

## Guidelines on “Property Management Services Agreement” ( For Reference Only )

### Preamble

With the rapid development of Hong Kong’s property management (“PM”) industry and the full implementation of the PM industry licensing regime, property management services (“PMSs”) have become integral to the daily lives of the public, and it is crucial for the industry to provide professional and high-quality service. The cooperation between property owners, owners’ organizations (including owners’ corporations (“OCs”)), and property management companies (“PMCs”) has become increasingly crucial. With a view to enhancing professional standard and operational transparency of the PM industry, and to minimize and avoid dispute, the Property Management Services Authority (“PMSA”) has formulated the Guidelines on “Property Management Services Agreement” (the “Guidelines”) so as to provide reference and guidance to owners, owners’ organizations, and PMCs when entering into PMSs agreement for residential properties.

2. As one of the owners of the land on which the property is located, and co-owns with other owners the common parts and facilities of the property, property owners have the duty to properly manage the property to ensure that it is constantly in good and safe condition. Therefore, it is crucial for the owners, owners’ organizations, and PMCs to enter into a comprehensive, clear, detailed and cautious PMSs agreement. For this purpose, the Guidelines provide practical reference and guidance for them when entering into such agreement.

3. The Guidelines cover various areas involved in the PMSs agreement for typical residential properties. It mainly covers the duration of the services agreement, the obligations of PMCs (e.g. assisting owners in holding meeting, managing and maintaining the property’s common facilities, and handling financial and procurement matters, etc.), the assessment of the remuneration for the PMCs, as well as the handover obligations upon termination of the agreement, etc. In addition, owners are required to assume corresponding responsibilities under the PMSs agreement (e.g. granting the PMCs appropriate rights to ensure they can assist owners in properly managing the property). The PMSA hopes that the Guidelines will help owners, owners’ organizations, and PMCs clearly understand their respective rights and responsibilities when entering into PMSs agreement, protect each other’s rights and interests, foster more efficient collaboration, thereby enhancing the service quality and professional standard of the PMCs, promoting good PMSs, and reducing unnecessary disputes and conflicts between the parties.

4. The Guidelines provide only reference and guidance for the formulation of PMSs agreement for typical residential properties. ***The Guidelines are for reference purpose only and do not impose any mandatory requirement for including any of the contents in any PMSs agreement.*** Owners and owners’ organizations should appropriately refer to the contents of the Guidelines according to the specific circumstances of their properties and the types and needs of the services required. If there are any doubt when entering into such agreement, independent legal advice and/or assistance from relevant professionals should be sought. The PMSA makes no express or implied guarantees regarding any contents of the Guidelines, and assumes no liability for any loss or damages incurred by any parties arising from the use of the Guidelines.

# Guidelines on “Property Management Services Agreement”

## ( For Reference Only )

### **Background**

The content of a Property Management Services (“PMSs”) Agreement varies depending on the scale and nature of the property. Generally, the scope of the PMSs agreement mainly covers the duration of the services agreement, the responsibilities of the owners, and the duties of the property management companies (“PMCs”) (e.g. assisting owners in holding meeting, managing and maintaining the property’s common facilities, security and cleaning, handling financial and procurement matters, etc.), the assessment of the remuneration for the PMCs, and the handover responsibilities upon termination of the agreement. The Property Management Services Authority (“PMSA”) has summarized the concerns and disputes related to various aspects of PMSs agreement and provides reference and guidelines specifically for the following areas.

### **A. Duration of Services Agreement**

*Common Concern: When entering into a short-term PMSs agreement (e.g. only a few months) which includes an automatic renewal clause, owners or owners’ organizations should carefully consider whether such arrangement is suitable for the actual circumstances of their property and whether their interests are adequately protected.*

Reference Guideline	Relevant Provision / Code	PMSA Reminder
Make clear provisions in the services agreement regarding the duration of the agreement.  <b>A1. Agreement Term</b>  <b>A1.1. Initial management period:</b> If the PMC is the manager appointed under the property’s Deed of Mutual Covenant (“DMC”) <sup>1</sup> , the initial period of management must not exceed 2 years	• Lands Department “Legal Advisory and Conveyancing Office Circular Memorandum” <sup>2</sup>	• Applicable to properties where an owners’ corporation (“OC”) has not been established, especially in cases where the PMC is the manager appointed under the DMC.

<sup>1</sup> According to Section 2(1) of the Buildings Management Ordinance (Cap. 344) (“BMO”), manager in relation to a building, means— (a) the DMC manager; or (b) any other person who for the time being is, for the purpose of the DMC, managing the building; and DMC manager, in relation to a building, means the person who is specified in the DMC to manage the building.

<sup>2</sup> Please refer to Lands Department “Legal Advisory and Conveyancing Office Circular Memorandum” (LACO CM No. 79、79A and 79B):  
<https://www.landstd.gov.hk/en/resources/practice-notes/laco.html#number>

Reference Guideline	Relevant Provision / Code	PMSA Reminder
from the date of appointment.		
<p><b>A1.2. General PMSs agreement Term and Renewal Arrangement:</b> If the PMC is not the DMC manager but acts as a “PMSs agent”, the PMSs agreement term should generally be no less than one year.</p>	<ul style="list-style-type: none"> <li>• According to Sections 28D to 28F, Schedule 6A, and Schedule 7 of / to the Buildings Management Ordinance (Cap. 344) (“BMO”), owners / owners’ organizations have to carry out procurement by tender if the value of any supplies, goods, or services concerned exceeds (or likely to exceed) \$200,000<sup>3</sup>.</li> <li>• According to paragraph (5)(4) of Schedule 6A and paragraph 20(4) of Schedule 7 to the BMO, the requirement for the minimum number of tenders may be exempted by a management committee, OC, or owners resolution.</li> </ul>	<ul style="list-style-type: none"> <li>• When considering the management term and renewal arrangement of a PMSs agreement, owners / owners’ organizations should carefully assess whether the relevant clauses are commensurate with the actual circumstances and needs of the property. Generally, the agreement term should not be too short (e.g. it should not be only a few months), and automatic renewal mechanism should not be adopted for short-term agreement. Owners should select a PMC in accordance with the relevant procurement requirement under the BMO. Upon expiry of the PMSs agreement, a re-tendering process should be conducted (except in cases where tendering may be exempted<sup>4</sup>) to help protect the interests of the owners / owners’ organizations.</li> <li>• The circumstances where tendering may be exempted include: if the property has an OC, and the supplies, goods, or services to which the procurement relates are of the same type as any supplies, goods or services that are for the time being supplied by a supplier for the property, and there is a resolution by the OC, then the requirement to conduct tendering for the relevant procurement items may be exempted<sup>5</sup>.</li> </ul>

<sup>3</sup> According to paragraph 5(1) of Schedule 6A and paragraph 20(1) of Schedule 7 to the BMO, regarding the number of tenders to be invited, if the procurement of any supplies, goods and services the value of which exceeds (or is likely to exceed) \$200,000, an invitation to tender issued to 5 or more potential suppliers shall be required; if the value of the procurement exceeds (or is like to exceed) \$10,000, but does not exceed (or is unlikely to exceed) \$200,000, an invitation to tender issued to 3 or more potential suppliers shall be required.

<sup>4</sup> See Sections 28D(3) and 28E(3) of the BMO.

<sup>5</sup> See Sections 28D(3) and 28E(3) of the BMO.

