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MINUTES OF THE DISCOVERY BAY CITY OWNERS COMMITTEE MEETING HELD ON
30TH OCTOBER 1984, AT 7.30 P.M., AT DISCOVERY BAY RESIDENTS CLUB

Present: Mr. Barry Choi - Chairman, H.V.O.C.
Mr. Stephen Bourne - Finance Member, B.V.O.C.
Mr. Dennis Wong - Chairman, P.V.O.C.
Mr. Joseph Lee - Transport Member of P.V.O.C.
Mr. Raymond Tam - Finance Member of P.V.O.C.
Mrs. Birgitte Schapira - In attendance
Mr. K.S. Wong - Operations Director, HKR Group
Mr. James Poon - Manager, DBSML
Mr. Abraham Chung - Chief Accountant, HKR Group
Mr. Anthony Poon - Accountant, DBSML
Mr. Kenneth Fong - Manager, DBRC
Mrs. Barbara Gulwell - Secretary for the meeting

By consensus, Mr. James Poon took the Chair for the meeting.

The Minutes of the meeting held on 9th October were approved.

1. DBSML Budget

Mr. Poon said that subsequent to the lengthy discussions held at previous meetings, the Committee's view had been conveyed to HKR and extensive discussions had been held with HKR Management. HKR agreed that Phase 1 residents should not bear the whole of the City expenses; a proportion of them will be borne by the developer but what that proportion will have to be determined.

Looking at the Village expenses separately, it is clear that Parkridge would have to pay a management fee in the range of 80¢ to break even, which may not be considered fair to Parkridge residents and HKR would not like to see this happen. The \$1.4m deficit foreseen for the current financial year can be absorbed in two ways. One way, of course, is for HKR to absorb all of it and the second way is to share it between residents and HKR. However, we believe the developer should not subsidise all the deficit so the question now is how to share it. To share the deficit will inevitably mean an increase in management fee. If DBSML can increase the management fee by 10¢ per square foot, revenue will be increased by approx. \$100,000 per month. If the increase is made effective next January, the additional revenue for the balance of the financial year to 30th April will be \$400,000, not enough to cover \$1.4m deficit. We believe that further detailed discussion of the budget will be fruitless as the question in the end will always be how much of the deficit is HKR prepared to bear. We have therefore reached an agreement with HKR that if DBSML increases the management fee on 1st January, 1985 by 10¢ per square foot, thereby increasing DBSML's 1984/85 income by \$400,000, the balance of the deficit will be borne by HKR, i.e. above 1. m. This is a new proposal which the Committees will wish to study and communicate to members and get feedback from the community.

Mr. D. Wong queried the length of notice required for an increase in management fee and Mr. J. Poon advised that once the budget is presented, it will be divided according to management units, apportioned over 12 months and then become payable.

Mrs. Schapira queried the progress, if any, made with negotiations for Government services to take over some of the functions performed by DBSML. Mr. J. Poon replied that the Police will move in towards the end of the year, which will enable security costs to be reduced. Discussions are continuing regarding refuse collection. However, if the bargaining-out of refuse is

1. DBSML Budget (Cont'd)

taken off DBSML's hands, it will still have to be collected and brought to the collection point for the barge and this will remain a City expense, therefore the saving would not be great. Roads/Lighting officials from the Attorney General's Department, Lands and B.O.O. have visited Discovery Bay for discussions. We understand the Government will not consider taking over the roads while development is still in progress.

Mr. Bourne said three things are needed to make an intelligent proposal:

- 1) A 3-year forecast of income and expenditure for the expanded City;
- 2) An anticipated occupancy timetable for Phase 2: when people will start moving in, when 50% occupancy is anticipated, when 90% occupancy is anticipated, so that revenue projections can be made;
- 3) The division of costs amongst the villages. With Phase 2 there will be 4 villages plus waterworks. We need to see a proposal as to how the costs are going to be distributed.

