



Dedicated Office of Support Services for Minority Owners under Compulsory Sale

Development Bureau

The Government of the Hong Kong Special Administrative Region
of the People's Republic of China

Guide to Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545)

December 2024

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1 Introduction

1.1 Foreword

This Guide aims to provide a brief description in plain language of the compulsory sale regime under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) (hereinafter referred to as “the Ordinance”). This Guide is only applicable to the compulsory sale regime upon the amendment of the Ordinance, which has come into effect since 6 December 2024. The original text of the Ordinance shall prevail for the interpretation of the relevant legislation. This version of the Guide was finalised in December 2024, and its content is subject to revision from time to time as necessary. The latest version of the Guide is available at the webpage of the Development Bureau (“DEVB”) (website: www.devb.gov.hk/en/issues_in_focus/doss/index.html).

1.2 Disclaimer

The information provided by the Government of the Hong Kong Special Administrative Region (hereinafter referred to as “the Government”) in this Guide is for general reference only and shall not constitute professional legal advice. Nor does it give any legally binding interpretation of and supplement to the Ordinance, the Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice (Cap. 545A) (hereinafter referred to as “the Notice”), the Lands Tribunal Rules (Cap. 17A) (hereinafter referred to as “Cap. 17A”), the Buildings Ordinance (Cap. 123), other laws of Hong Kong, precedents and court directions. Although the Government has made every effort to ensure the accuracy of the information contained herein, the Government makes no warranties of any kind, explicit or implied, as to the accuracy or completeness of such information, or its appropriateness for use in any particular circumstances. The Government shall not have any liability, obligation or responsibility for any loss or damage whatsoever arising from any cause related to such information. Users shall make their own assessments of all information contained herein, and should fully understand the original text of the Ordinance and other legislation, and seek advice from lawyers or relevant professionals before acting on such information or making any related decision.

1.3 Background

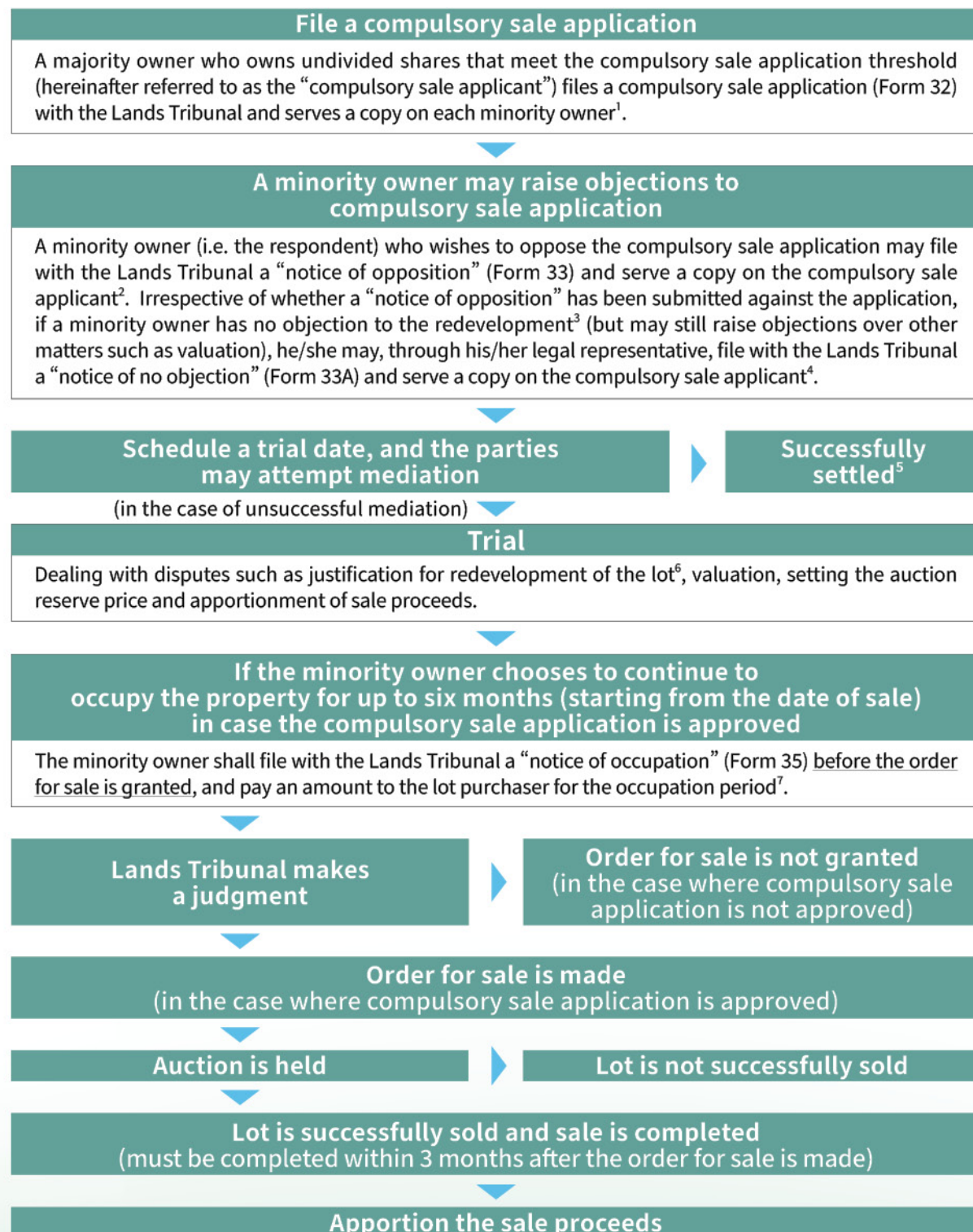
In view of the rapid aging of buildings in Hong Kong, the Government has adopted a dual-track approach for the urban renewal strategy covering redevelopment and rehabilitation. With a view to encouraging private sector participation in urban renewal, the Ordinance formulated by the Government came into effect in June 1999 to facilitate redevelopment of lots by owners of buildings in multiple ownership. The threshold for making a compulsory sale application was first set at no less than 90% of all undivided shares for all classes of lots.

In April 2010, the Notice was enacted to introduce a lower compulsory sale application threshold of 80% for three classes of lots.

In July 2024, the Legislative Council amended the Ordinance, the Notice, and Cap. 17A, so as to expedite the consolidation of private property interests in four directions. The amendment measures came into effect on 6 December 2024.

2 Process of compulsory sale

In general, the processes of making and processing a compulsory sale application are as follows —



¹ For details, please refer to paragraph 3.1.3 below.

² For details, please refer to paragraph 5.1 below.

³ That is, no objection that the Lands Tribunal does not have to consider whether the redevelopment of the lot the subject of the application is justified.

⁴ For details, please refer to paragraph 5.2 below.

⁵ If all respondents successfully reach a settlement with the compulsory sale applicant, the compulsory sale application will be discontinued.

⁶ If all respondents have submitted a “notice of no objection”, the Lands Tribunal does not have to consider whether the redevelopment of the lot is justified.

⁷ For details, please refer to paragraph 9 below.

3 Compulsory sale applications

3.1 Application procedures

3.1.1 Authority determining compulsory sale applications

Compulsory sale applications made under the Ordinance for the sale of land for redevelopment purposes are determined by the Lands Tribunal.

3.1.2 Filing of compulsory sale applications

Any person who wishes to make a compulsory sale of interests in undivided shares in a private lot shall file with the Registrar of the Lands Tribunal a “notice of application” substantially in accordance with Form 32 in the Schedule to Cap. 17A. A valuation report as specified in Part 1A of Schedule 1 to the Ordinance must be attached (please refer to paragraph 6.5.2 below for details).

(Section 3(1) of the Ordinance and section 78B(1) of Cap. 17A)

3.1.3 Service of the “notice of application”

The compulsory sale applicant shall cause a copy of the “notice of application” to be served on each minority owner of the relevant land and registered under the Land Registration Ordinance (Cap. 128) not later than 7 days after it is filed. The compulsory sale applicant shall file with the Registrar of the Lands Tribunal an affidavit of service and an affidavit of the registration within 3 days after such service or registration.

The compulsory sale applicant shall, not later than 7 days after filing of the “notice of application”, cause a copy of the notice as specified in Part 2 of Schedule 1 to the Ordinance to be affixed upon a conspicuous part of the building on the lot the subject of the application and to be published in one Chinese language newspaper and one English language newspaper. The compulsory sale applicant shall file with the Registrar of the Lands Tribunal an affidavit of affixture and an affidavit of the publication within 3 days after such affixture or publication.

(Sections 78B(2) to (5) of Cap. 17A; and sections 3(3) and 3(4) of the Ordinance)

3.2 Compulsory sale application thresholds

3.2.1 Application thresholds

In general, any person or company owning the percentage of the undivided shares in a lot as specified below may file an application with the Lands Tribunal for compulsory sale of the lot for redevelopment purpose—

Class of Lot	Building age ⁸ (years)	Compulsory sale application threshold (percentage of undivided shares)	
		Lot located within a “designated area”	Lot located within a “non-designated area”
General private buildings	<50	90%	
	≥ 50 but < 60	70%	80%
	≥ 60 but < 70	65%	70%
	≥ 70	65%	
Industrial buildings not located within industrial zones	<30	90%	
	≥ 30	70%	
Each unit on a lot representing >10% of all undivided shares in that lot	Irrespective of building age	80%	

(Section 3(1) of the Ordinance and sections 3 to 5 of the Notice)

Frequently asked questions from minority owners

(1) What are undivided shares?

Ownership in a multi-storey building is generally expressed in terms of undivided shares. Generally speaking, the undivided shares of each unit are set out clearly in the deed of mutual covenant (DMC) of the building. Subject to the provisions of the building's DMC, the undivided shares of each unit of the building may not be the same. Under most circumstances, the maintenance and management fees as well as the voting right of owners at a meeting of owners are determined on the basis of the undivided shares owned by him. Under section 3(7)(a) of the Ordinance, in the calculation of any percentage of ownership in a lot owned by the compulsory sale applicant, there shall be disregarded any undivided shares which are undivided shares in respect of any common parts of the lot.

(2) How do we know about the age of a building?

According to section 4 of the Notice, the age of a building shall be counted from the date the occupation permit is issued. Occupation permits may be viewed on the Land Registry's "Integrated Registration Information System Online Services", the Buildings Department's "Building Records Access and Viewing On-line System", or the Buildings Department's "Building Information Centre" upon payment of fees.

⁸ From the date the occupation permit is issued.

3.2.2 “Designated areas”

At present, the areas covered by the following seven “outline zoning plans” as specified in the Notice are “designated areas”—

- (1) Sai Ying Pun & Sheung Wan Outline Zoning Plan (No. S/H3/34);
- (2) Wan Chai Outline Zoning Plan (No. S/H5/31);
- (3) Yau Ma Tei Outline Zoning Plan (No. S/K2/24);
- (4) Mong Kok Outline Zoning Plan (No. S/K3/36);
- (5) Cheung Sha Wan Outline Zoning Plan (No. S/K5/39);
- (6) Ma Tau Kok Outline Zoning Plan (No. S/K10/30); and
- (7) Tsuen Wan Outline Zoning Plan (No. S/TW/35)

Please note: The “designated areas” of the Notice are demarcated based on the “outline zoning plans” of specific plan numbers as set out in the Notice. Should the relevant “outline zoning plans” be amended by other legislations (such as the Town Planning Ordinance (Cap. 131)) (where amendment of its covering area may be involved) and assigned with new plan numbers in the future, the “designated areas” in the Notice still refer to the areas as covered in the seven “outline zoning plans” of specific plan numbers mentioned above.

