

TABLE OF CONTENTS

<i>Prefaces to the Eighth Edition</i>	v
<i>About the Authors</i>	ix
<i>Table of Cases</i>	xxix
<i>Table of Legislation</i>	cxix

CHAPTER 1 LAND TENURE IN HONG KONG

Judith Sihombing

1. Early Hong Kong Land	1
1.1 Early days	1
1.2 The first land sales	2
1.3 The forms of leases	3
1.4 Land Registration Ordinance	4
1.5 Leasehold terms	5
2. Sources of Hong Kong Land Law	6
2.1 The sources of land law in Hong Kong	6
2.2 Alienation of land	12
3. Land Law in the New Territories	13
3.1 Before and after 1898	13
3.2 The Land Court 1900	14
3.3 Block Government leases	16
3.4 The Block Government lease, the New Territories Ordinance and the user provisions in the lease	17
3.5 Part II of the New Territories Ordinance	22
3.6 Intestate succession	25
3.7 Chinese customary 'trusts' over land	27
3.8 Letters A and letters B	46
3.9 Adverse possession	47
3.10 The Joint Declaration	55
3.11 Land titles	56

CHAPTER 2 SYSTEM OF LAND HOLDING IN HONG KONG

Michael Wilkinson

1. Vesting and Disposal of Government Land	57
2. Meaning of 'Land'	59
2.1 Common law definition of land	59
2.2 Statutory definition of land	59
2.3 Chattels, fixtures and land	60
3. Things Growing in the Land	62
4. Land Surveys and Land Boundaries	62
4.1 Government and private land surveys	62
4.2 Land Survey Ordinance	63
4.3 Copy of land boundary plans to be deposited with Land Survey Authority	65
4.4 Ascertainment of land boundaries by court	65
5. Demarcation of Land and Land Records	66
5.1 Division of lots	67
6. Sectioning of Land	67
7. Subdivision of Land	67

8.	Land Grants by Government: Introduction	68
8.1	Leasehold rather than freehold estates granted	68
8.2	Method of granting land	68
8.3	Occupation of unleased land	70
9.	Government Leases	71
9.1	Grantee's interest	71
9.2	Standard express terms	71
9.3	Duration of the grant	72
9.4	Effect of Joint Declaration and Basic Law on existing leases, renewal of renewable leases and grant of new leases	73
9.5	Premium	78
9.6	Government rent	79
10.	User Restrictions in Government Leases and Conditions of Grant	80
10.1	Types of user restrictions	80
10.2	Restriction on building covenant; the 'Watford' restrictive covenant prohibiting building on land delineated as agricultural or garden land	81
10.3	Description in the schedule to the Block Government lease of the use of the land when first demised: The decision in <i>Melhado</i>	81
10.4	Offensive trades clause in Block Government leases	82
10.5	Construction of user restrictions in Government leases and Conditions of Grant	83
10.6	Offensive (or noxious) trades clause	94
10.7	Restrictive covenant requiring consent to design, disposition and height of building (a 'DDH clause')	97
10.8	Will the covenants in Government leases (and deemed issued Government leases) and the terms in conditions of grant run with the land and bind the successors in title to the grantor or, having once been complied with, will they be 'spent'?	97
10.9	Waiver/acquiescence by Government in respect of restrictive covenants in Government leases/Conditions of Grant	99
10.10	Waiver ceases to have effect if conditions subject to which waiver granted are breached	101
11.	Terms Implied into Government Leases	105
11.1	Obligations of Government under Government leases/Conditions of Grant	106
11.2	Implied covenant for quiet enjoyment	106
11.3	Duty not to derogate from grant	108
12.	Variation of Terms of Government Lease	110
12.1	Method of variation	110
12.2	No duty upon Government to act reasonably in determining whether to grant variation or modification	111
12.3	Right of Government to demand payment of premium in return for consent to vary or modify terms of Government lease	111
13.	Conditions of Sale, Exchange, Grant, Regrant and Extension	112
13.1	Different types of Conditions of Grant	112
13.2	Binding nature of Conditions	113
13.3	Interest of lessee under Conditions of Grant	113
13.4	General and special Conditions	114
13.5	Modification of Conditions of Grant	116
13.6	Conversion of equitable interest into legal estate	116
13.7	Certificate of compliance	119
13.8	The deemed issued Government lease	120