## B. The Rights of Property Management Companies

### **Background**

When performing its duties, the PMC has to be granted appropriate rights by owners / owners' organization to ensure that it can effectively and properly provide PMSs for the property. The following guidelines facilitate the PMC in fulfilling its responsibilities.

*Common Concern: In addition to being authorized by owners or the owners' organization to assist in the proper management of the common areas of the property, the PMC has to, at the time of signing the PMSs agreement, also clearly specify the arrangement for the assessment of remuneration for the management services.*

Reference Guideline	Relevant Provision / Code	PMSA Reminder
<p>So long as it does not conflict with the land lease, DMC, or relevant laws and regulations, the PMSs agreement may clearly specify the rights of the PMC.</p> <p>B1. Owners / owners' organization should, in accordance with the provisions of the BMO, land lease, DMC, and relevant laws and regulations, grant the PMC the appropriate powers to lawfully exercise its duties.</p>		
<p>B1.1. The right to access to any location or part of the property for inspection, repair, maintenance, renovation, improvement, cleaning, painting, or decoration at a suitable time and upon reasonable notice (except in emergencies).</p>	<ul style="list-style-type: none"><li>• Section 40 of the BMO</li><li>• DMC (if applicable)</li></ul>	<ul style="list-style-type: none"><li>• Owners / owners' organization may set out appropriate provisions in the agreement to authorize the PMC to exercise proper powers in compliance with relevant laws and the requirement of the DMC, etc., for ensuring smooth maintenance and repair of the property in order to upkeep the safety of the property.</li></ul>
<p>B1.2. Take appropriate action against any unauthorized or illegal</p>	<ul style="list-style-type: none"><li>• DMC (if applicable)</li></ul>	

Reference Guideline	Relevant Provision / Code	PMSA Reminder
obstruction or occupation of common area or passageway.		
B1.3. Take appropriate action against any unauthorized or illegal construction or alteration in the common areas of the property in accordance with the DMC and other relevant laws, including private alteration that affects the common area or the common interest of all owners.	<ul style="list-style-type: none"> <li>• DMC (if applicable)</li> </ul>	
B2. The usual way by which PMC receives remuneration varies depending on the circumstances.		<ul style="list-style-type: none"> <li>• Owners / owners' organization should, depending on the actual circumstances and needs of the property, arrange with the PMC to adopt a suitable arrangement for the assessment of service remuneration.</li> </ul>
B2.1. Owners' organization pays the PMC a "monthly service remuneration", which may be a fixed amount or calculated as a percentage of the property's budgeted expenditure, plus additional "administrative fees", etc.		
B2.2. The service remuneration may also include the salaries of on-site property staff.		
B2.3. There is also a "fixed salary / fixed amount" payment method, where the PMC receives a fixed amount and provides a certain number of on-site staff to the property. This amount includes expenses such as staff salary, mandatory provident fund contribution, employee insurance, and other related expenses.		

## C. The Obligations of Property Management Companies

### Background

The obligations of a PMC cover a wide range of areas and vary depending on the size and nature of the property. Generally speaking, the obligations of a PMC cover handover work, security and cleaning, repair and maintenance, engaging contractors, handling financial and insurance matters, meeting arrangement, recruiting property management personnel, managing passageway, and handling complaints, etc. The PMSA has summarized and highlighted concerns and disputes related to various PMS aspects and provides guidance particularly for the following common areas.

#### C1. Owners' Meeting

*Common Concern: The PMC shall assist owners in regularly holding owners' meeting and in displaying relevant meeting notices and minutes in a timely manner.*

Reference Guideline	Relevant Provision / Code	PMSA Reminder
<p>The matters related to assisting in the convening of owners' meeting have to be clearly specified in the PMSs agreement.</p> <p>C1.1. Assistance has to be given to convene and hold owners' meeting, including related document handling, as well as the display and keeping of meeting minutes in accordance with relevant laws and regulations (see <b>Appendix 1</b> for details).</p>	<ul style="list-style-type: none"><li>• Relevant requirement under Section 3, Schedules 2, 3, 7 and 8 of / to the BMO (if applicable);</li><li>• Code of Conduct on "Obligations of Property Management Company under the Building Management Ordinance" issued by the PMSA<sup>6</sup>;</li><li>• Code of Conduct on "Handling Instrument of Appointing a Proxy" issued by the PMSA<sup>7</sup>.</li></ul> <p>(For other Relevant Provision / Code, see <b>paragraphs 1(A) and 2(A) of Appendix 1</b> for details)</p>	<ul style="list-style-type: none"><li>• When drafting the relevant provisions, both parties to the PMSs agreement have to ensure that the content does not conflict with the provisions of the land lease, DMC, or relevant laws and regulations.</li><li>• Specify appropriate provisions for the method of displaying and keeping meeting minutes (see <b>paragraph 2(B) of Appendix 1</b> for details).</li></ul>

<sup>6</sup> Please refer to the "Obligations of Property Management Company under the Building Management Ordinance" Code of Conduct issued by the PMSA (Revised version, effective on 13 July 2025):  
<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>

<sup>7</sup> Please refer to the "Handling Instrument of Appointing a Proxy" Code of Conduct issued by the PMSA (Revised version, effective on 13 July 2025):  
<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>



## C2. Procurement of Supplies, Goods or Services

### **Background**

Procurement of supplies, goods, or services is an essential part of property management, and the procedures vary depending on the procurement value. Generally, the procurement process includes invitation to tender, declaration of interest, collecting and comparing bids, signing procurement contract, monitoring contractors' services, and proper keeping of procurement documents, etc.

***Common Concern: The PMC has to conduct procurement in accordance with the laws, assist owners in participating in relevant government subsidy programs, enter into maintenance contract, avoid including “automatic renewal” clauses in maintenance contract, and properly keep related tender and contract documents.***

Reference Guideline	Relevant Provision / Code	PMSA Reminder
The PMC has to provide assistance on procurement-related matters specified clearly in the PMSs agreement (if applicable).	<ul style="list-style-type: none"> <li>Sections 28A to 28M, Schedules 6A, 6B, 6C and 7 of / to the BMO;</li> <li>Relevant requirement of the “Code of Practice on Procurement of Supplies, Goods and Services (Revised Version)” (“Code of Practice”) <sup>8</sup> issued by the Secretary for Home and Youth Affairs under the BMO.</li> <li>Code of Conduct on “Carrying out Procurement for Clients and Prevention of Bid-rigging” issued by the PMSA<sup>9</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>When drafting the relevant provisions, both parties to the PMSs agreement have to ensure that the content does not conflict with the provisions of the land lease, DMC, or relevant laws and regulations.</li> </ul>
<b>C2.1.Probity Clause</b>  <b>C2.1.1. Procurement principles:</b> The PMC has to ensure that the procurement process is competitive, fair and accountable.	<ul style="list-style-type: none"> <li>Relevant provisions on anti-competitive conduct under the Competition Ordinance (Cap. 619);</li> <li>According to Paragraph A(1) of the Code of Conduct on</li> </ul>	

<sup>8</sup> The Code of Practice (effective on 13 July 2025) is issued by the Secretary for Home and Youth Affairs under Section 44(1)(a) of the BMO.

