

CPD course on intervention of a legal practice

Presenter: Mr. Junius Ho, Messrs. K. C. Ho & Fong

Venue: The Law Society of Hong Kong

Date and Time: Wednesday, 22 July 2009 (1 pm to 2 pm)

Our Mr. Junius Ho has recently delivered a CPD course on intervention of a legal practice for the Hong Kong Conveyancing & Property Law Association Limited and the handout and relevant lecture materials are attached herewith for reference.

The purpose of the talk is to enable members to understand how intervention of a legal practice is operated under the Legal Practitioners Ordinance.

The CPD talk covers salient events and matters to be attended to during the first month of intervention. The initial fee of the Intervention Agent for compiling the first “eight-day” report is capped at HK\$150,000. Thereafter, the Intervention Agent’s remuneration is charged at time costs commensurate with the experience and standing.

It is hoped that the information set out in the handout and the lecture materials are helpful to readers to be more familiar with the intervention work.


Selina Hon
27 July 2009

Intervention of a Legal Practice –
“1st Stage of Work”

Time Line	Events	Authorities & Precedents
<u>Introduction</u> The Law Society intervened 3 sole proprietors in 2008. See Annual Report of the Law Society 2008, page 19 (See Annex 1)		
<u>Preliminary</u>		
Day 1	Suspicion of prima facie intervention event to arise:- 1. Bankruptcy 2. Death of sole proprietor / mental incapacity / illness / lunatic 3. Revocation of practicing certificate due to disciplinary proceedings 4. Other events, e.g. criminal record, imprisonment	see s26A, Legal Practitioners Ordinance (“LPO”), Cap 159 for circumstances giving rise to intervention (see Annex 2)
Day 3	Investigation by Secretariat of Law Society	
Day 5	Council to hold an urgent meeting to discuss the matter	
Day 6	Issue a notice of inquiry to show cause	
Day 13	Once verified, Council to decide on which grounds to intervene	
<u>Intervention Process : Aim to wind down the practice of the intervened firm</u>		
Day 13	1. Council to hold meeting for intervention 2. Selection or approval of intervention	

	agent 3. Formation of ad-hoc Monitoring Committee (3 persons)	
Day 14	1. Notice to intervention agent 2. Notice to the public by (i) Newspaper (optional) (ii) Gazette (optional) (iii) Circular	See Law Society's Circular at Annex 3
Day 15	1. Meeting between the ah-hoc Monitoring Committee and intervention agent 2. Letter of Appointment for the first "8-day" report charge at a capped fee of HK\$150,000 3. Instructions to the intervention agent to visit the site of the intervened firm <ul style="list-style-type: none"> - Contact staff, e.g. account, office manager - Contact client for litigation / conveyancing matters - Contact other professionals / parties <ul style="list-style-type: none"> (a) Counsel (b) Other parties of the litigation (c) Experts (d) Bankers for banking instructions (e) Court by filing a Notice of Change of Solicitor (f) Landlord 	See Law Society's Circular 08-619 at Annex 4
Day 15-16	<u>Formation of Intervention Agent's Team</u>	
	1. Line up the team of the intervention agent, e.g. -1 SP	

	<ul style="list-style-type: none"> -1 P -1 AS -1 TS -1 AC <ol style="list-style-type: none"> 2. Preparing a list after reviewing all files, e.g. <ul style="list-style-type: none"> - Costs on account - File status: active/inactive/closed 3. Check the account and financial status of the firm 4. Client's details 5. Check for red tapes, check for any urgent matters and deadlines 6. Check any monthly payment to be made 7. Prepare a packing list of closed files to be put away 	
Day 24	<p><u>Preparing and submitting a “8-day” report to Law Society to cover the following points:-</u> (See sample reports of A Firm, B Firm and C Firm at Annex 5)</p>	
	<ol style="list-style-type: none"> 1. Staff list 2. Client's case file <ul style="list-style-type: none"> - active - inactive - closed - location of the file 3. Office layout plan plus photos; where possible a video clip for reference 4. Bank account position and balances 5. Monthly payroll and expenditures 6. Urgent matters in hand to be dealt with <ul style="list-style-type: none"> - analysis on case type / case profile <ol style="list-style-type: none"> (i) Conveyancing – pending completion (ii) Litigation-action for next step (iii) Commercial-completion (iv) Miscellaneous 	<p>*E-law -document management</p> <p>*E-finance -account management</p> <p>*E-administration -HR management, etc.</p>

