

**The Administration's reply of 22 January 2003  
on issues raised by Heung Yee Kuk**

**Review of the ex-gratia zonal compensation system**

In the paper submitted to the Panel for its meeting on 6 June 2002 (LC Paper No. CB(1)1909/01-02(01)), the Administration explained the statutory compensation mechanism and the ex-gratia zonal compensation system. In brief, the ex-gratia zonal compensation system is a simplified alternative arrangement to the more elaborate and time consuming statutory compensation claim procedures. If the land owners are not satisfied with the ex-gratia zonal compensation offered, they can always resort to statutory claims. Compensation received by the affected land owners under the zonal compensation system is generally more generous than those made under statutory claims based on valuation. Therefore, the majority of land owners affected by land resumption have opted for ex-gratia zonal compensation.

2. In the two court cases where Government appealed to the Court of Final Appeal (CFA), the point in dispute is whether “hope value” should be taken into account in calculating statutory compensation. It is Government’s view that section 12(c) of the Lands Resumption Ordinance, Cap. 124 excludes “hope value”, i.e. excludes the award of compensation for value attributable to any expectancy or possibility which are not derived from the contractual rights of the lessee as set out in the lease or any statutory right set out in an ordinance. As ex-gratia zonal compensation is an alternative to statutory claim, Government had previously maintained the view that it would not be appropriate to consider a review of the ex-gratia zonal compensation system before the outcome of the CFA’s ruling on the two cases was known.

3. The CFA heard the cases in December 2002. The judgment was handed down on 17 January 2003. The CFA has ruled in favour of the Government in both of the cases under dispute. In view of the recent CFA ruling, the Administration is of the view that there are no justifications to change the existing land compensation arrangements.