<sup>9</sup> Please refer to the “Carrying out Procurement for Clients and Prevention of Bid-rigging” Code of Conduct issued by the PMSA (Revised version, effective on 13 July 2025):  
<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>

Reference Guideline	Relevant Provision / Code	PMSA Reminder
	<p>“Carrying out Procurement for Clients and Prevention of Bid-rigging” issued by the PMSA, the PMC has to ensure that the procurement conducted on behalf of clients is competitive, fair, and accountable.</p>	
<p><b>C2.1.2. Corruption Prevention Clause:</b> The PMSs agreement has to include relevant corruption prevention clauses, prohibiting property management staff, contractors, and agents from soliciting or accepting any form of gifts or advantage.</p>	<ul style="list-style-type: none"> <li>• Section 9 of Prevention of Bribery Ordinance (Cap. 201)</li> <li>• According to Paragraph D(1) of the Code of Conduct on “Prevention of Corruption”<sup>10</sup> issued by the PMSA, property management staff employed by the PMC have to act in accordance with probity requirement.</li> </ul>	<ul style="list-style-type: none"> <li>• Specify appropriate provisions for corruption prevention requirement that the PMC has to comply with to prevent corruption practices, which may include the following: <ul style="list-style-type: none"> <li>(a) When property management staff employed by the PMC carry out procurement work for the property, they shall not solicit or accept any bribes or benefits as rewards or incentives for granting improper advantages to others; nor shall they offer any benefits to others in exchange for improper favours.</li> <li>(b) The consequences of violating the above provisions should be clearly stated, such as allowing owners / owners’ organization to claim losses from the PMC arising from the related corruption conduct.</li> </ul> </li> </ul>
<p><b>C2.1.3. Anti-collusion Clause:</b> Appropriate clauses may be included in the PMSs agreement as needed, and measures should be taken to prevent anti-competitive conduct</p>	<ul style="list-style-type: none"> <li>• According to Paragraph H(2) of the Code of Conduct on “Carrying out Procurement for Clients and Prevention of Bid-rigging” issued by the PMSA, the PMC has to include probity, non-collusion</li> </ul>	<ul style="list-style-type: none"> <li>• Specify appropriate provisions requiring the PMC to comply with relevant probity requirement to prevent any anti-competitive conduct. Reference may be made to the model “Non-Collusion Clause” and “Non-Collusive</li> </ul>

<sup>10</sup> Please refer to the “The Prevention of Corruption” Code of Conduct issued by the PMSA:  
<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>



Reference Guideline	Relevant Provision / Code	PMSA Reminder
during the procurement process <sup>11</sup> .	and anti-bid rigging clauses in tender document and require the tenderers to sign a “Non-Collusive Tendering Certificate” when submitting tender.	Tendering Certificate” issued by the Competition Commission to require tenderers to avoid anti-competitive conduct and to specify the legal consequences of violation.
<b>C2.2. Declaration requirement:</b> The PMC has to declare interests, connections, and conflict of interest in accordance with relevant laws and regulations, and display notice of declaration as well as submit declaration documents (see <b>paragraph 1 of Appendix 2</b> for details).	See <b>paragraph 1(A) of Appendix 2</b> for details	<ul style="list-style-type: none"> <li>Specify appropriate provisions requiring the PMC to comply with specific declaration procedures to ensure the declaration process is properly and fairly conducted (see <b>paragraph 1(B) of Appendix 2</b> for details).</li> </ul>
<b>C2.3. Keeping of and permitting inspection of procurement documents:</b> The PMC has to keep all procurement documents for 6 years after the date on which the contract is entered into, and provide copies of the documents within 28 days upon written request made by no less than 5% of the owners.	See <b>paragraphs 2.1(A) and 2.2(A) of Appendix 2</b> for details	<ul style="list-style-type: none"> <li>Specify appropriate provisions setting out the method the PMC should use to keep the documents, as well as the method for providing owners with copies of the documents (see <b>paragraphs 2.1(B) and 2.2(B) of Appendix 2</b> for details).</li> </ul>

<sup>11</sup> Bid-rigging occurs if two or more bidders that would otherwise be expected to compete, secretly agree that they will not compete with one another for particular projects during the procurement process. For example, they may agree among themselves which bidder will win the bid, and the outcome of the process is therefore rigged. Bid-rigging is inherently a serious anti-competitive conduct, and shall be strictly prevented to uphold fair market competition. The explanation of bid-rigging is extracted from the “Fighting bid-rigging” brochure published by the Competition Commission and is consistent with the definition of bid-rigging stipulated in Section 2 of the Competition Ordinance (Cap. 619).

### C3. Financial Matters

#### Background

Financial matters in property management cover preparing budget, handling property's income and expenditures, managing property fund, preparing financial statements, arranging for independent accountant to conduct audit, and keeping financial documents, etc.

*Common Concern: The PMC has to open segregated bank account for the property (and use it appropriately), prepare financial statements in a timely manner, keep financial record, conduct audit, and promptly deposit cash funds into the designated bank account, etc.*

Reference Guideline	Relevant Provision / Code	PMSA Reminder
Clear provisions regarding financial matters should be included in the service agreement.		<ul style="list-style-type: none"> <li>When drafting the relevant provisions, both parties to the PMSs agreement have to ensure that the content does not conflict with the provisions of the land lease, DMC, or relevant laws and regulations.</li> </ul>
C3.1. Regarding <b>determination of management expenses</b> , an annual budget has to be prepared in accordance with the BMO, specifying the proposed expenditure, and the management fees should correspond to the proposed expenditure. If owners make a written request, a copy of the budget document has to be provided within 28 days (see <b>paragraphs 1 to 2 of Appendix 3</b> for details).	See <b>paragraphs 1(A) and 2(A) of Appendix 3</b> for details	<ul style="list-style-type: none"> <li>Specify appropriate provisions setting out the method for the PMC to provide budget document to owners (see <b>paragraph 2(B) of Appendix 3</b> for details).</li> </ul>
C3.2. <b>Preparation, keeping of and provision of accounting documents:</b> The PMC has to, in accordance with laws and regulations, prepare and sign accounting documents, display them in a prominent place in the property, and keep them for at least 6 years. If the total annual income or expenditure of the property exceeds \$500,000, the relevant financial	See <b>paragraphs 3.1(A), 3.2(A), 3.3(A) and 3.4(A) of Appendix 3</b> for details	<ul style="list-style-type: none"> <li>Specify appropriate provisions setting out the method for the PMC to display, keep and provide documents to owners (see <b>paragraphs 3.1(B), 3.3(B) and 3.4(B) of Appendix 3</b> for details).</li> </ul>

statements have to be audited. The PMC also has to permit specified persons (e.g. owners) to inspect accounting documents at reasonable time and supply them with copies thereof (see <b>paragraph 3 of Appendix 3</b> for details).		
<b>C3.3. Open and maintain bank account:</b> The PMC has to open and maintain segregated interest-bearing bank account, use it exclusively for the management of the property, and display document showing evidence of the account in a prominent place in the property (e.g. the first page of bank passbook (showing only bank name, account holder name, and account number), or account information proof documents issued by bank) (see <b>paragraph 4 of Appendix 3</b> for details).	See <b>paragraphs 4(A), 4.1(A), 4.2(A) and 4.3(A) of Appendix 3</b> for details	<ul style="list-style-type: none"> <li>Specify appropriate provisions requiring the PMC not to handle funds of different properties through the same bank account, and to use the designated account exclusively for depositing and withdrawing funds related to the specific property. The provisions should also specify the method for displaying the document showing evidence of the account, and the specific deposit procedures to be followed (see <b>paragraphs 4(B), 4.1(B) and 4.2(B) of Appendix 3</b> for details).</li> </ul>
<b>C3.4.</b> Regarding the establishment of special fund, opening of bank account for the fund, managing the income and expenditure and other related matters of the fund, the PMC has to, in accordance with the relevant requirement, open a segregated interest-bearing bank account, the title of which has to refer to the special fund for the property, and use the account exclusively for matters related to the special fund. Unless in emergency situation or with the approval of the owners' organization, money shall not be paid out of the special fund (see <b>paragraph 5 of Appendix 3</b> for details).	See <b>paragraphs 5(A), 5.1(A), 5.2(A) and 5.3(A) of Appendix 3</b> for details	<ul style="list-style-type: none"> <li>Specify appropriate provisions requiring the PMC to use the designated bank account exclusively for depositing and withdrawing special fund monies collected for the relevant property, and follow prescribed deposit procedures (see <b>paragraphs 5.1(B) and 5.2(B) of Appendix 3</b> for details).</li> </ul>