	<p>7. Plan for next steps to follow:-</p> <ul style="list-style-type: none"> (i) What steps to be taken next by the intervention agent (ii) Contact clients for transfer of files, or take client's instructions for work where appropriate (iii) Contact other parties asking them to give indulgence of time, e.g. by courtesy calls / letters (iv) Seek authorisation or costs from the Monitoring Committee to facilitate interim payments, e.g. <ul style="list-style-type: none"> (a) Counsel's fee (b) Rental (c) Other outgoing expenses (v) Change the bank mandate 	 <p>Seek Monitoring Committee's consent</p>
Day 25 and thereafter	1st Interim Bill to the Law Society / Monitoring Committee	
Day 30	<u>After completion of the 1st Stage of work- seeking approval for future work</u>	
	<p>Matters for thought</p> <ul style="list-style-type: none"> 1. Identify the scope of work and give estimation of costs for handling future work 2. Build up a liaison tie with the Monitoring Committee via the Law Society's Secretariat 3. Examples for fees payable to intervention agent in some cases:- 	

Date	Re:	Duration	Total Fee
10/2008 – 1/2009	L & Co (sole proprietor)	4 months	\$564,677
1/1999 – 6/2006	T & Co	7.5 years	\$1,713,362
5/2002 – 7/2006	W & Co	4 years	\$4,005,185
12/1998 – 6/2008	H & Co	10 years	\$2,042,235

Presented by:-

Mr. Junius K. Y. Ho, Senior Partner

Messrs. K.C. Ho & Fong

at the Law Society of Hong Kong

on Wednesday, 22 July 2009
(1:00 p.m. – 2:00 p.m.)



THE
LAW SOCIETY
OF HONG KONG
香港律師會

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ANNUAL REPORT
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Standing Committee on Compliance

In 2008, the Council resolved to intervene in the practices of three sole practitioners under Section 26A and Schedule 2 to the *Legal Practitioners Ordinance*, Cap.159, and appointed intervention agents.

Date of Council's resolution	Basis of intervention
2 September	Suspected dishonesty on the part of the solicitor
8 October	Solicitor had become bankrupt
17 October	Solicitor had been suspended from practice

Authorized solicitors' clerks

The Standing Committee on Compliance oversees the work of the Conduct Section in administering the Authorized Solicitors' Clerks scheme and has delegated its power to the Consents Committee to approve applications.

There are 953 Authorized Solicitors' Clerks who are unqualified staff members of solicitors' firms permitted to visit clients held in places of detention (918 in 2007).

INVESTIGATION COMMITTEE ON DISCIPLINARY MATTERS

The Investigation Committee on Disciplinary Matters is the only Investigation Committee with a fixed membership drawn from members of the Standing Committee on Compliance. The Committee's work includes monitoring the progress of disciplinary proceedings, appeals and court proceedings, giving instructions to prosecutors and The Law Society's legal representatives, and authorizing the payments of fees incurred in disciplinary proceedings, appeals and court proceedings.

The Committee considered 171 matters by circulation of 78 agenda. (In 2007, 199 matters were considered by circulation of 85 agenda.)

