)6

**Staff in attendance** : Mr Anthony CHU  
Acting Senior Council Secretary (1)3

Ms Sarah YUEN  
Senior Council Secretary (1)6

Ms Michelle NIEN  
Legislative Assistant (1)9

Action

X X X X X X X

**VI Arrangements for the disposal of surplus Home Ownership Scheme flats**

- (LC Paper No. CB(1)394/06-07(07) -- Information paper provided by the Administration
- LC Paper No. CB(1)394/06-07(08) -- Background brief on arrangements for the disposal of surplus Home Ownership Scheme and Private Sector Participation Scheme flats prepared by the Legislative Council Secretariat)

Loss arising from the cessation of sale of Home Ownership Scheme (HOS) flats

71. Noting that HA had incurred expenses for carrying out regular maintenance and necessary defect rectification works for the surplus HOS flats, and would incur loss in income due to the postponement of sale of HOS flats given possible difference in property prices in 2002 vis-à-vis now, Mr Frederick FUNG expressed concern about the negative impact on the financial position of HA, which might lead to increases in public rental housing (PRH) rents and reduction in the production of new PRH flats. In this connection, he enquired whether HA would consider claiming compensation from the Government in respect of the additional expenditure and possible financial loss as a result of the postponement of the sale of HOS flats.

72. The Deputy Director (Corporate Services), Housing Department (DD(CS/HD) explained that HA had agreed to cease the construction and sale of HOS flats in 2002 so that it could refrain from competition with the private sector in view of the overlap between HOS and private residential property, against the background of the unstable property market at that time. While acknowledging that HA would incur financial loss resulting from the cessation of the production and halting of the sale of HOS flats, HA had no intention to claim compensation from the Government. He further pointed out that the sale of surplus HOS flats would generate net income for HA. By way of illustration, the 3 056 flats to be sold under Phase 1 of 2007 might generate an accounting profit of around \$1.2 billion. DD(CS/HD) added that to help HA tie over its stringent financial position in the past few years, the Government had made arrangements including waiving the land premium payable by HA in the divestment of HA's retail and car-parking facilities.

Defect rectification and maintenance works for the surplus HOS flats

73. Mr Frederick FUNG queried the adequacy of offering a one-year defects liability period (DLP) for the surplus HOS flats as flats had been left vacant for a long period of time. He considered it more appropriate for HA to provide a two-year DLP instead. In response, the Assistant Director (Housing Subsidies), Housing Department (AD(HS/HD)) advised that in addition to regular maintenance carried out for the surplus HOS flats, the Housing Department would arrange defect rectification and maintenance works at these flats to bring them to a reasonable standard before sale. To provide after-sale service to flat purchasers, a customer service team would be posted on site during the initial four months of the in-take period. Flat owners would be given seven days to report defects found in the flats to the team as opposed to the common practice of allowing only two days to report defects in the private residential market. HA staff would attend to the defects reported by owners and arrange necessary rectification works promptly. He added that a DLP of one year would be provided counting from the date of assignment of individual flats for flats that had never been sold and occupied before. This was in line with the normal practice in the private market. In order to instil purchasers' confidence on the structural safety of HOS flats, AD(HS/HD) said that for unsold HOS blocks/developments, a 10-year structural safety guarantee (SSG), to be counted from the first sale of the unsold blocks, would be provided. SSG would be extended to 20 years for unsold HOS blocks in Tin Shui Wai.

Flat pricing of the surplus HOS flats

74. Given that the surplus HOS flats had been completed for some years, Dr YEUNG Sum asked whether HA would consider providing higher discount in flat prices for the flats than the 30% discount of market value as prescribed in the general guideline. In response, DD(CS/HD) said that the market value of HOS developments put up for sale was assessed by reference to recent sale transactions of comparable developments in the second-hand market in the vicinity of HOS developments. He added that in assessing the market value of the surplus HOS flats, due regard had been given to the fact that these flats had been completed for some time.

Impact of the sale of surplus HOS on the private residential market

1. Dr YEUNG Sum expressed concern that a large supply of HOS flats might have a negative impact on the private residential market and enquired about the timetable for selling all surplus HOS flats. In reply, DD(CS/HD) said that HA had decided in April 2006 to dispose of the some 16 000 surplus HOS flats in batches from 2007 to 2009, with two batches per year of around 2 000 to 3 000 flats in each batch. The sale programme, including the specific HOS developments to be included in each batch, had been published so as to give a clear picture to the private residential market well beforehand, in order to minimize any potential impact on the market. HA would continue to monitor developments in the private market and would review the sale programme only when there was a drastic downturn in market conditions.

75. The Chairman expressed concern about the split ratio of 4:1 between Green Form (GF) and White Form (WF) applicants in the sales arrangements. He considered

that such ratio would not be able to meet the housing aspirations of the sandwiched class families which were not eligible for PRH as their asset and/or income exceeded the Waiting List income and asset limits. From his observation, many new private residential developments were targeted at the middle class and were beyond the affordability of the sandwiched class families. On the other hand, the latter might not afford the down-payment of 30% for the second-hand private residential property. To bridge the gap, HOS had been playing an important role in meeting the home ownership aspiration of these sandwiched class families. As such, the Chairman suggested that consideration should be given to suitably adjusting the split ratio between WF and GF applicants in future sale programme of surplus HOS flats in order to provide more opportunities to WF applicants. Mr Frederick FUNG echoed the Chairman's view. He further stressed that HOS had an important role in meeting the home ownership aspiration of the low-income families, particularly when private property prices were on the rise with continuous improvement in the economy, and the problem of wealth disparity was deteriorating. Given the long lead time of around seven years for planning and construction of HOS flats, Mr FUNG opined that the Government and HA should critically review the role of HOS and examine the need of reviving HOS as soon as possible.

76. On the concern about the split ratio between GF and WF applicants, DD(CS/HD) said that HA had to achieve a balance in the split ratio as public resources were involved in offering a discount for HOS flats. As the sale of HOS flats would have an impact on the private residential market, it was the original plan of the Government in 2002 to sell the surplus HOS flats to GF applicants only. In view of the need to meet the housing aspirations of WF applicants and with a view to minimizing the impact of the sale on the private market, HA had subsequently decided to adopt the split ratio of 4:1 between GF and WF applicants. He assured members that HA would review the split ratio for subsequent batches having regard to the take-up situation in Phase 1 of 2007.

X X X X X X X