C3.5. The PMC has to establish a proper mechanism for handling moneys received on behalf of clients, including depositing the moneys received on behalf of clients into designated account as soon as possible.	<ul style="list-style-type: none"> <li>According to paragraph E(1) of Code of Conduct on “Handling Moneys Received on behalf of Clients by Property Management Companies” issued by the PMSA, the PMC has to, as soon as reasonably practicable, deposit moneys received on behalf of clients into the designated account.</li> </ul>	<ul style="list-style-type: none"> <li>Specify appropriate provisions requiring the PMC to follow prescribed deposit procedures in order to reduce the risk of theft or misappropriation of moneys, which may include proper recording of all received moneys, and depositing moneys into the designated account on the same day of receipt or, at the latest, by the next working day.</li> </ul>
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## C4. Maintenance, Repair, and Engagement of Contractors

### **Background**

Maintenance and repair work includes regular inspection and repair, handling emergency repair, engaging contractors, supervising contractors’ services, and properly keeping maintenance record, etc.

*Common Concern: The PMC has to carry out regular inspection and maintenance of the property, properly supervise contractors, and properly keep maintenance manual and record, etc.*

Reference Guideline	Relevant Provision / Code	PMSA Reminder
The PMSs agreement should include clear provisions regarding maintenance and repair matters, including that the PMC should assist the owners’ organization in sourcing service contractors and properly handling related matters.		<ul style="list-style-type: none"> <li>When drafting the relevant provisions, both parties to the PMSs agreement have to ensure that the content does not conflict with the provisions of the land lease, DMC, or relevant laws and regulations.</li> </ul>

Reference Guideline	Relevant Provision / Code	PMSA Reminder
<p><b>C4.1. Regular Inspections and Maintenance:</b> The PMC has to conduct regular inspection of the property and carry out timely and proper maintenance to ensure that all structures and facilities of the property remain in good condition and comply with the relevant legal requirement.</p>	<ul style="list-style-type: none"> <li>• Relevant provisions of the Buildings Ordinance (Cap. 123) (“BO”);</li> <li>• Code of Conduct on “Obligations of Property Management Company under the Building Management Ordinance” issued by the PMSA.</li> </ul>	<ul style="list-style-type: none"> <li>• Specify appropriate provisions requiring the PMC to properly keep property information, such as overall property plans, floor plans, as-built engineering drawings (if available), schematic diagrams of facility systems, technical specifications of various facilities, operation and maintenance manual, to facilitate the formulation of maintenance plan.</li> </ul>
<p><b>C4.2. Compliance Inspection:</b> If any part of the property (such as external wall or rooftop) is found to have unauthorized building works or additions, or any illegal alterations that violate the DMC, the BO, or other relevant laws, appropriate action has to be taken in accordance with the DMC and other applicable laws to ensure that the property complies with regulatory requirement and to upkeep the safety of the property.</p>	<ul style="list-style-type: none"> <li>• Relevant provisions of the BO;</li> <li>• DMC (if applicable)</li> </ul>	
<p>C4.3. If the PMC is appointed to handle maintenance and repair matters of the property’s common parts, including complying with orders issued by the Buildings Department, Fire Services Department, and other relevant authorities, it may consider including relevant provisions in the PMSs agreement (see <b>Appendix 4</b> for details).</p>	<ul style="list-style-type: none"> <li>• Section 24 (i.e. removal order), Section 26 (i.e. building repair order), Section 26A (i.e. building investigation order), Section 27A (i.e. slope repair order) and Section 28 (i.e. drainage repair / investigation order) of the BO, etc.;</li> <li>• Paragraph D(1) of the Code of Conduct on “Slope Management Work” issued by the PMSA<sup>12</sup>;</li> </ul>	<p>See <b>paragraphs 1(B), 2.2(B) and 2.4(B) of Appendix 4</b> for details.</p>

<sup>12</sup> Please see the “Slope Management Work” Code of Conduct issued by the PMSA:

Reference Guideline	Relevant Provision / Code	PMSA Reminder
	<ul style="list-style-type: none"> <li>Paragraph C(1) of the Code of Conduct on “Handling Drainage Work” issued by the PMSA<sup>13</sup>;</li> </ul> <p>(For other relevant provisions/codes, see <b>paragraphs 1(A) and 2.2(A) of Appendix 4</b> for details)</p>	

## **C5. Cooperating with Government Authorities or Authorized Officers in respect of the Control, Management or Administration of Properties**

### **Background**

In respect of property control, management and administration of properties, the PMC has to, in accordance with the relevant statutory requirement, cooperate with Government authorities or authorized officers by providing all practicable assistance and the necessary documents and information.

*Common Concern: The PMC has to, in accordance with the relevant statutory requirement, cooperate with Government authorities or authorized officers regarding the control, management, or administration of properties.*

Reference Guideline	Relevant Provision / Code	PMSA Reminder
Clear requirement has to be included in the PMSs agreement requiring the PMC to discuss, liaise and cooperate with relevant Government authorities or authorized officers on behalf of the owners’ organizations regarding property management matters, and to provide all	<ul style="list-style-type: none"> <li>Section 40A of the BMO<sup>14</sup>;</li> <li>Code of Conduct on “Obligations of Property Management Company under the Building Management Ordinance” issued by the PMSA.</li> </ul>	<ul style="list-style-type: none"> <li>Specify appropriate provisions requiring the PMC to cooperate with Government authorities or authorized officers.</li> </ul>

<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>

<sup>13</sup> Please see the “Handling Drainage Work” Code of Conduct issued by the PMSA:

<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>

<sup>14</sup> Regarding the control, management or administration of the property, if relevant Government department, for the purpose of ascertaining the manner in which a property is being controlled, managed or administered:

- enters and inspects any common parts of the property;
  - attends any general meeting of the OC;
  - requires the OC or licensed PMC to furnish it with such information in the possession of the OC or licensed PMC, as it may specify in relation to the control, management, and administration of the property;
  - inspects the relevant books or records of account or other records; and
  - inspects any documents or record kept by the OC in relation to any of its functions, duties or powers.
- then the PMC has to cooperate and provide the concerned information (if applicable) in an accurate manner.



Reference Guideline	Relevant Provision / Code	PMSA Reminder
practicable assistance, and provide the necessary documents and information.		

## D. Termination Clause

### Background

Clear termination clauses are crucial in a PMSs agreement. Generally, termination clauses include the notice period for terminating the agreement, the procedures to be followed when terminating the agreement due to breaches, and the responsibilities and obligations of both parties after termination. Proper termination clauses help to protect the rights and interests of both parties and can avoid future unnecessary disputes.

