

**Legislative Council Panel on Development**

**Proposals to Facilitate Redevelopment by the Private Sector:**

**Applications Threshold under the  
Land (Compulsory Sale for Redevelopment) Ordinance**

**PURPOSE**

In response to Members' request for information regarding 20 cases with compulsory sale orders granted by the Lands Tribunal under the Land (Compulsory Sale for Redevelopment) Ordinance (LCSRO) (Cap 545) between June 1999 and May 2009, we have set out in this paper available details regarding the number of bidders, the reserve prices and the transaction prices of those cases for Members' information. We have also summarised the deliberations of the Lands Tribunal in respect of two such cases to illustrate how the reserve price of the concerned lots for auction had been determined.

**DETAILS OF THE 20 CASES**

2. As the Lands Tribunal does not have written record on some of the information requested by Members, we have collated the information from other sources, including for example, the Land Registry. We have tabulated at **Annex** detailed information of each of the 19 cases with transaction, including the address of the properties concerned, the reserve price and the transaction price. In one of the 20 cases, the sale order made by the Tribunal was vacated on the application of the solicitors of the trustees appointed under the sale order in that particular case.

3. As information on the number of bidders at each auction is not readily available, we can only deduce that for the 17 cases in which the properties were sold at reserve prices, there was only one bidder in each case. In the two remaining cases where the properties were sold at a price higher than the reserve price, we deduced that there was more than one bidder in each of those two cases. As regards Members' request for a comparison to be made between the existing use value of the properties and the transaction price of the subject lot(s) in each case, owing to the fact that the existing use value of the properties is not always discussed in the judgment of the respective cases, we are not able to list out the existing use values of the properties in each of the 19 cases. However, in respect of the 17 cases where the existing use values can be identified, we note

that the transaction price of the lot(s) is on average about **2.55 times** the existing use value.

## **DETERMINATION OF THE RESERVE PRICE**

4. Section 2 of Schedule 2 of the LCSRO stipulates that **the reserve price of a lot to be sold at public auction after the grant of an order for sale by the Lands Tribunal shall be a price approved by the Lands Tribunal and shall take into account the redevelopment potential of the lots.** We have consulted the Judiciary on the way the Lands Tribunal determines the reserve price in cases of compulsory sale under the LCSRO. According to the Judiciary, the determination of the reserve price in each case is a matter of judicial decision and the reserve prices at auctions are determined by the Lands Tribunal on a case-by-case basis. In the circumstances, we have summarised the concerned judgments of two such cases below to illustrate what the deliberations of the Lands Tribunal had been.

### *Example One*

5. In the case LDCS 11000/2006, the majority owner and the minority owners had contention over the redevelopment value of the lots, amongst other issues. The case was heard on 25 April 2008.

6. In determining the proper redevelopment value of the lots, the Lands Tribunal considered the respective valuations provided in the expert reports of the two sides and the evidences given by the respective expert surveyor firm acting for the majority owner and for the minority owner. The Lands Tribunal considered the valuation report submitted at the time of application as well as updated reports subsequently submitted by both sides at the time of hearing. The Lands Tribunal examined the valuation method adopted by both sides. The Tribunal took note that both experts adopted a similar valuation method based on redevelopment in accordance with the current statutory zoning of the subject lots. Each expert then identified what he regarded as the optimum development that should be made on the lots after analyzing several hypothetical development options. It also considered what the two experts used as reference comparables to arrive at their respective valuation of the redevelopment value of the lots. In this case, as the property market was on the rise at the material time, the Tribunal accepted the submission of the representative for the minority owner that the Tribunal should make upward adjustment to the redevelopment value based on valuation to reflect the likely increase in valuation with the passage of time between the date of the updated valuation and the anticipated auction date. The judgment recorded that the Tribunal accepted the submission of the representative for the minority owner, having considered that the

legislative objective of the redevelopment value was to enable the Tribunal to fix a reserve price for the sale of the subject buildings in an auction that would protect the interest of the minority owners. The Tribunal also gave a view that it could have directed a further hearing on the updated redevelopment valuations if this was possible and practicable without causing any injustice to any parties but it had decided against directing a further hearing to avoid further delay of the matter. In this case, relying on the evidence before it which showed a certain percentage increase in the valuation of the redevelopment value of the lots over a period of six months between the date of the first valuation and the date of the updated valuation, the Tribunal had worked out a further updated redevelopment value of the lots and made it the reserve price.

### ***Example Two***

7. In the case LDCS 5000 of 2007 first heard in 2008 and with the last hearing in February 2009, the Lands Tribunal considered the respective submission of the experts of the majority owner as well as the minority owner on whether a direct comparison approach could be adopted in estimating the redevelopment value of the subject lot. In the process, the Tribunal considered documentary materials submitted by both sides as well as evidence taken from the experts of both on their valuation of the lot on the basis of redevelopment. Instead of carrying out a valuation itself, the Tribunal decided to consider the propriety of the parameters adopted by both experts in arriving at the respective valuation.

