

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

**Witness Statement of Mr Marco WU Moon-hoi**

I, Marco Wu Moon-hoi, was Deputy Director of Housing from 30 September 1996 to 2 March 2003. Upon the amalgamation of the former Housing Bureau with the Housing Department ("HD"), I also took up the additional post of Deputy Secretary for Housing (2) from 1 July 2002 to 31 December 2002. This post was subsequently deleted upon reorganisation of the HD on 1 January 2003. I left the HD to take up the post of Director of Buildings on 3 March 2003, and proceeded on pre-retirement leave on 9 December 2005.

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 my involvement with the matter inquired into took place over six years ago, this statement has been prepared with assistance sought from the Transport and Housing Bureau 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.

**Policy on the cessation of the production and sale of Home Ownership Scheme ("HOS") and Private Sector Participation Scheme ("PSPS") flats**

**Q1 Formulation of the policy on the cessation of the production and sale of HOS and PSPS flats including (a) the responsible parties; (b) your role and participation in formulating the policy; and (c) views from other parties including other policy bureaux, the Hong Kong Housing Authority ("HA"), and the real estate sector**

**A1** The Housing Branch of the Housing, Planning and Lands Bureau ("HPLB") was responsible for the formulation of policies on HOS and PSPS, which was endorsed by the Chief Executive in Council ("ExCo").

The policy on cessation of the production and sale of HOS and PSPS flats was prepared in the form of a draft Policy Committee ("PC") paper in October 2002 through circulation among relevant bureaux and departments for comments. As Deputy Secretary for Housing (2)/Deputy Director of Housing ("DS(H)2/DDH"), I gave advice and

comments at in-house meetings chaired by Mr LEUNG Chin-man, the then Permanent Secretary for Housing / Director of Housing (“PSH/D of H”), and offered assistance during preparation of the paper for submission to the Secretary for Housing, Planning and Lands (“SHPL”) for clearance. The paper was then submitted to the PC for discussion on 24 October 2002. Mr. LEUNG attended the PC meeting for this item. After PC’s endorsement, a paper was formulated by circulation to various bureaux and departments, and submitted for the consideration by the ExCo on 5 and 12 November 2002. I accompanied Mr. LEUNG to attend the ExCo meetings for this item.

After ExCo decided on 12 November 2002 that the housing policy should be repositioned, SHPL announced the Statement on Housing Policy on 13 November 2002 <sup>(T23)</sup> (THB 2). The HA held a meeting on 28 November 2002 to discuss and endorse the various housing measures set out in SHPL’s Statement on Housing Policy, including measures to halt the production and sale of HOS flats indefinitely from 2003 onwards and to terminate the PSPS.

To the best of my recollection, I had not consulted the real estate sector on this issue.

- Q2 The factors taken into account when making the decision to adopt the cessation policy**
- A2** The required information is provided in detail in SHPL’s Statement on Housing Policy delivered at the LegCo meeting on 13 November 2002 (THB 2). (T23)

**Formulation of options for the disposal of the surplus HOS and PSPS flats (“the disposal options”) under the repositioned housing policy announced in November 2002**

**Q3 Formulation of the disposal options including (a) the responsible parties; (b) your role and participation in formulating the options; (c) the merits and demerits of various disposal options; and (d) views from other parties including other policy bureaux, HA, and the real estate sector**

**A3** The disposal of flats in the last two PSPS projects (ie. Hunghom Peninsula and Kingsford Terrace) was discussed at the Steering Committee on Land Supply for Housing (“HOUSCOM”) on 13 August 2002 chaired by SHPL. I attended the meeting as DS(H)2/DDH. I contributed my views on the disposal options at the meeting. HOUSCOM agreed to pursue Option A (i.e. to initiate negotiation with the existing developer to modify the lease conditions of the PSPS site (involving payment of enhanced land premium) so that the developer can sell the flats in the open market) (THB 148 & 149). Subsequently, a draft PC paper was circulated among bureaux and departments for comments.

The subject was discussed at the PC meetings on 12 and 19 September 2002. I assisted SHPL in introducing the paper at the PC meeting on 12 September 2002. I did not attend the PC meeting on 19 September 2002. The PC agreed to recommend for ExCo’s approval to proceed with negotiation with the developers of Hunghom Peninsula and Kingsford Terrace to allow them to sell the flats in the private market subject to payment of a lease modification premium. Upon the endorsement of the PC, the subject was then taken to the ExCo for discussion on 12 November 2002. I attended the ExCo meeting for this item together with an Assistant Director of the Lands Department (“LandsD”). ExCo agreed that negotiation should be held with the developers of Hunghom Peninsula and Kingsford Terrace to allow them to sell the flats in the private market subject to payment of an agreed premium. ExCo also noted that if agreement could not be reached with the developers within a reasonable time, say about six months, HA would have to act strictly in accordance with the Conditions of Sale, i.e. to purchase the flats upon expiry of the 20-month period from the dates of the Consents to Sell.

