

**Memorandum for the Subsidised Housing Committee of  
the Hong Kong Housing Authority**

**Management Fees for Home Ownership Scheme Court  
Choi Wo Court**

**PURPOSE**

This paper seeks Members' approval for the proposed monthly management fees payable by the owners of Choi Wo Court<sup>Note 1</sup>, a new Home Ownership Scheme (HOS) court.

**RECOMMENDATION**

2. Members are recommended to approve –
  - (a) the proposed monthly management fees payable by the owners of Choi Wo Court (**paragraph 5**); and
  - (b) the proposed declassification of this paper (**paragraph 9**).

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Note 1 Choi Wo Court will be offered for sale under the "Sale of HOS Flats 2020".

## BACKGROUND

3. The Housing Authority (HA) is the developer for Choi Wo Court (hereinafter called “the Court”). Particulars of the Court are as follows –

Court (District)	Residential Blocks (Allotted with Management Shares)		HA Accommodation (Allotted with Management Shares within the Lot)	Estimated Material Date <sup>Note 2</sup>
	Block Type	Number of Blocks/Units		
Choi Wo (Sha Tin)	Non-standard Block	1/806	Car Park	8/2020

## CALCULATION OF MANAGEMENT FEES

4. Management fees for HOS courts are charged on an at-cost basis to cover the total monthly operating expenses<sup>Note 3</sup>. The management fee of each unit is determined by apportioning the total estimated expenses in

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Note 2 In the case of HOS developments, the “material date” refers to the date on which the Development is completed in all respects in compliance with the approved building plans. For details of the definition of “material date”, please refer to section 2 of the Residential Properties (First-hand Sales) Ordinance.

Note 3 Pursuant to the provisions of the Lease and the Deed of Mutual Covenant (DMC) of Choi Wo Court, HA shall be the initial manager of the new HOS Court for the first two years till the Incorporated Owners has been formed to take over the management of the HOS Court. DMC also empowers HA as the DMC Manager to appoint and employ any suitably qualified company to carry out the management, maintenance and operational duties over this initial period. In line with the prevailing arrangement applicable to all HOS courts with HA as the DMC Manager, HA will levy a supervision cost which is calculated on a full cost recovery basis. The supervision cost for 2020/21 is fixed at \$28.90 per unit per month.

proportion to the management shares allocated to that unit according to DMC to be executed by HA and the first purchaser of the court. This is made in accordance with the guidelines drawn up by the Legal Advisory and Conveyancing Office (LACO) of the Lands Department.

## **PROPOSED MANAGEMENT FEES**

5. The estimated operating expenses for management of the Court to be shared by all owners are shown in **Annex A** and the proposed monthly management fees <sup>Note 4</sup> of the Court are set out in **Annex B**. Inter alia, the proposed monthly management fees payable by the flat owners of the Court are set out as follows –

<b>Court</b>	<b>Number of Blocks/Units</b>	<b>Proposed Management Fees (Unit/Month)</b>
Choi Wo	1/806	\$1,044 to \$1,612

6. The proposed monthly management fees payable by HA as the owner of the HA Accommodation (viz. Car Park) for contribution to the expense of the Estate Common Areas and Facilities (ECA) of the Court are fixed at \$2,070 (**Annex B** refers). In addition, HA will separately appoint its own Property Services Agent (PSA) for the Court to manage the HA Accommodation.

## **FINANCIAL, STAFFING AND INFORMATION TECHNOLOGY (IT) IMPLICATIONS**

7. The management fees will be collected and deposited to the operating accounts of the Court. The financial implications to HA arising from HA's contributions to the expenses of ECA as the owner of the HA Accommodation are considered reasonable. There is no additional staffing implication as the workload involved in calculating management fees and monitoring PSA's performance will be absorbed by the existing staff. There is no IT implication arising from the proposal.

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Note 4 To be valid for two years commencing from the date of DMC of the Court.

## **PUBLIC REACTION/PUBLICITY**

8. The calculation of management fees of the Court is based on the estimated operating expenses in accordance with the provisions in DMC and the sums reflect the prevailing market situation. This is made in accordance with the guidelines drawn up by LACO of the Lands Department. As the management fees for the Court are in line with the prevailing arrangement applicable to all HOS courts, we do not anticipate adverse reaction from flat owners of the Court.

## **DECLASSIFICATION**

9. We propose this paper be declassified upon Members' approval of the proposal. Upon declassification, this paper will be made available to the public on the HA website, the Departmental Library and through the Departmental Access to Information Officer.

## **PRESUMPTION**

10. It is not thought that Members will object to the recommendation in **paragraph 2** above. If no objection or request for discussion is received by the Committees' Secretary **by noon on 2 September 2020**, Members' approval will be presumed and appropriate actions will be taken.