Disciplinary proceedings, appeals and other court proceedings

The Standing Committee on Compliance resolved to submit 17 matters to the Tribunal Convenor of the Solicitors Disciplinary Tribunal Panel concerning the conduct of 17 solicitors and two clerks in a total of 17 resolutions. Eight out of these 17 matters were resolved to be submitted to the Tribunal Convenor for her to dispose of on a summary basis. Additionally, the Council resolved to refer two matters concerning the conduct of two solicitors to the Tribunal Convenor. By December 2008, 10 matters had been submitted to the Tribunal Convenor (seven in 2007).

A Solicitors Disciplinary Tribunal is a statutory tribunal established by the *Legal Practitioners Ordinance*, Cap. 159. It is independent of The Law Society which is the prosecuting body. Members of the Solicitors Disciplinary Tribunal Panel are appointed by the Chief Justice. The Chief Justice also appoints the Tribunal Convenor and the Deputy Convenors who have the responsibility to appoint a panel of three or four members to sit as a Tribunal to determine applications, and who have the power to dispose of certain classes of complaint on a summary basis.

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Contents of Section

Chapter:	159	Title:	LEGAL PRACTITIONERS ORDINANCE	Gazette Number:	L.N. 29 of 1999
Section:	26A	Heading:	Circumstances in which powers conferred by Schedule 2 exercisable	Version Date:	01/02/1999

marks:

Due to technical constraints, section 26AA of this Ordinance is placed after section 26A in the BLIS system. The correct sequence of the sections should be "26AA, 26A".

PART IIA

CIRCUMSTANCES IN WHICH LAW SOCIETY MAY INTERVENE

(1) Subject to subsection (2), the powers conferred by Schedule 2 shall be exercisable where-

- (a) the Council has reason to suspect dishonesty on the part of-
 - (i) a solicitor or foreign lawyer; or
 - (ii) an employee or a trainee solicitor of a solicitor or foreign lawyer; or
 - (iii) the personal representatives of a deceased solicitor or foreign lawyer, in connection with that solicitor's or foreign lawyer's practice or in connection with any trust of which that solicitor or foreign lawyer immediately before the date of his death or formerly was a trustee,
 and the Council considers the exercise of those powers is in the interests of the public or the clients of the solicitor or foreign lawyer;
- (b) the Council considers that there has been undue delay on the part of the personal representatives of a deceased solicitor or foreign lawyer who immediately before his death was practising as a solicitor in his own name or as a sole solicitor or foreign lawyer under a firm name in connection with that solicitor's or foreign lawyer's practice or in connection with any controlled trust;
- (c) the Council is satisfied that a solicitor or foreign lawyer has failed to comply with rules made by virtue of section 73(1)(b) or 73A;
- (d) a solicitor or foreign lawyer has become bankrupt or has entered into a voluntary arrangement with his creditors within the meaning of the Bankruptcy Ordinance (Cap 6); (Amended 27 of 1998 s. 7)
- (e) a solicitor or foreign lawyer has been committed to prison in any civil or criminal proceedings;
- (f) the Council is satisfied that a solicitor or foreign lawyer who practises as a solicitor in his own name or as a sole solicitor or foreign lawyer under a firm name is incapacitated by illness or accident to such an extent as to be unable to attend to his practice;
- (g) the powers conferred by section 10D of the Mental Health Ordinance (Cap 136) (emergency powers) or section 11 of that Ordinance (appointment of committee) have been exercised in respect of a solicitor or foreign lawyer; (Replaced 25 of 1998 s. 2)
- (h) the name of a solicitor has been removed from or struck off the roll or a solicitor has been suspended from practice or the registration of a foreign lawyer is cancelled or suspended;
- (i) the Council is satisfied that a solicitor or foreign lawyer who practises as a solicitor in his own name or as a sole solicitor or foreign lawyer under a firm name has abandoned his practice;