The merits and demerits of various disposal options are detailed in the paper for the joint meeting of the LegCo Panel on Housing and Panel on Planning, Lands and Works held on 17 February 2004, CB(1)1000/03-04(01) (THB 6). (T27)

The HA held a brain-storming session discussing the possible disposal options of the surplus HOS/PSPS flats on 23 January 2003 (THB 21). (T6(c))

I recall that a few real estate investors had indicated interests in using the surplus HOS flats as guesthouses/serviced apartments. Such proposals had been considered in the formulation of disposal options for surplus HOS flats.

The disposal options for the surplus HOS flats were set out in the HA's Strategic Planning Committee Paper No. SPC 15/2003 (THB 23).<sup>(T8(c))</sup> The paper was issued on 5 March 2003, after my transfer to the Buildings Department on 3 March 2003, but the recommendations therein essentially summarised the deliberations of the Task Force which I chaired during the period from 20 November 2002 to 25 February 2003.

The PC was informed of the progress in respect of the arrangement for disposing the surplus HOS/PSPS flats on 27 February, 2003.

**Q4 The role and composition of the Task Force (chaired by you in the capacity of the Deputy Director of Housing/Deputy Secretary of Housing (2)), and discussions by the Task Force on the disposal of Hunghom Peninsula PSPS flats**

**A4** The Task Force on Alternative Uses of Surplus HOS/PSPS Flats ("the Task Force") was an ad hoc working group set up by the HD following the announcement of the Government's repositioned subsidised housing policy in November 2002. The Task Force was chaired by me in the capacity of DS(H)2/DDH. Other members of the Task Force comprised officials from HD whose portfolios were relevant to the disposal of overhung HOS/PSPS flats.

The terms of reference of the Task Force were to :

- (i) examine all possible options for disposal of surplus HOS/PSPS flats for alternative uses through market-friendly means;
- (ii) evaluate the feasibility and implications of all possible options;
- (iii) enter into discussion with relevant interested parties for the disposal of surplus HOS/PSPS flats; and
- (iv) make recommendation to the Permanent Secretary for Housing, Planning and Lands (Housing).

Before the Task Force commenced its work, the Government had already decided to initiate negotiation with the developers of the last two PSPS projects, i.e. Hunghom Peninsula and Kingsford Terrace to modify the lease conditions of the sites to enable them to sell the flats in the private property market subject to payment of an agreed premium. Therefore, the disposal of these flats was not discussed at the Task Force meetings chaired by me.

Under my chairmanship, the Task Force held six meetings from 20 November 2002 to 25 February 2003.

**Q5 Discussion on the disposal options of PSPS flats at meetings of the Policy Committee, the Steering Committee on Land Supply for Housing, the Housing, Planning and Lands Bureau, and the Senior Directorate Meeting (“SDMs”), including your role and participation in these meetings**

**A5** The disposal of PSPS flats was discussed at the HOUSCOM on 13 August 2002 chaired by SHPL. As DS(H)2/DDH, I attended the meeting and contributed my views on the various disposal options. HOUSCOM agreed to pursue Option A (i.e. to initiate negotiation with the existing developer to modify the lease conditions of the PSPS site (involving payment of enhanced land premium) so that the developer can sell the flats in the open market) (**THB 148 & 149**). (T43(c) & T44(c))

After HOUSCOM’s discussion, the subject was submitted for discussion at the PC meetings on 12 and 19 September, 2002.

As DS(H)2/DDH, I assisted SHPL in introducing the paper at the PC meeting on 12 September 2002. I did not attend the meeting on 19 September 2002. The PC agreed to pursue the option to negotiate with

the existing developers of the last two PSPS projects for modifications to remove the lease restrictions so that they would be able to sell the flats in the open market subject to the payment of a modification premium.

Upon endorsement of the PC, the subject was then taken to the ExCo meeting for discussion on 12 November 2002. I attended the ExCo meeting for this item together with an Assistant Director of the LandsD. ExCo agreed that negotiation should be held with the developers of Hunghom Peninsula and Kingsford Terrace to allow them to sell the flats in the private market subject to payment of an agreed premium. ExCo also noted that if agreement could not be reached with the developers within a reasonable time, say about six months, HA would have to act strictly in accordance with the Conditions of Sale, i.e. to purchase the flats upon expiry of the 20-month period from the dates of the Consents to Sell.

