

Reinvent the Wheel

The Hong Kong property doldrum is running in its fifth year. One of the most widely discussed topics is whether we are following Japan's footsteps, which has endured an even longer period of price deflation, now more than 10 years. Property economist Mr Chi Lo in this month's feature article says that while sharing some of the similarities, Hong Kong may be better off, given that we have a stronger banking system and are much quicker in asset adjustment than the Japanese. He cites one interesting observation in his analysis: our much bigger bankruptcy and unemployment rate - a painful but necessary process of reining in market excesses and setting the scene for next phase of economic recovery.

The property recession doesn't bring all bad news to the profession. New business opportunities emerge on the back of the relentless changes in the property landscape.

For example, more property developers opt for renovating old buildings, rather than rebuilding, as the preferred option to enhance returns - this creates new demand for innovative property services. Property securitisation is fast developing in Hong Kong as the market seeks alternative investment vehicles to boost liquidity - this will inevitably spell out new business opportunities for property professionals. The PRC property market, one with vast potential just right at our doorstep, is growing rapidly in recent years and local developers and surveying firms are expanding aggressively over there.

The real challenge facing Hong Kong surveyors is to regularly re-evaluate, reposition and reinvent ourselves amidst the changing market practice, and acquire new knowledge in tapping new opportunities.

As we tabled in last month's editor's note, we wish to explore some key issues of growing concern to the industry. We call for your contribution. The editorial board has a pool of editors to help you write the article. If you have any good ideas and wish to be interviewed, please don't hesitate to contact us at editor@hkis.org.hk. The editorial board also looks for ambitious young members to join our growing editorial team.

Let's work together to raise the profile of the profession.

Jim Yip, Honorary Editor



EGM on Proposed Amendments to *the Constitution and Bye-Laws*

At the EGM on 13 January 2003, it was reported that a total number of 2,593 valid votes (from 79% of the total number of corporate members) were returned for the Amendments to the HKIS Constitution and Bye-Laws and the following voting results were noted:

Resolution 1


Votes For	=	2,193 (85% of the total votes received)
Votes Against	=	362
Abstained from Voting	=	38

Resolution 2

Votes For	=	2,491 (96% of the total votes received)
Votes Against	=	92
Abstained from Voting	=	10

Since the total number of fee paying corporate members as at the end of 2002 stands at 3,274, the required 66% affirmative votes will be 2,161. In this connection, I announce that both resolutions are passed with 66% of the corporate members voted in favour.

Members holding the qualification of AHKIS (Associate member of HKIS) are therefore informed that with immediate effect the title of Associate has been changed to "Member" with the designatory letters "MHKIS" and are advised to amend any stationery accordingly.

There is a lot of work ahead of us and the General Council will proceed with the drafting of the necessary amendments for endorsement and recommendation for members' decision at an EGM to be fixed in due course. 

Kenneth CHAN Jor Kin
President

Is Hong Kong falling into *a Japan-style Quagmire?*



There is a concern in the market that Hong Kong's economy might have fallen into a Japan-style chronic deflationary trap, with protracted decline in nominal growth. If so, the implications for Hong Kong's property market would be dire, as Japanese property prices have fallen for over a decade since Japan's asset bubble popped in late 1990.

The similarities

If we compare Japan's asset and domestic demand indicators with those of Hong Kong's, there are indeed similarities suggesting that Hong Kong's asset market and economy are showing signs of a Japan-style quagmire.

Chart 1 shows the behaviour of Japanese and Hong Kong's property prices after their asset bubble burst. Japan's bubble burst in late 1990 and its property prices have fallen steadily since. Hong Kong's bubble burst in late 1997 and property prices have also fallen steadily for five years now! (Note that there are no date labels on the time axis, as it only shows the number of months on a time scale).

The post-bubble deflationary pressures are clearly seen in the contraction in both Japan's and Hong Kong's consumer prices (Chart 2). Hong Kong's precipitous goods price decline follows closely the post-bubble path of Japanese prices, which have sustained a declining trend.

Underlying the goods and asset price deflation is weak domestic demand. Evidence from Chart 3 shows that, after the bursting of the bubble, both Japanese and Hong Kong's consumers were unable to sustain a spending

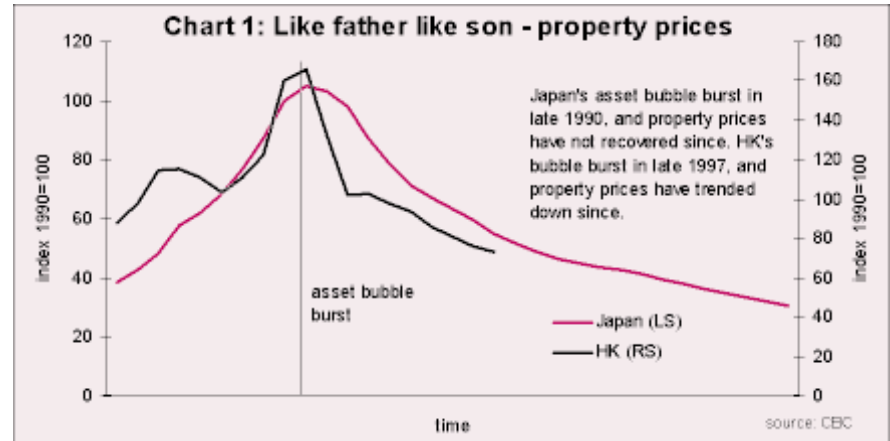


Chart 1

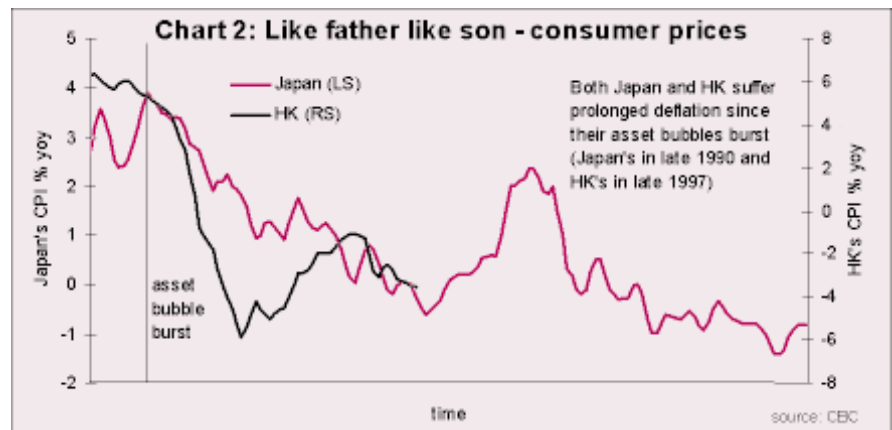


Chart 2

recovery. As a result, economic growth in both economies has been stuck in the doldrums in the post-bubble years.