(Section 5 of and the Schedule to the Notice)

Frequently asked questions from minority owners

(3) Where can the seven “outline zoning plans” of specific plan numbers be viewed?

The seven “outline zoning plans” of specific plan numbers can be viewed via the webpage of the Support Service Centre for Minority Owners under Compulsory Sale (<https://www.smocs.hk/en/home/index.html>) for free, or can be obtained via the channels set out in the **Appendix**.

3.3 Lot combinations in compulsory sale applications and methods for calculating the application threshold

Compulsory sale applications may cover one single lot or more than one lot. For compulsory sale applications covering one single lot, only the compulsory sale application threshold for that lot shall be met; for compulsory sale applications covering more than one lot, the respective compulsory sale application thresholds shall be calculated according to the combination of the lots. The details are set out below.

3.3.1 Compulsory sale applications covering one single lot

An application is eligible if the percentage of undivided shares owned by the compulsory sale applicant in the lot the subject of the application (hereinafter referred to as “ownership percentage”) has met the compulsory sale application threshold for that lot.

(Section 3(1) of the Ordinance)

3.3.2 Compulsory sale applications covering more than one lot

Compulsory sale applications covering more than one lot may have 5 types of lot combination, namely “majority-owned lots”, “staircase-connected lots”, “adjoining lots”, “mixed lots” and “additional lots”.

(Sections 3(2) and 3(2A) of the Ordinance)

3.3.2.1 Majority-owned lots

An application is eligible if the ownership percentage held by the compulsory sale applicant in each of the lots covered in the application has met the respective compulsory sale application threshold for that lot.

(Section 3(2)(a) of the Ordinance)

Assumption

[applicable to examples (1) to (3)]

All lots are located within “non-designated areas”, age of buildings on the lots are ≥ 60 years but < 70 years, compulsory sale application thresholds of the lots are 70%.

Legend

Lot



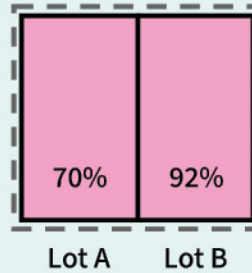
Majority-owned lot



Compulsory sale application

Example (1)

Ownership percentage of the applicant:



Lot A Lot B

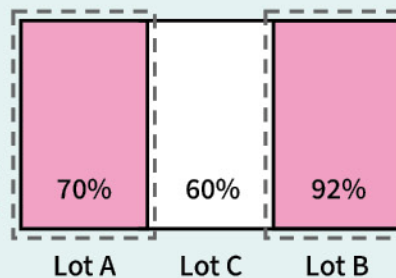


Eligible application

Lot A and Lot B can be covered by a single compulsory sale application, because the ownership percentage held by the compulsory sale applicant in each of the above lots meets the application threshold.

Example (2)

Ownership percentage of the applicant:



Lot A Lot C Lot B



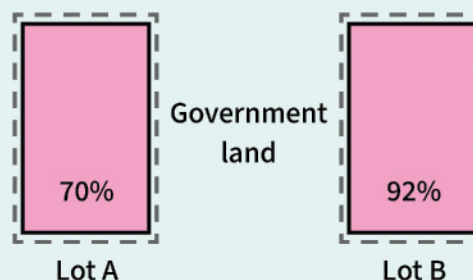
Eligible application

Lot C is not covered in the above compulsory sale application.

Lot A and Lot B can be covered by a single compulsory sale application, because the ownership percentage held by the compulsory sale applicant in each of the above lots meets the application threshold.

Example (3)

Ownership percentage of the applicant:



Lot A

Lot B



Eligible application

Lot A and Lot B can be covered by a single compulsory sale application, because the ownership percentage held by the compulsory sale applicant in each of the above lots meets the application threshold.

3.3.2.2 Staircase-connected lots

“Staircase-connected lots” refer to two or more lots in respect of which one building on any of the lots is connected to another building on any other lot or lots by a staircase intended for common use by the occupiers of the buildings (hereinafter referred to as “common staircase”), and the common staircase connecting the buildings on the lots may be located anywhere (i.e. it is not necessary for the common staircase to be located in the middle of two buildings).

For staircase-connected lots satisfying the aforesaid condition, ownership percentages of the compulsory sale applicant in the lots can be calculated by using the “simple averaging method”. An application is eligible if the compulsory sale application thresholds for the lots are met (as the age of buildings on staircase-connected lots are largely the same, the compulsory sale application thresholds for these lots are usually the same).

(Sections 3(2)(b) and 3(8)(a) of the Ordinance)

Assumption

[applicable to examples (4) to (6)]

All lots are located within “non-designated areas”, age of buildings on the lots are ≥ 60 years but < 70 years, compulsory sale application thresholds of the lots are 70%.

Legend



Staircase-
connected
lot



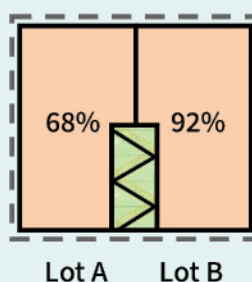
Compulsory
sale
application



Common
staircase

Example (4)

Ownership percentage
of the applicant:



Eligible
application

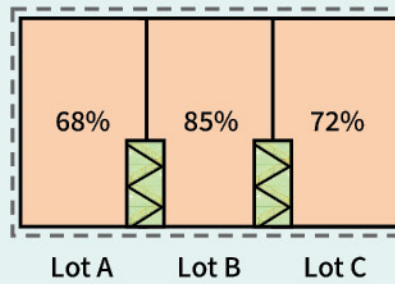
The average ownership percentage held by the applicant in Lot A and Lot B:

$$= (68\% + 92\%) \div 2$$

$$= 80\% (\geq \text{application threshold of } 70\%)$$

Example (5)

Ownership percentage
of the applicant:



Eligible
application

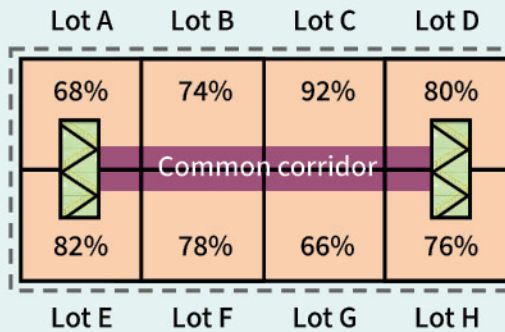
The average ownership percentage held by the applicant in Lots A, B and C:

$$= (68\% + 85\% + 72\%) \div 3$$

$$= 75\% (\geq \text{the compulsory sale threshold of } 70\%)$$

Example (6)

Ownership percentage
of the applicant:



Eligible
application

Ownership percentage
of the applicant:

The average ownership percentage held by the applicant in Lots A to H:

$$= (68\% + 74\% + 92\% + 80\% + 82\% + 78\% + 66\% + 76\%) \div 8$$

$$= 77\% (\geq \text{application threshold of } 70\%)$$

3.3.2.3 Adjoining lots**(A) Basic requirements**

Two or more lots are “adjoining lots” if the following conditions are satisfied—

- (i) the lots in the combination adjoin each other along common boundary(s) and form a cluster of lots bound by a continuous boundary; and

Legend



Lot



Compulsory sale application

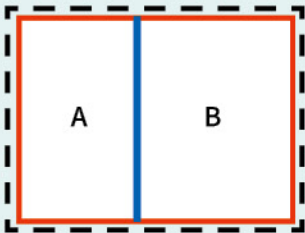


Continuous boundary



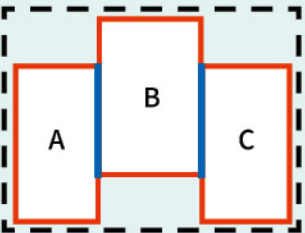
Common boundary

Example (7)



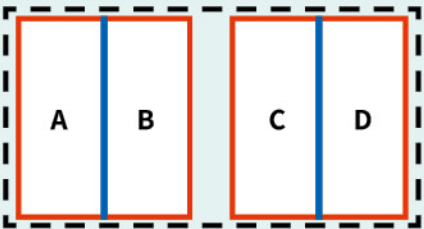
The lots adjoin each other along **common boundary(s)** and form a cluster of lots bound by a **continuous boundary**.

Example (8)



The lots adjoin each other along **common boundary(s)** and form a cluster of lots bound by a **continuous boundary**.

Example (9)



The lots do not form a cluster of lots bound by a **continuous boundary**.

Example (10)



The lots do not adjoin each other along **common boundary(s)**, and do not form a cluster of lots bound by a **continuous boundary**.

- (ii) if a lot in the combination belongs to a class of lots specified in section 4 of the Notice (hereinafter referred to as “specified class of lots”), i.e. the class of lots with an application threshold lower than 90% as tabulated in paragraph 3.2.1 above, the compulsory sale applicant shall own at least 65% of undivided shares in that lot. If a lot in the combination does not belong to any “specified class of lots”, i.e. its application threshold is not lower than 90%, the compulsory sale applicant shall own at least 90% of undivided shares in that lot.

For adjoining lots satisfying the above conditions, the “weighted averaging method” can be applied to calculate the compulsory sale applicant’s averaged ownership percentage and the averaged compulsory sale application threshold for lots belonging to a “specified class of lots” in the combination. A compulsory sale application is eligible if the applicant’s averaged ownership percentage equals to or exceeds the averaged compulsory sale application threshold.

(Sections 3(2)(c) and 3(8)(b) of the Ordinance)

(B) Calculation by the “weighted averaging method”

The “weighted averaging method” would take into account lot areas, which can fairly reflect the weighting of lots of different sizes in the calculation of the compulsory sale applicant’s ownership percentage and the compulsory sale application threshold.

Averaged ownership percentage of the applicant is derived by aggregating the sum of the percentages of the undivided shares owned by the compulsory sale applicant in each of the lots in the combination belonging to a “specified class of lots” multiplied by the area of the lot (total sum), then dividing the total sum by the total area of all the lots in the combination belonging to a “specified class of lots”.

Averaged compulsory sale application threshold is derived by aggregating the sum of the percentages of the application threshold (i.e. the percentage specified in section 3 of the Notice) for each of the lots in the combination belonging to a “specified class of lots” multiplied by the area of the lot (total sum), and then dividing the total sum by the total area of all the lots in the combination belonging to a “specified class of lots”.

As seen from the above, the calculation of the “weighted averaging method” does not apply to the lots not belonging to a “specified class of lots”, i.e. not applicable to lots for which the compulsory sale application threshold is not lower than 90%.

