

Extension of time for government works contracts and building covenant period under land leases

The Development Bureau announced today (March 14) its decision to grant extension of time to government works contracts and the building covenant (BC) period under land leases of private development projects having regard to the impact on the development and construction sectors caused by the fifth wave of the COVID-19 epidemic.

Government works contracts and land leases generally contain provisions stipulating completion deadlines to ensure timely conclusion of projects. In case of delay, contractors or lessees are required to apply for extension and may have to pay liquidated damages or land premium. The Government understands that the various processes of taking forward these projects are closely intertwined. From project design, manpower deployment, supply of materials to construction process, hiccups in any of these aspects could affect the project progress.

In view of the substantial impact caused by this wave of the epidemic on the industry, the Development Bureau announced that –

(i) for all government works contracts in progress, the Government will flexibly handle requests from contractors for extension of time due to the impact of this wave of the epidemic, for up to a maximum period of six months; and

(ii) for all leases with unfulfilled BC as at today, the original expiry of the BC period may be extended at nil premium by up to six months.

A spokesman for the Development Bureau said, "We thank the industry for actively supporting anti-epidemic work, and appreciate the operational difficulties brought by this wave of the epidemic to the industry. The above measures aim to provide upfront certainty to various professions and contractors in the industry, so as to minimise unease and pressure that may be generated by the existing contractual deadlines and BC periods. These measures could also provide additional buffer for the industry and relevant government departments so that they would have more capacity to cope with the epidemic and participate in anti-epidemic work."

"At the same time, we look to the contractors and lessees granted with extension to handle the deadlines in their contracts with other contractual parties in a reasonable manner, such that other stakeholders in the production chain could also benefit from the extension by the Government.

In respect of development projects not subject to the restriction of BC period under the land lease (such as redevelopment projects which do not

require lease modification), we appeal to the industry to handle the relevant contractual time limits by exercising flexibility in a sympathetic spirit during this difficult time."

The Development Bureau said that the community has a keen demand for infrastructure as well as land and housing, and as soon as the epidemic stabilises, the Government looks forward to working hand in hand with the industry to make the best endeavours to catch up on the progress and strive for earliest completion of the projects.

The works departments would follow up with the relevant contractors and the Lands Department would soon promulgate a practice note to set out the detailed arrangements for the extension of BC period.