The differences

However, despite these similarities, the comparisons are not indicative of the market outlook for Hong Kong because they ignore the adjustment dynamics. If Hong Kong were to remain as complacent as Japan and delay economic adjustments, it would indeed follow Japan's footsteps into an economic black hole. Yet, evidence so far suggests that a Japan-style scenario is still a low risk.

First and foremost, Hong Kong's property

market has shown much more flexibility, with its real estate prices adjusting much faster than Japan's in the post-bubble years. For example, Hong Kong's property prices fell by about 50% in the two years after the asset bubble burst in 1998. On the other hand, Japan's real estate prices fell by less than 30% in the same time frame after the asset bubble burst.

Crucially, banks - the heart of the financial system - are much healthier in Hong Kong than in Japan. For example, bad loan levels are much lower in Hong Kong, whose banks also have a much bigger capital cushion than the Japanese banks. Hong Kong banks have an

average 17% capital-asset ratio, compared to an 8% average in Japanese banks, who achieve this BIS required ratio by cheating with various creative accounting and policy measures. This means that the true capital ratios of many Japanese banks are less than the 8% threshold.

The Hong Kong economy is more resilient or flexible, in terms of shock adjustment, than Japan's. Two notable adjustment indicators are the bankruptcy and unemployment rates.

As Charts 4 and 5 show, Hong Kong's bankruptcy rate and unemployment rate have risen faster than Japan's after the bubble burst. The speedy rise of these stress indicators means that insolvent Hong Kong companies are pushed into bankruptcy, creating unemployment, much quicker than Japanese companies.

This is painful, but nevertheless needed, as the process makes room for new investment in the future. The evidence in Chart 4 also shows that the rate of bankruptcy that occurred in Hong Kong over the past year has yet to be matched by anything similar in Japan, more than 10 years after Tokyo's asset bubble burst. Quicker adjustment will inject life into Hong Kong's economy and asset market when the global economic cycle improves

The bottom line

A Japan-like scenario is still a low risk for Hong Kong property, if the territory gets its act together to reinvent itself successfully in the coming years.

Send your comments to nchi_lo@yahoo.com 

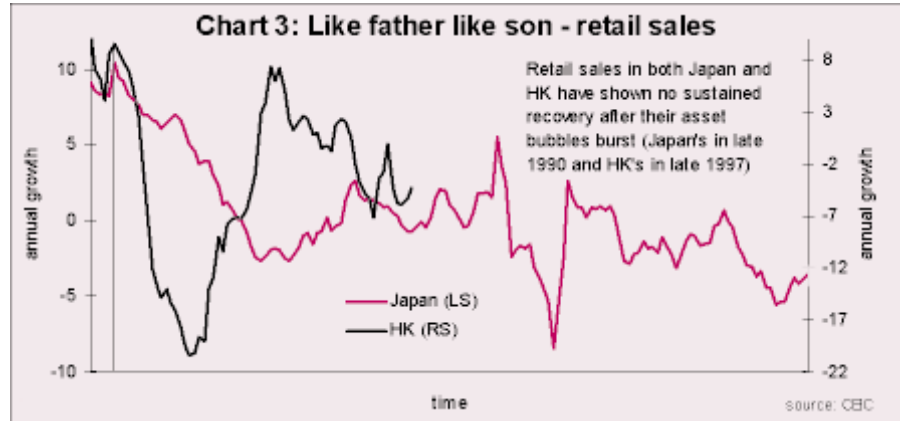


Chart 3

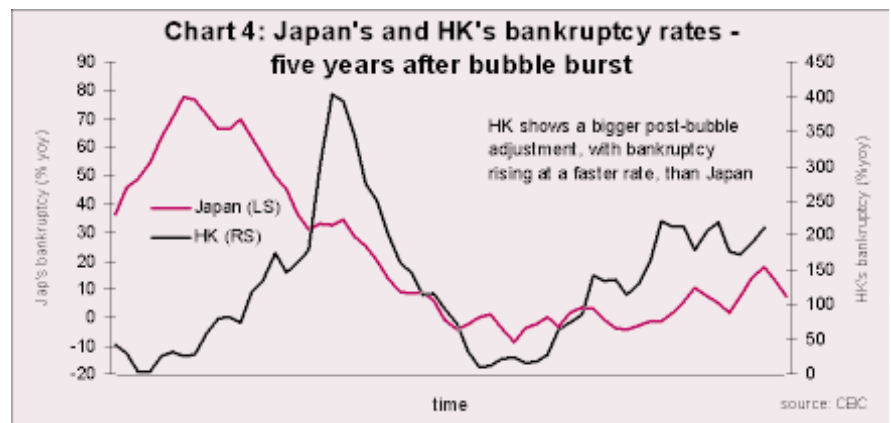


Chart 4

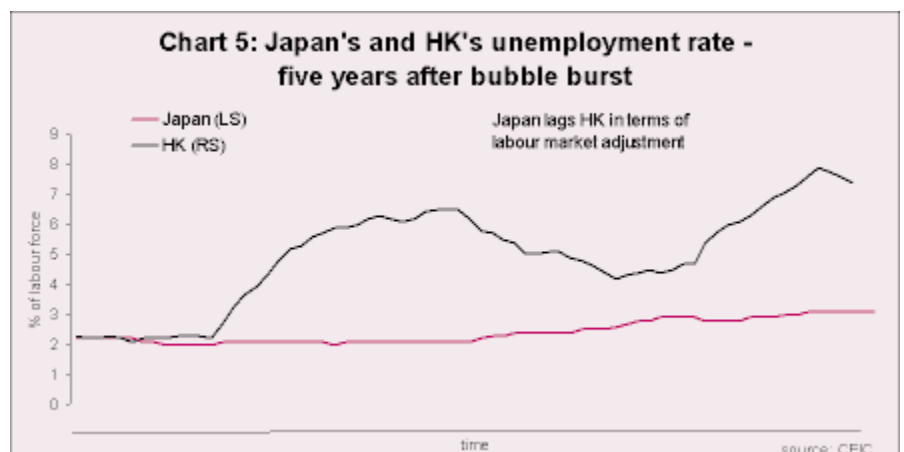


Chart 5

Default *of* Contractors

- The Position under the Hong Kong Private Form



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Last month I introduced the topic of default of contractors and sub-contractors and described how a construction contract may be determined at common law. In that article it was seen that the difficulties of establishing what amounts to a repudiatory breach, coupled with the fairly restrictive events which do amount to such a breach, and the need to set down the rights and liabilities of the parties upon and after determination, has led to the position where all standard construction contracts now include an express clause for determination of the employment of the Contractor.

This month I will look at the provisions for determination in the Agreement & Schedule of Conditions of Building Contract for use in Hong Kong (First RICS (Hong Kong Branch) Edition) 1986 (“the Hong Kong Private Form”), and finally next month I will look at the clauses found in the Government and KCRC forms of contract.

