

Chronology of events relating to the negotiation with the Developer

Date	Major events	Document No. (Only English available unless otherwise specified)
12 November 2002	Executive Council ("ExCo") decided on 12 November 2002 that the housing policy should be repositioned and that negotiation should be held with the developers of Hunghom Peninsula and Kingsford Terrace to allow them to sell the flats in the private property market subject to payment of an agreed premium.	n/a
13 November 2002	The Secretary for Housing, Planning and Lands ("SHPL") announced the Statement on Housing Policy. The measures announced included ceasing the production and sale of Home Ownership Scheme ("HOS") flats and terminating Private Sector Participation Scheme ("PSPS").	THB-2 T23 (bilingual)
14 January 2003	At the LegCo Housing Panel meeting, SHPL advised that the Government was discussing with the PSPS developers with a view to working out details of lease modification to enable them to sell the flats in the open market.	THB-3 T24 (bilingual)
January to March 2003	Pursuant to ExCo's decision, Lands Department ("LandsD") carried out negotiation with the Developer on the proposed lease modification terms including the premium amount to be paid for the lease modification. The negotiation halted since both sides were unable to reach any agreement.	THB-14 T35 THB-15 T36 THB-16 T1(c) THB-17 T2(c) THB-18 T3(c) THB-19 T4(c) THB-20 T5(c)
23 January 2003	Housing Authority ("HA") held a brain-storming session discussing the possible disposal options of the surplus HOS/PSPS flats. For Hunghom Peninsula, Members were advised that the Government was discussing with the Developer with a view to working out details of lease modification to enable them to sell the flats in the open market.	THB-21 T6(c) (Chinese only) THB-22 T7(c) (bilingual)
6 March 2003	HA's Strategic Planning Committee approved the disposal arrangement of the surplus HOS/ PSPS flats.	THB-23 T8(c)

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	For Hunghom Peninsula, Members were informed that negotiation with the Developer for lease modification was underway.	THB 24 T9(c) (bilingual)
18 March 2003	At the LegCo Housing Panel Meeting, SHPL advised Members that negotiation between the Government and the developers of the two PSPS projects at Hunghom Peninsula and Kingsford Terrace were underway for lease modification to enable them to sell the flats in the open market.	THB 4 T25 (bilingual) THB 25 T37 (bilingual)
April - July 2003	Various possible disposal options for Hunghom Peninsula were discussed at several regular Senior Directorate Meetings ("SDM") chaired by SHPL. These options included in particular, the "single-purchaser" and the "re-opening of negotiation with the developer" proposals.	THB 26 THB 29 T10(c) to T23(c)
25 July 2003	The Developer initiated litigation against the Government and the HA by issuing a writ.	THB 40 T38
28 July 2003	In light of the writ and the legal assessment on the case, re-opening negotiation was considered a necessary option. SHPL submitted a minute to the Chief Executive ("CE") on 28 July 2003 seeking endorsement to re-open negotiation with the developers so that HA may avoid paying the guaranteed purchase price for Hunghom Peninsula and Kingsford Terrace and settle the dispute.	THB 41 T24(c)
28 October 2003	ExCo's endorsement was sought to re-open negotiation with the Developer with a view to allowing it to put the flats for sale in the private residential property market. It was agreed that SHPL be given the flexibility and authority to decide whether to enter into agreement with the Developer and that the same mediation approach to settle the potential dispute with the developer of Kingsford Terrace should be adopted.	n/a
3 November 2003	At the LegCo Housing Panel meeting, Members were informed of the updated progress in the disposal of surplus HOS/PSPS flats.	THB 5 (bilingual) T26 THB 42 (bilingual) T37

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November 2003	Logistics to set up the mediation including the selection of mediator were arranged, and agreement with the Developer was made that the mediation would commence on 8 December 2003.	THB 43 T25(c) THB 44 T26(c)
8 - 23 December 2003	The Administration engaged in mediation with the Developer with the facilitation of an independent mediator accredited by HK International Arbitration Centre. The Administration negotiation team ("the Team") was formed by representatives from LandsD, Department of Justice ("DoJ") and HA/Housing Department ("HD"). LandsD was to advise the Team on the premium valuation; DoJ to advise on legal issues and HA/HD to advise on the alleged damages by the Developer due to delay in nomination of purchasers.	THB 45 T27(c) THB 46 T28(c)
January 2004	Mediation concluded with parties agreeing on the premium at \$864 million. Door was left open for further negotiation on the amount of loss and damage claimed by the Developer in the High Court case.	THB 47 T29(c) THB 48 T30(c)
26 January 2004	LandsD formalized preliminary agreement on lease modification with the Developer.	THB 49 T40
26 February 2004	Completion of the lease modification process.	THB 50 T41

Note : Document Nos. which are shaded and bold are graded as "Confidential".