14.	Government's Remedies for Breach of Government Lease/Conditions of Grant	120
14.1	Re-entry	120
14.2	Civil action	120
14.3	Criminal sanction	121
14.4	Demolition	121
15.	Small House Policy in the New Territories	121
15.1	Eligibility of villagers for construction of small houses in New Territories	121
15.2	Application procedure	121
15.3	Where applicant owns his own land – Free Building Licence	123
15.4	Where applicant owns no land – application for Private Treaty Grant	123
15.5	Nature of small house to be constructed	124
15.6	Certificate of exemption and certificate of compliance	124
15.7	Restrictions upon alienation after construction	125
15.8	Passing on good title to purchaser	127
15.9	Abuse of the small house policy and the consequences for those involved	128
16.	Licenses Granted by Government	133
16.1	Illegal occupation of Government land	133
17.	Termination of Government Leases and Conditions of Grant	134
17.1	Expiry of term granted	134
17.2	Surrender	134
17.3	Re-entry by Government	134
17.4	Resumption under Lands Resumption Ordinance	138
17.5	Assessment of compensation on extinguishment or relocation basis	146
17.6	Provisional payment pending determination of compensation	154
17.7	Eviction of owners following resumption of their land	155
18.	Partitioning of Land Held in Co-ownership	155
18.1	Sale of land instead of partitioning	157

CHAPTER 3 PLANNING CONSIDERATIONS

Michael Wilkinson

1.	Planning and Role of Solicitor	163
1.1	Client wishing to purchase flat for residential use	163
1.2	Developer client wishing to purchase land for development	163
1.3	Relationship between solicitor and authorised person	164
2.	Hierarchy and Role of Plans in Hong Kong	165
2.1	Hong Kong planning standards and guidelines and territorial development strategy	165
2.2	Sub-regional planning strategies	165
2.3	District plans	165
2.4	Challenges to the statutory procedure for making Zoning Plans	167
3.	Present System of Planning Control in Hong Kong	171
3.1	Introduction	171
4.	Planning Control through the Town Planning Ordinance	171
4.1	Designation of land use in Outline Zoning Plans	172
4.2	Accompanying Notes, specified permitted activities and planning permission	172
4.3	Construction of designated user specified in notes accompanying Outline Zoning Plans	173
4.4	Applications for planning permission to Town Planning Board, review of its decisions and appeals to Town Planning Appeal Board	176

4.5	Judicial review of exercise of discretion whether to grant planning permission	177
4.6	Judicial review of decisions by Town Planning Board as to appropriate zoning	179
4.7	Challenges to decisions of the Town Planning Board by way of judicial review on the ground of procedural impropriety	181
4.8	Plot ratios, density zoning and the problem of down-zoning	183
4.9	Judicial review of restrictions imposed in outline zoning plans	184
4.10	Enforcement of designated use	187
4.11	Might severe planning restrictions constitute a deprivation of landowner's property entitling him to compensation under Basic Law?	189
4.12	Planning control in rural areas of New Territories	191
5.	Urban Renewal: Roles of Land Development Corporation and Urban Renewal Authority	194
5.1	Land Development Corporation	194
5.2	Urban Renewal Authority	195
6.	Protection of the Harbour Ordinance (Cap 531)	199
7.	Land (Compulsory Sale for Redevelopment) Ordinance (Cap 545)	201
8.	Planning Control by Way of the Terms of the Government Lease/Conditions of Grant	207
8.1	Relationship between town planning provisions and user restrictions in Government leases/Conditions of Grant	207
8.2	Common restrictive user clauses in Government leases and Conditions of Grant	208
9.	Planning Control through Building Legislation	208
9.1	Purpose and application of Buildings Ordinance (Cap 123)	208
9.2	Certificates of exemption	208
9.3	Buildings and exempted buildings	209
9.4	Building works and exempted building works	209
9.5	Approval of building plans	211
9.6	Significance of ascertaining date on which building plans are to be considered for approval or rejection	221
9.7	Consent required for commencement of building works	224
9.8	Is consent required to demolish (or reinstate) unauthorised building works in order to comply with a demolition (or reinstatement) order from the Building Authority?	224
9.9	Criminal offences	226
9.10	Grant of occupation permit	226
10.	Can Retrospective Approval be given to Building Works Commenced without Approval?	228
11.	Interrelationship of Buildings Ordinance and Provisions in Government Leases	228
12.	Control over Density of Population – Site Classification, Site Coverage and Plot Ratio	229
12.1	What land constitutes the site for classification purposes?	229
12.2	Classification of the site	232
12.3	Calculating site coverage and plot ratio	234
12.4	Other building controls	240
13.	Enforcement of the Buildings Ordinance and Regulations	240
13.1	Power of access and inspection	241
13.2	Power to order cessation of work	241
13.3	Powers in respect of dangerous buildings and slopes	241
13.4	Power to order closure of a building	242