- (j) the Council is satisfied that a solicitor or foreign lawyer who practises as a solicitor in his own name or as a sole solicitor or foreign lawyer under a firm name is incapacitated by age to such an extent as to be unable to attend to his practice;
- (k) any power conferred by this Part and Schedule 2 has been exercised by virtue of paragraph (a) in relation to a solicitor or foreign lawyer who practises as a solicitor in his own name or as a sole solicitor or foreign lawyer under a firm name and he has acted as a solicitor or foreign lawyer who practises as a solicitor in his own name or as a sole solicitor or foreign lawyer under a firm name within the period of 18 months beginning with the date on which it was so exercised;
- (l) the Council is satisfied that a person has acted as a solicitor at a time when he did not have a practising certificate which was in force;
- (m) the Council is satisfied that a solicitor has failed to comply with any condition, subject to which his practising certificate was granted or otherwise has effect, to the effect that he may act as a solicitor only-
- (i) in employment which is approved by the Council in connection with the imposition of that condition;
 - (ii) as a member of a partnership which is so approved; or
 - (iii) in any specified combination of those ways;
- (n) the Council is satisfied that a solicitor or foreign lawyer has failed to make satisfactory arrangements within 21 days from the date of the closure of his practice.

(2) The powers conferred by Schedule 2 shall only be exercisable under subsection (1)(c), (j), (k), (l) and (m) if the Council has given the solicitor notice in writing that the Council is satisfied that he has failed to comply with rules specified in the notice and also (at the same or any later time) notice that the powers conferred by Schedule 2 are accordingly exercisable in his case.

(3) In this Part and Schedule 2-

"controlled trust" (受控制信託), in relation to a solicitor or foreign lawyer, means a trust of which he is a sole trustee or co-trustee only with one or more of his partners, employees or trainee solicitors;

"trust" (信託) includes an implied or constructive trust and a trust where the trustee has a beneficial interest in the trust property, and also includes the duties incidental to the office of a personal representative, and "trustee" (受託人) shall be construed accordingly.

(Part IIA replaced 68 of 1995 s. 12)

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THE

LAW SOCIETY
OF HONG KONG

香港律師會

3/F WING ON HOUSE, 71 DES VOEUX ROAD
CENTRAL, HONG KONG DX-009100 CENTRAL 1
香港中環德輔道中71號
永安集團大廈3字樓

TELEPHONE (電話) : (852) 2846 0500
FACSIMILE (傳真) : (852) 2845 0387
E-MAIL (電子郵件) : sg@hklawsoc.org.hk
HOMEPAGE (網頁) : <http://www.hklawsoc.org.hk>

Index Reference :

Law Society: Bankruptcy
Notices

008

Notice of Bankruptcy Order

The Law Society has been informed that a Bankruptcy Order was made against [REDACTED]
[REDACTED] a solicitor, on [REDACTED] 2008.

Section 6(7) of the Legal Practitioners Ordinance (Cap.159) provides that where a solicitor becomes bankrupt, the practising certificate of that solicitor shall automatically determine. Section 6(7) is operative in [REDACTED] case as he was holding a practising certificate when the Order was made.

This circular is issued for members' information.

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3/F WING ON HOUSE, 71 DES VOEUX ROAD,
CENTRAL, HONG KONG DX-009100 CENTRAL I
香港中環德輔道中71號
永安集團大廈3字樓

TELEPHONE (電話) : (852) 2846 0500
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Law Society: Interventions

[REDACTED] 2008

MESSRS. [REDACTED]

NOTICE IS HEREBY GIVEN that at a meeting of the Council of the Law Society held on [REDACTED] 2008, IT WAS RESOLVED that the Council would intervene under the provisions of Section 26A(1)(d) of the Legal Practitioners Ordinance (Cap. 159) in the practice of [REDACTED] carried on under the firm name of [REDACTED]

QUEEN'S ROAD CENTRAL
HONG KONG

All enquiries relating to the intervention should be directed [REDACTED] who was appointed by the Council as its agent for the intervention. [REDACTED] address is [REDACTED]

Mr.
Messrs.

