

**LegCo Panel on Planning, Lands and Works**

**Information requested by Members at the meeting held on 5 July 2002**

English translation

**(a) Provision of loans to the affected operators**

The Legislative Council has held a number of Case Conferences to discuss the compensation arrangement for the resumption of Wah Kai Industrial Centre. At several Case Conferences, some LegCo members had suggested that the Kowloon-Canton Railway Corporation (KCRC) or Government make available loans to the affected operators. Government's representatives had at the time explained to the LegCo members the reasons why the proposal was not feasible. On that proposal, Government had considered the relevant factors on several fronts, including:

- (i) the Kowloon-Canton Railway Ordinance empowers KCRC to build and operate railways but does not give KCRC the power to offer loans to operators affected by land resumption or clearance;
- (ii) the representative of the then Commerce and Industry Bureau had pointed out at the Case Conference that Government's objective of setting up the Special Finance Scheme for small and medium-size enterprises (SMEs) in 1998 was to help SMEs and operators deal with the short-term liquidity crunch brought about the financial crisis. As the funds for the Scheme had been fully committed, Government announced in April 2000 the termination of the Scheme. Clearance of Wah Kai Industrial Centre took place in September 2000, by which time applications under the Scheme were no longer accepted;

- (iii) Government cannot make available loans to the affected operators facing negative equity. Since the financial crisis in 1997, the number of people in Hong Kong affected by the negative equity problem has not been small. If Government adopts the LegCo members' proposal of offering loans to Wah Kai operators with negative equity, other people in Hong Kong who have the negative equity problem might one after another ask for similar loans from Government. This would create an enormous financial burden for Government, which would have very significant implications on Government's financial situation; and
- (iv) Government could consider the feasibility of including a loan scheme in future arrangements for resuming industrial properties. However, even if a loan scheme were to be introduced in future, it would not have retrospective application. The remaining claims arising from the resumption of Wah Kai Industrial Centre should be dealt with in accordance with the statutory claims mechanism under the relevant legislation. If a claimant cannot reach agreement with Government on a claim, he or she may refer the claims to the Lands Tribunal for determination.

Details of the relevant discussion are recorded in the minutes of the LegCo Case Conferences on compensation arrangement for Wah Kai Industrial Centre held on 10 June, 30 June and 3 November 2000.

**(b) Review of ex gratia allowances for resumed industrial properties**

After careful consideration, the Administration has come to the view that it would not be appropriate to put forward new ex gratia allowance proposals before the Wah Kai claims have been settled. In fact, the Lands Tribunal is still dealing with some Wah Kai-related claims. The Administration will watch closely the progress of the Lands Tribunal cases and the rest of the cases involving Wah Kai-related claims.

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