13.5	Power to order demolition, removal or alteration of building or building works where they are unauthorised structures	243
13.6	Warning notices; notice for demolition or alteration of building or building works	245
13.7	The approach of the Building Authority to enforcement	246
13.8	Criminal offences	247
13.9	Appeals from decisions of the Building Authority to Building Appeal Tribunal, composition of tribunal and right of appeal	247
13.10	Procedure for making and hearing an appeal	247
14.	Indirect Planning Control through Restrictions in Deed of Mutual Covenant	249
15.	Environmental Impact Assessment Ordinance (Cap 499)	249
15.1	Scope and purpose of the Ordinance	249
15.2	Environmental impact assessment	249
15.3	Environmental permits	251
15.4	Appeal to Appeal Board	251
15.5	Enforcement of Environmental Impact Assessment Ordinance	252
15.6	Judicial intervention by way of judicial review	252
16.	Planning Control Through Other Legislation	256

CHAPTER 4 CO-OWNERSHIP OF MULTI-STOREY BUILDINGS

Judith Sihombing

1.	Introduction	257
2.	Background to the System now in Force in Hong Kong	259
3.	System of Co-ownership of Multi-storey Buildings ('MSBs')	263
3.1	Elements of the system	263
4.	Consent and Non-consent Schemes	279
4.1	Consent scheme	279
4.2	Non-consent scheme	280
4.3	Residential Properties (First-hand Sales) Ordinance (Cap 298)	280
5.	Deed of Mutual Covenant (DMC)	281
5.1	Introduction	281
5.2	Terms of a typical DMC	282
5.3	Schedule 7 to building maintenance ordinance and DMC	283
5.4	Manager's contract	284
5.5	Types and allocation of shares	285
5.6	Fees, expenses and charges provided for in DMC	287
5.7	Building Management Ordinance and financial matters	290
5.8	Settlement of disputes: arbitration or court?	292
5.9	Other activities	293
5.10	Owner's obligations under DMC	293
5.11	Powers and duties of the manager	299
5.12	Recovery of unpaid fees and charges	299
6.	Effect of DMC on those who are not Parties to it	304
6.1	Introduction	304
7.	DMC and Traditional Rules for Passing of Benefit and Burden of Covenants	320
7.1	Introduction	320
7.2	Application of rules to DMC	322
7.3	Registration of DMC	322
7.4	Annexation	323
7.5	Assignment	325
7.6	Mutual benefit and mutual burden	327
7.7	By operation of rule in <i>Tulk v Moxhay</i>	328
7.8	Building scheme	329
7.9	Joint venture	330

8. Management of Building under the Terms of DMC: Various Remedies	331
8.1 Introduction	331
8.2 Complaints against the DMC manager	334
8.3 Illegal structures: Effect on Government lease and DMC	339
8.4 Actions by manager against owners	346
9. Termination, Variation, or Change in Effect, of DMC	351
9.1 Introduction	351
9.2 Change in neighbourhood	351
9.3 Termination of Government lease	353
9.4 Winding up of owners' incorporation	354

CHAPTER 5 NATURE OF THE TITLE TO BE GIVEN

Michael Wilkinson

1. Introduction	357
2. What Constitutes Good Title?	357
3. When a Vendor Agrees to Sell Property without Expressly Stating that He Is Selling the Legal Estate, Does He Impliedly Agree to Convey the Legal Estate?	359
4. Duty of Vendor to Give Good Title	361
4.1 Sale and purchase agreement may specifically provide that vendor shall give good title	361
4.2 Sale and purchase agreement may be silent as to title	362
4.3 Sale and purchase agreement might expressly exclude or limit vendor's obligations in relation to giving of title	362
4.4 Position where parties are already bound by preliminary sale and purchase agreement	363
4.5 Construction of excluding or limiting provisions	364
4.6 Common limiting provisions	370
4.7 Significance of vendor's knowledge of defect in his title	373
5. Waiver by Purchaser of Objections to Defective Title	375
5.1 The doctrine of waiver	375
5.2 Waiver in context of unauthorised building works	377
6. Factors which May Affect Good Title: Defects in Title	381
6.1 Defective titles; difference between encumbered and defeasible titles	381
6.2 Title must be in vendor	382
6.3 Vendor must be able to convey property unencumbered by third party interests	383
6.4 Exceptions to principle that vendor must convey title free from all encumbrances	383
6.5 Latent defects of which purchaser is aware where vendor agrees to give good title	388
6.6 Vendor must be entitled to convey property without any necessary consent of third person	389
7. Illustrations of Encumbrances	390
7.1 Introduction	390
7.2 Mortgages and charges	391
7.3 Occupiers' (and non-occupiers') rights	397
7.4 Contractual licences	413
7.5 Tenants	415
7.6 Is interest of occupier overridden by purchaser?	416
7.7 Nominations	421
7.8 Liability under notice or order from Government or other competent authority	423

