

The Incorporated Owners of One Beacon Hill

Dear Owners,

One Beacon Hill was delivered some seven years ago and yet there are still a significant number of construction defects which have not been fixed including water leakage in both the car parks and the external walls, loose wall tiles on the exterior of the building, leaking awnings at the base of the building and a completely inoperable vehicle access system. The Incorporated Owners Committee has been trying to work with the developer but to no avail.

At an owners' meeting in 2007 it was agreed to hire lawyers and surveyors to evaluate the extent of the defects and represent our claim to the developer. LC SURVEYORS performed an initial evaluation of the defects in One Beacon Hill and estimated the rectification costs as of 2008 to be about HK\$26 million.

In initial court proceedings in 2011 the judge ruled that the IOC has locus standi (the standing to represent all owners) in the case. This in turn has spurred the developer to start to try to rectify some of defects and to enter mediation, however at a general meeting of the owners' committee on June 26th we were denied the budget of \$HK2M which we had sought to see us through to the end of the initial rounds of litigation. We were therefore unable to hire lawyers for the case management conference on August 14th and so have had to stay the proceedings in order to protect them from being dismissed for want of counsel/funding. This has also meant that there is no longer any pressure on the developer to reach a reasonable settlement in the arbitration proceedings. There is an appeal proceeding on September 14th over the locus standi decision. If we are not represented at that hearing then our case will be dismissed and we are advised by counsel that not only will our case and our chance of compensation for the numerous defects be thrown out, but we will likely need to shoulder all of the developers costs which counsel estimates to be approximately \$HK3M.

We therefore have two choices :

1. Pay the costs of rectification ourselves and the compensation to the developer. This works out at approximately \$HK50,000 per flat. This

amount is believed to be underestimated given that the costs are now some 4-5 years old.

2. Approve the budget of \$HK2M to finance the litigation from the building surplus and thus continue to put pressure on the developer.

As you will see from the attached note from counsel, Ian Pennicott QC, he believes that if we are represented, we have a good chance of winning. This in turn is dependent upon passing the budget at the upcoming extraordinary general meeting to be scheduled for August 31st.

One Beacon Hill Owners' Corporations
Management Committee
August 17, 2012