The provisions in the Hong Kong Private Form concerning the Contractor’s default are detailed in Clause 25. Sub-clauses (1) (a) to (d) set out the various defaults of the Contractor which entitle the employer to determine the Contractor’s employment under the contract. However, great care needs to be taken by the Employer when determining under these sub-clauses because there is always room for disputes as to whether the Contractor’s conduct falls into the particular category. The grounds are:

If he without reasonable cause wholly suspends the carrying out of the Works before completion thereof.

This ground would similarly be considered a repudiatory breach at common law. The suspension must be a total suspension of the works, not partial, and must be without reasonable cause. There is no requirement that the Contractor must have left the site, simply that there is no work going on.

If he fails to proceed regularly and diligently with the Works.

This ground is a breach of the Contractor’s express obligation set out in Clause 21(1) which provides that after the Main Contractor is given possession of the Site he shall begin and “regularly and diligently proceed with the same....”. This is one of the most difficult grounds upon which to determine, because it is not clear how regularly and diligently should be measured. Comparison with the Contractor’s programme may give some clues. But the Contractor’s programme is not a contract document, and a failure to keep up to date with the programme is clearly not a breach of contract. Therefore, the employer’s need to exercise extreme care when wishing to determine a contract on this ground as the only cases which could be described as clear cut are cases where the contract completion date has already passed, or it is entirely impossible for the Contractor to complete on time. Even then it can be argued that the liquidated damages provisions provide the Employer’s remedy.

If he refuses or persistently neglects to comply with a written notice from the Architect requiring him to remove defective work or improper materials or goods and by such refusal or neglect the Works are materially affected.

This ground contains rather odd wording. Firstly, the Contractor must either refuse or persistently neglect to remove defective works, and, secondly and most importantly, this must have a material affect upon the Works. The suggestion seems to be that the Contractor can refuse to remedy defects at will provided that the Works are not materially affected.

If he fails to comply with the provisions of Clause 17 of these Conditions.

Clause 17 prohibits assignment of the contract without the written approval of the Architect, and in the House of Lords decision in St Martins Property Corporation Ltd and Another v Sir Robert McAlpine and Sons Ltd (1993) 63 BLR1, it was held that this prohibition on assignment included assignment of the ‘fruits of performance’, i.e. the payments due under the contract. Therefore, if a Contractor comes to an arrangement with his bank whereby he assigns the payments due under the contract, then this would be an assignment which requires the prior written approval of the Architect under Clause 17(1). Whilst this may seem a harsh ground for determination, and is one which would be unlikely to amount to a repudiatory breach at common law, it is nonetheless a sensible one for the Employer, because an assignment of the above kind is very often the first signal an Employer may get that the Contractor is in financial difficulties.

In any event the Contractor is protected under this and indeed all of the above grounds by the proviso that the determination must not be *unreasonable or vexatious*, although it is not immediately apparent how a contractor could argue that determination under any of the above grounds, is unreasonable, especially when the two-stage notice procedure, described below, is adopted.

The Clause then specifies the procedure to be adopted in the event that the Contractor’s default falls into one of the above grounds. The procedure is based upon two notices, both of which are to be served by registered post.

Firstly, the Architect must serve notice specifying the default. The purpose of this notice is to warn the Contractor and give him the opportunity of remedying the default. This should be contrasted with the procedure in the Hong Kong Government forms of contract described next month.

The Contractor has *fourteen days from receipt of the notice* to remedy the default. For this reason it is essential for the Employer to ascertain exactly when the letter is received by the Contractor. If the Contractor denies the default he should immediately serve notice of arbitration to protect his position. If he does not deny the allegation then he must remedy his default. It is considered that provided he has started to remedy the default within 14 days then this is probably sufficient to stave off the notice of determination.

If the Contractor fails to remedy the default within 14 days, or importantly *shall at any time thereafter repeat such default* then the Employer may determine the contract by the serving of a second notice.

Clause 25(2) provides for the Contractor's employment to be determined *automatically* if certain events which are all concerned with the insolvency of the Contractor occur. Notwithstanding the difficulties concerned with automatic determination, and whilst it is clearly sensible to permit determination of the contract in the event of the Contractor's insolvency, it appears that the operation of the clause is open to serious doubt. This is because it infringes a fundamental principle of bankruptcy law, namely the right of a trustee or liquidator to elect to either carry on with the contract or disclaim it. The clause is therefore clearly effective against the Contractor but against trustees and liquidators it is of doubtful validity.

Clause 27(3) then sets out the rights and duties of the parties following determination of the Contractor's employment.

Sub-clause (a) provides *...the Employer may... enter upon the Works and use all temporary buildings, plant, tools, equipment, materials and goods...".*

Clause 14(a) has already placed a prohibition on the removal of goods and materials. It should be noted that the Employer might use plant and equipment but unlike the Hong Kong Government contracts has no right to sell it. The power to use is binding on the Contractor (and trustee or liquidators) but not to others

with prior rights such as owners of hired plant.

Sub-Clause (b) provides *... The Main Contractor shall... assign to the Employer... the benefit of any agreement for the supply of materials or goods and/or for the execution of any work for the purposes of this Contract... the Employer may pay any supplier or sub-contractor for any materials or goods delivered or works executed for the purposes of this Contract ...*

The right of assignment and direct payment is extremely valuable to employers and will usually be welcomed by the sub-contractors as well. Interestingly the clause permits payments for work done before the date of determination, which may, of course, be payments for works for which the Contractor has already been paid. The effect that this may have on the final account between the parties is considered later.

Sub-Clause (c) provides *... The Main Contractor shall ... remove from the Works any temporary buildings, plant, tools, equipment, materials and goods belonging to or hired by him. If... the Main Contractor has not complied therewith, then the Employer may remove and sell any such property...*

This clause highlights the fact that the Employer has no general right to sell the plant and equipment, and can only do so if the Contractor fails to remove it himself. If the Employer exercises this right he can not offset the sum against sums due to him, but must pay the sum received to the Contractor. This is an odd provision.

Sub-Clause (d) provides *... The Main Contractor shall...or pay to the Employer... the amount of any direct loss and/or damage caused to the Employer by the determination... upon ... completion ... the Architect shall certify the amount of expenses properly incurred by the Employer and the amount of any direct loss and/or damage caused to the Employer by the determination and, if such amounts when added to the monies paid to the Main Contractor before the date of determination exceed the total amount which would have been payable on due*


completion in accordance with this Contract, the difference shall be a debt payable to the Employer by the Main Contractor; and if the said amounts when added to the said monies be less than the said total amount, the difference shall be a debt payable by the Employer to the Main Contractor.

This clause provides the procedures regulating the accounts between the parties.

The clause suffers from one major defect in that it seems necessary for an Employer to wait until the completion of the work before he can claim damages. If determination occurs very early in the job, or the Contractor is in financial difficulties this may be too late. In such circumstances an Employer may be better served exercising his common law rights and (if appropriate) accepting the repudiation of the Contractor.