7.9 Potential liability of owner of unit in multi-storey building by reason of action commenced against owner or against incorporated owners	426
7.10 Liability to pay or contribute towards building repairs or management fees	430
8. Title Must Not Be Defeasible by Reason of Government's Right of Re-Entry or by Virtue of Substantial Enforcement Action by Building Authority or Other Competent Authority	433
8.1 Breach of Government lease/Conditions of Grant	433
8.2 Breaches of Buildings Ordinance or Building Regulations where compliance with these statutory provisions is made a requirement of Government lease/Conditions of Grant	435
8.3 Real risk of substantial enforcement action by building authority in respect of breach of provisions of Buildings Ordinance or Regulations made thereunder	436
8.4 Proof of compliance with the Buildings Ordinance	450
8.5 Offer by vendor to remove unauthorised structure prior to completion	451
8.6 Material change in user	456
8.7 Title defeasible by reason of breach of deed of mutual covenant	456
8.8 Title defeasible because extent of property unclear or boundaries do not correspond with plan	458
8.9 Title defeasible because of encroachment into the common parts of the building	459
8.10 Other examples of defeasible titles	460
9. Matters of Mere Conveyance	461
10. Other Titles	463
11. Good Holding (or Possessory) Title	463
11.1 Nature of a good holding title	463
11.2 Constitutional challenge to title by adverse possession	464
11.3 Relevant limitation period	469
11.4 Elements of adverse possession	469
11.5 Period of adverse possession must be continuous	477
11.6 Paper title owner granting tenancy to a third party before or after squatter in possession	480
11.7 Whether Incorporated Owners of multi-storey building can acquire title by adverse possession against the co-owners	481
11.8 Whether one co-owner of land held by way of a joint tenancy or tenancy in common can obtain title by adverse possession against the other co-owner	482
11.9 Adverse possession taken by squatters jointly	483
11.10 Doctrine of encroachment	484
11.11 Effect of return of New Territories to the Government of the PRC in 1997 on title of squatter having established or being in the process of establishing 60 years of adverse possession against the British Colonial Government (prior to 1 July 1997) or the HKSAR Government (post-1 July 1997)	486
11.12 Effect of reversion of sovereignty over Hong Kong Island and Kowloon to the PRC on the title of a squatter who is still in the process of acquiring title by way of adverse possession against the HKSAR Government	490
11.13 Effect of deemed issue of new Government lease under s 4 of New Territories (Renewable Government Leases) Ordinance upon rights acquired or in process of being acquired by squatters against Government lessees and their successors in title	492

11.14 Effect on squatters (other than against the Government) of extension of New Territories leases by the New Territories Leases (Extension) Ordinance.....	494
11.15 Possessory title destroyed by surrender to and regrant from Government.....	496
11.16 Squatter bound by land covenants and easements but original Government lessee remains bound by covenants in Government lease	496
11.17 Sale of good holding titles.....	497
12. Title Resting upon Doctrine of Proprietary Estoppel.....	497

CHAPTER 6 PROOF OF TITLE

Michael Wilkinson

1. Interrelationship of Duties of 'Giving' and 'Showing' Title	501
1.1 Duty to 'give' good title	501
1.2 Duty to show title	501
1.3 Duty to show title includes duty to answer requisitions reasonably raised	502
1.4 Vendor's duty to show title distinct from duty to give title	503
2. Extent of Vendor's Duty to Show Title	504
2.1 Variation of statutory period by contractual provision	506
3. Ultimate Root, Intermediate Root and Chain of Title.....	507
3.1 Ultimate root of title – Government lease/Conditions of Grant	507
3.2 Secondary evidence of Government lease/Conditions of Grant acceptable.....	509
3.3 Illegible Government leases	510
3.4 Not necessary to produce counterpart of Government lease.....	510
3.5 Government lease includes any letter of modification, deed of surrender and certain other documents	511
3.6 Plans (including car park layout plans) referred to in the Government lease/Conditions of Grant.....	512
3.7 Intermediate root of title	512
3.8 Documents referred to in intermediate root document creating interest or obligation subject to which land is disposed of	514
3.9 Chain of title	514
3.10 Secondary evidence of documents in chain of title acceptable	515
3.11 Illustrations of how to deal with significant links in the chain of title.....	516
4. Production of any Power of Attorney under which any Document has been Executed within Last 15 Years	540
5. Need to Ensure that Certain Title Documents Provided by Way of Proof of Title Are Registered.....	542
6. Pre-intermediate Root Defects	543
6.1 Duty to answer requisitions as to pre-intermediate root defects discovered by purchaser <i>aliunde</i>	544
7. Additional Documents of Title that Should be Produced.....	546
8. Certain Important Title Documents	547
8.1 Deeds of mutual covenant and sub-deeds of mutual covenant	547
8.2 Certificates of compliance.....	548
8.3 Occupation permits	550
8.4 Certificates of exemption	552
8.5 Sale and purchase agreements.....	554
8.6 Consent to assign where flat owned under home ownership scheme and other required consents	555