***Common Concern: The PMC has to provide a reasonable notice period for exit arrangement and timely settle any outstanding payment with the relevant contractors.***

Reference Guideline	Relevant Provision / Code	PMSA Reminder
Clear requirement has to be included in the PMSs agreement regarding termination clauses.		<ul style="list-style-type: none"> <li>When drafting the relevant provisions, both parties to the PMSs agreement have to ensure that the content does not conflict with the provisions of the land lease, DMC, or relevant laws and regulations.</li> </ul>
<p>D1. If the agreement is terminated due to a breach by either party, or if a party fails to perform its duties in accordance with the agreement, the following clauses may be considered for inclusion:</p> <p><b>D1.1. Procedures when the defaulting party is the PMC:</b> If the PMC breaches the agreement or fails to fulfill its obligations, enters into a settlement agreement with creditors, undergoes liquidation (except for solvent restructuring or merger), or has a receiver appointed to take over its assets and guarantees, the owners' organization has the right to terminate the agreement by written</p>		<ul style="list-style-type: none"> <li>Specify appropriate provisions setting out the method of issuing notices (e.g. delivering in person, leaving at the recipient's last known correspondence address or registered address) to ensure that the other party can be informed of the relevant matters in a timely manner.</li> </ul>

Reference Guideline	Relevant Provision / Code	PMSA Reminder
notice so as to protect the legitimate rights and interest of the owners.		
<p><b>D1.2. Procedures when the defaulting party is the owners' organization:</b> If the owners' organization breaches the agreement or fails to fulfill its obligations, the PMC has the right to terminate the agreement by written notice so as to protect the legitimate rights and interest of the PMC.</p>		<ul style="list-style-type: none"> <li>• Specify appropriate provisions setting out the method of issuing notices (e.g. delivering in person, leaving at the recipient's last known correspondence address or registered address) to ensure that the other party can be informed of the relevant matters in a timely manner.</li> </ul>
<p><b>D1.3. Notice period and method:</b> Notice should be given in writing and allow a reasonable notice period to ensure that both parties have sufficient time to properly handle transitional matters. If the notice period is too short (e.g. less than 3 months), the defaulting party has to pay reasonable compensation, which should be calculated in a fair manner to cover losses due to insufficient notice period.</p>		
<p><b>D1.4. Protection of rights:</b> Upon termination of the agreement, the rights and interests of the non-defaulting party should be protected, including the right to recover any outstanding payment due from the defaulting party, to pursue collection of payment that will become due, and to claim other reasonable compensation.</p>		

Reference Guideline	Relevant Provision / Code	PMSA Reminder
<p>D2. If the agreement is terminated due to resignation of the PMC, the following clauses may be considered for inclusion:</p> <p><b>D2.1. Notice period and method:</b> The PMC has to give at least 3 months' written notice, issued to the owners' committee or each of the owners, and displayed in a prominent place in the property.</p>	<ul style="list-style-type: none"> <li>According to paragraph 6(1) of Schedule 7 to the BMO, the PMC has to give at least 3 months' written notice in the manner as below:               <ul style="list-style-type: none"> <li>(a) by sending a notice to owners' committee; or</li> <li>(b) where there is no owners' committee, by giving a notice to each of the owners and by displaying such a notice in a prominent place in the property.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>During the notice period, the PMC has to continue to perform its duties under the agreement to ensure the continuity and quality of the management services.</li> <li>Specify appropriate provisions requiring that the notice of the PMC's resignation be displayed in easily noticeable location within the property (e.g. the lobby, elevator lobby and common corridors) to ensure that the relevant notice is effectively communicated to the owners, so that they are promptly informed of the relevant matters.</li> </ul>
<p><b>D2.2. Settlement of outstanding payment and deadline:</b> Both parties have to settle all outstanding payment (if any) to each other within a reasonable period of time after the expiration or termination of the agreement. All related payment has to be settled within a specific timeframe to protect the rights and interests of both parties and to avoid any possible future disputes.</p>		

## E. Handover Arrangements

### Background

When an owners' organization changes PMC, proper handover arrangement is crucial. Generally, handover work includes coordination and communication between the current PMC and the owners' organization / successor PMC (if any) to arrange the handover, preparation of financial report, taking inventory of property assets, and transferring of movable property and property-related records.

***Common Concern: The PMC has to prepare a handover checklist, hold a handover meeting, return funds belonging to the owners' organization in a timely manner, prepare financial statements, and provide detailed information regarding any litigation related to the property (if any).***

Reference Guideline	Relevant Provision / Code	PMSA Reminder
Clear requirement has to be included in the PMSs agreement regarding handover arrangement.		<ul style="list-style-type: none"><li>• When drafting the relevant provisions, both parties to the PMSs agreement have to ensure that the content does not conflict with the provisions of the land lease, DMC, or relevant laws and regulations.</li></ul>
E1. Upon the expiration or early termination of the PMSs agreement, the PMC has to comply with the relevant requirement under Schedule 7 to the BMO and the Code of Conduct on "Obligations of Property Management Companies regarding the Ending of their Appointment" <sup>15</sup> issued by the PMSA, to assist the owners' organizations in the handover process with the succeeding PMC (if applicable), including the following:	<ul style="list-style-type: none"><li>• Paragraph 8 of Schedule 7 to the BMO.</li><li>• Code of Conduct on "Obligations of Property Management Companies regarding the Ending of their Appointment" issued by the PMSA</li></ul>	

<sup>15</sup> Please refer to the "Obligations of Property Management Companies regarding the Ending of their Appointment" Code of Conduct issued by PMSA:  
<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>

Reference Guideline	Relevant Provision / Code	PMSA Reminder
<p><b>E1.1. Handover of movable properties:</b> The outgoing PMC has to, as soon as practicable and no later than 14 days after the termination of its appointment, hand over all movable properties related to property management to the owners' organization or the succeeding PMC.</p>	<ul style="list-style-type: none"> <li>• According to paragraph 8(1) of Schedule 7 to the BMO, the outgoing PMC has to, as soon as reasonably practicable and in any event within 14 days after the expiration or early termination of the PMSs agreement, hand over to the owners' organization or the succeeding PMC any movable properties belonging to the owners but under its custody or control related to the property's control, management and administration. These may include complete and up-to-date management record, accounting and bookkeeping record, etc.;</li> <li>• Paragraphs B(1) to B(5) and C(1) of the Code of Conduct on "Obligations of Property Management Companies regarding the Ending of their Appointment" issued by the PMSA.</li> </ul>	<ul style="list-style-type: none"> <li>• Specify appropriate provisions requiring the PMC to follow specific procedures for the handover of movable properties to ensure that the handover process is properly completed, which may include the following: <ul style="list-style-type: none"> <li>(a) meet with the owners' organization and the succeeding PMC as soon as possible to discuss handover matters, in order to minimize the impact on the PMSs;</li> <li>(b) If any movable properties required to be handed over are lost, the PMC should notify the owners' organization and discuss the appropriate remedial measures;</li> <li>(c) Apart from handing over movable properties, the PMC should also provide relevant information, such as the progress of ongoing legal proceedings and regular inspection of property facilities.</li> </ul> </li> </ul>
<p><b>E1.2. Preparation of financial reports:</b> The outgoing PMC has to prepare the income and expenditure account and the balance sheet within 2 months after the date of ending of its appointment. These financial reports have to be submitted to the owners' organization's appointed accountant or</p>	<ul style="list-style-type: none"> <li>• According to paragraph 8(2)(a) of Schedule 7 to the BMO, the outgoing PMC has to, within 2 months after the date of ending of its appointment, prepare the income and expenditure account and the balance sheet, and arrange for these financial statements to be audited by an accountant or other independent auditor appointed by the relevant owners' organization;</li> </ul>	<ul style="list-style-type: none"> <li>• Specify appropriate provisions requiring the PMC to comply with specific procedures in respect of preparing financial report to ensure that financial matters are properly and accurately handed over, which includes the obligation of the PMC to make every effort to provide information and documents to assist the accountant or</li> </ul>