Hong Kong

Telephone : 28.
Facsimile : 28

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Law Society: Interventions*

[REDACTED] 2009

**RESUMPTION OF PRACTICE OF AN INTERVENED
FIRM:
[REDACTED] & CO.**

Reference is made to the Law Society's circular [REDACTED] dated [REDACTED] 2008 notifying members of the Law Society's intervention into the practice of Messrs [REDACTED]

The Bankruptcy Order against the Sole Practitioner of the intervened firm [REDACTED] was annulled by the Court on [REDACTED] 2008. [REDACTED] has been re-issued with his 2008 Practising Certificate and has been issued with his 2009 Practising Certificate. The intervention exercise has also otherwise been concluded.

Messrs. [REDACTED] is now free to resume practice. All future enquiries should be addressed to [REDACTED] of Messrs. [REDACTED]

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LAW SOCIETY
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 香港律師會

3/F WING ON HOUSE, 71 DES VOEUX ROAD
 CENTRAL, HONG KONG DX-009100 CENTRAL I
 香港中環德輔道中71號
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Law Society: Interventions

CIRCULAR 08-619 (COM)

13 October 2008

INTERVENTIONS BY THE LAW SOCIETY

Panel of Intervention Agents

1. A new Panel of Intervention Agents is to be established of firms willing to undertake instructions from the Law Society to intervene into practices in accordance with s. 26A of the Legal Practitioners Ordinance. The Council will select a firm from the Panel whenever an intervention occurs.
2.
 - (a) During the first 8 calendar days following the Council's resolution to intervene ("the 8 days") the intervention agent will take all necessary steps expeditiously to protect the interests of the clients of the intervened firm including, in so far as is possible, the timely compliance with all contractual and professional arrangements made by or on behalf of clients of the intervened firm, the return of files to clients who have specifically requested their return, the forwarding on clients' instructions of their files to other firms of solicitors and general conduct of the practice leading to its imminent closure. By the conclusion of this period the intervention agent will prepare and submit to the Law Society Monitoring Committee a comprehensive report on the intervention including a best estimate of the outstanding work and the approximate number of hours required to undertake that work.
 - (b) The Law Society will pay a fee capped at \$150,000 in respect of the work undertaken during the 8 days referred to above.
 - (c) At the conclusion of the 8 days the intervention agent will meet with the Law Society Monitoring Committee with a view to agreeing the amount of outstanding work and will submit to the Council no later than 14 days after the date of the intervention a proposal for remuneration of the intervention agent based either on a fixed sum or at the rate applicable for remuneration of Panel Solicitors to the Professional Indemnity Scheme. The Council reserves the right to accept such a proposal, to negotiate further with the solicitor on such terms as are agreed between the parties or to negotiate with any other solicitor on the Panel to undertake the remainder of such intervention work.

3. The current hourly rates of remuneration for Panel Solicitors are as follows:

Solicitors who are more than 10 years qualified	\$3,300
Solicitors 9-10 years qualified	\$3,100
Solicitors 7- 8 years qualified	\$2,700
Solicitors 5- 6 years qualified	\$2,500
Solicitors 3 - 4 years qualified	\$2,250
Solicitors 0- 2 years qualified	\$1,800
Trainee solicitors	\$1,100
Paralegals	\$800

4. The Panel will consist of solicitors firms, but upon instructions to act as intervention agents, the firm will be required to nominate a partner in the firm who will be responsible for the intervention and act as co-signatory on the intervened firm's bank accounts.
5. Appointments to the Panel of Intervention Agents are to be considered by the Council. Firms wishing to apply should write to the Director of Compliance providing particulars of the composition of the firm and its ability to handle a large volume of work, often at short notice, as well as giving details of any areas of specialization in which the firm practises. Applications close on 27 October 2008.