9. Proof of Change of Name	555
10. Production of Title Deeds	556
10.1 Duty to provide original or certified copies of title deeds by way of showing title under s 13(2) of Conveyancing and Property Ordinance.....	556
10.2 Duty by way of giving title to provide original title deeds which relate exclusively to property being assigned or to provide sufficient explanation for their absence	558
11. Use of Recitals in Proving Title	567
11.1 Recitals as to pre-intermediate root documents	567
11.2 Recitals of fact in title documents executed more than 15 years before present contract of sale.....	569
12. Missing Title Documents	571
12.1 Obtaining certified copies from the Land Registry	571
12.2 Missing title documents: Proof of title by secondary evidence: The rule in <i>Re Halifax</i>	571
12.3 Establish that missing title document has been lost or destroyed	573
12.4 Adduce secondary evidence as to contents	574
12.5 Proof of due execution of the missing document.....	575
13. Proof of Due Execution of Title Documents.....	575
13.1 Presumption of capacity	575
13.2 Execution of deeds by individuals	576
13.3 Execution of deeds by companies	581
13.4 Application of the statutory presumptions	591
13.5 Section 23A of Conveyancing and Property Ordinance	601
13.6 Articles of association must still be produced.....	603
13.7 Meaning of 'source of authority or the means by which such authority was purportedly conferred'	604
13.8 Application of s 23A of Ordinance	604
13.9 Other situations where articles require execution in particular manner that has not been adopted	606
13.10 Conclusive presumption that deeds executed by companies valid if more than 15 years old.....	607
13.11 Deeds executed by companies must also be delivered.....	607
13.12 Mode of execution of deeds by companies after 2nd March 2014 ie under the 'new regime'	609
13.13 Requirements of due execution by attorney for company.....	612
13.14 Requirements of due execution by company acting as attorney	612
13.15 Manner of execution by company; attestation or verification of signatures by solicitor	612
13.16 Execution of deeds by foreign companies.....	613
13.17 Documents executed in Hong Kong for use overseas	616
13.18 Execution of deed under power of attorney	617
14. Proof of Due Execution of Documents Executed under Powers of Attorney	618
14.1 Documents executed not less than 15 years before present sale and purchase agreement.....	618
14.2 Documents executed less than 15 years before present sale and purchase agreement.....	620
14.3 Protection of person dealing with donee.....	628
14.4 Protection of subsequent purchasers	628
14.5 Making statutory declaration.....	629

14.6	When must statutory declaration be made?.....	629
14.7	Is it open to vendor to prove non-revocation other than by way of s 5(4)?.....	631
14.8	Enduring powers of attorney	633
14.9	Registration of powers of attorney	634
14.10	Certification of powers of attorney	634
15.	Checking Names, Signatures and Identity Numbers for Consistency	634
15.1	Duty of solicitors to check names, signatures and identity numbers for consistency	634
16.	Construction of Deeds and Discrepancies in Property Description.....	642
16.1	Construction of deeds.....	642
17.	Statutory Declarations.....	644
17.1	Purpose and use of statutory declarations	644
17.2	Form of statutory declarations	645
17.3	Manner of making statutory declarations.....	645
17.4	Statutory declarations made under s 5(8) of Powers of Attorney Ordinance.....	646
17.5	Registration of statutory declarations.....	646
18.	Time Considerations in Respect of Showing, Investigating and Giving Title	646
18.1	Interrelationship of showing, investigating and giving title.....	646
18.2	Duty of solicitor acting for purchaser	647
18.3	Duty of solicitor acting for vendor.....	648
18.4	By what date does vendor have duty to give good title?.....	650
19.	Rescission by Purchaser.....	652
19.1	At what point in time may purchaser rescind on grounds that vendor has failed to show and/or give good title?.....	652
20.	Fulfillment of Purchaser's Solicitor's Duty of Care in Investigating Title.....	653
20.1	Duty to investigate.....	653
20.2	Duty to keep client informed.....	657
21.	Prudent Steps to be Taken by Purchaser's Solicitor in Investigating Title: Searches in Land Register etc	657
22.	Requisitions on Title	660
22.1	Express provision as to time within which requisitions may be raised.....	660
22.2	Time within which requisitions may be raised where no express provision.....	662
22.3	Even where vendor has no duty to answer requisition, vendor still has separate duty to give good title at completion.....	670
22.4	Receipt of title deeds by purchaser just before completion date	672
22.5	Waiver by purchaser of right to raise requisitions or object to vendor's title	672
22.6	Waiver by vendor of his right to object to purchaser's requisitions on grounds that they have been raised out of time by purporting to answer the requisitions.....	676
22.7	Subject matter and manner of drafting requisitions.....	677
22.8	Duty upon vendor to answer requisitions with candour	681
22.9	Response by purchaser to vendor's answer to requisitions.....	685
22.10	Requisitions where parties jointly represented	686
23.	Vendors' Rescission Clauses.....	687
23.1	Introduction.....	687
23.2	Vendor's rescission clause will not be implied into sale and purchase agreements	687

