

**Subcommittee on Land (Compulsory Sale for Redevelopment)
(Specification of Lower Percentage) Notice**

**List of follow-up actions arising from the discussion
at the meeting on 25 February 2010**

- (a) *The number and distribution of buildings by district, among those listed in Annex I to CB(1) 1229/09-10(02), which are “dangerous” or liable to become dangerous” in the opinion of the Building Authority.*

The Buildings Department is conducting an inspection on the structural safety of all buildings in the territory aged 50 years or above. The 2582 residential/composite buildings listed in Annex I to CB(1) 1229/09-10(02) will be covered. The inspection results are expected to be available in March and Members will be informed accordingly.

- (b) *With regard to the past 20 cases of compulsory land sale orders granted up to January 2010 listed in Annex III to CB(1)1229/09-10(02),*
- (i) *the respective dates on which the “total existing use value” and the “transaction price” of the lots were determined/made;*

With regard to the past 21 cases with compulsory sale orders granted, information on the existing use values of the lots and the transaction prices of the lots with the respective dates of valuation and transaction is set out at **Annex I**.

Members will note that Schedule 1 of the Land (Compulsory Sale for Redevelopment) Ordinance (the Ordinance) has stipulated that the valuation report (the existing use value report) should be prepared not earlier than 3 months before the date on which the application for compulsory sale is made. Under Schedule 1 Part 3 of the Ordinance, the basis of apportionment of the proceeds from the sale of the subject lot is on a pro rata basis in accordance with the values of the respective properties of each majority owner and each minority owner of the lot as assessed in the application.

- (ii) *comparison of the plot ratio of the existing developments and the redevelopments on the lots concerned;*

A comparison on the development intensity of the lots before and after redevelopment after compulsory sale will be provided under separate cover.

- (iii) *the total transaction costs, including the professional valuation fees and legal costs, if any, involved in each of the application, together with the legal principle(s) adopted by the Lands Tribunal in awarding costs to parties.*

In respect of the costs of the legal proceedings, the general principle is that the Lands Tribunal will order that the costs will follow the event, that is, the unsuccessful party will pay the successful party's costs [see Good Trader Limited v. Hinking Investments Limited Land Compulsory Sale Application No. LDCS 1000 of 2006] unless in the circumstances of the case, some other costs order should be made [see Golden Kent International Limited, Trade Jet Investments Limited v. Chan Wan & Others Land Compulsory Sale Application No. LDCS 10000 of 2008]. Pursuant to section 12 of the Lands Tribunal Ordinance (Cap 17), the Lands Tribunal may award costs to and against any party to any proceedings and may order those costs to be taxed on the basis of any one of the Scale of Costs set out in the Schedules to Order 62 of the Rules of the High Court or the Rules of the District Court. In that respect, the Lands Tribunal has full power to determine by whom and to what extent costs are to be paid. Therefore, the Lands Tribunal has discretion to make any order as to the costs of, or incidental to, any proceedings taking into account the circumstances of each case.

We do not have information on the total costs involved in each of the applications, including professional valuation fees and legal costs charged by the concerned surveying firms and law firms. Based on our discussion with practising surveyors, we understand that for professional work related to the preparation of valuation reports, preparation for meetings and attendance at Lands Tribunal hearings, the total cost will be in the region of \$500, 000 for a building with 50 units (of which \$100,000 to \$150,000 is attributable to the preparation of valuation reports). According to the “Scale of Professional Charges for General Practice Services in Hong Kong” issued by the HK Institute of Surveyors, the

recommended valuation fee on the first \$10 million of value of each property assessed is 0.1% of assessed value (minimum \$3,000). The other major cost items involved are remuneration for the appointed trustees and expenses for the auction. The trustee is paid on a time charge basis. Under section 4(11) of the Ordinance, the remuneration to the trustees shall be paid by the majority owner of the lot. The auction fee is a percentage fee of the final auction price. Under section 10(1) of the Ordinance, if there is no purchaser of the lot, the expenses of the auction will be borne solely by the majority owner. Where there is a purchaser, the expenses will be apportioned amongst the majority owner and the minority owner on the basis of Part 3 of Schedule 1. The typical auction fee is in the region between \$300,000 and \$500,000.

(c) Proposal for a Mediation Mechanism

We have consulted the Department of Justice (DoJ) on the suggestion to introduce a mediation mechanism to assist parties involved in a compulsory sale application to resolve their disputes. DoJ considers the suggestion to be agreeable and in line with Recommendation 9 of the Report of the Working Group on Mediation. We will examine Members' suggestion in detail and in consultation with the Department of Justice, the Judiciary and the relevant agencies (such as the Bar Association, the Law Society, the Hong Kong Mediation Council (a Division of the Hong Kong International Arbitration Centre) and the Hong Kong Mediation Centre).