Annex 5 -A Firm

AGENDA : I2008/009

Date : [REDACTED] 2008

Names : Mr. Thomas S. T. So
Mr. Junius K. Y. Ho
Ms. Angela W.Y. Lee

Please return this Agenda as soon as possible

REPORT TO MONITORING COMMITTEEMESSRS [REDACTED] & COMPANY (Intervened Firm)
(MS 39)

Recommendations : (a) to approve the Intervention Agent to pack the files of the Intervened Firm into boxes; and

(b) to approve the Intervention Agent to release the files that are not belonged to the Intervened Firm to Mr. [REDACTED]

1. The Council's meeting at [REDACTED] 2008 resolved that the intervention of the Intervened Firm should be continued. According to the Consents Summons between Wing Lung Bank and [REDACTED] could take possession of the office premises of the Intervened Firm ("the Premises").
2. According to a file packing progress report submitted by the Intervention Agent on [REDACTED] 2008 (Enclosure 1), the Intervention Agent had finished packing up files of 2002 and the Intervention Agent found file reference books and files up to 1989. The Intervention Agent estimated that it may take 30 days to sorting, indexing and packing up all the files. The Intervention Agent asked whether he should pack up the files opened before the Intervened Firm commenced business on 29 December 1993.
3. Since the bankruptcy of [REDACTED] was annulled on [REDACTED] 2008, the Intervention Agent had stopped packing the files pending further instruction from Council. After the resolution of the Council on [REDACTED] 2008, the Intervention Agent has to consider how to let [REDACTED] to take possession of the Premises but to maintain control of the files. By an email of [REDACTED] 2008 (Enclosure 2), the Intervention Agent suggested that he shall pack all the files with brief indexing and seal them.
4. In relation to the files stored at the premises opened before the commencement of business of the Intervened Firm on 29 December 1993, they are not the subject of the intervention. Since [REDACTED] would be issued with practicing certificate and would gain possession of the Premises, these could be returned to [REDACTED]

Decisions: -

Recommendation 1:



APPROVED



NOT APPROVED

Recommendation 2:



APPROVED



NOT APPROVED

Signature : [REDACTED]

Name :

Junius Ho KY.

Date :

18.11.2008

Cecilia Ng
Investigation Counsel
Conduct Section

HKLS118984 (P. 9)

B. L. M. Index

Enclosure 1

Cecilia Ng

From: [REDACTED]
 Sent: Tuesday, 11 November 2008 3:27 PM
 To: [REDACTED]
 Cc: [REDACTED]
 Subject: [REDACTED] - file packing progress

Dear [REDACTED]

We have reported to you yesterday that we discovered 2 additional file reference books at the premises of [REDACTED]. In the light of that discovery and our experience at the scene in the past few days, we have re-assessed the situation and would like to give you a more detailed report as follows: -

- a. ~~apart from the~~ 1993 and 1995 file reference books discovered yesterday, we have dug out 3 additional file reference books - 1990, 1991, 1992 - in the same afternoon.
- b. the first file was opened in 1989. So, it may be possible that we will discover some more file reference books at the premises.
- c. The number of entries in the file reference books for 2001 to 2008 are as follows (number of entries is not equal to number of files as occasionally some files may be missing):

for 2008 there are 57 entries
 for 2007 there are 93 entries
 for 2006 there are 70 entries
 for 2005 there are 93 entries
 for 2004 there are 82 entries
 for 2003 there are 121 entries
 for 2002 there are 67 entries
 for 2001 there are 290 entries

= 1100 files

12 boxes for 2001.

- d. at this moment, we have finished packing up files and papers of 2002. We will start packing the files of 2001. There would be around 12 boxes of files for 2001.