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(Estate Management Division)  
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**Estimated Monthly Operating Expenses  
Choi Wo Court**

<b>(A) <u>Type of Accommodation</u></b>	<b>No. of Management Shares</b>
<b><u>Residential Blocks</u></b>	
Number of Blocks	1
Type of Blocks	Non-standard Block
Number of Units	806
Number of Residential Storeys	40
	53 251
 <b><u>HA Accommodation</u></b>	
Car Park	796
 <b>TOTAL</b>	54 047
 <b>(B) <u>Contribution to Expenses of Estate Common Areas and Facilities (ECA) by All Owners</u></b>	
Monthly Expenses of ECA	\$
(1) Operating Cost to be incurred by Property Services Agent (PSA) <sup>Note 1</sup>	
(i) Fixed Cost <sup>Note 2</sup>	9,072.00
(ii) Reimbursement Cost <sup>Note 3</sup>	107,966.04
Sub-total of Operating Cost	117,038.04
(2) Add : HA's Supervision Cost <sup>Note 4</sup>	11.65
(3) Sub-total : (1) + (2)	117,049.69
(4) Add : Contingency at 5% of (3) <sup>Note 5</sup>	5,852.48
(5) Add : Legal Fees at 5% of (3) <sup>Note 6</sup>	5,852.48
(6) Add : Reserve for Accumulated Fund at 10% of (3) <sup>Note 7</sup>	11,704.97
(7) Total : (3) + (4) + (5) + (6)	140,459.62
Average expenses of ECA per month per management share = \$140,459.62 ÷ 54 047 shares	2.60

## Estimated Monthly Operating Expenses Choi Wo Court

**(C) Contribution to Expenses of Residential Block Common Areas and Facilities (RCA) by Residential Owners**

Monthly Expenses of RCA	\$
(1) Operating Cost to be incurred by Property Services Agent (PSA) <sup>Note 1</sup>	
(i) Fixed Cost <sup>Note 2</sup>	41,331.68
(ii) Reimbursement Cost <sup>Note 3</sup>	632,532.68
Sub-total of Operating Cost	673,864.36
(2) Add : HA's Supervision Cost <sup>Note 4</sup>	23,281.75
(3) Sub-total : (1) + (2)	697,146.11
(4) Add : Contingency at 5% of (3) <sup>Note 5</sup>	34,857.31
(5) Add : Legal Fees at 5% of (3) <sup>Note 6</sup>	34,857.31
(6) Add : Reserve for Accumulated Fund at 10% of (3) <sup>Note 7</sup>	69,714.61
(7) Total : (3) + (4) + (5) + (6)	836,575.34

Average expenses of RCA per month per management share  
= \$836,575.34 ÷ 53 251 shares 15.71

Note 1 Based on PSA's tender submission.

Note 2 Comprising Property Management Agent's Remuneration and Headquarters Staff/Administration Cost.

Note 3 Comprising On-site Management/Technical Staff, Security, Cleansing, Maintenance & Repairs (including Landscaping), Electricity, Water, Audit Fee, Insurance, Stores, Stationery & Uniform, Cost of Towing and Miscellaneous.

Note 4 The supervision cost levied by HA for 2020/21, based on a full cost recovery principle, is \$28.90 per unit per month.

Note 5 Contingency provisions.

Note 6 Legal Fees for daily management/services.

Note 7 Saving to the Accumulated Fund for healthy financial situation.

**Proposed Monthly Management Fees**  
**Choi Wo Court**

<b>(I) Residential Blocks</b> <b>(Contribution to expenses of ECA and RCA:</b> <b>= \$2.60/share + \$15.71/share = \$18.31/share)</b>			
Floor	Unit No.	No. of Management Shares for Each Unit	Monthly Management Fees for Each Unit #
1/F - 40/F	8, 13, 14, 19, 20, 21	57	\$1,044
1/F - 40/F	1, 9, 18	58	\$1,062
2/F - 40/F	2	58	\$1,062
2/F - 40/F	3	63	\$1,154
1/F - 40/F	15	68	\$1,246
1/F - 38/F	16	68	\$1,246
1/F - 40/F	7, 10	69	\$1,264
39F - 40/F	16	69	\$1,264
1/F - 28/F	5	70	\$1,282
1/F - 28/F	6	72	\$1,319
29/F - 34/F	6	73	\$1,337
1/F - 28/F	4	79	\$1,447
1/F - 40/F	11, 12	87	\$1,593
1/F - 38/F	17	88	\$1,612
<p>Average management fees for residential unit            = <math>\\$18.31 \times 53\,251 \text{ Shares} \div 806 \text{ Units} = \\$1,209.71</math>            Say \$1,210 # per residential unit</p>			
<b>(II) HA Accommodation</b> <b>(Contribution to expenses of ECA: \$2.60/share)</b>			
		No. of Management Shares	Monthly Management Fees #
Car Park		796	\$2,070

# Rounded up to the nearest dollar.