

**Select Committee to Inquire into Matters Relating to
the Post-service Work of Mr LEUNG Chin-man**

Written statement of Mr John Stanley CORRIGALL

I, John Stanley Corrigan, was the Deputy Director (Specialist) in the Lands Department ("Lands D") from October 1997 to November 2003 and Deputy Director (General) from November 2003 until my retirement in November 2006. In preparing this witness statement, I set out the questions raised by the Select Committee and then provide my answers to the best of my knowledge.

As the matter being inquired into took place some six years ago, this statement has been prepared with assistance sought from the Lands D in providing relevant information to me, and in allowing me to peruse relevant files and records. If there were documents relevant to the statement which were provided earlier by the Administration, I would quote their reference numbers as assigned by the Administration without enclosing an additional copy with this statement.

Q1.	Your role and participation in the negotiation with the developer of the Hunghom Peninsula development in the lease modification process
A1.	As the Deputy Director (Specialist) in Lands D, I was the approving authority for premiums over \$50M. I led the negotiations with the developer on the premium.
Q2.	Determination of the premium for the lease modification, including (a) the responsible parties; (b) your role and participation in determining the premium; (c) the premium figures proposed by the Government and the developer during the negotiation process and details of the assessment; and (d) the factors considered in determining the different premium levels
A2.	<p>The premium assessments were made on the basis of the increase in market value that the lease modification would confer. The officer who prepared the valuations for my consideration was a Senior Estate Surveyor, Ms Susan Ku. Her valuations came to me via Mr James Merritt, Chief Estate Surveyor (Valuation) (CES/V) and Acting Assistant Director/Valuation (AD/V) and possibly Mr Cheung Yiu King who was CES/V between 1/2/2003 and 7/2/2003 and Mr Ng Hang Kwong who was AD/V between 1/2/2003 and 31/3/2003.</p> <p>The premium figures put to the developer of the Hunghom Peninsula (First Star Development Limited) ("First Star") from January to March 2003 were \$2,500M and \$1,950M.</p>

	<p>First Star indicated a premium "in the \$600 – 700M" range and later suggested between \$522M and \$747M. The main factors Lands D took into account were the estimated sale price of the flats after lease modification and the costs of upgrading them.</p>
Q3.	<p>The reporting line of the Lands Department ("LD") in the process of negotiation, the communication with the Housing, Planning and Lands Bureau and the Housing Department including the parties involved in the communication</p>
A3.	<p>I was the approving authority for premiums over \$50M and led the negotiations. I kept the Director of Lands briefed on progress. I also reported progress to both the Lands and Housing sides of the Housing Planning and Lands Bureau.</p>
Q4.	<p>The circumstances leading to LD's recommendation on a halt of the negotiation with the developer for the proposed lease modification in end March 2003. The factors taken into account in making the recommendation and the proposed way forward after the halt of the negotiation</p>
A4.	<p>I recommended a halt to negotiations because of the huge gap between Lands D's figure and First Star's. At that time, I considered that the chances of settlement were very slim. I suggested the Director of Housing might wish to resume discussions with First Star and to consider the purchase of the flats in accordance with the lease conditions and arrange for subsequent sale of these flats in the open market.</p>
Q5.	<p>Your involvement in formulating/evaluating various disposal options for the Hunghom Peninsula development (including the revised premium figures) after the halt of the negotiation with the developer in end March 2003 for discussion at the Senior Directorate Meetings of the Housing, Planning and Lands Bureau</p>
A5.	<p>As I recall, I had very little involvement in this. My area of responsibility was in respect of premiums.</p>
Q6.	<p>Suggestion made in June 2003 on reducing the premium for lease modification payable by the developer by 50%, including (a) parties who made the suggestion; (b) the reasons for making the suggestion; (c) the calculation of the premium under the 50% modification premium reduction; and (d) details of precedent lease modification cases settled at 50% premium</p>
A6.	<p>I made the suggestion to settle for 50% of the normal premium. I made it because it was the Government who was seeking the modification, not as in all other cases, the developer. The developer in this case would have been quite content to sell the flats to purchasers nominated by the</p>

