

政府總部
發展局
規劃地政科



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11 January 2011

Ms. Hedy Fok
Secretary General
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(by Fax: 3151 7052)

Dear Ms. Fok,

**Meeting between Legislative Council Members and
Heung Yee Kuk Councillors on 20 January 2011**

**Review of the Zonal Compensation System for the
New Territories and Section 12(c) of the
Lands Resumption Ordinance**

Thank you for your letter of 14 December 2010 to the Secretary for Development. Our reply is set out below.

For land resumption in the New Territories, the Administration adopts an ex-gratia zonal compensation system consisting of four compensation zones (i.e. Zones A, B, C and D) which has been approved by the Finance Committee of the then Legislative Council. The system serves as an alternative to statutory claims under the respective Ordinances. The four zones attract ex-gratia compensation rates in descending order. The rate of each zone is set at a different percentage of the basic rate. The current definition of compensation zones A to D and their ex-gratia compensation rates are set out below -

Zone	Definition	Compensation
A	New Town Development Area (namely areas within the New Town boundaries as shown on gazetted outline zoning plans for new towns) and those areas that are affected by essential projects with territory-wide significance.	120% of basic rate* for agricultural land. Valuation + 120% of basic rate for building land.
B	Areas which may be brought under urban development in the near future, either by extension to the adjoining layout areas due to their proximity to such areas or by reason of their known potential for urban development.	75% of basic rate for agricultural land. Valuation + 75% of basic rate for building land.
C	Areas in which no urban development is planned and which are unlikely to be affected by later extension to layout areas, but where resumption is required sometimes for purposes directly connected with urban layout developments and sometimes for local improvement schemes.	50% of basic rate for agricultural land. Valuation + 50% of basic rate for building land.
D	Areas not included in other zones	30% of basic rate for agricultural land. Valuation + 30% of basic rate for building land.

* The current basic rates of ex-gratia compensation for the resumption of agricultural and building land are \$549 per square foot (from 1 October 2010) and \$1,085 per square foot (from 1 October 2010) respectively.

The ex-gratia zonal compensation rates for these zones are reviewed and adjusted half-yearly to take account of the changes in market value. We also review the zonal boundaries from time to time, and may update the compensation zones of the areas affected by land resumption

taking account of the merits of individual public works projects.

The ex-gratia zonal compensation system has been operating effectively. If land owners do not accept the ex-gratia compensation offer, they may submit statutory claims under the relevant legislation. If an agreement cannot be reached on the amount of claim, the land owner may refer the claim to the Lands Tribunal for determination.

On the suggestion of repealing section 12(c) of the Lands Resumption Ordinance (Cap 124), as the Administration has explained to the Heung Yee Kuk, we consider that it is a fundamental principle that the value to be assessed should be the value of the land for its existing use. Where the development is limited in some ways, such limitation should be taken into account in the valuation, and no compensation shall be given to any hope or expectancy that such development limitation might be removed in the future. Section 12(c) of the Lands Resumption Ordinance reflects the abovementioned fundamental principle. The ruling of the Court of Final Appeal on the case FACV No. 11/2005 in November 2005 also confirms that under section 12(c) of the Lands Resumption Ordinance, assessment of compensation on land resumption should exclude any component of development potential. In the light of the above, we believe that there is no sufficient justification to repeal or amend section 12(c) of the Lands Resumption Ordinance.

Yours sincerely,

(Raymond Wu)
for Secretary for Development

c.c.

Director of Lands
Land Registrar

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