Reference Guideline	Relevant Provision / Code	PMSA Reminder
independent auditor for auditing.	<ul style="list-style-type: none"> <li>Paragraph E(1) of the Code of Conduct on “Obligations of Property Management Companies regarding the Ending of their Appointment” issued by the PMSA.</li> </ul>	auditor in completing the audit.
<p><b>E1.3. Handover of relevant records:</b> The outgoing PMC has to hand over all documents related to the preparation of the income and expenditure statement and the balance sheet to the owners’ organization or the succeeding PMC.</p>	<ul style="list-style-type: none"> <li>According to paragraph 8(2)(b) of Schedule 7 to the BMO, the outgoing PMC has to deliver to the owners’ organization (if any) or the succeeding PMC any books or record of accounts, papers, documents and other record which are required for the purpose of preparation of the income and expenditure account and the balance sheet;</li> <li>Paragraph C(2) of the Code of Conduct on “Obligations of Property Management Companies regarding the Ending of their Appointment” issued by the PMSA.</li> </ul>	<ul style="list-style-type: none"> <li>Specify appropriate provisions requiring the PMC to follow specific procedures for the handover of relevant records to ensure that the handover process is properly completed, which may include the following:               <ul style="list-style-type: none"> <li>(a) meet with the owners’ organization and the succeeding PMC as soon as possible to discuss handover matters in order to minimize the impact on the PMSs;</li> <li>(b) If any relevant record required to be handed over is lost, the PMC should notify the owners’ organization and discuss the appropriate remedial measures.</li> </ul> </li> </ul>



## F. Dispute Resolution Mechanism

### **Background**

The use of mediation as an effective alternative dispute resolution method<sup>16</sup> is encouraged. The guidelines for resolving disputes related to PMSs are provided as follows:

***Common Concern:** Due to the time-consuming nature of litigation procedures, the potentially substantial legal costs involved, and the uncertainties in the process, disputes regarding property management matters should first be resolved through mediation.*

Reference Guideline	Relevant Provision / Code	PMSA Reminder
Clear requirement has to be included in the PMSs agreement regarding dispute resolution mechanism.		<ul style="list-style-type: none"><li>• When drafting the relevant provisions, both parties to the PMSs agreement have to ensure that the content does not conflict with the provisions of the land lease, DMC, or relevant laws and regulations.</li></ul>
F1. <b>Mediation:</b> Regarding the method and procedure for resolving legal disputes, the parties should first use mediation as a dispute resolution method before resorting to arbitration or litigation to address and resolve the disputes arising during the performance of the agreement.	<ul style="list-style-type: none"><li>• Refer to the suggested mediation clause of the Hong Kong International Arbitration Centre<sup>17</sup></li></ul>	<ul style="list-style-type: none"><li>• Independent legal advice should be sought when selecting appropriate clauses and applicable law.</li></ul>

If there is any inconsistency between the Chinese version and the English version of the Guidelines, the Chinese version shall prevail.

If there are any amendments to any laws or regulations mentioned in the Guidelines, licensees have to act in accordance with the revised provisions.

<sup>16</sup> Please visit the webpage of the Department of Justice below:

[https://www.doj.gov.hk/tc/legal\\_dispute/legal\\_enhancement\\_and\\_development\\_office.html](https://www.doj.gov.hk/tc/legal_dispute/legal_enhancement_and_development_office.html)

<sup>17</sup> Please refer to the suggested mediation clause by the Hong Kong International Arbitration Centre:

<https://www.hkiac.org/zh-hant/mediation/rules/hkiac-meditation-rules>

### (Supplementary information)

#### Owners' Meeting

##### 1. Convene and hold an owners' meeting

The PMC has to convene and hold the first owners' meeting and subsequent annual owners' meetings in accordance with the provisions of the DMC and the BMO. The PMC has to assist in organizing these meetings, provide administrative support, attend the meetings and facilitate documentation-related tasks (include preparing meeting agenda and meeting minutes, distributing documents and notices as well as submitting work reports).

##### (A) Relevant Provision / Code

- (a) In accordance with the DMC, the PMC, as the manager, must call the first meeting of owners as soon as possible, but in any event not later than 9 months after the date of the DMC (and to call further and subsequent meetings if required), which meeting must appoint a chairman and committee of owners or must appoint a management committee ("MC") for the purpose of forming an OC under the BMO<sup>18</sup>.
- (b) Under the requirement of paragraph 1(1) of Schedule 3 to the BMO (if there is an OC), the MC has to convene the first annual general meeting of an OC not later than 15 months after the date of the registration of the OC. Subsequently, the MC has to convene an annual general meeting within 12 to 15 months following every previous annual general meeting.

##### (B) PMSA Reminder

- To set the frequency of convening owners' meeting based on the actual circumstances of the property to ensure that the MC and PMC can promptly address various property management matters.
2. Display and keep meeting minutes: Following the date of the meeting, the relevant meeting minutes has to be displayed in the prominent place in the property for not less than 7 days within a reasonable timeframe. The meeting minutes has to be kept for not less than 6 years.

##### (A) Relevant Provision / Code

Under the requirement of paragraphs 6(1) and 6(3) of Schedule 3 (if there is an OC) and paragraph 40 of Schedule 7 to the BMO, the relevant meeting minutes has to be displayed in a prominent place in the property within 28 days after the date of owners' meeting to which the minutes related and the minutes has to remain so displayed for at least 7 consecutive days; and the meeting minutes has to be kept for 6 years.

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<sup>18</sup> Please refer to Lands Department "Legal Advisory and Conveyancing Office Circular Memorandum" (LACO CM No. 79、79A 及 79B), Appendix II, Guideline No. 9 :  
<https://www.landstd.gov.hk/en/resources/practice-notes/laco.html#number>

## B) PMSA Reminder

- Provisions should be made to require meeting minutes to be so displayed in a noticeable location within the property (e.g. the lobby or elevator lobby).
- Provisions should be made to specify the record-keeping method (e.g. keeping meeting minutes in a secure and clean location, establishing record-keeping system, restricting unauthorized individuals' access to record). If record is kept in electronic form, it is necessary to set access right and back up files regularly in order to prevent any damage or loss to record during the retention period while ensuring the record remains available for future inspection and audit.

**1. Declaration requirement**

When the PMC and its employees carry out procurement, they have to declare any financial or personal relationship with suppliers or contractors to the best of their knowledge and as far as practicable.

**(A) Relevant Provision / Code**

- (a) With regard to declaration of interest, connection, and conflict of interest, as well as display of declaration notice and submission of declaration document, the PMC has to comply with the requirement set out in Schedule 6B and Part 2 of Schedule 7 to the BMO.
- (b) According to paragraph A(2) of the Code of Conduct on “Carrying out Procurement for Clients and Prevention of Bid-rigging” issued by the PMSA, when a PMC carries out procurement for clients, it (including its employees) has to, as far as practicable and to the best of its knowledge, declare conflict of interest arising from any financial (including investments) or personal (including family members or relatives) relationship with the suppliers or service providers bidding for contract.
- (c) Section 16 of the Property Management Services Ordinance (Cap. 626).
- (d) Paragraphs 1(a) and (b) of Schedule 3 to the Property Management Services (Licensing and Related Matters) Regulations (Cap. 626B) (“PMSR”).