(Sections 3(8)(b)(iv) and 3(8)(c) of the Ordinance)

Assumption

[applicable to examples (11) to (13)]

- All lots are located within “non-designated areas”
- Please note: The lots in the examples are not drawn to scale according to their areas

Legend



Lot



Compulsory
sale
application



Lot belonging
to a “specified
class of lots”



Lot not
belonging to a
“specified class
of lots”

Example (11)

Lot area:	200m ²	600m ²	200m ²
Building age (year):	72	56	61
Application threshold:	65%	80%	70%
Applicant’s ownership percentage:	85%	65%	100%
	Lot A	Lot B	Lot C

Averaged compulsory sale application threshold:

$$= (200\text{m}^2 \times 65\% + 600\text{m}^2 \times 80\% + 200\text{m}^2 \times 70\%) \div (200\text{m}^2 + 600\text{m}^2 + 200\text{m}^2)$$
$$= 75\%$$




Averaged ownership percentage of the applicant:

$$= (200\text{m}^2 \times 85\% + 600\text{m}^2 \times 65\% + 200\text{m}^2 \times 100\%) \div (200\text{m}^2 + 600\text{m}^2 + 200\text{m}^2)$$
$$= 76\% (\geq \text{averaged compulsory sale application threshold of } 75\%)$$



Eligible application

Example (12)

Lot area:	200m ²	200m ²	700m ²
Building age (year):	55	45	60
Application threshold:	80%	90%	70%
Applicant's ownership percentage:	60%	80%	80%
Lot A	Lot B	Lot C	
			

The ownership percentage of the compulsory sale applicant in Lot A, which belongs to a “specified class of lots”, does not meet the minimum 65% requirement as specified under section 3(8)(b)(iii)(A) of the Ordinance. Hence, it cannot be grouped with other lots which belongs to “specified class of lots” (i.e. Lot C) to become “adjoining lots” to calculate ownership percentage and compulsory sale application threshold under the “weighted averaging method”.

The ownership percentage of the compulsory sale applicant in Lot B, which does not belong to a “specified class of lots”, does not meet the minimum 90% requirement as specified under section 3(8)(b)(iii)(B) of the Ordinance. Therefore, it cannot be grouped with other lots to become “adjoining lots”.



Lots A, B and C cannot jointly apply for compulsory sale as a group of “adjoining lots”.

Assumption

[applicable to examples (11) to (13)]

- All lots are located within “non-designated areas”
- Please note: The lots in the examples are not drawn to scale according to their areas

Legend



Lot

Compulsory
sale
applicationLot belonging
to a “specified
class of lots”Lot not
belonging to a
“specified class
of lots”

Example (13)

Lot area:	200m ²	200m ²	700m ²
Building age (year):	55	45	60
Application threshold:	80%	90%	70%
Applicant's ownership percentage:	65%	95%	80%
	Lot A	Lot B	Lot C

Under section 3(8)(b)(iv) of the Ordinance, the “weighted averaging method” calculation does not apply to Lot B which does not belong to a “specified class of lot”.

Averaged compulsory sale application threshold: (Lot A and Lot C)

$$= (200\text{m}^2 \times 80\% + 700\text{m}^2 \times 70\%) \div (200\text{m}^2 + 700\text{m}^2)$$

$$= 72.2\%$$

Averaged ownership percentage of the applicant: (Lot A and Lot C)

$$= (200\text{m}^2 \times 65\% + 700\text{m}^2 \times 80\%) \div (200\text{m}^2 + 700\text{m}^2)$$

$$= 76.7\%$$



Lots A, B and C may jointly apply for compulsory sale as a group of “adjoining lots”, but the ownership percentage of Lot B, which does not belong to a “specified class of lots”, is excluded from the “weighted averaging method” calculation.

(C) Lot area

If the “weighted averaging method” is used to calculate the compulsory sale applicant’s averaged ownership percentage and the averaged compulsory sale application threshold, the compulsory sale applicant shall provide the Lands Tribunal with, for each of the lots in the calculation, the following three types of documents showing the area or boundary of the lot (unless the Lands Tribunal is satisfied that the document is not available) as proof of the area of the lot—

- (a) a Government lease⁹;
- (b) an instrument registered in the Land Registry for effecting a division of land¹⁰; and
- (c) building plans approved under the Buildings Ordinance¹¹.

If the Lands Tribunal is satisfied that the aforesaid three types of documents are not available for a lot, or the area of that lot cannot be ascertained from the three types of documents mentioned above, the lot would need to be excluded from the weighted average calculation. However, for the lot in respect of which its area cannot be ascertained from the specified documents, it can still be covered by the same compulsory sale application so long as the undivided shares held by the compulsory sale applicant in the lot concerned meet the application threshold for the lot on its own.

(Sections 3(2C), 3(2D) and 3(9) of the Ordinance)

⁹ Together with any document subsequently executed or issued by the Government that effects an adjustment of the area or boundary of the lot.

¹⁰ Together with any document subsequently executed or issued by the Government that effects an adjustment of the area or boundary of the lot.

¹¹ Building plans for the existing building or the building formerly erected on the lot.

Assumption

[applicable to example (14)]

- All lots are located within “non-designated areas”
- Please note: The lots in the example are not drawn to scale according to their area

Legend



Lot



Lot which
its area
cannot be
ascertained



Compulsory
sale
application

Example (14)

Lot area:	100m ²	350m ²	200m ²	700m ²
Building age (year):	64	65	66	62
Application threshold:	70%	70%	70%	70%
Applicant's ownership percentage:	65%	75%	70%	73%
	Lot A	Lot B	Lot C	Lot D

Assuming that the Lands Tribunal is satisfied that Lot C does not have the three types of documents as specified in the Ordinance for ascertaining the area of the lot. Therefore, under section 3(9) of the Ordinance, Lot C has to be excluded from the weighted average calculation. However, as the undivided shares owned by the compulsory sale applicant in Lot C meet the application threshold for the lot on its own, Lot C can still be covered in the same group of “adjoining lots”. Since the averaged ownership percentage of the remaining Lots A, B and D (72.9%) is higher than their averaged compulsory sale application threshold (70%), Lots A, B, C and D can apply for compulsory sale under a group of “adjoining lots”.

3.3.2.4 Mixed lots

“Mixed lots” involve three or more lots that are composed of “majority-owned lots”, “staircase-connected lots” and/or “adjoining lots”, and the lots in the combination adjoin each other and form a cluster of lots bound by a continuous boundary.

“Mixed lots” may consist of the following combinations—

- (1) two or more sets of “staircase-connected lots”;
- (2) one or more “majority-owned lots”, plus one or more sets of “staircase-connected lots”;
- (3) one or more “majority-owned lots”, plus one or more sets of “adjoining lots”;
- (4) one or more sets of “staircase-connected lots”, plus one or more sets of “adjoining lots”; or
- (5) one or more “majority-owned lots, plus one or more sets of “staircase-connected lots”, plus one or more sets of “adjoining lots”

Remarks: “Mixed lots” cannot merely consist of two or more majority-owned lots” because, two or more “majority-owned lots” that are adjoined can be included in a compulsory sale application in the form of one set of “majority-owned lots”. Besides, “mixed lots” cannot consist merely of two or more sets of “adjoining lots”, as two or more sets of “adjoining lots” that are adjoined may be combined to form a larger set of “adjoining lots” for compulsory sale application.

(Section 3(2)(d) of the Ordinance)

Assumption [applicable to examples (15) to (20)]

- All lots are located within “non-designated areas”, age of buildings on the lots are ≥ 60 years but < 70 years, compulsory sale application thresholds of the lots are 70%.
- Please note: The lots in the examples are not drawn to scale according to their areas

Legend

 Majority-owned lot

 Staircase-connected lot

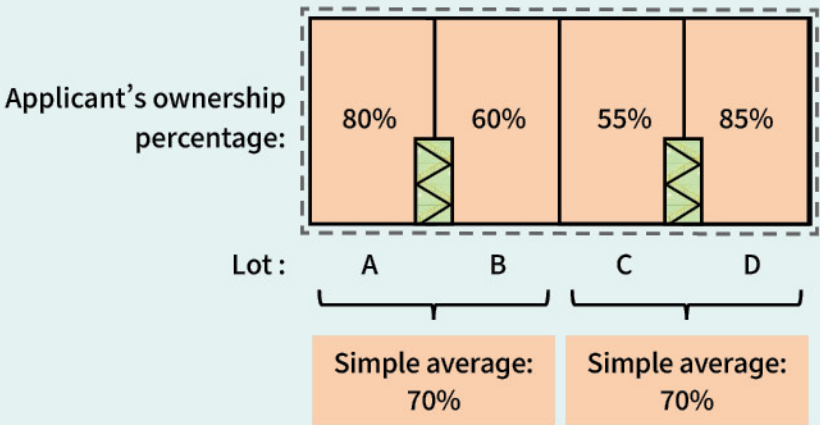
 Adjoining lot

 Common staircase

 Compulsory sale application

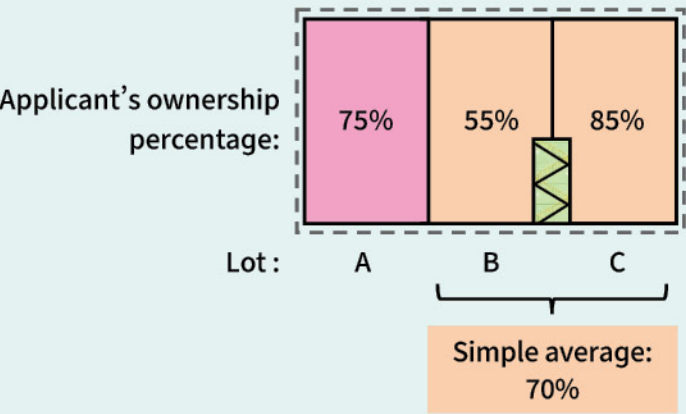
Example (15)

More than one set of staircase-connected lots



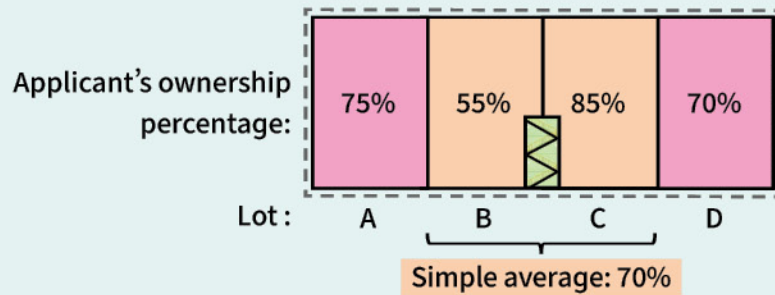
Example (16)

The mix of one set of staircase-connected lots and one majority-owned lot

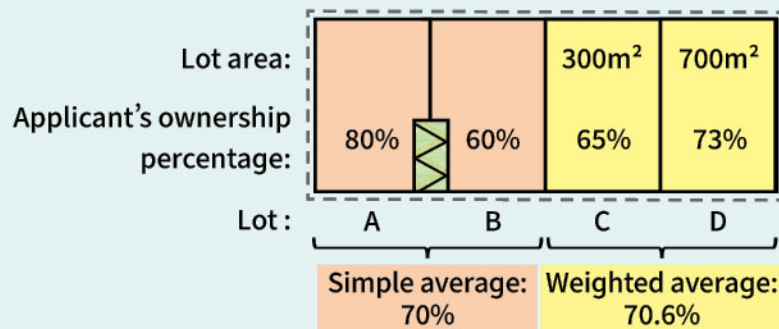


Example (17)