23.3	Construction of vendors' rescission clauses	688
23.4	Situations in which rescission clause cannot be relied upon by vendor	689
24.	Vendor's Solicitor's Duty on Discovering Defect in Title.....	690
25.	Evaluating Significance of Defects and Appropriate Action to be Taken.....	691
25.1	Duty to make professional evaluation of seriousness of defect	691
25.2	Rectification of the register in the case of non-material documentary defects.....	693
26.	Offer of Payment to Stakeholder or of Indemnity or Undertaking to Remedy Defect After Completion	693
27.	Confirmatory (Remedial) Assignments and Vesting Orders	695
27.1	Situations where remedial assignment may be required	695
27.2	Form of remedial assignment.....	696
27.3	Execution of remedial assignment by Registrar of High Court or District Court or Registrar of Companies	697
27.4	Vesting orders.....	699
28.	Vendor and Purchaser Summonses	701
28.1	Statutory jurisdiction of court	701
28.2	Proper role of vendor and purchaser summonses	701
28.3	Application for relief.....	704
29.	Costs of Proving Title	705
30.	Retention of Title Deeds Pending Completion	705
31.	Ownership of Title Deeds by Assignee After Completion.....	706
31.1	The common law position	706
31.2	Statutory intervention.....	707
32.	Proof of Title and Joint Representation	708
33.	Avoiding Property Fraud.....	709
33.1	Sale by person fraudulently claiming to be owner of property	709
33.2	Sale by director of company acting fraudulently	709
33.3	Use of forged title deeds	710
33.4	Use of forged identity cards	712

CHAPTER 7 FORMATION OF CONTRACT FOR SALE OF LAND

Judith Sihombing

1.	Background Matters.....	713
1.1	Introduction.....	713
1.2	Illegality	713
1.3	Contract principles supporting property rights	716
1.4	Outline of contractual requirements for the land contract	718
2.	Subject Matter of the Contract.....	720
3.	Hong Kong Conveyancing Practice	722
4.	Forms of Agreements.....	725
5.	Essentials of Contract for Sale of Land	727
5.1	Contract produced by irregular, non-traditional factors.....	728
6.	Implied Terms	732
7.	Interpretation.....	737
7.1	Is the contract in writing?.....	737
8.	Gaps and Omissions in Contract	741
9.	Good Faith.....	741
9.1	Introduction.....	741
9.2	Tort of inducing breach of contract and good faith.....	742

10. Promissory Estoppel	743
10.1 Developments	743
10.2 Estoppel	745
10.3 Uses of new estoppel	751
11. Procedure for a Sale and Purchase of Land	752
12. Form	754
12.1 Section 3(1) of the CPO	755
12.2 Price	756
12.3 Signed by party to be charged	756
13. Part Performance	758
14. Exchange	760
14.1 Where there is provisional agreement	760
14.2 Where there is no binding PA	760
14.3 Exchange in escrow	762
15. Stakeholder	763
16. Sub-Sales	764
17. Option as a Contract	764
17.1 Interpretation	764
17.2 Pre-emptions	766
17.3 Option and pre-emption: interests in land?	767
17.4 Price	768
17.5 Registration of option under LRO	769
17.6 Registration of pre-emption under the LRO	770
17.7 Deposit	772
17.8 Penalty or liquidated damages?	773
17.9 Insurance	777

CHAPTER 8 CONTENTS OF CONTRACT

Judith Sihombing

1. Introduction	779
1.1 The particulars	779
1.2 The conditions	779
1.3 The implied terms	780
2. Types of Contracts	781
2.1 Introduction	781
2.2 The formal contract	782
2.3 Common clauses in the formal contract	782
2.4 Sections 15 to 17 of the CPO	784
2.5 The main elements of the contract	785
2.6 The open contract	787
2.7 Implied terms	788
2.8 Special terms	788
2.9 Implied terms in the open contract	789
3. The Particulars	794
3.1 Introduction	794
3.2 Caveat emptor	797
3.3 Description – physical	800
3.4 Description – legal	801
3.5 Benefits	804
3.6 Burdens	805

