

Johnson
Stokes
& Master

孖士打律師行

16th-19th Floors

Prince's Building

10 Chater Road

Central

Hong Kong

香港中環

遮打道 10 號

太子大廈 16-19 樓

Tel 電話

(852) 2843 2211

Fax 傳真

(852) 2845 9121

E-mail 電郵

jsmhk@jsm.com

www.jsm.com

By Fax (No.2567 5257) & By Post

Lei King Wan (Management) Limited,
GB21, Ground Floor,
45 Tai Hong Street,
Lei King Wan,
Hong Kong.

Our Ref: WSSL/L5/05/6721594/4

Your Ref:

Direct Tel: 2843 2506

Direct Fax: 2103 5471

Date: 21st May 2005

Attn : Mr. Nelson Chung

Received by hand/post/fax

24 MAY 2005

LEI KING WAN
ESTATE MANAGEMENT OFFICE

Mr. Nelson Chung	Mr. Wilson Lee	Mr. ...	Mr. ...	Mr. ...	Mr. ...	Mr. ...	Mr. ...	Mr. ...	Mr. ...
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Dear Sirs

Re: External Walls of Lei King Wan

1. We thank you for your letter dated 1st April 2005 and we refer to the subsequent telephone conversations between your Mr. Nelson Chung and our Mr. Wilson Lee. We write to answer your queries raised in your letter.

Who own the external walls of Lei King Wan?

2. The external walls of the buildings in Lei King Wan were originally owned by Braemar West Limited ("Braemar"). By 4 assignments all dated 19th April 1994, Braemar assigned all the undivided shares in together with the exclusive right and privilege to hold, use, occupy and enjoy the Retained Areas, including the external walls, of each Site to you as trustee for and on behalf of all the owners of Lei King Wan for the consideration of HK\$1.00 for each Site. Copies of the 4 assignments are enclosed for your reference.

3. Therefore, you are the registered owner of and all the owners of Lei King Wan are the beneficial owners of the external walls of their respective Sites.

Whether you should seek consent from the owners of Lei King Wan before the Retained Areas were assigned to you?

4. Under Clause 9.03(u) of the DMC, you have the sole and absolute power and authority without reference to any of the owners to have the sole right to represent all the owners in all matters and dealings with the Government or any statutory body or any utility or other competent authority or any other person whomsoever in any way touching or concerning the land and buildings of Lei King Wan as a

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whole with power to bind all owners as to any policy adopted or decision reached or action taken in relation to any such dealings.

5. We consider that, since under Clause 9.03(u) you are given wide power to deal with any person regarding the land and the buildings of Lei King Wan as a whole and the assignments of the Retained Areas can be said to be such dealing, it was not necessary for you to seek the owners' consent before you entered into the assignments with Braemar. Moreover, as the acquisition of the external walls for the owners of Lei King Wan may enable you to manage the development more effectively, it may not be unreasonable for you to acquire the Retained Areas. Moreover, the assignment of the Retained Areas to you as trustee for the owners by the 4 Assignments does not generally require the consent of the owners.

Whether you own the Retained Areas or you are only responsible for their management?

6. Whether or not you own the Retained Areas and whether or not you are responsible for the management of the same are separate and distinct questions.
7. As discussed in paragraph 3 above, you are the registered owner of the Retained Areas and the owners of Lei King Wan are beneficial owners of the Retained Areas of their respective Sites.
8. Under the DMC, Retained Areas include, but not limited to, flat roofs, spaces, yards, store rooms and external walls. The DMC does not provide that you are responsible to manage the Retained Areas generally. Apart from the store rooms (being Common Areas) and external walls in respect of which you are responsible to repair, maintain, clean, paint or otherwise treat or decorate under Clauses 9.03(h) and 9.03(f) of the DMC respectively, the DMC does not expressly provide that you should be responsible for the management of the flat roof, spaces and yards. Aside from the DMC, you are also under a duty at law as trustee of the Retained Areas for the owners of the respective Sites to preserve and manage the Retained Areas which are trust properties for the benefit of the owners as beneficiaries.

Whether you are accountable to all the owners of Lei King Wan or to Braemar alone in respect of the management of the Retained Areas?

9. As the manager of Lei King Wan duly appointed under the DMC, you are accountable to all the owners of Lei King Wan, not Braemar, in the management of Lei King Wan, including your responsibility to repair, maintain, clean, paint or otherwise treat or decorate the store rooms and the external walls.

10. As trustee of the Retained Areas, you are also accountable to all the owners of the respective Sites in respect of the management of the Retained Areas within that Site.

Responsibility for the repair and maintenance of the Retained Areas

11. Even though the Retained Areas in each Site are beneficially owned by all the owners of that Site, we consider that it is your responsibility to repair and maintain the Retained Areas as discussed in paragraph 8 above.
12. As the DMC does not provide that Braemar should be responsible for the repair and maintenance of the Retained Areas and it no longer has any interest in the Retained Areas because of the assignments, Braemar is not responsible for the same.

Whether you can apply the management fund to settle the repair and maintenance costs of the external walls?

13. In fixing the management charges, you are required to prepare an annual budget under 11.01 of the DMC. Clause 11.02(b)(ix) of the DMC expressly provides that costs of repairing, maintaining, cleaning, painting and decorating the external walls of Lei King Wan shall form the 2nd Part of the budget and shall be borne by all flat owners.
14. If the expenditure in respect of the repair and maintenance work of the external walls has been included in the annual budget or revised annual budget, you can apply the management fund to settle the said repair and maintenance costs.

We trust that the above answers your queries.

Yours faithfully,



Johnson Stokes & Master

WSSL/fl/[L505-Letter to LKW]