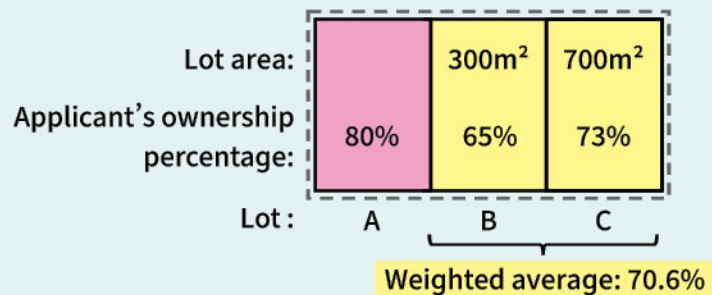
The mix of one set of staircase-connected lots and two majority-owned lots

**Example (18)**

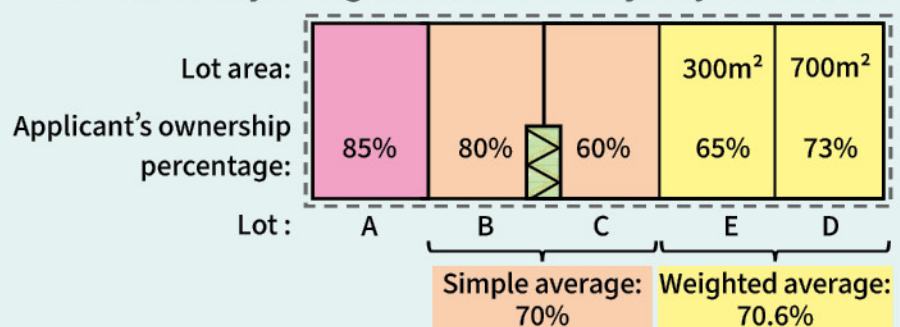
The mix of one set of staircase-connected lots and one set of adjoining lots

**Example (19)**

The mix of one set of adjoining lots and one majority-owned lot

**Example (20)**

The mix of one set of staircase-connected lots, one set of adjoining lots and one majority-owned lot



3.3.2.5 Additional lots

For compulsory sale applications involving “mixed lots”, the application may cover one or more “additional lots” if the followings are satisfied—

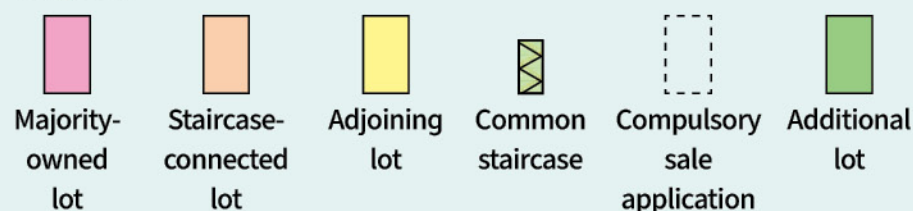
- the application covers at least one set of “staircase-connected lots”;
- each of the “additional lots” belongs to a “specified class of lots”¹²;
- at least one of the “additional lots” adjoins a set of “staircase-connected lots” in the application;
- all the lots covered in the application form a cluster of lots bound by a continuous boundary;
- the percentage of undivided shares owned by the compulsory sale applicant in each of the “additional lots” is not less than 65%; and
- the averaging requirement by the “weighted averaging method” is fulfilled for all lots other than the “staircase-connected lots”.

(Section 3(2A) of the Ordinance)

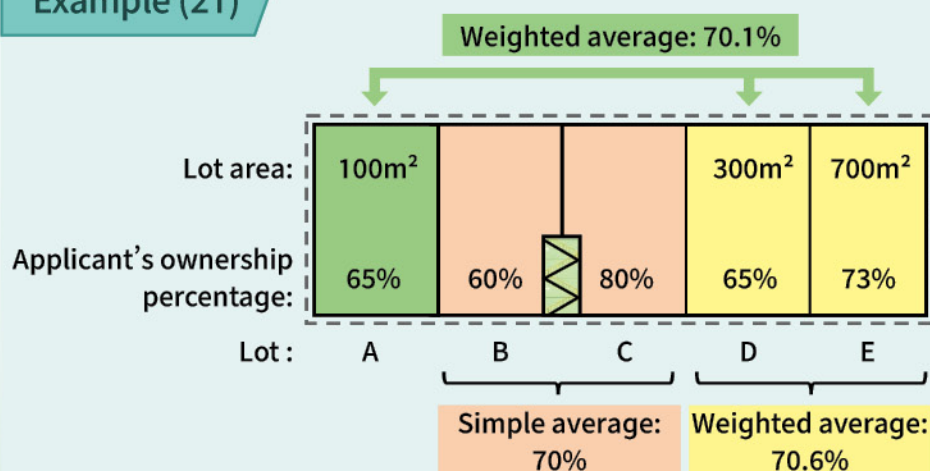
Assumption [applicable to examples (21) to (25)]

- All lots are located within “non-designated areas”, age of buildings on the lots are ≥ 60 years but < 70 years, compulsory sale application thresholds of the lots are 70%.
- Please note: The lots in the examples are not drawn to scale according to their areas

Legend

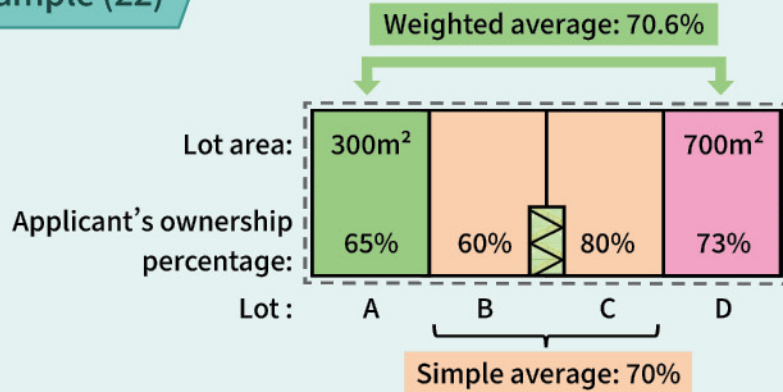


Example (21)

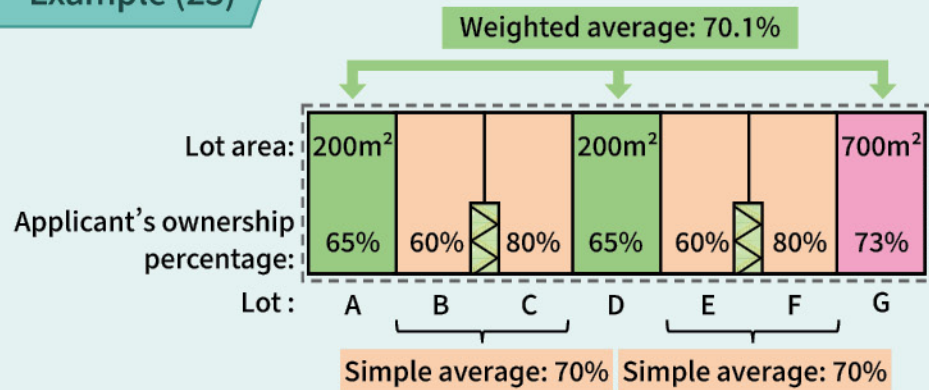


¹² “Specified class of lots” refers to a class of lots specified in section 4 of the Notice, i.e. the class of lots for which the compulsory sale threshold is lower than 90% as tabulated in paragraph 3.2.1 above.

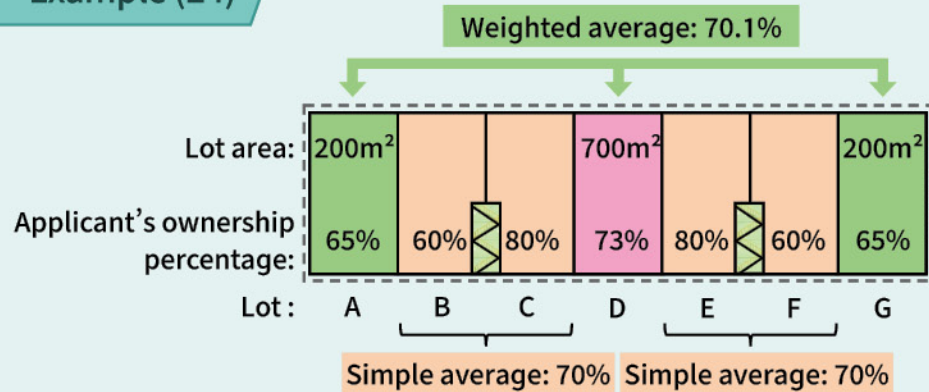
Example (22)



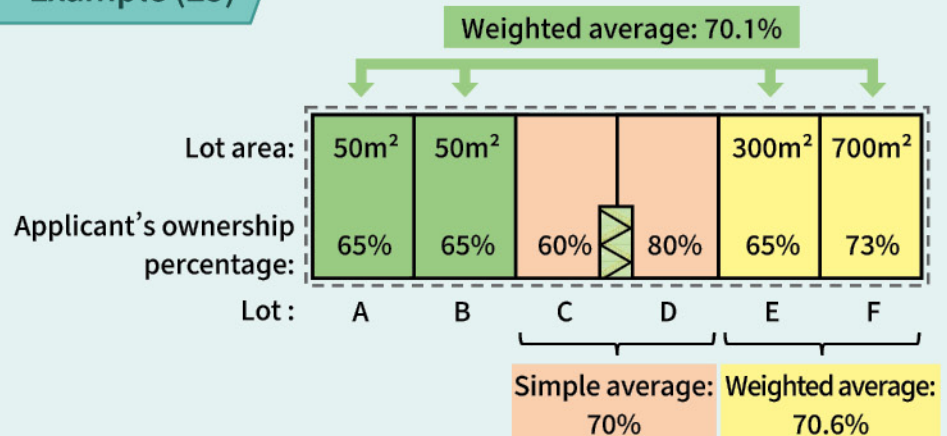
Example (23)



Example (24)



Example (25)



3.3.2.6 Allowing inclusion of lots wholly owned by compulsory sale applicants in compulsory sale applications

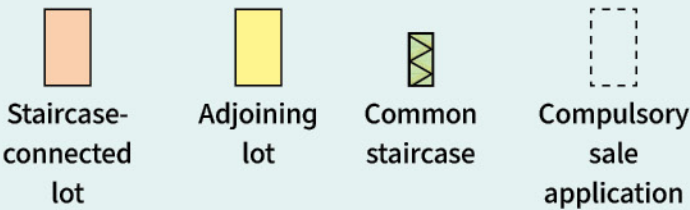
If a compulsory sale application is filed with “staircase-connected lots”, “adjoining lots”, “mixed lots” or “additional lots”, the compulsory sale applicant may include lots wholly owned (i.e. 100%) by him/her in the same application.