8. The above examples illustrated that the Tribunal had determined the reserve price on a case-by-case basis after a detailed and careful deliberation of the documentary materials presented to it by both sides and also after taking and considering evidence obtained in the course of the hearing. It is quite common for both sides to appoint surveyors to assess the redevelopment values and submit their valuations for the Tribunal's consideration and adoption. The Tribunal, with a qualified surveyor sitting as a panel member, will consider the assessed redevelopment values of the lot before approving the reserve price for auction.

**Development Bureau  
July 2009**

**Summary Information on the Cases with Sale Order Granted  
under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap 545)**

**(June 1999 to May 2009)**

<b>Case No.</b>	<b>Property Address</b>	<b>Reserve Price Determined by the Lands Tribunal (\$ million)</b>	<b>Transaction Price (\$ million)</b>	<b>Remarks</b>
(1) LDCS 1000 of 2000	233-239 Nathan Road, Kowloon	191	191	Where subject lot was sold at reserve price
(2) LDCS 1000 of 2001	16 Westlands Road, H.K.	310	310	Where subject lot was sold at reserve price
(3) LDCS 2000 of 2001	28 Ming Yuen Western St.	15.79	15.79	Where subject lot was sold at reserve price
(4) LDCS 1000 of 2003	Lai Sing Court, 13-15 Tai Hang Road, H.K.	1,209	1,710	Where subject lot was sold <u>above</u> reserve price
(5) LDCS 2000 of 2004	4-6A Castle Steps, H.K.	126	126	Where subject lot was sold at reserve price

Case No.	Property Address	Reserve Price Determined by the Lands Tribunal (\$ million)	Transaction Price (\$ million)	Remarks
(6) LDCS 3000 of 2005	Villa Splendor, Nos. 9-12 Chun Fai Terrace	508.89	508.89	Where subject lot was sold at reserve price
(7) LDCS 6000 of 2005	28, 30, 32 & 34 Wood Road	294	294	Where subject lot was sold at reserve price
(8) LDCS 2000 of 2006	20A, 20B & 20C Shan Kwong Road	661	661	Where subject lot was sold at reserve price
(9) LDCS 3000 of 2006	6 Shiu Fai Terrace, H.K.	284	358	Where subject lot was sold <u>above</u> reserve price
(10) LDCS 6000 of 2006	9A-9H Seymour Road, H.K.	464	464	Where subject lot was sold at reserve price
(11) LDCS 11000 of 2006	Kam Kwok Building at 210-216 Gloucester Road & National Building at 12-20 Marsh Road	1421.124	1421.124	Where subject lot was sold at reserve price
(12) LDCS 13000 of 2006	IL746 & remaining portion of ML 269 (Nos. 7-19 Tang Lung Street)	491	491	Where subject lot was sold at reserve price

Case No.	Property Address	Reserve Price Determined by the Lands Tribunal (\$ million)	Transaction Price (\$ million)	Remarks
(13) LDCS 5000 of 2007	44 -46 Haven St., Tai Hang, HK	70.5	70.5	Where subject lot was sold at reserve price
(14) LDCS 6000 of 2007	48-50 Haven St., Tai Hang, HK	72	72	Where subject lot was sold at reserve price
(15) LDCS 9000 of 2007	211-215C, Prince Edward Road Rd West, Ho Man Tin	345	345	Where subject lot was sold at reserve price
(16) LDCS 10000 of 2007	4-22 Alnwick Road, Kowloon	350	-	No auction has taken place.  According to the relevant court order registered at the Land Registry, upon application of the solicitors for the Trustees and after hearing, the Lands Tribunal ordered the registration of the sale order made by the Tribunal registered in the Land Registry be vacated (撤銷)

<b>Case No.</b>	<b>Property Address</b>	<b>Reserve Price Determined by the Lands Tribunal (\$ million)</b>	<b>Transaction Price (\$ million)</b>	<b>Remarks</b>
(17) LDCS 13000 of 2007	16 & 18 Wood Road, Wanchai	100	100	Where subject lot was sold at reserve price
(18) LDCS 14000 of 2007	125-127 Tung Choi Street, Kowloon	98	98	Where subject lot was sold at reserve price
(19) LDCS 3000 of 2008	1 Jones Street, Hong Kong	26.4	26.4	Where subject lot was sold at reserve price
(20) LDCS 5000 of 2008	Tai Yuen St. 55 & 57 and McGregor St. 6 & 8	55	55	Where subject lot was sold at reserve price