**(B) PMSA Reminder**

- Specify provisions requiring the PMC to comply with specific requirement of declaration procedures to ensure a proper and fair reporting process. It may include:
  - (i) Specify the time for declaration (e.g. specified date and time) and the method of declaration submission (e.g. in written form);
  - (ii) When handling declaration document, assign designated person (e.g. senior staff, owners, or representatives of the owners’ organization) to conduct an audit to determine whether any conflict of interest exists.
  - (iii) Based on the audit result, take appropriate follow-up action (e.g. restricting the involvement of individuals with conflict of interest in related work)

**2. Keeping of and permitting inspection of procurement document****2.1 Keeping of document****(A) Relevant Provision / Code**

- (a) In accordance with the requirement as set out in paragraph 10 of Schedule 7 to the BMO, the PMC has to, during the period of 6 years after the date on which the contract is entered into, keep all the procurement documents.

- (b) Paragraph L(1) of the Code of Conduct on “Carrying out Procurement for Clients and Prevention of Bid-rigging” issued by the PMSA.

(B) PMSA Reminder

- Provisions should be made to specify the record-keeping method (e.g. keeping meeting minutes in a secure and clean location, establishing record-keeping system, restricting unauthorized individuals’ access to record). If record is kept in electronic form, it is necessary to set access rights and back up files regularly in order to prevent any damage or loss to record during the retention period while ensuring the record remains available for future inspection and audit.

## **2.2 Inspection of document**

(A) Relevant Provision / Code

- (a) According to paragraph 11 of Schedule 7 to the BMO, if at the written request of not less than 5% of the owners, the PMC has to, within 28 days after the date on which the request is made, supply the owners with a copy of the procurement document in hard copy form on payment of a reasonable copying charge; or supply the owners with a copy of the document in electronic form without any charge.
- (b) Paragraph L(2) of the Code of Conduct on “Carrying out Procurement for Clients and Prevention of Bid-rigging” issued by the PMSA.
- (c) Paragraphs 1(a) and (b) of Schedule 3 to the PMSR.

(B) PMSA Reminder

- Specify provisions setting out the method by which the PMC has to provide copies of the procurement document to owners (e.g. by delivering the document personally, by leaving it at the owner’s flat or at the letter box for that flat) in order to ensure that the document is provided effectively and securely so as to enable the owners to stay informed about relevant procurement matters promptly.

**1. Draft budget****(A) Relevant Provision / Code**

- (a) In accordance with the requirement as set out in paragraph 1(1) and 1(2) of Schedule 7 to the BMO, the PMC has to, for each financial year, prepare a draft budget setting out the proposed expenditure during the financial year of which the total amount of management expenses payable by the owners has to be the total proposed expenditure during that year as specified by the PMC.

**2. Owners' request for a copy of document****(A) Relevant Provision / Code**

- (a) In accordance with the requirement as set out in paragraphs 1(7), (7A) and (7B) of Schedule 7 to the BMO, if any owner requests in writing, the PMC to supply him/her with a copy of any draft budget, budget or revised budget, the PMC has to, within 28 days after the date on which the request is made, supply the owner with a copy in hard copy form on payment of a reasonable copying charge; or supply the owner with a copy in electronic form without any charge.

**(B) PMSA Reminder**

- Specify provisions setting out the method by which the PMC has to provide copy of the draft budget, budget or revised budget to owners (e.g. by delivering the document personally, by leaving it at the owner's flat or at the letter box for that flat) in order to ensure that the document is provided effectively and securely so as to enable the owners to stay informed about relevant budget matters promptly.

**3. Preparation, keeping of and provision of accounting documents****3.1 Preparing accounting document****(A) Relevant Provision / Code**

- (a) In accordance with the requirement as set out in paragraph 2(2) of Schedule 7 to the BMO, for every 3 months (or shorter period as the PMC may select), the PMC has to prepare a summary of income and expenditure and a balance sheet in respect of that period; and, within 1 month after that period, display a copy of the summary and balance sheet in a prominent place in the property, and cause it to remain so displayed for at least 7 consecutive days.

**(B) PMSA Reminder**

- Specify provisions requiring a copy of the summary of income and expenditure and balance sheet to be displayed in noticeable location within the property (e.g. the lobby, elevator lobby or common corridors) in order to ensure the relevant financial documents are effectively presented to owners so as to enable the owners to stay informed about the financial status of the property promptly.



### **3.2 Annual financial statement**

#### (A) Relevant Provision / Code

- (a) Paragraph 2(3), 2(6), 2(6A) and 2(6B) of Schedule 7 to the BMO requires an income and expenditure account and balance sheet (“the financial statement”) to be prepared for each financial year. If the property’s total income or total expenditure (or both of them) exceeds \$500,000, the relevant financial statement must be properly audited regardless of the number of flats of the property; and, as soon as reasonably practicable, a copy of the financial statement and a copy of the accountant’s report (if any) in respect of the audit has to be displayed in the prominent place in the property for at least 7 consecutive days.

### **3.3 Keeping of accounting document**

#### (A) Relevant Provision / Code

- (a) Pursuant to paragraph 2(1) of Schedule 7 to the BMO, the PMC has to keep the following accounting document for at least 6 years:
  - (i) proper books or records of account and other financial record; and
  - (ii) all bills, invoices, vouchers, receipts and other documents referred to in those books or records.

#### (B) PMSA Reminder

- Provisions should be made to specify the record-keeping method (e.g. keeping the documents in a secure and clean location, establishing record-keeping system, designating responsible person for management, restricting unauthorized individuals’ access to record). If the records are kept in electronic form, it is necessary to encrypt files for secure storage, set access right and back up files regularly in order to prevent any damage or loss to the records during the retention period while ensuring the records remain available for future inspection and audit.

### **3.4 Inspection and provision of accounting documents**

#### (A) Relevant Provision / Code

- (a) According to paragraphs 2(6C) to (6F) and 8 of Schedule 7 to the BMO, the PMC must permit a specified person (means owners and registered mortgagees, etc.) to inspect any accounting document at any reasonable time; and supply the specified person with the copy according to the relevant requirement.

#### (B) PMSA Reminder

- Specify provisions setting out the method by which the PMC has to provide copy of the accounting document to owners (e.g. by delivering the document personally, by leaving it at the owner’s flat or at the letter box for that flat) in order to ensure that the documents are provided effectively and securely so as to enable the owners to stay informed about relevant accounting matters promptly.

#### **4. Open and maintain bank account**

##### (A) Relevant Provision / Code

- (a) According to paragraph 3(1) of Schedule 7 to the BMO, the PMC has to open and maintain an interest-bearing account and has to use that account exclusively in respect of the management of the property.

##### (B) PMSA Reminder

- The PMC should not consolidate funds from different properties into same single bank account.

#### **4.1 Segregated account**

##### (A) Relevant Provision / Code

- (a) According to paragraph 3(1A) of Schedule 7 to the BMO, if there is an OC for the property, the PMC has to open and maintain one or more segregated interest-bearing accounts, each of which has to be designated as a trust account or client account, for holding money received from or on behalf of the OC in respect of the management of the property.
- (b) Paragraphs B(1) to B(2) of the “Handling Moneys Received on behalf of Clients by Property Management Companies Code of Conduct<sup>19</sup>” issued by the PMSA.