(Section 3(2B) of the Ordinance)

Assumption [applicable to examples (26) to (27)]

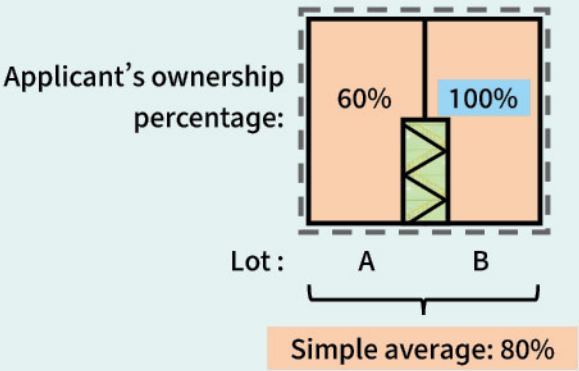
- All lots are located within “non-designated areas”, age of buildings on the lots are ≥ 60 years but < 70 years, compulsory sale application thresholds of the lots are 70%.
- Please note: The lots in the examples are not drawn to scale according to their areas

Legend



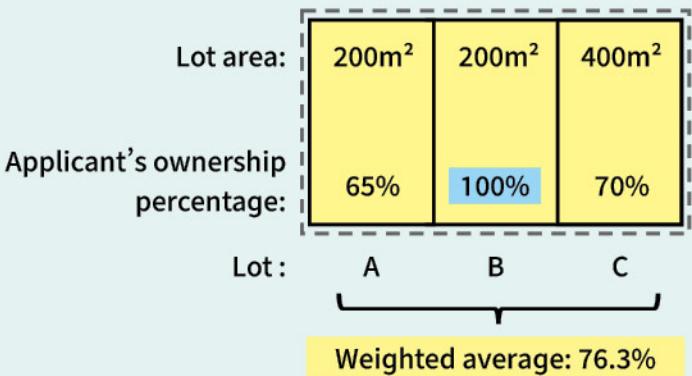
Example (26)

Staircase-connected lots



Example (27)

Adjoining lots



3.3.2.7 Lots that cannot meet the criteria for granting an order for sale

For compulsory sale applications covering two or more lots, even if some of the lots in the application cannot meet the requirements as set out in section 4(2) of the Ordinance (i.e. the Lands Tribunal is not satisfied that the redevelopment of the lots is justified or the Lands Tribunal is not satisfied that the compulsory sale applicant has taken reasonable steps to acquire all the undivided shares in the lots), the Lands Tribunal may continue to process the application with the remaining lots as long as the remaining lots can still meet the application threshold and the lot combination requirements (i.e. an application specified by the section 3(1) of the Ordinance) as well as the requirements under section 4(2) of the Ordinance.

(Sections 4(2D) and 4(2E) of the Ordinance)

3.3.3 Common parts

For the purpose of calculating the ownership percentage of a compulsory sale applicant in a lot, the undivided shares in respect of the common parts of the lot shall not be taken into account.

(Section 3(7)(a) of the Ordinance)

Example (28)

It is assumed a building in multiple ownership consisting of 4 units and common parts is erected on a lot. According to the deed of mutual covenant ("DMC") of the building, the distribution of undivided shares of the building is as follows –

Part	Undivided shares
Unit A	10
Unit B	10
Unit C	10
Unit D	10
Common parts	5
Total	45

Assuming that a compulsory sale applicant owns flats A, B and C in the above lot. As undivided shares in respect of common parts of a lot shall be excluded from the calculation of the compulsory sale application threshold under the Ordinance, his/her ownership percentage in the lot concerned is -

$$\begin{aligned}
 &= (10 + 10 + 10) \div (10 + 10 + 10 + 10) \\
 &= 30 \div 40 \\
 &= 75\%
 \end{aligned}$$

4 Mediation

4.1 What is mediation

Mediation is a voluntary process in which a trained and impartial third party, the mediator, helps the parties to a dispute to reach a settlement that meets their needs and is acceptable to them in an amicable atmosphere.

The mediator will arrange for the parties to a dispute to meet face-to-face in a private and confidential setting. In the process, each party will have the opportunity of presenting his/her point of view and listening to what the other has to say. The mediator's job is not to make decisions for the parties, but to assist the parties in reaching a settlement agreement. Accredited mediators are trained to break the deadlock in negotiations and keep the parties focused on finding a solution.

Frequently asked questions from minority owners

(4) What are the benefits of conducting mediation for compulsory sale cases?

1. Mediation resolves disputes more quickly than court proceedings, and reduces legal costs.
2. If a party unreasonably fails to participate in mediation, the Lands Tribunal may make an adverse costs order against that party when determining the costs after the conclusion of the hearing of the compulsory sale case.
3. Both parties to the mediation can take part in the decision-making process, thereby facilitating the control of the outcome. Agreements reached in mediation are endorsed by both parties.
4. The process of mediation is simpler than that of court proceedings, thereby reducing psychological stress.
5. Unlike court trials that are open to the public, mediation is generally confidential, which can help protect privacy.
6. Mediation offers greater flexibility than court proceedings, as the process and the manner of conducting mediation can be adjusted in response to the needs of both parties.
7. Mediation can facilitate mutual communication by promoting a direct dialogue between both parties to the proceedings, thereby enabling a settlement to be reached.

(5) When can mediation take place?

Mediation can take place at any time. However, it is most effective to conduct mediation at the early stage of the court proceedings.

4.2 Consequences of not conducting mediation

The Ordinance does not expressly require the compulsory sale applicant and the affected minority owners must conduct mediation. However, one of the conditions of compulsory sale stipulated in the Ordinance requires that the Lands Tribunal shall not make an order for sale unless the compulsory sale applicant has taken reasonable steps to acquire all the undivided shares in the lot.

As such, in a compulsory sale case, if the compulsory sale applicant unreasonably fails to participate or refuses to attempt mediation with the minority owners, the Lands Tribunal may consider that the compulsory sale applicant has not taken all reasonable steps to acquire all the undivided shares in the lot as required by the Ordinance. The Lands Tribunal is empowered to take into account the failure or refusal of the compulsory sale applicant to participate in or attempt mediation in deciding whether or not to grant an order for sale.

On the other hand, in exercising its discretion to determine costs after the conclusion of the hearing of a compulsory sale application, the Lands Tribunal will take into account all the relevant circumstances, including whether any parties in the litigation (including the compulsory sale applicant and the minority owners) have unreasonably failed to participate in mediation. The Lands Tribunal is empowered to take into account the unreasonable non-participation of any party in mediation and to make an adverse costs order against that party.

(Direction Issued by the President of the Lands Tribunal LTPD: CS No. 1/2011)

4.3 Mediation support

“The Support Service Centre for Minority Owners under Compulsory Sale” (hereinafter referred to as “SMOCS”) provides mediation support for minority owners. For details, please refer to paragraph 13 below. In addition to the support services mentioned above, minority owners may also find and engage a mediator on their own through other means.

The Judiciary has published a booklet, “General Guide to Mediation for Land Compulsory Sale Cases”, to provide a brief outline of the “Direction Issued by the President of the Lands Tribunal LTPD: CS No. 1/2011” in relation to mediation for compulsory sale cases. The booklet has been uploaded onto the Judiciary’s webpage: mediation.gov.judiciary.hk/en/doc/GeneralGuide_LTPD-Eng.pdf. Members of the public are welcome to visit [mediation.gov.hk](http://mediation.gov.judiciary.hk) for more information relating to mediation.

5 Minority owners may oppose compulsory sale applications

A minority owner who wishes to oppose a compulsory sale application (e.g. raising objections to redevelopment and/or valuation) may file with the Lands Tribunal a “notice of opposition” (Form 33). For details, please refer to paragraph 5.1 below. Irrespective of whether a “notice of opposition” has been submitted against the application, a minority owner may, through his/her legal representative, file with the Lands Tribunal a “notice of no objection” (Form 33A) if he/she has no objection to the redevelopment¹³ (but may still raise objections over other matters such as valuation). For details, please refer to paragraph 5.2 below.

5.1 If a minority owner opposes the compulsory sale application (e.g. raising objections to redevelopment and/or valuation)— “notice of opposition” (Form 33 in the Schedule to Cap. 17A)

If a minority owner wishes to oppose a compulsory sale application, he/she must, within 21 days of the service of a copy of the “notice of application” by the compulsory sale applicant (see paragraph 3.1.3 above) upon him/her, file with the Registrar of the Lands Tribunal a “notice of opposition” substantially in accordance with Form 33 in the Schedule to Cap. 17A, stating the grounds thereof and whether he/she wishes to be heard or not, and serve a copy thereof on the compulsory sale applicant within the 21 days.

(Section 78C of Cap. 17A)

¹³That is, no objection that the Lands Tribunal does not have to consider whether the redevelopment of the lot the subject of the application is justified.

Frequently asked questions from minority owners

(6) From whom may a minority owner seek help if he/she receives a copy of the “notice of application” in respect of compulsory sale? Is it necessary to engage a lawyer or surveyor for assistance?

A minority owner who receives a copy of the “notice of application” in respect of compulsory sale may contact the SMOCS for assistance. The SMOCS provides one-stop support services for minority owners at different stages of compulsory sale cases, including preliminary professional advisory service, assistance in mediation, referrals to legal and related professional services, subsidies for obtaining independent valuation reports on properties and lots, emotional counselling, and assistance for searching alternative accommodation. For details of the support services and contacts, please refer to paragraph 13 below.

Faced with compulsory sale proceedings, minority owners may choose to engage professionals such as lawyers and surveyors for consultation and assistance in handling the case, so as to better understand and more effectively protect their legal rights. However, minority owners may also choose to appear in person and present their case before the Lands Tribunal without having to engage a professional for assistance. Minority owners may first consult the professionals on the fees and consider all the factors concerned before making a decision. As mentioned above, the SMOCS also provides referrals to legal and related professional services, which may serve as reference for minority owners.

(7) How long will the compulsory sale process take?

The time taken by the Lands Tribunal to process a compulsory sale application will depend on the circumstances of individual cases. Without compromising the need to ensure due administration of justice, the Lands Tribunal endeavours to process all compulsory sale cases as expeditiously as is reasonably practicable. However, for cases involving a large number of minority owners, the applicants may need more time to negotiate/mediate with the minority owners, while the minority owners may also need some time to coordinate among themselves, which may result in longer processing time for some applications. If a case involves a larger number of and more complicated disputes, in particular when the dispute is not only about the valuation of the property in question, but also about whether the redevelopment of the property is justified, the Lands Tribunal has to, in accordance with the Ordinance, consider whether the redevelopment of the relevant lot is justified due to the reasons specified in the Ordinance. In this connection, the applicant is required to prepare and submit expert reports to the Lands Tribunal, and some minority owners may also choose to submit their own expert reports.

For the 189 cases from 1999 to the end of October 2023, the average time taken from the filing of compulsory sale application to trial judgement with an order for sale was about 19 months.