Development Bureau
March 2010

**Comparison of the Existing Use Value (EUV) and Transaction Price with
Valuation and Transaction Dates of the Lots in the 21 Cases with Sale
Orders Granted
(Up to January 2010))**

1.

	No. of cases
Sold at reserve price	18
Not sold at reserve price	2
Not sold	1*
	Total 21

2. According to the information from the Lands Tribunal, the sale order of the one case (marked *) was vacated (made void) on application by the appointed trustee for the case.
3. Of the remaining 20 compulsory sale orders granted, there is no available information on the existing use value in 2 of the cases. The table below is a comparison on 18 cases only. On average, the transaction price of the lot(s) in question in those cases is about 2.5 times the existing use value of the lot(s).

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(1) LDCS 1000 of 2000	233-239 Nathan Road, Kowloon	No readily available information	191	--	<ul style="list-style-type: none"> ● Where subject lot was sold at reserve price.
(2) LDCS 1000 of 2001	16 Westlands Road, H.K.	253.05 (May 2001)	310 (May 2002)	1.23	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in June 2001. Sale order awarded in January 2002. Where subject lot was sold at reserve price. Auction took place in May 2002. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at May 2001.
(3) LDCS 2000 of 2001	28 Ming Yuen Western St.	6.619 (July 2001)	15.79 (June 2006)	2.39	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in August 2001. Sale order awarded in April 2006. Where subject lot was sold at reserve price. Auction took place in June 2006.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
					<ul style="list-style-type: none"> ● EUV information drawn from case judgment. EUV valued as at July 2001.
(4) LDCS 1000 of 2003	Lai Sing Court, 13-15 Tai Hang Road, H.K.	391 (August 2003)	1,710 (January 2005)	4.37	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in October 2003. Sale order awarded in November 2004. Where subject lot was sold <u>above</u> reserve price. Auction took place in January 2005. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at August 2003.
(5) LDCS 2000 of 2004	4-6A Castle Steps, H.K.	35.5 (March 2004)	126 (March 2005)	3.55	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in June 2004; amended application submitted in August 2004. Sale order awarded in January 2005. Where subject lot was sold at reserve price. Auction took place in March 2005. ● EUV information drawn from case judgment. EUV valued as at March 2004.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(6) LDCS 3000 of 2005	Villa Splendor, Nos. 9-12 Chun Fai Terrace	84.82 (November 2005)	508.89 (April 2007)	6	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in November 2005; amended and re-amended application both submitted in December 2005. Sale order awarded in February 2007. Where subject lot was sold at reserve price. Auction took place in April 2007. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at November 2005.
(7) LDCS 6000 of 2005	28, 30, 32 & 34 Wood Road	132.11 (November 2005)	294 (July 2006)	2.23	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in December 2005; amended application submitted in May 2006. Sale order awarded in June 2006. Where subject lot was sold at reserve price. Auction took place in July 2006. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at November 2005.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(8) LDCS 2000 of 2006	20A, 20B & 20C Shan Kwong Road	257.27 (January 2006)	661 (October 2006)	2.57	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in February 2006; amended application submitted in June and August 2006. Sale order awarded in September 2006. Where subject lot was sold at reserve price. Auction took place in October 2006. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at January 2006.
(9) LDCS 3000 of 2006	6 Shiu Fai Terrace, H.K.	157.9 (March 2006)	358 (March 2007)	2.23	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in May 2006. Sale order awarded in January 2007. Where subject lot was sold <u>above</u> reserve price. Auction took place in March 2007. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at March 2006.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(10) LDCS 6000 of 2006	9A-9H Seymour Road, H.K.	161.356 (October 2006)	464 (August 2007)	2.88	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in October 2006; amended application submitted in April 2007. Sale order awarded in June 2007. Where subject lot was sold at reserve price. Auction took place in August 2007. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at October 2006 .
(11) LDCS 11000 of 2006	Kam Kwok Building at 210-216 Gloucester Road & National Building at 12-20 Marsh Road	637.9 (September 2006)	1421.124 (August 2008)	2.23	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in November 2006; amended application submitted in May 2007. Sale order awarded in June 2008. Where subject lot was sold at reserve price. Auction took place in August 2008. ● EUV information drawn from case judgment. EUV valued as at September 2006.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(12) LDCS 13000 of 2006	IL746 & remaining portion of ML 269 (Nos. 7-19 Tang Lung Street)	185.49 (September 2006)	491 (May 2008)	2.65	<ul style="list-style-type: none"> ● Application for compulsory sale (with amended and re-amended application) submitted in December 2006. Sale order awarded in April 2008. Where subject lot was sold at reserve price. Auction took place in May 2008. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at September 2006.
(13) LDCS 5000 of 2007	44 -46 Haven St., Tai Hang, HK	38.05 (July 2007)	70.5 (April 2009)	1.85	<ul style="list-style-type: none"> ● Amended application for compulsory sale submitted in July 2007. Sale order awarded in March 2009. Where subject lot was sold at reserve price. Auction took place in April 2009. ● EUV information drawn from case judgment. EUV valued as at July 2007.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(14) LDCS 6000 of 2007	48-50 Haven St., Tai Hang, HK	40.4 (July 2007)	72 (May 2009)	1.78	<ul style="list-style-type: none"> ● Amended application for compulsory sale submitted in July 2007. Sale order awarded in March 2009. Where subject lot was sold at reserve price. Auction took place in May 2009. ● EUV information drawn from case judgment. EUV valued as at July 2007.
(15) LDCS 9000 of 2007	211-215C, Prince Edward Road Rd West, Ho Man Tin	182.92 (July 2007)	345 (April 2009)	1.89	<ul style="list-style-type: none"> ● Application for compulsory sale submitted in October 2007; amended application submitted in August 2008; re-amended application submitted in February 2009. Sale order awarded in February 2009. Where subject lot was sold at reserve price. Auction took place in April 2009. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at July 2007.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(16) LDCS 10000 of 2007	4-22 Alnwick Road, Kowloon	153.7 (October 2007)	-- (March 2009)	--	<ul style="list-style-type: none"> ● 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.
(17) LDCS 13000 of 2007	16 & 18 Wood Road, Wanchai	33.44 (October 2007)	100 (March 2009)	2.99	<ul style="list-style-type: none"> ● Application and amended application for compulsory sale submitted in November 2007. Sale order awarded in January 2009. Where subject lot was sold at reserve price. Auction took place in March 2009. ● EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at October 2007.