The clause allows what the common law would allow for breach of contract, which is the excess cost of completing the Works by another contractor compared with the notional cost of completion had the contract not been determined, plus any direct loss or damage suffered by the Employer as a result of the termination.

The clause is not specific in what the *expenses properly incurred* are, but it appears that these may include gratuitous payments to sub-contractors for works done (and paid for) before termination, due to the fact that sub-clause (b) specifically permits such payments. Nor is the clause specific in what damage may include, but it is generally considered that it will include liquidated damages up to the date of determination, but thereafter the Employer will have to prove his actual damage (i.e. general damages).

As can be seen the provisions for determination are detailed and must be well understood. Quantity surveyors advising employers must be extremely careful to comply fully with the provisions because wrongful determination can have very serious consequences. 

Delays Caused by Inclement Weather



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A contractor will only be entitled to an extension of time for events listed in the contract as excusable events i.e. those causes of delay for which the employer has assumed the risk and responsibility with regard to time. In Hong Kong, some standard forms of contract do not list inclement weather as an excusable event (see Figure 1) and, therefore, the contractor is not only responsible for the financial effects of inclement weather but also assumes the risk and responsibility of delay caused by inclement weather.

The standard forms which provide that extensions of time are to be granted for delays caused by inclement weather (e.g. the HKIA Form) are sometimes subsequently amended in special conditions of contract to provide otherwise.

Accordingly, contractors in Hong Kong may be required, by the terms of the contracts which they enter into, to make appropriate allowances in their programmes to account for the risks of inclement weather causing delays. This is not such a tall order as, by having regard to meteorological records, the time of year and the location of the site, a contractor should be able to reasonably estimate and allow additional time to reflect the risks of delays to activities which are sensitive to inclement weather.

Why should the contractor be held liable for the time effects of inclement weather? Well it is the contractor, who of the two parties, is probably in the best position to manage and/or price this particular risk. Therefore, for the original contract period, the Contractor can

identify weather sensitive work and traditional periods of inclement weather and make a reasonable allowance thereof.

Extended Periods

What happens if there is delay caused by inclement weather within an extended period after the original date for completion?

On the one hand, the contractor will not have made any allowance for such delays and, on the other hand, the contract administrator is superficially not empowered to grant extensions of time if inclement weather is not listed as an excusable event in the contract.

The answer is simple. Delays caused by inclement weather in an extended period should be considered as part of the effects of the primary delaying event (i.e an excusable event) for which extensions of time have been or should be granted.

If, for instance, a contractor received an extension of time of 20 working days (e.g. due

to an instruction to carry out 20 days of extra work), then the revised extended date for completion is fixed by counting the number of working days after the previous date for completion, i.e. without counting non-working days such as Sundays and labour holidays. If inclement weather caused further delay to the project in the extended period then further days should be counted to compensate for the time lost due to the inclement weather in the extended period.

Generally, the principle is that inclement weather in an extended period qualifies for further extensions of time if it was incurred due to the consequential or knock-on effects of an excusable event. Coupled with this is the fact that most standard forms of contract provide that the contract administrator’s assessment of an extension of time should be “fair and reasonable”. An extension of time, which failed to account for all of the effects caused by an excusable event, could not be said to be “fair and reasonable”.

Authority for the principle can be found in the Canadian case of Ellis Don v The Parking Authority of Toronto (1978) 28 BLR 98. The case concerned work planned to be carried out in the summer (pouring concrete) being delayed into winter due to the employer’s failure to obtain an excavation permit. This

Figure 1

	Excusable Event	Compensable Event
HKIA’s Standard Form of Building Contract	Yes (see Clause 23 (b))	No
Swire Properties Ltd’s Standard Form of Building Contract	No	No
Government’s GCC for Civil Engineering Works	Yes (see Clause 50(1)(b)(i), (ii) and (ia))	No
KCRC’s GCC for Civil Engineering & Building Works	No (see Clause 45.4(d))	No

delayed the commencement of the project. The extension of time claimed by the contractor was 17¹/₂ weeks which included 3 weeks consequential delay due to the concreting works being delayed into the winter. The court awarded the contractor the additional time for the consequential delay caused by winter working as well as financial damages to reimburse the extra cost incurred by the contractor due to concreting in the winter.

Change in Conditions During the Original Contract Period

The same principle of a summer job being delayed into a winter job may be used for extending the date for completion due to inclement weather delays before the original date for completion. This may apply where the primary cause of delay (which is an *excusable event*) results in the deferment of weather sensitive work that was to be carried out during a dry season, being carried out during a wet season. In such circumstances, the revised extended date for completion should be assessed to compensate for the effects of the inclement weather delays incurred because of the seasonal weather changes as the delays were consequential, or a knock-on effect, of the *excusable event* which was the primary cause of delay.

Additional Payment or Recompense

Generally, a delay caused by inclement weather is not a compensable event giving rise to additional payment or recompense. However, based upon the principles established above, the contractor may be entitled to recover the additional costs incurred due to delays caused by inclement weather, which costs were incurred due to the

knock-on effects of a primary excusable / compensable event.

Alternatively, if the contract does not provide for a consequential right to financial compensation, the contractor may have a claim for damages at common law. In the Ellis Don case, O'Leary J held (at page 121) that:

'... the parties should have contemplated that the [primary] delays would create a real danger or serious possibility of more work having to be done in winter, and the loss the [contractor] suffered both from the winter working and having to spend an extra 17¹/₂ weeks to complete the project.'

Culpable Delays

If there are contractor's culpable delays, in addition to delays caused by *excusable events* for which extensions of time are to be awarded, then such circumstances should be taken into account when assessing additional payment or recompense for an excusable and compensable event.

It is difficult to generalise, as each case should be taken on its own facts. Basically, there are two extremes:

- There is no entitlement to any additional payment or recompense as, absent the excusable and compensable event, the contractor would have been detained on the project for the same time or longer due to its own culpable delays.
- There is a minor adjustment to the amount of the additional payment or recompense due to the excusable and compensable event as the contractor's culpable delays were not critical and, without the excusable event, would not have caused, or would not have been allowed to cause, delay to completion.

Summary

A contractor who accepts the risk of weather conditions does so only for those conditions implied by the contract period. Delays caused by inclement weather within an extended period, or where a dry season job is delayed into a wet season job, are generally not risks which the contractor has agreed to undertake. They should be treated as part of the effects of a primary excusable / compensable event for which there are entitlements to extended time and/or compensation. All perhaps commonsense to some, but it is surprising how many contract administrators do not understand these concepts.

For further information contact bera@netvigator.com 

ASP vs. Enterprise Solution II

- to be or not to be?

continued from January issue

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Audit trails and reports

An essential task of a project manager is to ensure that all participants in the project are accountable for their actions. To a large extent this could be achievable by tracking the details of all the actions performed by the team members and making such information available to all participants, based on their access privileges.