Mr. J. Poon advised that an exercise was being done along those lines. Some items are identifiable immediately, for example, electricity - as each village has its own meter. Those costs not easily identifiable, such as staff costs, were originally divided according to the management units of the various villages but they could, as suggested, be broken down to ascertain the actual expense of each village. It is hoped that these figures, which will take a little time to ascertain and prepare, will be ready before the next meeting.

Mr. Bourne explained that his reason for asking is that if the proposed 20% increase in management fee is effected, and assuming a full year of incremental income based on this, Beach Village would be in surplus by about \$500,000, Parkridge would still be in deficit by more than \$100,000 and Headland in surplus by around \$200,000, so we are still not addressing the Parkridge problem.

Mr. J. Poon pointed out that if accounts are presented according to the Deed of Mutual Covenant, each village will have a separate account and, say, if Headland has a surplus it will be carried forward and will eventually help to reduce Headland's management fee. He hoped that, during these difficult years, everyone would agree to look at one bottom line but if this is not agreeable to all, eventually there will be different levels of management fee for each village.

The Committee expressed the opinion that however ready they may be personally to help each other, some of the people they represented may not be of the same mind.

In answer to a question from Mr. Lee, Mr. Poon advised that landscaping costs still form part of the developer's expense, not DBSML's, but maintenance costs will be a City expense allocated to each village according to cost of man-hours, etc., spent on each.

In reply to Mr. Lee's request for full details of DBSML's accounts, Mr. A. Chung advised that the books could be inspected by arrangement and appointment with DBSML.

1. DBSML Budget (Cont'd)

The waterworks costs were discussed and Mr. J. Poon clarified that the current water consumption charge is \$1.00 per 100 gallons and that the water used on landscaped areas is untreated and not charged for. He also advised that the Government would not take over DB water supply. However, in the long run the waterworks operation must be self-supporting and proposals would be made on this subject for the Committee's consideration.

2. Bus Operation

Regarding the proposal put forward at the last meeting, Mr. J. Poon had gathered that the feedback was not favourable and he had conveyed this to the Management Board of DB Transit Services. Recommendations on fares received from Headland and Parkridge were also conveyed to the Transit Management and they are willing to consider proposals.

Mr. D. Wong said that Parkridge residents do not agree to any fare increase and want evidence to prove the bus service is in deficit.

Mr. Poon said that apart from the summary of the audited accounts distributed, he had given further information over the telephone to Mr. Wong, Mr. Lee and Mr. Choi.

Lengthy discussion ensued, the Committee expressing opinions that

- the number of buses is excessive,
- some buses are old and in poor condition,
- bad driving contributes to maintenance need and costs,
- drivers ignore fare-dodging passengers,
- maintenance charges are too high,
- depreciation over 3 years is not realistic when new buses are put in service,
- some aspects of the service and accounts should be re-examined for greater efficiency and cost-saving possibilities.

Mr. J. Poon replied that negotiations are in hand to dispose of three old buses; when sold, new ones will be put into service. Maintenance costs are actual, as are salary costs, fuel charges and G&A expenses and all have been examined and substantiated by auditors. Depreciation costs will be reduced when the old buses are sold. We hope to have a fuel pump station installed next year and this will reduce fuel costs somewhat. As Mr. Bourne calculated, if the bus fare is increased to \$1.50 and hire car to \$5.00, the Transit deficit will still be around \$30,000, which will have to be subsidised by HKR, on top of its \$770,000 capital commitment for new buses. However, if the increase to \$1.50 is accepted by the Committee, HKR have indicated they will consider continuing their subsidy and review the situation again later. Meantime, every effort is being made to reduce costs. Suggestions made on the service and schedules will be passed to Transit Management.

Mr. K.S. Wong said that constructive advice and proposals would be welcome, especially if data could be obtained from other bus operators to enable Transit to compare and review the DB operation. The company is also willing to franchise the operation to an outside operator.