	<p>Housing Authority ("HA") pursuant to the Conditions of Sale. These unique circumstances meant that no precedent would be set. In a 50% modification premium the developer would pay half the assessed increase in value conferred by the modification.</p> <p>There were two cases where lease modification premium had been settled at 50% of the increase in value. One was at Fuk Lo Tsuen Road, Kowloon City, Kowloon and the other at Tak Fung Street, Hung Hom, Kowloon. Details are in the THB bundle at THB 135. In both these cases the need for a lease modification to permit what the developer proposed was arguable and it was decided that to accept 50% was a better option than to go to litigation with the risk of not only getting no premium but also having to pay costs. I am not aware of any cases prior to those and subsequent to the policy decision to charge 100% of the increase in value rather than 50% in all lease modifications which was made prior to my joining the Government.</p>																				
Q7.	Your role and participation in the mediation with the developer of the Hunghom Peninsula development																				
A7.	I led the Government team in the mediation. I participated in all the mediation sessions.																				
Q8.	Composition of the mediation team, the reporting line of the team, and the communication with the Housing, Planning and Lands Bureau and the Housing Department including the parties involved in the communication																				
A8.	<p>The mediation team for the Government and HA comprised:</p> <table border="0" data-bbox="288 1301 1340 1794"> <tr> <td>JS Corrigan</td> <td>Deputy Director (General), Lands D</td> </tr> <tr> <td>AL Robertson</td> <td>Assistant Director, Legal Advisory and Conveyancing Office ("LACO"), Lands D</td> </tr> <tr> <td>Susan Ku</td> <td>Senior Estate Surveyor, Lands D</td> </tr> <tr> <td>Vincent Tong</td> <td>Deputy Director (Business Development & Construction), HA/HD</td> </tr> <tr> <td>NM Chan</td> <td>Chief Manager (Business Development), HA/HD</td> </tr> <tr> <td>Peggy Chan</td> <td>Chief Estate Surveyor, HA/HD</td> </tr> <tr> <td>Handa Lam ("HD")</td> <td>Assistant Legal Advisor, HA/Housing Department</td> </tr> <tr> <td>Santiago Chuen</td> <td>Senior Finance Manager, HA/HD</td> </tr> <tr> <td>Gregory Payne</td> <td>Senior Government Counsel, Department of Justice</td> </tr> <tr> <td>Enzo Chow</td> <td>Government Counsel, Department of Justice</td> </tr> </table> <p>I made my reports to Mr CM Leung (Permanent Secretary for Housing, Planning and Lands (Housing)), copied to Mr Patrick Lau (Director of Lands) and (in the case of the last two mediation sessions) Mabel Chan, Administrative Assistant to Mr Michael Suen, the Secretary for Housing, Planning and Lands.</p>	JS Corrigan	Deputy Director (General), Lands D	AL Robertson	Assistant Director, Legal Advisory and Conveyancing Office ("LACO"), Lands D	Susan Ku	Senior Estate Surveyor, Lands D	Vincent Tong	Deputy Director (Business Development & Construction), HA/HD	NM Chan	Chief Manager (Business Development), HA/HD	Peggy Chan	Chief Estate Surveyor, HA/HD	Handa Lam ("HD")	Assistant Legal Advisor, HA/Housing Department	Santiago Chuen	Senior Finance Manager, HA/HD	Gregory Payne	Senior Government Counsel, Department of Justice	Enzo Chow	Government Counsel, Department of Justice
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(T106)

Q9.	The mediation strategies and the parties involved in the formulation of the strategies
A9.	The plan was to attempt to agree the premium for the lease modification and then go on to discuss terms for a global settlement of both that and the litigation First Star had commenced. This was agreed among the Government team members and then with the other side. As the discussions progressed, the team discussed tactics for subsequent discussions and at one time I consulted Mr C M Leung as to the advisability of disclosing the ExCo approved figure of \$1,150M. At one point the tactics were discussed and agreed with Mr Michael Suen as mentioned in the THB bundle at THB 45. (T27(c))
Q10.	The party who proposed the premium of \$864 million, and the factors taken into account in making the decision to reach an agreement with the developer at this premium figure
A10.	First Star proposed the premium of \$864M. The factors taken into account in my recommending acceptance of this are covered in my email of 24/12/03 to Mr CM Leung (Ref: THB 47 in the THB bundle) (T29(c))
Q11.	Reasons for concluding the negotiation on the lease modification without a settlement of the claim for damages from the developer
A11.	See my 24/12/03 email to Mr CM Leung at THB 47. (T29(c))
Q12.	Parties involved in the drawing up of provisions in the modified land lease
A12.	<p>I was not involved in this. The parties were:</p> <p>Mr J White Senior Estate Surveyor, Lands D Mr Albert Chan Estate Surveyor, Lands D Mr AK Paton Assistant Director, Lands D Ms Karen Ho Assistant Principal Solicitor/K&Con, LACO, Lands D Mr AL Robertson Assistant Director/Legal, LACO, Lands D</p> <p>Housing, Transport, Architectural Services and Planning Departments were invited to comment.</p>
Q13.	The new provisions included in or provisions deleted from the modified land lease, and the reasons for their inclusion or deletion, including whether provisions relating to restrictions on the redevelopment of the Hunghom Peninsula had been deleted
A13.	<p>See attached modification letter dated 26/2/04 over my signature to First Star Development Ltd. (T41, page 2)</p> <p>Provisions relating to restrictions on redevelopment, such as they were,</p>