5.2 If a minority owner has no objection that the Lands Tribunal does not have to consider whether the building on the lot should be redeveloped due to its “age” or “state of repair”

If a minority owner has no objection that the Lands Tribunal does not have to consider whether the building on the lot should be redeveloped due to its “age” or “state of repair” (i.e. no objection to redevelopment), he/she may refer to paragraph 6.3.1 below and file with the Lands Tribunal a “notice of no objection” through his/her legal representative within 21 days upon receipt of a copy of the “notice of application”. If any of the relevant minority owners does not file a “notice of no objection”, the Lands Tribunal will have to consider, in respect of the compulsory sale application, whether the building on the relevant lot should be redeveloped due to its “age” or “state of repair” in accordance with the Ordinance.

Please note that if a minority owner has no objection to the redevelopment, but raise objections to the valuation of the property, he/she shall file a “notice of opposition” against the valuation of the property and a “notice of no objection” for raising no objection to the redevelopment.

6 Trial

6.1 Trial arrangement for compulsory sale applications

As regards the arrangements for call-over hearings or trials for compulsory sale cases processed by the Lands Tribunal, please refer to the booklet “Lands Tribunal — Guide to Court Services” published by the Judiciary. The booklet has been uploaded onto the Judiciary’s webpage for public viewing:

https://www.judiciary.hk/doc/en/court_services_facilities/lands_201701.pdf

6.2 Disputes dealt with by trial

Usually, disputes dealt with by the Lands Tribunal in compulsory sale cases include—

- (a) whether the redevelopment of the lot is justified due to the “age” or “state of repair” of the relevant building (see paragraph 6.3 below for details);
- (b) whether the applicant has taken reasonable steps to acquire all the undivided shares in the lot concerned (see paragraph 6.4 below for details);
- (c) the valuation of the properties and the lots concerned (see paragraph 6.5 and paragraph 8 below for details); and
- (d) other legal issues or disputes that may arise from the case.

6.3 Whether the redevelopment of the lots in the compulsory sale application is justified

The Lands Tribunal shall not make an order for sale unless, after hearing the objections (if any) of the minority owners, it is satisfied that the redevelopment of the lots in the compulsory sale application is justified due to the “age” or “state of repair” of the building on the lot¹⁴ (the criteria in paragraph 6.4 should also be met).

(Sections 4(2)(a)(i) and 4(2C) of the Ordinance)

¹⁴Except for lots that are wholly owned by the compulsory sale applicant.

6.3.1 “Notice of no objection” (Form 33A in the Schedule to Cap. 17A)

For compulsory sale applications in which all buildings on the lot are aged 50 years or above, if the minority owner has no objection that the Lands Tribunal does not have to satisfy itself on whether the redevelopment of the lot is justified due to the “age” or “state of repair” of the building on the lot in accordance with the Ordinance, he/she may, through his/her legal representative, file with the Registrar of the Lands Tribunal a “notice of no objection” substantially in accordance with Form 33A in the Schedule to Cap. 17A within 21 days after the service of a copy of the “notice of application” on him/her, and a copy of the “notice of no objection” must be served on the compulsory sale applicant within 3 days after the date on which the “notice of application” is filed. The “notice of no objection” takes effect immediately after it is filed and cannot be withdrawn.

Please note that the Lands Tribunal does not have to consider whether the redevelopment of the lot is justified in accordance with the Ordinance only if all minority owners affected by the compulsory sale application are found and each of them has filed a “notice of no objection”.

(Section 4(2A) of the Ordinance and section 78CA of Cap. 17A)

6.4 Whether the compulsory sale applicant has taken reasonable steps for acquisition

The Lands Tribunal shall not make an order for sale unless, after hearing the objections (if any) of the minority owners, it is satisfied that the compulsory sale applicant has taken reasonable steps to acquire all the undivided shares in the lot¹⁵ the subject of the compulsory sale application (including, in the case of a minority owner whose whereabouts are known, negotiating for the purchase of such of those shares as are owned by that minority owner on terms that are fair and reasonable) (the criteria in paragraph 6.3 above should also be met).

(Sections 4(2)(b) and 4(2C) of the Ordinance)

¹⁵Except for the lot that is wholly owned by the compulsory sale applicant.

6.5 Property valuation

6.5.1 Determination of valuation

If a minority owner disputes the valuation of a property, the Lands Tribunal shall conduct a hearing and determine the dispute. In the case of any minority owner who cannot be found, the compulsory sale applicant is also required to satisfy the Lands Tribunal that the valuation of the minority owner's property is fair and reasonable.

(Section 4(1)(a) of the Ordinance)

6.5.2 Valuations which may be involved

In short, the valuations which may be involved in a compulsory sale case include—

- (a) the joint redevelopment value (“RDV”) of all the lots in the compulsory sale application, for the purpose of setting the reserve price in auction; and
- (b) the existing use value (“EUV”) of each property in the compulsory sale application and the “individual RDV” of each individual lot, for the purpose of determining the proportion of apportionment of the sale proceeds arising from the auction.

The details are as follows—

6.5.2.1 Compulsory sale applications involving one single lot

For compulsory sale applications involving one single lot, the compulsory sale proceedings generally involve the following valuations—

- (a) the RDV assessed on a date directed by the Lands Tribunal and reflecting the redevelopment potential of the lot the subject of the compulsory sale application on its own (see paragraph 6.5.4 below), for the purpose of setting the reserve price for auction under the order for sale; and
- (b) the EUV of each property on the lot the subject of the compulsory sale application assessed within 3 months prior to the date of filing of the compulsory sale application (see paragraph 6.5.3 below), for the purpose of determining the proportion of apportionment among individual properties the sale proceeds arising from the sale of the lot the subject of an order for sale.

6.5.2.2 Compulsory sale applications involving two or more lots

For compulsory sale applications involving two or more lots, the compulsory sale proceedings generally involve the following valuations—

- (a) the joint RDV assessed on a date directed by the Lands Tribunal and reflecting the joint redevelopment potential of all the lots in the compulsory sale application on their own (see paragraph 6.5.4 below), for the purpose of setting the auction reserve price under an order for sale;
- (b) the following values assessed within 3 months prior to the date of filing of the compulsory sale application, for the purpose of determining the proportion of apportionment among individual lots the sale proceeds arising from the sale of the lots the subject of an order for sale—
 - (i) for a single lot in the compulsory sale application governed by a DMC which only governs that particular lot — the individual RDV of the lot; and
 - (ii) for two or more lots in the compulsory sale application governed by a single DMC — the joint RDV of the lots; and
- (c) the EUV of each property on the lots the subject of the compulsory sale application assessed within 3 months prior to the date of the compulsory sale application (see paragraph 6.5.3 below), for the purpose of determining the proportion of apportionment among individual properties the sale proceeds arising from the sale of the lots the subject of an order for sale.

For more details on apportionment of sale proceeds, please refer to paragraph 8 below.

6.5.3 EUV of a unit

When a compulsory sale applicant makes an application to the Lands Tribunal, he/she is required to include with the application a valuation report as specified in Part 1A of Schedule 1 to the Ordinance and prepared not earlier than 3 months before the date on which the application is filed. The valuation report shall set out (including but not limited to) the assessed market value of each property on the lot (which is not wholly owned by him/her) in the compulsory sale application without taking into account the redevelopment potential, i.e. EUV of each of the property.

A minority owner is entitled to oppose the compulsory sale application (including but not limited to disputes on valuation) within 21 days upon receipt of a copy of the “notice of application”, and the Lands Tribunal shall hear and determine the dispute(s) concerned. Should the Lands Tribunal subsequently decide to make an order for sale in respect of the compulsory sale application, it shall at the same time determine the reserve price for the auction of the lot concerned. For details about how to raise objections, please refer to paragraph 5.1 above.

(Section 3(1)(a) and Part 1A of the Schedule to the Ordinance; and section 78C of Cap. 17A)

6.5.4 Reserve price for auction

If an order for sale is made in respect of a compulsory sale application, the reserve price for the auction will be the RDV which takes into account the redevelopment potential of the lot(s) covered in the order for sale. If the order for sale covers one single lot, the reserve price for the auction shall be the RDV of that lot. If the order for sale covers two or more lots, the reserve price for the auction shall be the joint RDV which reflects the joint redevelopment potential of all the lots covered in the order for sale.

In this connection, both of the compulsory sale applicant and the minority owners may, on a date directed by the Lands Tribunal (usually a date prior to the trial), file a valuation report on the RDV and/or the joint RDV of the relevant lot(s) for reference by the Lands Tribunal. When determining the reserve price for auction of the lot(s), the Lands Tribunal will examine the valuations reports as provided by the compulsory sale applicant and the minority owners.

(Section 2 of Schedule 2 to the Ordinance)

7 Court decision and order for sale

7.1 Lands Tribunal's determination on a compulsory sale application

7.1.1 Determination

Upon determination of the matters mentioned in paragraph 6 above, the Lands Tribunal may make an order that all the undivided shares in the lot be sold (i.e. making an order for sale), or refuse to make such an order.

(Section 4(1)(b) of the Ordinance)

7.1.2 Sale by public auction usually

If the Lands Tribunal makes an order for sale for a compulsory sale application, the lot shall generally be sold by public auction. The lot may be sold by other means, so long as the whereabouts of each minority owner of the lot(s) in the order for sale are known, written consent has been given by each minority owner and the compulsory sale applicant, and approval has been granted by the Lands Tribunal in its absolute discretion (subject to such conditions as may be specified).

(Section 5(1) of the Ordinance)

7.1.3 Appointment of trustees

If the Lands Tribunal makes an order for sale, it shall appoint in the order for sale trustees satisfactory to the Lands Tribunal nominated by the compulsory sale applicant to discharge the duties imposed on trustees under the Ordinance in relation to the lot, and authorise the trustees to charge such remuneration for their services as trustees as the Lands Tribunal thinks fit and specified in the order.

(Sections 4(1)(c) and 4(11) of the Ordinance)

7.1.4 Service of the order for sale

If the Lands Tribunal makes an order for sale, the compulsory sale applicant shall cause a copy of the order for sale to be served on each minority owner of the lot; a copy of the order for sale to be served on the Director of Lands; and a notice of auction¹⁶ to be published in not less than one Chinese language newspaper and in not less than one English language newspaper in Hong Kong.

(Sections 4(4) and 4(5) of the Ordinance)

7.1.5 Deadline of sale

Where the lot the subject of an order for sale is not sold within the 3 months (or within such further period of 3 months as the Lands Tribunal may specify in directions given on application made to it by the trustees, the compulsory sale applicant or the minority owner) immediately following the date on which the order for sale is made, then that order shall immediately be deemed to be of no effect. The deadline of sale counts with the date of completion of the transaction instead of the date of auction.

(Section 5(4) of the Ordinance)

7.1.6 Other situations in which an order for sale is deemed to be of no effect

Where at any time before there is a purchaser of the lot the subject of an order for sale, if the whereabouts of each minority owner of the lot are known, the trustees receive notices from each owner of the lot (including the compulsory sale applicant and the minority owners), expressly stating that they each do not want the lot to be sold, then the order shall immediately be deemed to be of no effect as if it had been cancelled by the Lands Tribunal.

(Section 5(2) of the Ordinance)

¹⁶Or other means of sale mentioned in paragraph 7.1.2 above.