3.7 Irremovable burdens	806
3.8 Removable burdens	806
3.9 The Buildings Ordinance	807
4. Latent Defects	808
5. Patent Defects	809
6. Latent/Patent Defects	810
7. Misdescription	811
8. Conditions	815
8.1 Introduction	815
8.2 Rents, outgoings and apportionments	817
8.3 Insurance	818
8.4 Condition of property	818
8.5 Easements, rights and liabilities	819
8.6 Tenancies	820
8.7 Errors, omissions and misstatements	820
9. Requisitions	821
9.1 Time for raising requisitions	821
9.2 Nature of requisitions	823
9.3 Matters to be considered in making requisitions	823
9.4 Answering requisitions	824
9.5 Requisitions as to conveyancing	826
9.6 Form of a requisition	826
10. Documents of Title	828
11. Good Title	828
11.1 Types of title	828
11.2 Showing good title	831
12. Operation of Section 13	832
12.1 Failure of purchaser to complete	835
12.2 Failure of vendor to complete	835
12.3 Proper assurance	836
12.4 Receipt of money	836
12.5 Additional conditions	836
12.6 Time	839
12.7 Vacant possession	841
12.8 Payment	842

CHAPTER 9 ASSIGNMENTS

Michael Wilkinson

1. Function of Assignments	843
2. Form of Assignment	843
2.1 Assignment of legal estate in land	843
2.2 Effect of use of incorrect formalities when assignment executed under hand: rule in <i>Walsh v Lonsdale</i>	846
2.3 Assignment of equitable interest in land	846
2.4 Declarations of trust relating to land	847
2.5 Interest in land created by parol (orally) or by other methods	847
3. Drafting Assignments	850
4. Construction of Assignments	850
4.1 General principles	850

4.2	Admissibility of extrinsic evidence.....	851
4.3	Deeds construed <i>contra proferentem</i>	852
5.	Doctrine of Merger.....	852
6.	Contents of Assignment.....	855
6.1	Commencement.....	855
6.2	Parties to the assignment.....	856
6.3	The recitals.....	862
6.4	Testatum.....	864
6.5	Consideration clause.....	864
6.6	Receipt clause.....	865
6.7	Covenants for title.....	868
6.8	Words of grant.....	877
6.9	Parcels or property description.....	877
6.10	Newly created rights.....	888
7.	Easements.....	889
7.1	Nature of easements.....	889
7.2	Creation of easements.....	890
7.3	Dedication of public way.....	893
7.4	Implied easements.....	894
7.5	Extent of permitted user of easement.....	899
7.6	Enforcement of easements.....	901
7.7	Extinguishment of easements.....	902
8.	Exceptions and Reservations.....	904
8.1	Distinction between exceptions and reservations.....	904
8.2	Habendum.....	905
9.	Covenants.....	908
9.1	Express covenants.....	908
10.	Construction of Covenants.....	909
11.	Enforceability of Covenants.....	909
11.1	Enforceability of covenants between parties to deed.....	910
11.2	Non-parties to deed may take benefit under the deed.....	910
11.3	The statutory regime in Hong Kong: enforcement of benefit and burden of covenants.....	911
11.4	Enforcement of benefit of covenant by successors in title to covenantee and persons deriving title under or through them.....	912
11.5	Covenant must be expressed and intended to benefit land of covenantee and his successors in title or persons deriving title to that land under or through him or them.....	916
11.6	Enforcement of burden of covenants against successors in title to covenantor and persons deriving title under or through them.....	926
11.7	Effect of statutory provisions in respect of running of burden.....	928
11.8	Owners not liable for prior breaches of covenant unless continuing breach.....	930
11.9	Remedies by way of enforcement.....	933
11.10	Stamp duty.....	934
12.	Execution, Attestation and Interpretation.....	934
12.1	Execution.....	934
12.2	Attestation.....	934
12.3	Interpretation.....	935
12.4	Alteration of assignment after execution.....	935
12.5	Rectification of assignment.....	936

CHAPTER 10 SECURITY TRANSACTIONS OVER LAND

Judith Sihombing

1.	Introduction.....	939
1.1	Background.....	939
1.2	Traditional mortgage.....	940
1.3	The transaction as a contract.....	942
1.4	Role of equity and interest.....	942
1.5	Unconscionable Contracts Ordinance (Cap 458).....	943
1.6	Equity of redemption.....	944
1.7	Money Lenders Ordinance (Cap 163).....	944
2.	Some Real Securities and Some Quasi Securities.....	947
2.1	Introduction.....	947
2.2	A real security.....	948
2.3	Security over land.....	948
2.4	Drafting the transaction.....	949
2.5	A quasi-security using primary and secondary trusts.....	951
2.6	Sale and re-purchase transaction.....	952
2.7	Charging orders.....	953
2.8	Floating charge over assets of a company.....	954
3.	Classification of Mortgage or Charge.....	954
3.1	Terminology.....	954
3.2	Nature of charge.....	955
3.3	Legal charge.....	956
3.4	Equity of redemption.....	957
3.5	Equitable mortgages and charges.....	958
4.	Legal Securities.....	959
4.1	Introduction.....	959
4.2	A charge effected by management of a MSB.....	961
4.3	Possession of a chargee of land.....	962
4.4	Right to early redemption.....	962
5.	Covenants on Part of Mortgagor or Chargor.....	963
5.1	Introduction.....	963
5.2	Limitation on the personal covenant to pay.....	964
5.3	Payable on demand for debt under mortgage.....	965
5.4	Interest.....	966
5.5	All monies.....	970
5.6	Covenants for title.....	971
5.7	Additional covenants.....	971
5.8	Covenants on part of mortgagee or chargee.....	972
6.	Registration and Priority.....	973
6.1	Registration.....	973
6.2	Right to tack.....	974
6.3	Second and subsequent mortgages (as charges).....	975
6.4	Consolidation.....	976
6.5	Variation of priority.....	976
7.	Clogs on Equity of Redemption.....	978
7.1	Introduction.....	978
8.	Remedies on Breach.....	981
8.1	Effect of a charge as a security.....	981
8.2	Powers of receiver.....	982
8.3	Foreclosure.....	984