As the integrity of any audit trail is maintained automatically meaning that the factual details cannot be altered at all, it would, as a result, minimize unfounded claims, since the record says it all.

The unfortunate practice of backdating a letter would no longer be feasible, since the date and time of issuing the letter will be registered in the history log and form part of the audit trail.

Whilst audit trails register the details of actions, the report functions should be capable of enabling a project manager to identify non-performances. Reports on missed deadlines, outstanding tasks, and the frequency of visits to particular data uploaded onto the e-Project Management system, etc., should all be made available and at the project manager's fingertips.

Security

With different parties with different vested interest in a project collaborating and communicating "on the same page", you should most certainly be concerned about security. For instance, you have to be assured that the financial statement being uploaded is only accessible to, say, the project manager and the architect but definitely not the contractor.

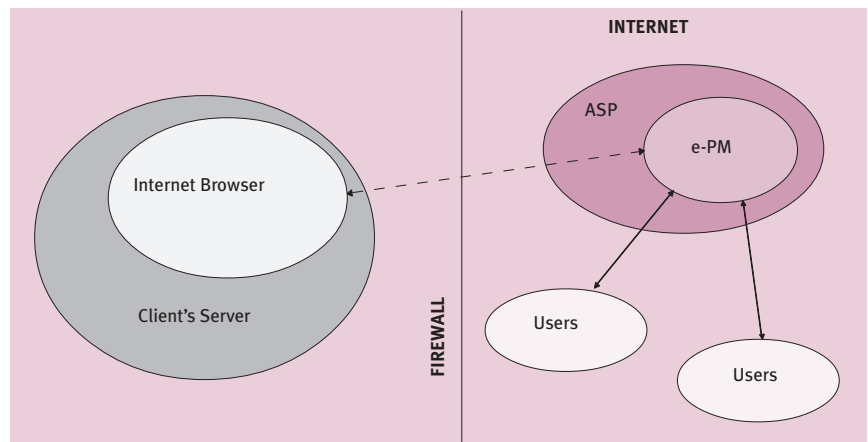
Therefore, apart from a unique login ID and password, the folder security settings mentioned earlier should exist to ensure that the contractor would not even know the existence of the folder titled "Financial Statement" where the quantity surveyor, as the initiator of the file, may have granted access only to the project manager and the architect.

For security during transmissions, a 128 bit SSL (Secure Socket Layer) provides by far the safest means of transmission through the Internet.

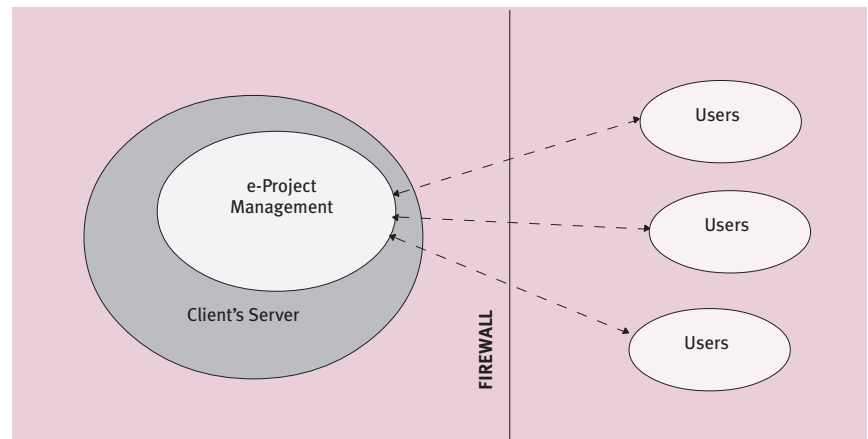
The servers storing the data should be housed in a proper data centre where tightened physical security should be provided. However, you may

still question that an authorized personnel of the Application Service Provider (ASP) whom has legitimate access to the servers in the data centre might become a source of leakage of sensitive/confidential information on the project.

To my knowledge, there are already two ASPs in Hong Kong providing e-Project Management system, which are accredited to BS7799. In other words, the Information Security Management System within these two ASPs have been certified and are being periodically audited, to ensure that all sensitive and confidential data are handled with the strictest care and in accordance with the Security Manual.



ASP Model



Enterprise Model

ASP vs. Enterprise solution

By now you should have a pretty good idea on how to shop around for an e-Project Management system that would cater for all your needs. The final painstaking decision is then to decide whether the servers hosting the e-Project Management system should be placed in the hands of an independent third party, i.e. an ASP or to be housed in the client's own servers.

I used to find it difficult to provide any conclusive advice on this dilemma, until one day, out of the blue, a wise man enlightened me by saying that "It all hinges on the firewall". What he said was: "the concept is simple, going for an ASP means that all the sharing of files and third party communications can be conducted outside the client's firewall. With an Enterprise Solution, third parties are to be given access privileges and would be conducting their daily project-related business behind the client's firewall."

From these words of wisdom, I have produced the following illustrations:


"The firewall", the wise man continued, "is one of the strongholds that protects clients' servers against hackers, virus attacks and you name it. Why would anyone undermine their Internet security by allowing activities to be carried on by third parties behind their firewall? Come to that, why would anyone want the bother of

managing the process of issuing passwords etc. to third parties to control the access? And, lastly, why should one party maintain and keep current a system that might largely benefit others?"

As project management mostly comprises the collaboration and communication between various parties within a project, it goes without saying that clients should have a long hard thought before they opt for an e-Project Management system based on an Enterprise Solution.

Conclusion

Making a decision to use an e-Project Management system to monitor your projects need not be that dramatic. What's more, as construction automation applications go, Web-based project management is a "no-brainer": the benefits it promises are great and the risks of failure low.

Finally, I have yet to see any e-Project Management system that can effectively replace the project manager. Systems like this should be regarded as powerful and effective tools, which are made available to the members of a project team for the daily discharge of their duties as well as for the easy management of their projects. 