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
(18) LDCS 14000 of 2007	125-127 Tung Choi Street, Kowloon	No readily available information	98	--	<ul style="list-style-type: none"> Where subject lot was sold at reserve price.
(19) LDCS 3000 of 2008	1 Jones Street, Hong Kong	18.35 (February 2008)	26.4 (October 2008)	1.44	<ul style="list-style-type: none"> Application for compulsory sale submitted in February 2008. Sale order awarded in August 2008. Where subject lot was sold at reserve price. Auction took place in October 2008. EUV information drawn from valuation report attached to the application to the Lands Tribunal#. EUV valued as at February 2008.
(20) LDCS 5000 of 2008	Tai Yuen St. 55 & 57 and McGregor St. 6 & 8	56.69 (May 2008)	55 (April 2009)	0.97	<ul style="list-style-type: none"> Application for compulsory sale submitted in June 2008; amended application submitted in August 2008. Sale order awarded in March 2009. Where subject lot was sold at reserve price. Auction took place in April 2009. EUV information drawn from valuation report attached to the application to the

Case No.	Property Address	Total Existing Use Value (\$ million) (a) (Valuation Date)	Transaction Price (\$ million) (b) (Transaction Date)	(b)/(a)	Remarks
					Lands Tribunal#. EUV valued as at May 2008.
(21) LDCS 10000 of 2008	Nos. 14-22, 1-19, 1A, 3A, 7A, 11A & 15A, Upper Kai Yuen Lane, North Point	321.13 (November 2008)	709 (February 2010)	2.21	<ul style="list-style-type: none"> ● Application and amended application for compulsory sale submitted in November 2008; re-amended application submitted in February 2009. Sale order awarded in January 2010. Where subject lot was sold at reserve price. Auction took place in February 2010. ● EUV information drawn from case judgment and valuation report attached to the application to the Lands Tribunal#. EUV valued as at November 2008.

Pursuant to section 3(1) and Part 1 of Schedule 1 to the Land (Compulsory Sale for Redevelopment) Ordinance (Cap 545), an application to the Lands Tribunal for compulsory sale of a lot shall be accompanied by a valuation report prepared not earlier than 3 months before the date of application. For cases nos. 1 and 18 above, valuation reports were not available.