8.4 Possession of land	986
8.5 Possession of title deeds	987
8.6 Sale	987
8.7 Action for debt	991

CHAPTER 11 COMPLETION OF CONTRACT FOR SALE OF LAND

Judith Sihombing

1. Introduction	993
2. Events between Time of Entry into Contract and Completion	993
2.1 Introduction	993
2.2 Risk and the purchaser	994
2.3 Resumption	996
2.4 Death of vendor	999
2.5 Bankruptcy	1004
3. Special Circumstances Affecting Completion	1007
3.1 Partition	1007
4. Adverse Possession	1008
4.1 Encroachment or adverse possession?	1011
5. Matters Leading up to Completion	1011
6. Completion Date and Time	1017
6.1 Introduction	1017
7. Time and Completion	1019
7.1 Introduction	1019
7.2 Time of the essence	1021
7.3 Completion by undertaking	1022
7.4 Receipt of money	1024
7.5 Form of payment	1026
7.6 Separate representation	1029
7.7 Injunctions and completion	1030
7.8 Fixtures and vacant possession	1032
8. Land Registration Ordinance	1032
8.1 Introduction	1032
8.2 Nature of Hong Kong's registration system	1033
8.3 Provisions of Ordinance	1034
8.4 Registration and bona fide purchaser or mortgagee	1037
8.5 What is registrable?	1041
8.6 Purpose of registration	1043
8.7 Options	1043
8.8 Leases and licences	1048
8.9 Unwritten equities	1053

CHAPTER 12 REMEDIES FOR BREACH OF CONTRACT FOR SALE OF LAND

Judith Sihombing

1. Contracts for Sale of Land	1059
2. The Terms of the Contract	1062
2.1 Remedies	1062
2.2 Range of relief	1063
2.3 Certainty of terms and rectification	1063
2.4 Relief for the defaulting purchaser	1065

3. Modern Restitution	1067
4. A Valid and Binding Contract	1070
4.1 Elements of valid and binding contract	1070
4.2 Terms of PA and SPA	1071
4.3 Faults in formation	1072
4.4 Collateral contracts	1072
4.5 The bare trust and the doctrine of conversion	1073
5. Enforcing Remedies	1082
5.1 Introduction	1082
5.2 Rescission	1083
5.3 Repudiation	1088
5.4 Time of the essence	1089
5.5 Offer of repudiation and its acceptance	1095
5.6 Effect of non-acceptance	1096
6. 'Ready Willing and Able'	1099
6.1 Meaning of phrase	1099
6.2 Exceptions to general rule	1100
7. De Minimis Rule	1101
7.1 Introduction	1101
8. Injunctive Relief	1104
8.1 Introduction	1104
8.2 DMICs and injunctions	1106
8.3 Injunctions and preservation of property	1108
8.4 Purchaser and Mareva injunction/freezing order	1109
9. Foregoing of Remedies by Purchaser	1111
10. Restrictions on the Vendor's Remedies Against the Purchaser	1112
11. One Solicitor Acting for Both Parties	1113
12. Vendor/Purchaser Summons	1114
13. Specific Performance	1116
14. Damages in Equity	1130
15. Common Law Damages	1131
15.1 Introduction	1131
15.2 Types of damages available at common law	1135
15.3 Account of profits as common law damages	1136
15.4 Substantial damages	1137
16. Agreed Sum Clauses: Liquidated Damages or a Penalty?	1140
17. Deposit	1146
17.1 Introduction	1146
17.2 Forfeiture	1146
17.3 If payment is essential, does default cause contract to terminate?	1147
18. Relief Against Forfeiture	1147
19. Liability of Conveyancing Solicitor	1149
19.1 Introduction	1149
19.2 Contract between solicitor and client	1153
19.3 Liability and public policy	1155
19.4 Inducing breach of contract	1155
19.5 Equitable relief	1156