中央政策組研討會 2003年1月9日

珠三角新時代： 進一步融入世界經濟體系專業服務

梁振英

在內地開放改革的不同時期，香港的專業技術對內地的經濟發展和社會發展均起了一定作用。香港的專業人士在七十年代末期，已經義務為內地的政府機關及企業單位出謀獻策。內地不少的政策、法規以至專業制度和技術，都有香港專業人士的貢獻。今天仍然有香港的醫療人員在內地經敘為內地病人義務治療。

內地正在加大開放改革的力度，經濟發展和社會制度加速和國際接軌，香港專業人士在這個新時期有新的作用。

香港的專業隊伍向內地提供服務，有三種模式：一是在內地開設服務單位，如律師、會計師事務所及診所等；二是在內地、在香港、海外以至內地資本的企業任職。以上兩種模式都是香港人通稱的「北上創業」或「北上就業」。

第三種模式，是我今天集中講的模式，就是在香港為內地的企業及居民提供專業服務，也可以稱為「引進模式」。

香港社會不應低估香港專業的引進能力。從全國各地到香港尋求專業服務的內地企業和居民愈來愈多，內地居民到香港尋求私家醫療服務亦已經有了先例。

目前內地來港的客戶和求診者之中，有以下特點：-

1. 以珠三角企業和居民為主——香港和珠三角的地緣關係是一個優勢。紳未、香港之間，門到門，僅一小時，東莞到香港是兩小時，廣州到香港是三小時，而且交通費用較低廉。珠三角和香港之間的交通及通關條件愈來愈好，地緣的優勢會更為明顯。珠三角人士和香港專業人士之間的方言、文化及生活習慣都最為接近，因此提供和接受專業服務的雙方的文化和語言隔閡亦最小。

2. 來港尋求專業服務的內地人士，大多有多次往返香港的旅行證件，因此可以較方便，隨時按需要出入境。

珠江三角洲的企業和居民，是香港專業界的最大潛在客戶群，要發掘珠三角的潛力，有以下幾方面的工作要做：-

1. 積極及全面介紹香港的專業服務。內地企業和居民，對香港的專業服務仍然所知不足，例如內地人士大多不知道以內地居民的身份，亦可以以極便捷的手續，在香港註冊成立有限公司，以公司名義開設銀行戶口，在香港及海外進行經濟活動，包括大大小小的投資活動。內地居民，包括富裕人士，對香港的具體醫療技術，包括體檢及治療技術，亦所知不多。

2. 將專業服務收費透明化。目前絕大多數內地人士，對香港的專業服務收費水平沒有概念，亦對濫收的可能性有一定的介意。香港的專業團體、專業事務所及專業人士應在內地介紹香港專業服務的同時，公開收費標準，如無劃一收費標準，則應公開收費幅度。

3. 方便香港在珠三角的客戶多次往返兩地。目前粵港兩地出入境機關已多次放寬政策，簡化手續，在這個基礎上，如果可以增加多次往返的名額，對香港專業界的發展，對粵港兩地經濟的共同發展，有更大裨益。

香港的十大專業團體，包括大律師公會、律師會、會計師公會、建築師學會、工程師學會、規劃師學會、測量師學會、園境師學會、醫學會和牙醫學會，於兩年前成立專業聯盟。經過兩年來雙方的努力，內地對香港的專業制度、專業技術水平、專業操守及服務範圍都有一定認識。專業聯盟亦於去年將珠三角訂為主要的交流對象。

行政長官於去年的施政報告中提出成立的專業服務發展基金，紳受專業團體歡迎，經過半年的運作，部份專業團體已經取得撥款，並且已經全面推動專業服務的進一步發展。

行政長官在昨日宣讀的施政報告中指出，中央領導人及廣東省領導人均十分支持將珠江三角洲發展成為包括專業服務在內的現代化大型經濟區域。行政長官亦指出，中央政府同意特區政府的提議，正在研究進一步放寬內地居民來港旅遊的措施，我認為這些發展對香港專業界拓展執業空間是極之正面和有利的。

香港專業服務在內地發展有相對優勢，即使比外國的同行亦有相對優勢。香港專業人士的收入，是香港社會的淨收入。上面提及的引進模式最適用於珠三角地區，對香港的專業人士來說，有低投資、低風險的優點。對珠三角地區來說，當地企業和居民，亦可以在內地全面發展專業制度、法規和政策之前，比較便捷地在香港取得和國際接軌、具國際水平的專業服務。

香港的專業人士在改革開放初期為內地的發展提供了一定的動力，我相信在這個台階上，珠三角和香港在專業服務的配合，可以為雙方新一輪的經濟和社會發展，提供新的動力。

Brighter Outlook at *Year-end*



The volume and total price of transactions showed a slight rebound in the month after the announcement of the 9-point stabilization policy by Mr Michael Suen, Secretary for Housing, Planning and Lands.

The policy can best be seen as something to boost confidence, rather than actually boosting demand for housing.

No. of Transactions	Nov. 2002	Dec. 2002
Residential (1st hand)	1,496	1,904
(2nd hand)	3,572	3,367
Total	5,808	6,111
Non-residential	740	840
Total Transaction price	HK\$10,447 m	HK\$12,975 m

Source: Midland Surveyors

The housing market in the first half of December was actually quite buoyant, showing encouraging signs. But by mid-December the momentum fizzled.

It is still too early to reach a verdict for the new policy. However, there are several contributing factors for this tepid response:

- (i) Seasonal effect - Christmas is traditionally a weak market.
- (ii) Volatility in stock market - Money for investment in properties drained away.
- (iii) A looming war with Iraq - Dampening buyers sentiments.

Once again we see developers taking advantage of the feel-good effect of the policy to push up sales. To further attract buyers many adopted new sales methods and additional benefits/terms. Among them two were more successful, namely Queen's Terrace in Sheung Wan and Coastal Skyline in Tung Chung.

In both cases the developers adopted one very successful tactic. They designated a number of flats all at a relatively low price level, along with other sales incentives. Attracted by a bargain price, application forms from prospective purchasers poured in. In Queen's Terrace, less than 100 of the 1,148 flats were left unsold during the launch. In Coastal Skyline, 480 flats were sold in December, amid ample supply of new flats in Tung Chung.

Other developers offered benefits including 90% mortgage and reduction in prices.

In general, flat prices in Kowloon and the New Territories continued to fall in December 2002,

Development	Estimated Flats sold in December
Coastal Skyline	452
Queen's Terrace	781
Sorrento	87

Source: Midland Surveyors

mostly within the range of 1% to 3%. This was probably due to a large supply of new flats in these two areas. Hong Kong Island, on the other hand, has less supply and is, therefore, able to maintain the price level better.

In this month we also saw two notable transactions in the investment market:

- (i) The 17-storey Tung Ying Mansion in No. 100 Nathan Road, Tsimshatsui, sold by the Hotung family to Chinese Estates at HK\$1.106 billion (at HK\$2,928p.s.f.).
- (ii) No. 15 Ho Man Tin Hill Road sold by China Light and Power to Kerry Properties at HK\$410 million (at HK\$ 3,150p.s.f.).

Jump over the Hurdle

An Interview with Mr Charles Chan,
Executive Director, Chesterton Petty Limited



As the valuer for Petrol China and China Telecom, the two largest initial public offerings in recent years, Mr Charles Chan, Executive Director of Chesterton Petty is probably the man who values the most number of petrol stations and telephone exchanges on this earth. In this month's meeting point, Danny Cheung talks to him and asks his formula for winning in tough times.

Danny: *How do you manage an international surveying firm in a market downturn?*

Charles: Indeed this is a difficult task. Being a firm with a large number of employees, we not only take care of the interests of our clients but also our staff. Our management philosophy is to treat every single staff as our precious asset. We rely on them to provide value-added service and to get the recognition and trust from clients.