- e. Further, according to the file reference books of [REDACTED] -

for 2000 there are 324 entries
 for 1999 there are 402 entries
 for 1998 there are 446 entries
 for 1997 there are 635 entries
 for 1996 there are 776 entries
 for 1995 there are 598 entries
 for 1994 there are 952 entries
 for 1993 there are 843 entries
 for 1992 there are 687 entries
 for 1991 there are 663 entries

= 6,000 files

1500-

2

Interim Report (July 2007)

Re : Intervention of Messrs. [REDACTED]

HCMP No. [REDACTED] of 2005

Summary of past events

The Originating Summons ("OS") was issued on 30 March 2005. Since personal service of the OS on the Defendant at the last known addresses of the Defendant have not been successful, application has been made for an order for substituted service of proceedings. However, each attempt to obtain an order for substituted service has been met with the Court's request for further assurance and/or information and the Court is still not satisfied with making an order for substituted service.


The latest attempt involved an attempted service of proceedings pursuant to Hague Convention. By letter dated 31 January 2007 the Chief Secretary for Administration wrote to the Ministere de la Justice of France requesting service of the OS pursuant to the Hague Convention. However, there has not been any reply from the Ministere de la Justice of France and it is not known whether or not service in France has been successful.

Upon notice of an obituary that a person named [REDACTED] had passed away in Paris on 11 April 2007, enquiries by way of emails have been sent in early May 2007 to the Chinese Embassy in the Republic of France and the Paris City Council with a view to verifying the alleged death of the Defendant. However, despite the lapse of more than 2 months, there has not been any reply from the Chinese Embassy in the Republic of France or the Paris City Council.

Work to be done

It is uncertain whether or not the Defendant has passed away, which however is the most important issue on hand because different sets of procedures would follow depending on whether the Defendant is alive or dead.

If the Defendant is still alive, service of proceedings should be effected on the Defendant, preferably through French Bailiffs as service through Central Authorities has turned out to be rather slow. If personal service should turn out to be unsuccessful, the court would be invited to make an order for substituted service. On the other hand, if it is confirmed that the Defendant has passed away, an application under Order 15 Rule 7 of the Rules of High Court will have to be made for an order to continue the proceedings as against the executor or


administrator of the deceased Defendant, without which the proceedings cannot be continued.

To verify the truth of the alleged death of the Defendant, it is suggested that a French lawyer in France be instructed as they are in the best position to carry out this task. Once this uncertainty is resolved, application under Order 15 Rule 7, if necessary, and service of proceedings may then follow. Upon successful service of the OS, the application to the court could be listed for hearing, and written submission and list of authorities would be prepared.

Forecast

Depending on how much more time the Ministere de la Justice of France requires to serve the OS on the Defendant and how much more steps the court will require you to take before being satisfied that an order for substituted service should be made, the time that it will take from good service of proceedings to the making of an order for directions for distribution of money should be no more than a few months. Following the conclusion of the present application to the court, claims received from potential claimants would then be assessed and money would be distributed to rightful claimants in accordance with the directions of the court. The whole intervention and distribution exercise should be finished in about 6 months after good service of proceedings.

As history has told, it is difficult to do better than giving the best possible estimates in legal proceedings. Given the added uncertainty and complexity associated with the alleged death of the Defendant, our best possible estimate of further costs and expenses to be incurred to complete the present application to the court and distribute the clients' money would be in region of around HK\$80,000 plus such amount as may be charged by lawyers in France for such services to be rendered by them. A fee quote from lawyers in France could be obtained upon request.

As at 30 June 2007, the bank balance of clients' money maintained in an interest bearing account with Wing Hang Bank, Limited was HK\$501,195.67.

Dated : 11 July 2007


Intervention Agent

Your Ref. : [REDACTED]
Our Ref. : [REDACTED]

Date : 29th December 1999

Please reply to: Mr. [REDACTED]

Direct Line : [REDACTED]

The Law Society of Hong Kong
3rd Floor,
Wing On House,
71 Des Voeux Road Central,
Hong Kong.