7.2 Lots sold in compulsory sale must be redeveloped

7.2.1 Deadline for redevelopment

Lots successfully sold under an order for sale have the following deadlines for redevelopment—

Order for sale	Deadline for redevelopment of the lot(s)
Order for sale covering one single lot	6 years
Order for sale covering two or more lots	7 years

The purchaser of lot or his/her successor in title must, within the aforesaid period from the date on which the purchaser became the owner of the lot, redevelop the lot and complete the redevelopment by making the lot fit for occupation. Generally speaking, “fit for occupation” means the redevelopment of the lot is issued with an “occupation permit” under the Buildings Ordinance. The Lands Tribunal may allow extension of such period on application by the owner of the lot.

(Section 1 of Schedule 3 to the Ordinance)

7.2.2 New lot created through lot extension or in-situ land exchange

For a lot successfully sold under an order for sale (hereinafter referred to as the “original lot”), if the purchaser of the lot or his/her successor in title is granted by the Government a new lot through lot extension or in-situ land exchange applications, the redevelopment deadline of the original lot will be applicable to the new lot.

For new lots granted by the Government through lot extensions or in-situ land exchanges, if they cover two or more lots which are sold under different orders for sale, the redevelopment deadlines of their original lots may be different. Under such circumstances, the redevelopment deadline of the new lot will be the earliest end date of the redevelopment deadlines of the original lots.

(Sections 2 and 3 of Schedule 3 to the Ordinance)

7.2.3 Consequences of non-compliance of the redevelopment deadline

Pursuant to the Ordinance, the aforesaid redevelopment deadline shall be deemed to be a condition of the Government lease of the lot the subject of an order for sale. A breach of such a condition shall entitle the Government to re-enter the lot under and in accordance with the provisions of the Government Rights (Re-entry and Vesting Remedies) Ordinance (Cap. 126).

(Section 9 of the Ordinance)

7.3 Joint redevelopment of lots

If an order for sale made by the Lands Tribunal in respect of a compulsory sale application involves “adjoining lots”, “mixed lots” or “additional lots” and the lots are successfully sold, all the lots in the order for sale must be redeveloped in such a way that the lots form one site or part of one site (i.e. the “one site” requirement), and the redevelopment of all these lots must also be included in one set of building plans for submission to the Buildings Department for approvals in accordance with the Buildings Ordinance (i.e. the “one building plan” requirement).

Even if a new lot is subsequently granted by the Government through lot extension or in-situ land exchange in respect of these lots, the “one site” and “one building plan” requirements mentioned above will also be applicable to the new lot (but only to the extent of the land that was included under the lot the subject of the order for sale).

(Section 4C of the Ordinance)

8 Apportionment of sale proceeds

8.1 Apportionment of sale proceeds for compulsory sale applications involving one single lot

If an order for sale for a compulsory sale application covering one single lot is made by the Lands Tribunal, the reserve price for auction in respect of the compulsory sale is the RDV that takes into account the redevelopment potential of the lot on its own. The sale proceeds from the auction are to be apportioned among all properties on the lot on a pro-rata basis based on the EUV of each property in the lot.

(Section 1 of Part 3 of Schedule 1 to the Ordinance)

Example (29)

Order for sale involving one single lot

(apportionment on a pro-rata basis according to the EUV of each property in the lot)

Assumption 1: The RDV of the lot is \$120M

Assumption 2: The EUV of each property in the lot the subject of the order for sale are as follows-

Unit 3A	\$10M	Unit 3B	\$10M	} Total \$50M
Unit 2A	\$8M	Unit 2B	\$13M	
Unit 1A	\$5M	Unit 1B	\$4M	

Assumption 3: The lot is sold in auction at the reserve price

Sale proceeds apportioned to Unit 1A of the lot
 $= \$120M \times (\$5M \div \$50M)$
 $= \$12M$

8.2 Apportionment of sale proceeds for compulsory sale applications involving 2 or more lots

If an order for sale for a compulsory sale application covering 2 or more lots is made by the Lands Tribunal, the reserve price for auction in respect of the compulsory sale is the RDV that takes into account the joint redevelopment potential of all the lots on their own. The sale proceeds from the auction are to be apportioned in 2 stages by the following ways (i.e. the “two-stage apportionment method”)—

8.2.1 Stage one apportionment (for determination of the proceeds that can be apportioned to each lot in the compulsory sale application)

To apportion the sale proceeds (i.e. the proceeds arising from the auction for which the reserve price is determined based on the joint RDV of the joint redevelopment of all the lots the subject of the order for sale) to each of the relevant lots on a pro-rata basis based on the individual RDV of each of the lots (i.e. the “individual RDV”); and

For a lot governed by a DMC covering that lot only, the sale proceeds are to be apportioned among all the lots the subject of the order for sale on a pro-rata basis based on the RDV of the lot; for 2 or more lots governed by a single DMC, the sale proceeds are to be apportioned among all the lots the subject of the order for sale on a pro-rata basis based on the joint RDV of the lots.

(Sections 2(a) and (c) of Part 3 of Schedule 1 to the Ordinance)

8.2.2 Stage two apportionment (for determination of the proceeds that can be apportioned to each individual properties on each of the lots in the compulsory sale application)

To apportion the apportioned sale proceeds of each lot in the first stage among individual properties on the lot on a pro-rata basis based on the EUV of the individual properties on the lot concerned.

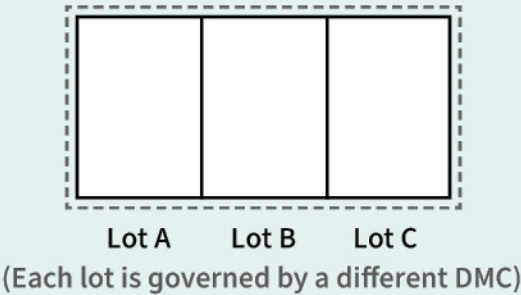
(Sections 2(b) and (c) of Part 3 of Schedule 1 to the Ordinance)

Example (30)

Each lot in the application is governed by a different DMC

Stage one apportionment

(for determination of the proceeds that can be apportioned to each lot in the compulsory sale application)



Assumption 1: The DMC of Lot A governs Lot A only
The DMC of Lot B governs Lot B only
The DMC of Lot C governs Lot C only

Assumption 2: The individual RDV of Lot A is \$100M
The individual RDV of Lot B is \$200M
The individual RDV of Lot C is \$200M
The joint RDV of Lots A, B and C is \$600M

Total \$500M

Assumption 3: The lots are sold in auction at the reserve price

The sale proceeds apportioned to Lot A is
= \$600M x (\$100M ÷ \$500M)
= \$120M

Stage two apportionment

(for the proceeds apportioned to each of the lots, further apportionment on a pro-rata basis according to the EUV of each individual property)

Assumption: The EUV of each property in Lot A are as follows-

Unit 3A	\$13M	Unit 3B	\$12M	} Total \$60M
Unit 2A	\$9M	Unit 2B	\$10M	
Unit 1A	\$8M	Unit 1B	\$8M	

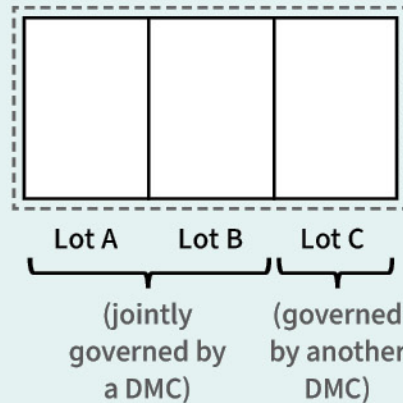
Sale proceeds apportioned to Unit 1A of Lot A
= \$120M x (\$8M ÷ \$60M)
= \$16M

Example (31)

Some lots in the application are governed by the same DMC

Stage one apportionment

(for determination of the proceeds that can be apportioned to each lot in the compulsory sale application)



Assumption 1: Lots A and B are jointly governed by a single DMC
The DMC of Lot C governs Lot C only

Assumption 2: The joint RDV of Lots A and B is \$40M
The individual RDV of Lot C is \$20M } Total \$60M
The joint RDV of Lots A, B and C is \$80M

Assumption 3: The lots are sold in auction at the reserve price

The sale proceeds apportioned to Lots A and B jointly
= \$80M x (\$40M ÷ \$60M)
= \$53.33M

Stage two apportionment

(for the proceeds apportioned to each of the lots, further apportionment on a pro-rata basis according to the EUV of each individual property)

Assumption: There is a building on Lots A and B, and the EUV of each property in the building are as follows-

Unit 3A	\$8M	Unit 3B	\$7M	} Total \$30M
Unit 2A	\$4M	Unit 2B	\$5M	
Unit 1A	\$3M	Unit 1B	\$3M	

Sale proceeds apportioned to Unit 1A of Lots A and B
= \$53.33M x (\$3M ÷ \$30M)
= \$5.33M

8.3 Costs or expenses to be deducted from sale proceeds

If a lot the subject of an order for sale is successfully sold at the action, the sale proceeds are to be paid to the compulsory sale applicant and the minority owners, after the deduction of—

- (1) expenses of the auction to be apportioned on a pro-rata basis (where there is no purchaser, the compulsory sale applicant shall bear all the expenses of the auction);
- (2) legal costs incurred to the assignor in respect of the assignment for the sale of the properties concerned;
- (3) any fees that are payable but outstanding in the discharge of any liability due to the Government in respect of the lot, e.g. outstanding government rent, and the costs arising from the failure to carry out the maintenance works as required by the repair orders issued by the Buildings Department;
- (4) any costs incurred in the discharge of any incumbrance affecting the lot, e.g. the costs incurred in the discharge of home mortgage loans;
- (5) any compensation payable to the tenant concerned; and
- (6) the amount payable to the purchaser of the lot by any minority owner who is an owner-occupier and chooses to continue to occupy his/her former property for a period not exceeding 6 months after compulsory sale (please refer to paragraph 9 below).

(Sections 10(1), 10(2) and 11 of the Ordinance)

9 Minority owners who are “owner-occupiers” may further occupy the property for maximum 6 months after compulsory sale

9.1 “Owner-occupier” and “notice of occupation” (Form 35A in the Schedule to Cap. 17A)

A minority owner loses the title of his/her property on the day the lot is sold under the order for sale. However, the Ordinance allows minority owners who are owner-occupiers to further occupy their former properties for a period of not exceeding 6 months in accordance with the requirements of the Ordinance (please refer to the following paragraph) after compulsory sale so as to allow them time to deal with removal and other matters.

An owner-occupier who wishes to further occupy the relevant property for a period of not exceeding 6 months after compulsory sale shall file with the Lands Tribunal a “notice of occupation” (i.e. Form 35A in the Schedule to Cap. 17A) before the date on which the Lands Tribunal makes an order for sale for the lot, and serve a copy thereof on the compulsory sale applicant within 3 days after the date on which the notice is filed. The owner-occupier shall satisfy the Lands Tribunal that he/she has occupied the property concerned for not less than 3 months immediately before the date of the filing of the “notice of occupation”.

(Definition of “owner-occupier” under section 2 of the Ordinance, section 4B(1) of the Ordinance and section 78FA of Cap. 17A)

9.2 Amount payable to the purchaser of the lot

An owner-occupier shall pay to the purchaser of the lot an amount for the further occupation of his/her former property after compulsory sale, and the amount shall be deducted out of the sale proceeds payable to the owner-occupier. The amount is to be calculated by multiplying the period of further occupation after compulsory sale by the rateable value of that property at the date on which the order for sale is made by the Lands Tribunal¹⁷.