	were not deleted. The modification was geared to allowing the sale of the flats in the open market.
Q14.	The time when LD was first made aware of the developer's plan to redevelop Hunghom Peninsula and the follow-up actions taken by LD
A14.	<p>When Lands D received First Star's Solicitors' letters of 31/1/04 & 11/2/04 requesting further modifications than had been the subject of the agreement, Lands D drew the conclusion that this was to facilitate redevelopment.</p> <p>Lands D's follow up was to decline the request.</p>
Q15.	Discussion between the Government and the developer on the latter's redevelopment plan, including (a) the parties involved in the discussion; (b) details of issues discussed including the need for the developer to pay premium for the redevelopment; and (c) your involvement in the discussion process
A15.	<p>Lands D refused to accept First Star's solicitors' request for further modifications over and above those which had been agreed. The Lands D's position was made clear to First Star's solicitors in correspondence. My involvement was minimal as the issues were legal ones essentially turning on whether or not the restriction of development to the Master Layout Plans ("MLPs") restricted any redevelopment to a replica of the existing. Some discussion did take place on the matter between my colleague Mr A L Robertson of LACO of Lands D and Mr Stewart Leung of First Star/New World. See THB 64 and THB 65 in the THB bundle.</p> <p>(T55) (T56)</p>
Q16.	Pursuant to the announcement by the developer on 10 December 2004 for scrapping the redevelopment plan for the Hunghom Peninsula, the follow-up actions taken by the Government on the building plans of the Hunghom Peninsula to allow the developer to undertake alteration and addition works, including discussion on the premium payable by the developer for the alteration of the building plans
A16.	<p>Lands D took the position that any proposals for alteration and additional works which were not catered for in the lease modification of February 2004 would require a further lease modification and would be subject to the payment of a premium. In particular, Lands D drew First Star's solicitors' attention to the fact that any departure from the approved MLPs or landscaping proposals would require a lease modification. First Star's solicitors disagreed with this.</p> <p>The solicitors' points were rejected by Lands D.</p> <p>When proposed revised MLPs were submitted to the District Lands Office ("DLO"), the DLO advised that implementation of those plans</p>

(T55 &
T59)

	<p>would require a lease modification.</p> <p>On 12/7/05 a meeting took place between Mr Patrick Lau (Director of Lands), Messrs Stewart Leung (New World) and Thomas Chan (Sun Hung Kai Properties) to discuss the question of whether or not lease modification would be necessary to permit the proposed works. Nothing was concluded.</p> <p>After various exchanges of correspondence on the issue of whether or not a lease modification was required, First Star applied for a modification but did not find the terms offered by the Government acceptable. They decided not to proceed with that proposal.</p> <p>Finally, following the submission of a revised proposal and application, a lease modification allowing much more limited changes to the development was concluded November 2007.</p>
Q17.	Records of formal and informal discussions relating to the disposal of the Private Sector Participation Scheme flats in the Hunghom Peninsula development including but not limited to emails, fax messages, correspondence, records or notes of oral communication, minutes, and any records of informal meetings: (a) between you and the developer; (b) between you and the parent company of the developer; and (c) between you and Mr LEUNG Chin-man
A17.	As far as I am aware, these items are covered in the copies documents in the THB bundle.

John Stanley CORRIGALL
27 April 2009