BY HAND -
CONFIDENTIAL

Attn : Mr. Tony Harrod/Mr. Isaac Shum

Dear Sirs,

Re : [REDACTED] & Co. - Intervention

I refer to your recent correspondence dated 23rd December 1999 and submit my brief interim report regarding the intervention to the practice of Messrs. [REDACTED] & Co. ("the Intervened Firm"), as follows :-

1. In the main, the intervention has been going smoothly throughout and it is now reaching its final stages. I anticipate the intervention to be fully completed in the middle of the year 2000.
2. At the inception of the intervention, the Intervened Firm carried on practice at [REDACTED] No. 34-37 Connaught Road, Central, which was under imminent distraint and other proceedings for eviction by the landlord at that time for arrears in rent payments.
3. Also, [REDACTED] the Intervened Firm had in its employ a total of five staff comprising [REDACTED] (one being a consultant and the other an associate) and three junior legal clerks. As far as I was given to understand, the two solicitors worked independently on their own files and were on sharing of profits basis. The main scope of the firm's practice consisted of litigation and conveyances. There was also a small amount of matrimonial and commercial works on the side.
4. At the firm's premises, I have been able to locate and seized a total of 332 working files, of which 148 files were considered as active and the rest were being either closed or in abeyance. Out of the 148 active files, 54 of them were legal aid cases, with the majority of them being assigned to [REDACTED] who was employed as an associate solicitor of the Intervened Firm. The majority of the legal aid cases were personal injuries claims.

...../P.2

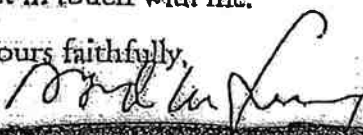
29th December 1999

Attn : Mr. Tony Harrod/Mr. Isaac Shum

5. In view of the imminent likelihood of the firm's premises being re-possessed by the landlord, immediate action for removal of all the files and books of accounts and other documents pertaining to the practice of the Intervened Firm were implemented. All the files, books of accounts and other related documents were eventually transported to my office for the intervention process.
6. Immediately prior to the intervention, the Intervened Firm maintained numerous bank accounts with various banks (please note the breakdown from the attached list as Appendix 1). Many of those bank accounts were dormant. Although the bank accounts were in the black, the amount of balances therein were negligible (please see the attached summary of bank balances - Appendix 2). All the banks having a dealing with the Intervened Firm had been duly notified of the intervention and its effect and all the appropriate bank accounts had also been frozen accordingly.
7. Owing to the magnitude of the intervention and other related scopes, I had to deploy the assistance of three solicitors to conduct the perusal of the files (both active and dormant) and to contact and liaise with the lay clients regarding the subsequent transfer or collection of their files and related documents. Additionally, in the early months, I also required the service of an office manager to assist in the administrative side of the intervention.
8. There have been numerous enquiries by telephone, letters, personal visits or other means of communication (e.g. e-mails) concerning the intervention, the cases which the Intervened Firm was involved and other related or non-related issues alike. Although most of the enquiries were received in the first six months, there are still enquiries received regularly to these days from different parties, such as former clients, counsels, solicitors for the other parties, government departments, trade creditors and others alike concerning a wide spectrum of matters such as lost documents, outstanding amount due, location of closed files and so forth. There were also complaints received as regards the Intervened Firm. These complaints, to a large extent, concerned money had and received by the Intervened Firm on account of costs and disbursements but without completely provided the services it was engaged to render.
9. Since the majority of the active files were assignments from the Legal Aid Department, they were easily dealt with and were speedily re-assigned to other solicitors by the Director of Legal Aid. The remaining of the active files were also returned to the clients or to their designated solicitors smoothly without disruption.
10. Meanwhile, various sums representing party-and-party and common fund cost payable to [redacted] are being held by [redacted] pending further instruction from you. (Appendix 3 is a statement of the sums so held).

Should you require additional information in detail concerning the intervention, please do not hesitate to get in touch with me.

Yours faithfully,



/ycm