To the best of my recollection, there had not been any discussions on the disposal options of Hunghom Peninsula and Kingsford Terrace at any of the meetings of HPLB or SDMs which I attended

**Q6 The factors taken into account when making the decision to dispose of the Hunghom Peninsula PSPS flats through negotiation with the developer to allow it to sell the flats in the open market subject to payment of a lease modification premium**

**A6** Before reaching the decision to dispose of the Hunghom Peninsula PSPS flats through negotiation with the developer to allow it to sell the flats in the open market subject to payment of a lease modification premium, other options had also been considered, including:

- (a) HA to purchase all the flats at the guaranteed price from the developer and then dispose of the flats as HOS flats;
- (b) HA to purchase all the flats at the guaranteed price from the developer, and then obtain the developer's agreement to modify the lease conditions to enable the disposal of the flats in the open market; and
- (c) HA to purchase all the flats at the guaranteed price from the developer for conversion into public rental housing.

After detailed consideration of the feasibility of various options, it was considered that allowing the developer to sell the flat in the open market subject to payment of a lease modification premium would be the least problematic, and in line with the repositioned housing policy.

This option would not necessitate any upfront payment by HA to buy the PSPS flats. It would also minimize any possible claims for losses from the developer as a result of HA's failure to nominate purchasers. On the other hand, Government would receive immediate revenue generated from the modification premium, and there was no additional holding cost of the flats after completion.

**Q7 The role of Mr LEUNG Chin-man, the former Director of Housing in the decision on how to dispose of the Hunghom Peninsula PSPS flats after the repositioned housing policy announced in November 2002**

**A7** The disposal of PSPS flats was discussed at the HOUSCOM on 13 August 2002 chaired by SHPL. Mr. LEUNG attended the meeting as a member of the Committee, and supported the option to dispose of the flats in Hunghom Peninsula through negotiation with the developer to allow it to sell the flats in the open market subject to payment of a modification premium.

Subsequently, the subject was discussed at the PC meetings on 12 and 19 September 2002. The papers were circulated among bureaux and departments for comments. As PSH/D of H, Mr. LEUNG considered the papers before clearance by the then SHPL. Mr. LEUNG did not attend the two PC meetings. The subject was then taken to the ExCo for discussion on 12 November 2002. Again, Mr. LEUNG considered the paper before clearance by SHPL. Mr. LEUNG did not attend the ExCo meeting for this item.

**Negotiation with the developer of the Hunghom Peninsula development in the lease modification process**

**Q8 Your role and participation in the negotiation with the developer of the Hunghom Peninsula development in the lease modification process**

**A8** Pursuant to ExCo's decision on 12 November, 2002, LandsD carried out negotiation with the developer on the proposed lease modification terms including the premium amount to be paid for the lease modification. I was not involved in the negotiation with the developer in the lease modification process.

**Q9 Mr LEUNG Chin-man's role and participation in the negotiation with developer of the Hunghom Peninsula development in the lease modification process**

**A9** I left the HD on 3 March 2003. I am not aware of any participation by Mr. LEUNG in the negotiation with the developer of the Hunghom Peninsula development in the lease modification process during my tenure in the HD.

**Q10 The government's strategies and the parties involved in formulating the strategies for the negotiation**

**A10** Apart from my involvements in HOUSCOM, PC and ExCo on the subject as outlined above, I did not participate in formulating Government's strategies for the negotiation, and have no knowledge of the parties involved.

**Q11 Discussion at the SDMs relating to the determination of the premium and the revised premium figures**

**A11** During my tenure in the HD, I did not participate in any discussions at the SDMs relating to the determination of the premium and the revised premium figures.



**Communication with parties involved in the Hunghom Peninsula development**

**Q12 Records of formal and informal discussions relating to the disposal of the PSPS 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**

**A12** Since my transfer to the Buildings Department in March 2003, I have not had access to any records of formal or informal discussions relating to the disposal of the PSPS flats in the Hunghom Peninsula development. I do not keep any of these records myself.

During my preparation of this written statement, and in response to the questions raised by the Select Committee, I have the opportunity to review the materials submitted to the Select Committee by the Transport and Housing Bureau. I am of the view that for matters relating to me, relevant records have been provided to the Select Committee.

Marco WU Moon-hoi  
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