On the other hand, I think the downturn offers us a golden opportunity to retain and hire good quality people, which we may not have been able to do so during the good times. We can strengthen our competitiveness and build up our market share.

Danny: *How do you compete with other companies in bidding for the jobs?*

Charles: Service standard is the key. At the moment there is fierce competition amongst all the valuation firms. I do not object to open competition but some of the current practices by our practitioners are detrimental to our professional image. For example, in order to obtain the business, they give away their professional judgement and carry much of the clients' influence in valuation reports. This damages our professional reputation and in the long run nobody would trust a surveyor's report. I think, the most important thing is to raise the service standard.

Danny: *How do you maintain a good relationship with clients?*

Charles: Firstly, over the years we have built up a strong goodwill for our company. We offer high quality services to our clients, and yet our fees are competitive. We do not overcharge simply because we are a big company. Secondly, we have many highly motivated and talented professional staff. We are driven to understand our clients' needs and offer solutions. We are their problem solvers. Without a high level of service, you will be finding it much easier to lose a client than to find one. Thirdly, this is very important, while we endeavour to keep a friendly

relationship with our clients, we do not allow our valuation dictated by our clients. As a professional firm, our professional ethics matter most.

Danny: *What are the new opportunities for our profession?*

Charles: Opportunities are available at all times. It depends on whether you are paying efforts to tap them. In the boom times, there were plenty of jobs around and everyone was busy. Nobody paid attention to create new market opportunities. Over the past ten years we have invested a lot in our people and new services and we never stopped to look for new market opportunities. We set up a big team for the West Rail project and we are quite successful in the PRC market. Because of that we came through the tough times in a better shape. I see the trend for out-sourcing of property services from both the public and private sector growing bigger in the coming years and this will create new business for us.

A lot of people talk about "Going North" a new opportunity, but please be reminded that our mainland colleagues are catching up, they are fast learners, we need to work even smarter and harder to keep our leading edge otherwise we will soon be out of the game i.e. relegating from the First Division.

Danny: *Can you tell us about your proud moments and disappointments in work?*

Charles: My proud moment - I would say was between 1992-1994 when the Hong Kong stock market was very active, there were a lot of companies' listing on the stock market and we had managed a dominating market share for the listed companies valuation services. In 1992 I was promoted to Executive Director in this

firm, it was quite an achievement for a locally trained professional in a firm dominated by expatriates.

As for upsetting times, they happen all the time in life. Sometimes you work very hard and you almost clinch the deal, but at the last minute you lose it. I guess this is like a football striker in a football game who sees the ball bouncing back from the post and missing the goal. Life must go on. You just have to forget it and carry on with the work.

Danny: *Why did you choose GP surveying at the outset?*

Charles: It started with a career talk by my senior schoolmate, Mr C K Chan, whose talk had aroused my interest into this field. At that time no one had a clue of what surveyors actually did, but we knew the property market was booming and there was a good future in this profession. Another five of my classmates also went into surveying and interestingly, some of them are now working in other valuation firms, and are competing with each other for jobs.

Danny: *Can you tell us about your career path or development?*

Charles: Since I graduated in 1984 from the Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) I joined Wayfoong Property as a student trainee and qualified in 1987. I then joined Tony Petty Limited (presently known as Chesterton Petty Limited) as a Valuation Surveyor and promoted to Executive Director in 1991.

Danny: *Any advice to young people?*

Charles: Put in more hard work, acquire new skills and be patient. Never make a

compromise on our integrity and professional ethics.

Danny: *Any person you would like to say thank you?*

Charles: Before I joined Chesterton Petty Ltd, I was only involved a little in valuation works. It was my senior then, Mr Augustine Wong (now General Manager of Property Development, Henderson Land Development Co. Ltd.), who had taught me a lot in valuation techniques. He is my good mentor.

Additional reporting by Martin Leung 



Charles Chan (in the middle) with Martin Leung (on the left) and Danny Cheung (on the right)



Charles Chan's Profile

Education

- Professional Diploma in Surveying from Hong Kong Polytechnic (1984)
- MSc in Property Development and Finance

Professional Qualifications

- Fellow of the Hong Kong Institute of Surveyors
- Fellow of the Royal Institution of Chartered Surveyors
- Member of the Chartered Institute of Arbitrators
- Registered Professional Surveyor (General Practice)
- Honorary Committee Member, China Land Appraisal Society

Career

- 1984 Joined Wayfoong Property
- 1987 Joined Tony Petty Surveyors (now known as Chesterton Petty)
- 1991 Executive Director of Chesterton Petty

Institute's Services

- Member of HKIS International Committee and Valuation Standards Committee

JO Forum leads *the New Way of INNOVATION* amongst Young Members

Simon POON

JO Committee Member

Enthusiastic speakers, well-prepared and interesting presentations, experienced forum moderators and an overwhelming response from the audience made the first JO Forum on 18 January 2003 highly successful and set a role model for our next show.

The aim of the JO forum was to encourage our young members to break away from fears and speak their minds out in a public forum. Four of our JO committee members namely: Simon Poon, Kelvin Ng, Teresa Kamolvisit and Danny Cheung rose up to the challenge and presented four cases closely related to their working experience.

“I really enjoyed the Forum on Saturday; I wish I could do it one more time. From searching relevant information to putting the presentation in order, it helped me find out my strength and weaknesses in preparation for the APC. More importantly, it built up my confidence in public speaking. Our two experienced forum moderators were simply fantastic, they gave a lot of valuable comments and shared their market insights,” says Danny.

“It was held in a very friendly atmosphere. I will encourage my friends and colleagues to participate as a speaker,” added Teresa.


More than 30 members took part in this free event which gained them no CPD hours. But they gained new market knowledge plus a precious networking opportunity. The event should be counted as a CPD event, as suggested by our moderators, but in JO we see a bigger picture out of CPD hours - we encourage young members to strike for something



they believe of best values for them. No doubt, they are the best valuers in town!

Many thanks to our two forum moderators: Mr Wyatt Choy, our first JO chairman and commercial director of Kerry Properties, and Mr Allan Chan, assistant general manager of Henderson Land Development Co, for their valuable time and advice. In addition, our heartfelt gratitude must also go to our host

Wesley Chan for his excellent leadership.