##### (B) PMSA Reminder

- Specify provisions requiring the PMC to only use the designated account for the deposit or withdrawal of moneys received relating to the relevant property.

#### **4.2 Display document showing evidence of the account**

##### (A) Relevant Provision / Code

- (a) According to paragraph 3(1B) of Schedule 7 to the BMO, the PMC has to display a document showing evidence of the account opened and maintained in a prominent place in the property.

##### (B) PMSA Reminder

- Specify provisions requiring evidence of the designated account to be displayed in a noticeable location within the property (e.g. the lobby, elevator lobby or common corridor) in order to ensure that owners can access relevant bank account information.

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<sup>19</sup> Please refer to the “Handling Moneys Received on behalf of Clients by Property Management Companies” Code of Conduct issued by the PMSA:

<https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>

### **4.3 Deposit into bank account**

#### (A) Relevant Provision / Code

- (a) According to paragraphs 3(2) to 3(4) of Schedule 7 to the BMO, unless otherwise specified, all moneys received by the PMC for property has to be deposited into the designed account without delay.
- (b) Paragraph E(1) of the Code of Conduct on “Handling Moneys Received on behalf of Clients by Property Management Companies” issued by the PMSA.

### **5. Open and maintain bank account for special fund**

#### (A) Relevant Provision / Code

- (a) According to paragraph 4(1) of Schedule 7 to the BMO, the PMC has to establish and maintain a special fund to provide for expenditure of a kind not expected to be incurred annually, such as meeting the cost of major maintenance works. Paragraph 4(3) of Schedule 7 stipulates that the PMC has to open and maintain an interest-bearing account, the title of which has to refer to the special fund for the property, and has to use that account exclusively for matters related to the special fund.

### **5.1 Segregated account**

#### (A) Relevant Provision / Code

- (a) According to paragraphs 4(3A) and 4(3B) of Schedule 7 to the BMO, if there is an OC for the property, the PMC has to open and maintain one or more segregated interest-bearing accounts, each of which has to be designated as a trust account or client account, for holding money received for the special fund. The PMC has to display a document showing proof of any account opened and maintained in a prominent place in the building.

#### (B) PMSA Reminder

- Specify provisions requiring the PMC to only use the designated account for the deposit or withdrawal of moneys received for the special fund relating to the relevant property.

### **5.2 Deposit into bank account**

#### (A) Relevant Provision / Code

- (a) According to paragraph 4(4) of Schedule 7 to the BMO, all moneys received by the PMC for the special fund has to be deposited into the designated account without delay.

#### (B) PMSA Reminder

- Specify provisions setting out the deposit procedures that the PMC has to follow so as to minimize the risk of theft or misappropriation of funds, including recording

the particulars of moneys received properly, depositing funds received into the designated account on the same day or no later than the following working day.

**5.3 Expenditure limits:** Unless in cases of emergency or with approval from the owners' committee, the PMC must not expend funds from the special fund.

(A) Relevant Provision / Code

- (a) According to paragraph 4(5) of Schedule 7 to the BMO, except in a situation considered by the PMC to be an emergency, no money has to be paid out of the special fund unless it is for a purpose approved by a resolution of the owners' committee (if any).

## Maintenance, Repair, and Engagement of Contractors

If the PMC is appointed to handle maintenance and repair matters of the property's common parts, including complying with orders issued by the Buildings Department, Fire Services Department and other relevant authorities, it may consider including the following provisions:

1. **Tender processing and contractor supervision:** To prepare tender document and proceed with the tender process according to legal requirement. Upon completion of the tendering process, the PMC has to analyze the tenders received on behalf of the owners / owners' organization. During the project, the PMC has to monitor the contractor or project consultant about the progress, procedures, materials and work safety to ensure that the construction work or consultancy services can be completed in compliance with the specifications outlined in the tender document.

### (A) Relevant Provision / Code

- (a) According to paragraphs C(1) and C(2) of the Code of Conduct on "Handling Building Works"<sup>20</sup> issued by the PMSA, the PMC has to monitor and keep record of building works carried out in the property and should notify the owner to take appropriate follow-up action if abnormalities are found; if there are illegal building works, the PMC should instruct or demand that the works have to be ceased, document the information, report the incident to enforcement agencies and notify the owners / owners' organization timely.

### (B) PMSA Reminder

- Specify provisions requiring the PMC to perform specific duties for supervising the contractors, including:
  - (i) having regular meetings with the person-in-charge of key service contractors;
  - (ii) establishing a communication mechanism between owners, owners' organization and contractors;
  - (iii) creating record of various outsourced services for regular review and follow-up, ensuring the contractors fulfill their responsibilities (e.g. conducting inspection before rainy and typhoon season and making relevant documentation) and all documents have to be properly kept for review by owners / owners' organization; and
  - (iv) conducting timely inspection during construction to ensure safety, prevent noise and environmental issues; and to demand the suspension of work and report the matters to the relevant Government authorities if irregularities are detected in order to ensure that the project is carried out legally and the property operation will not be disrupted.

<sup>20</sup> Please refer to the "Handling Building Works" Code of Conduct issued by the PMSA: <https://www.pmsa.org.hk/tc/regulatory-framework/codes-of-conduct>

**2. Before commencing work:** Before the work to comply with the Order issued by the Buildings Department, the PMC has to:

**2.1 Survey and planning:** Conduct a survey to identify the necessary works required for complying with the Order issued by the Buildings Department, submit to the owners / owners' organization a proposal containing list of items, budget and timeline, attend meetings with the owners / owners' organization to report survey findings and explain the proposal, in order to assist the owners / owners' organization in determining the final plan.

**2.2 Prepare tender documents:** Prepare tender document for the appointment of construction contractors or consultants including advertisement, design and engineering specifications; invite qualified contractors for tendering, receive and open tender, and handle enquiries regarding the tender.

(A) Relevant Provision / Code

(a) Relevant requirement with regard to “large-scale maintenance procurement”<sup>21</sup> under the BMO.

(B) PMSA Reminder

- Specify provisions requiring the PMC to follow specific tendering method and procedures so that potential bidders can fully understand the tendering requirement and can accurately submit proposals that meet the requirement, including:

- (i) **Provide clear tender document:** ensure that tender document is clear and comprehensive, containing all necessary information relevant to the project, so that bidders can accurately submit proposals that meet the requirement.

- (ii) **Suitable tendering requirement:** Avoid requesting unnecessary information or imposing unnecessary technical requirement.

**2.3 Analyze and short-listing tender:** Analyze tender and submit a recommendation report to the owners / owners' organization to assist in short-listing construction contractors or consultants, arrange and attend meetings with the owners / owners' organization (if necessary), explain scope of work, answer enquiries related to the tender, and help the owners / owners' organization in choosing suitable contractor or consultant.

**2.4 Contract notification and funding application:** notify construction contractor or consultant of the contract award on behalf of the owners / owners' organization and prepare relevant documents. Assist the owners / owners' organization in applying for grants or loans (if necessary) from relevant authorities (e.g. Buildings Department or Urban Renewal Authority) and prepare a breakdown of the cost to be borne by individual owners.

- End -

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<sup>21</sup> “Large-scale maintenance procurement” means procurement mainly for repairing, replacing, maintaining or improving the common parts of the relevant property, the average procurement value per flat in the works project exceeds, or is likely to exceed, \$30,000; and the procurement is not in respect of any cleaning or security services for the property, or any PMSs provided by the manager of the property (for details please refer to Section 2E of the BMO).