The owner-occupier shall deliver up to the purchaser of the lot vacant possession of the property immediately on the expiry of the period of occupation. The trustees would not pay more than 95% of the sale proceeds to the owner-occupier before the owner-occupier has delivered up vacant possession of the property. In other words, should the owner-occupier chooses to file a “notice of occupation” for further occupation of his/her former property after compulsory sale, he/she can only receive at the most 95% of the apportioned sale proceeds after deduction of other costs and expenses before he/she has delivered up vacant possession of the property to the purchaser of the lot. Not until the owner-occupier has delivered up vacant possession of the property to the purchaser of the lot can he/she receive the residue of the sale proceeds.

(Sections 4B(2), 4B(3), 4B(4), 11(2)(c)(iii) and 11(4A) of the Ordinance)

¹⁷Where the property is a tenement that was not included in the valuation list in force under section 14 of the Rating Ordinance (Cap. 116) at the date on which the order for sale for the lot is made by the Lands Tribunal, the owner-occupier shall pay to the purchaser of the lot an amount being the market rent of the property as shown in a valuation made by a professional surveyor in accordance with section 4B(4)(b) of the Ordinance.

10 Review and appeal

10.1 Review

Any party to the proceedings in a compulsory sale case (i.e. the compulsory sale applicant or the minority owners) may apply for a review of the decision made by the Lands Tribunal, including matters such as valuation.

The Lands Tribunal may, within one month from the date of its decision, decide to review that decision and, on such grounds as it may think sufficient, set aside, reverse, vary or confirm it. The party making the application for review must file with the Registrar of the Lands Tribunal an application for review and the supporting affidavit or affirmation (stating all the grounds of the review), and serve the same on all the other interested parties not less than 5 working days (excluding Saturdays) before the end of the aforesaid one-month period.

The application for a review must be made in accordance with the detailed requirements of the Lands Tribunal Ordinance (Cap. 17), Cap. 17A, and the Direction Issued by the President of the Lands Tribunal LTPD: Review No. 1/2009.

10.2 Appeal

Any party to the proceedings in a compulsory sale case (i.e. the compulsory sale applicant or the minority owners) may appeal to the Court of Appeal against a judgment, order or decision of the Lands Tribunal on the ground that such judgment, order or decision is erroneous in point of law. Thus, no appeal will be entertained if it concerns with factual issues only. A party wishing to lodge an appeal to the Court of Appeal must apply to the Presiding Officer or Member of the Lands Tribunal for leave to appeal first.

If the judgement, order or decision to be appealed from is not an interlocutory one, the application to the Lands Tribunal for leave to appeal must be made within 28 days from the date of the judgement, order or decision in respect of which leave to appeal is sought. If the appeal is in respect of an interlocutory judgement, order or decision, the application to the Lands Tribunal for leave to appeal must be made within 14 days from the date of the interlocutory judgement, order or decision. Where the Lands Tribunal refuses the application, a further application for leave to appeal may be made to the Court of Appeal within 14 days from the date of refusal.

The application for leave to appeal must be made in accordance with the detailed requirements of the Lands Tribunal Ordinance and Cap. 17A.

11 Tenancies affected by compulsory sale

11.1 Termination of tenancies

Where the Lands Tribunal makes an order for sale, it may give a direction to terminate the tenancies in relation to any property on the lot. If the lot is successfully sold under an order for sale, then, in accordance with such conditions as the Lands Tribunal specifies in the direction, any lease entered into before the purchaser of the lot became the owner of the lot shall be immediately terminated upon the day on which the purchaser of the lot becomes the owner of the lot. The purchaser of the lot, shall, not later than 14 days after the day on which he/she becomes the owner of the lot, inform the relevant tenant that the tenancy has been terminated.

(Sections 4(6)(a)(ii), 8(1)(b)(i) and 8(2) of the Ordinance)

11.2 Protection for tenants

The Lands Tribunal may order that compensation be paid to a tenant for termination of the tenancy as mentioned above¹⁸, and such compensation may be paid out of the sale proceeds held by the trustees.

Although any tenancy will be terminated immediately upon the day on which the purchaser of the lot becomes the owner of the lot, the Ordinance allows the tenant to further occupy the property leased to him/her for a period of not exceeding 6 months. When determining any compensation payable to the tenant due to termination of any tenancy, the Lands Tribunal may consider deducting the benefit of the tenant in respect of the further occupation of maximum 6 months in the concerned property (if any).

(Sections 4(6), 8(1), 8(3), 8(4), 8(5) and 11(2)(c) of the Ordinance)

¹⁸For leases which are entered into on or after the day the order for sale of the lot is made, no compensation under the Ordinance shall be paid to the tenants of such leases.

12 Statutory protection for minority owners affected by compulsory sale

The major protections for minority owners under the Ordinance are as follows—

Major protections for minority owners under the Ordinance	Details
(1) Minority owners' right to raise disputes	Please refer to paragraph 5 above
(2) The Lands Tribunal shall not make an order for sale unless it is satisfied that the redevelopment of the building on the lot is justified due to its "age" or "state of repair" ¹⁹ and that the compulsory sale applicant has taken reasonable steps for acquisition.	Please refer to paragraphs 6.3 and 6.4 above
(3) After compulsory sale, minority owners may share the RDV of their properties. In this connection, the Lands Tribunal will play a gatekeeping role in relation to the reserve price for auction and the proportion of apportionment of sale proceeds.	Please refer to paragraphs 6.5 and 8 above
(4) After compulsory sale, owner-occupiers may, subject to payment of an amount, choose to continue to occupy their former properties for a period of not exceeding 6 months in order to deal with removal and other matters.	Please refer to paragraph 9 above
(5) Minority owners' right to apply for a review and appeal.	Please refer to paragraph 10 above

¹⁹Except for compulsory sale cases where "notice of no objection" has been filed in accordance with the requirements stated in paragraph 5.2 above.

13 Administrative support measures for minority owners provided by the Government

13.1 Overview

To strike a balance between expediting the redevelopment of old buildings and protecting the interests of property owners, the DEVB set up in late August 2024 the “Dedicated Office of Support Services for Minority Owners under Compulsory Sale” (hereinafter referred to as the “DOSS”) responsible for coordinating the provision of more comprehensive administrative support services for minority owners affected by compulsory sale. In this connection, the DOSS commissions and steers the SMOCS to provide one-stop, more comprehensive and effective support services for minority owners at different stages of compulsory sale applications.

The SMOCS was set up by the Urban Renewal Authority (hereinafter referred to as the “URA”), but its operation is entirely independent of the URA and it is only accountable to the DOSS of the DEVB. The SMOCS commenced operation on 27 August 2024. The SMOCS will, in collaboration with the designated non-governmental organisation(s) and relevant professional organisations / professionals (such as lawyers, surveyors, social workers and mediators), step up publicity and public education at the district level to enhance the understanding of the public, minority owners of old buildings and those affected by compulsory sale applications on private property acquisition activities and the compulsory sale application mechanism. The SMOCS will also provide minority owners affected by compulsory sale applications with a series of support services such as preliminary professional advisory service, assistance in mediation, referrals to legal and related professional services, subsidies for obtaining independent valuation reports on properties and lots, emotional counselling, and assistance for searching alternative accommodation, etc.

13.2 Contacts of the SMOCS

 Hotline:	2156 8050
 Fax:	2156 8055
 Website:	https://smocs.hk/en/home/index.html
 E-mail:	inquiry@smocs.hk
 Address:	Unit D, 6/F, 777-783 Yu Chau West Street, Cheung Sha Wan, Kowloon (please make an appointment before visiting the SMOCS) (about 10-minute walk from Exit B1 of Lai Chi Kok MTR Station)
 Service hours:	Monday to Friday 9:00 am to 1:00 pm & 2:00 pm to 6:00 pm (Closed on Saturdays, Sundays and Public Holidays)

14 List of abbreviations

Cap. 17A	—	Lands Tribunal Rules (Cap. 17A)
common staircase	—	a staircase intended for common use by the occupiers of different buildings
compulsory sale applicant	—	majority owner
DEVB	—	the Development Bureau
DMC	—	deed of mutual covenant
DOSS	—	Dedicated Office of Support Services for Minority Owners under Compulsory Sale
EUV	—	existing use value
M	—	million
minority owner	—	respondent in a compulsory sale case
original lot	—	a lot successfully sold under an order for sale
ownership percentage	—	percentage of undivided shares
RDV	—	redevelopment value
SMOCS	—	Support Service Centre for Minority Owners under Compulsory Sale
specified class of lots	—	class of lots specified in section 4 of the Notice
the Government	—	Government of the Hong Kong Special Administrative Region
the Notice	—	Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice (Cap. 545A)
the Ordinance	—	Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545)
URA	—	Urban Renewal Authority

Ways to obtain the seven “outline zoning plans” of specific plan numbers in relation to the coverage of the seven “designated areas” under the Notice

◆ *Free online access*

Webpage of the SMOCS






 Website: <https://smocs.hk/en/home/index.html>

◆ *Free viewing of hard copies*

(1) SMOCS

-  Address: Unit D, 6/F, 777-783 Yu Chau West Street, Cheung Sha Wan, Kowloon
(please make an appointment before visiting the SMOCS)
(about 10-minute walk from Exit B1 of Lai Chi Kok MTR Station)
-  Telephone: 2156 8050
-  Opening hours: Monday to Friday
9:00 am to 1:00 pm & 2:00 pm to 6:00 pm
(Closed on Saturdays, Sundays and Public Holidays)

(2) The Planning Department's two Planning Enquiry Counters

-  Address: 17/F, North Point Government Offices, 333 Java Road, North Point, Hong Kong; and
14/F, Sha Tin Government Offices, 1 Sheung Wo Che Road, Sha Tin, New Territories
-  Telephone: 2231 5000
-  E-mail: enquire@pland.gov.hk
-  Website: https://www.pland.gov.hk/pland_en/about_us/contact_us/index.html
-  Opening hours: Monday to Thursday from 9:00 am to 5:30 pm &
Friday from 9:00 am to 6:00 pm
(Closed on Saturdays, Sundays and Public Holidays)

◆ *Hard copies for sale*

The Lands Department's two Map Sales Outlets

🌐 Website: <https://www.landsd.gov.hk/en/about-us/sales-outlets.html>

(1) Map Publications Centre, Hong Kong

📍 Address: 6/F, North Point Government Offices, 333 Java Road, North Point, Hong Kong
📞 Telephone: 2231 3187
✉ E-mail: smosale1@landsd.gov.hk
🕒 Opening hours: Monday to Friday from 9:00 am to 5:30 pm
(Closed on Saturdays, Sundays and Public Holidays)

(2) District Survey Office, Yuen Long

📍 Address: 2 Yuen Ching Road, Yuen Long, New Territories
✉ E-mail: slsyl@landsd.gov.hk
🕒 Opening hours: Monday to Friday
from 8:45 am to 12:30 pm & 1:30 pm to 5:00 pm
(Closed on Saturdays, Sundays and Public Holidays)

Notes