In order to encourage more young members to participate in this JO forum, we now have a team of helpers to help you fine-tune your presentation, share with you their experience, and even help you on PowerPoint. If you wish to speak, please don't hesitate to send an email to the forum organiser Jim Yip at jimyiphk@yahoo.com 



The Power of Success -

Lunch n' Learn Event with

Hon. C Y Leung on 11 January 2003

Jean CHENG

Event Organizer


With the backdrop of the emblematic circular window of Jardine House and surrounded by some 30 eager young surveyors, Hon. C Y Leung, non-official member of the SAR Executive Council and chairman of DTZ Debenham Tie Leung Ltd, might well feel like he was in his office and spoke at ease in this more than 2-hour experience-sharing session organized by the JO on 11



January 2003. Mr Leung believes the current generation of surveyors is blessed with good training and skills, but they need to work harder and improve their language skills. In

what most of our participants described as an unprecedented opportunity for them being so close in contact with the icon of the surveying profession, we seized every moment to express our views and asked him questions, some of which seemed private but not lacking of hilarious elements, such as how he got this deep voice and

what had caused him to set up his own surveying firm back in 1993. Perhaps it was Mr Leung's knack of citing intriguing anecdotal examples to convey his messages that had got us most impressed. The full transcript of this meeting will be posted in next month's Meeting Point column.

In our bid to cheer up young members and to encourage them to see a bigger picture out of the current gloomy environment affecting Hong Kong and the profession, the Junior Organisation will organise more such meaningful Lunch n' Learn events in the coming months. Stay tuned! 



Organic Living

Written by *Linda Brown*

ISBN 0-7513-29061



In the spring of 1989 I took a 36-hour train ride from Guangzhou to Beijing. I took this way to visit Beijing because I thought I could enjoy all the scenic views from southern China to the north, intercepted with the Yellow River. But the experience was entirely spoiled by the shocking scenes of millions of lunch boxes and disposable chopsticks lying alongside the railway track all the way to Beijing. China's economic progress has been very fast in the last two decades, but little effort has been paid to the environmental protection as most of our peasants lack awareness to preserve our beautiful natural surroundings.

Environmental protection is a very broad issue that could only be led by nations and countries, so our Environmental Protection Department (note 1) is spearheaded with this responsibility to disseminate its awareness to all facets of lives and to execute the relevant legislation. However, there must be some bits and pieces that good citizens can do to help save the earth from deteriorating.

If members want to learn more of what you can do to reap the benefits of living greener and cleaner, I would recommend this book which suggests some useful means of achieving organic living. The book is divided into seven sections including organic farming, food and drink, baby care, health and beauty, gardening, home and office, and finally organic directory.

First of all, organic farming must work in harmony with nature and not to abuse the systems. For the past 50 years or so, the escalating use of toxic insecticides in

agriculture has apparently killed a number of bugs but invisibly put more than a billion living organisms to death. The inner ecology of soils and crop rotation system was seriously destroyed, and the nutrient cycle was also impaired. Furthermore, the unwashable chemicals are very often stuck to the foods that are feeding all of us including our babies. Therefore, organic farming provides benefits to the soils as well as to our health.

Other than invisible chemicals, some biotech scientists are still finding re-arranging foods' genetic codes very exciting. There was a strong advocate that genetically modified (GM) foods (some are now called Frankenfoods (note 2)) must be labeled to let buyers know of the contents of the food before people put them into their mouths. Supporters of organic farming strongly campaign against all these GM foods; and more and more people are wondering how human beings can play against the very nature.

Organic life starts from food and drinks after these foods are cropped from organic farms. Eating organic food can start by buying organic options not from supermarkets but from organic farms and making a commitment to buy a certain organic item once a week. The more people who buy organic food, the more farmers will convert, and prices of organic food will become more affordable.

Another interesting topic is organic health. Healthy eating can be as simple as drinking enough water - 1.5 liters a day, preferably filtered. It ensures we keep the body's system flushed and functioning, but also helps our brains too.

Besides our inner body, most of us care about the skin. Contrary to the previous misconception, skin is not as impermeable as a raincoat. Some research indicates that women absorb up to 2kg of chemicals


through their skin every year. When you learn more from the fact that most of the cosmetics are made of petroleum by-products, applying chemical-heavy skincare products is nothing different from eating petroleum. Therefore, the author advises us to make a shift towards more organic and natural skincare. My personal advice would be that a balanced and vegetable-rich diet plus daily aerobic exercises in the fresh air (not inside an air-con fitness center) could also be a sure-win skincare strategy.

Roughly speaking, office workers normally spend an aggregate 80% of our time at home and in workplace. Homes and offices in affluent countries are creating more and more rubbish, whereas most of these throw-aways (note 3) may not be immediately degradable in soils or recycled for further uses. Its damage to the environment is incalculable; and government officials are scratching their heads to find another landfill site to store these refuses. The consequences of these expanding dumps are huge because of the contamination of air, water, and the unstoppable pollution. So the first golden rule to save the earth is to reduce, re-use and recycle. Reduce consumption to the minimal, e.g. buying fewer clothes if not essential or switching off electrical appliances if not using. Re-use plastics bags or simply bring along food baskets to supermarket shopping. Recycling can now be done by separating plastic bottles, papers and tin cans into the sets of three collection bins throughout Hong Kong.

This 256-page book is accompanied with lots of colorful pictures, which inspire us the beauty of a true green and clean living environment. Its final chapter also lists a number of references for us to look for information regarding organic living, though most are only found in the UK. Environmental protection is very costly to the public funds but bearing in mind it equally provides new business opportunities for all professions in the future. So let's learn more about the importance of preserving the nature and of protecting the biodiversity for future generations!

Note 1: Environmental Protection Department: <http://www.epd.gov.hk/epd/>

Note 2: Frankenfoods - Friends or Foe: http://mywebmd.com/content/article/36/1728_80187

Note 3: I first learnt the term "throw-away society" from an Alvin Toffler's Future Shock (1970s) 

Surveyor's Inputs *Sharpen*

Competition in the university is becoming much keener nowadays. The competition is fueled not only because of the current economic downturn, but the increasing numbers of university entrants each year. Moreover, lecturers demand more from undergraduates. All of us are working hard throughout the year to strive for the best. However, very often, we find difficulties in doing our assignments, as we lack the access (or do not know where to find them) to seek assistance.

Sunny Chan, our JO chairman, is an energetic person and he always encourages us, student representatives in the JO team, to organise CPD and social events. Moreover, he is very helpful and generous in helping us.

In the past few months, we have altogether arranged two interviews with him. The first one was a discussion on the rationale and concept of elemental cost planning in cost control; while the second one concerned about aspects in the HKIA Standard Form of Building Contract. In both interviews, Sunny has kindly prepared some useful

notes for our reference based on the questions we asked in advance. He was just like our tutor and holding a mini lecture with us. We appreciated his efforts in helping us and solving our queries, despite his busy works in the office and HKIS (JO).

Through the interviews, we enhanced our knowledge on relevant aspects in the field of Quantity Surveying. What is more, we could investigate in what extent the things we have learnt in lectures could be applied in real world. After the interview, apart from finding solutions to our queries, we also understand more about the role of various participants in the construction industry. Besides, we understand that what we have learnt in school only provides us with background knowledge; there are still numerous areas we need to explore when actually working in the industry.

Last but not least, we wish to give special thanks to Mr Sunny Chan for sharing his invaluable experience with us.

*Representatives of
the University of Hong Kong
Vionnie Poon and Freddy Wan*