3. School

Mrs. Gulwell conveyed Mrs. MacCallum's apologies for absence and distributed to the Committee members written replies to the letter received from Mrs. Shapira. Any further questions arising would be noted and replies given as an addendum to the meeting minutes.

Committee members advised that they had not received copies of Mrs. Shapira's letter, therefore discussion was postponed until the next meeting.

4. Any Other Business

4.1. Ferry Service

Complaints were made that between 6 and 7 p.m. the ferries are constantly late, slow and insufficient. Mr. Poon advised that DB3 will be replaced by DB1 on 31st October, which will reduce journey time. A back-up boat will be put on at around 7.10 p.m. whenever possible. The possibility of an additional morning boat, between 8.50 a.m. and 9.20 a.m., is being looked at.

4.2. TV Antennae

Mr. Choi complained that TV reception is still bad in Headland Drive and Mr. J. Poon advised that a proposal for remedial measures has been received and is being considered; hopefully, a decision can be made within a few days.

4.3. Priority on Ferry

Decision on this awaits the result of the Committee's circular to residents.

4.4. DB Newsletter

Mrs. Schapira voiced her objection to the contents of the recent DB Newsletter and said that the subject matter proposed for publication in the Company's newsletters should be submitted first to the Committee for their consideration. Mr. K.S. Wong said that this would be considered.

4.5. SCMP Letter

Mr. J. Poon advised that the letters published in the SCMP from Mrs. Barbara Anderson Tsang contained some factual errors and distortions and the company had replied to her direct. A copy of the reply was handed to the three Village Committee's Chairmen.

5. Next Meeting

Mr. J. Poon informed Committee members that if a quorum was not present at any of the forthcoming Village Owners Committee elections, the present Committee would continue in office until a new Committee is elected. Therefore, pending the results of the elections and DBSML's preparation and distribution of separate Village budgets, the date of the next meeting would be mutually agreed later and would probably be end-November or early December.

There being no other business, the Chairman closed the meeting.


Chairman

Addendum to the Minutes of the City Owners Committee Meeting
held on 30th October 1984.

Mr. K.S. Wong intended at the meeting to acquaint members with matters concerning Phase 2 development but had no time to do so. Information is therefore given in this addendum, as follows:

PHASE 2

1. Construction

If construction goes according to schedule, the 5 blocks will be completed in the latter half of 1985, and occupation is expected to commence early 1986. The 5 blocks comprise a total of 313 apartments and penthouses ranging in size from 570 sq.ft. (studio apartments) to 1,987 sq.ft. gross (3-bedroom apartments).

2. Sales

Brochures on Phase 2 are now available from the Information Centre, Centrum, Golf and Residents Clubs, DBSML office and HKR Sales Office in Central. Further details and floor plans will be available shortly and a show flat will be opened later on. The flats will be put on the market within the next few months. A Sales Office in Discovery Bay Commercial Centre, next to Neptune's, will be open in the near future, initially only on weekends and public holidays, and the staff will be pleased to answer enquiries and give up to date information on Phase 2 development to potential purchasers, also to arrange a visit to the site and show flat.

3. School

Construction of a new school building will commence in November 1984. The building will accommodate up to 6 classes. At least 2 classrooms will be ready before the September 1985 school year starts, the rest soon after.

4. Residents Club Facilities

The facilities are under review and comparison is being made with other Clubs' facilities, both sports and food and beverage, vis a vis membership. If Committee members or any other residents have information that would assist this review, it will be welcomed by the Management.

5. Ferry Service

Negotiations are already underway with HYF to step up the service before Phase 2 is completed. Occupancy of Phase 2 is expected to commence in January 1986 and projections of the rate of occupancy and corresponding population increase have been submitted to HYF to enable them to plan a viable schedule.

6. Bus Service

A separate bus route will be introduced to serve Phase 2 residents.