

Principles Adopted by the Urban Renewal Authority in Property Acquisition of Industrial Properties (Applicable to Project KC-019 at To Kwa Wan Road / Ma Tau Kok Road only)

This pamphlet briefly outlines the principles adopted by the Urban Renewal Authority (“URA”) in the acquisition of industrial properties affected by URA’s redevelopment project, To Kwa Wan Road / Ma Tau Kok Road Development Scheme (KC-019) (the “Project”).

Industrial Properties

1. URA will offer an owner of an industrial property within the Project the market value of the affected industrial property (assessed on vacant possession basis) and an ex-gratia allowance. The amount of the allowance for tenanted or vacant industrial property is equivalent to 10% of its market value (assessed on vacant possession basis). In addition, URA will offer an Allowance for Vacant Property (“AVP”) at 2 times the amount of the Rateable Value of the affected industrial property to the owner who has (i) left the affected industrial property vacant on the first day of the freezing survey conducted for the Project (“FS Date”) and thereafter; (ii) accepted URA’s initial acquisition offer within the validity period of the offer; and (iii) sold the affected industrial property with vacant possession to URA. The amount of allowance for owner-occupied industrial property is equivalent to 35% of its market value (assessed on vacant possession basis)¹. “Owner-occupier” here means an owner who occupies and operates his/her business in the affected industrial property.
2. In addition to the allowance described in Paragraph 1 above, an additional payment of the Ex-gratia Business Allowance (“EGBA”) is payable to an owner-occupier of an industrial property who had commenced occupying the industrial property for business use before the FS Date and have accepted the initial acquisition offer from URA both unconditionally and within the validity period of the offer. The amount of EGBA is directly proportional to the number of years of continuous operation by the owner-occupier as business owner in the affected industrial property. In calculating the total number of years of continuous operation, the last date of the continuous operation is set at 2 years from the date on which URA issues initial acquisition offer to the property owner. The amount of EGBA is payable at a rate of 0.1 times the Rateable Value for each year that the owner-occupier has operated the business as the business owner in the industrial property concerned, subject to a maximum of 30 years. For an incomplete year, the amount of EGBA is calculated on a pro-rata basis to the nearest month. The amount of EGBA is subject to a maximum amount of \$700,000 and the minimum amount as described in the table below:

¹ If 35% of its market value (assessed on vacant possession basis) is lower than the sum of 10% of its market value (assessed on vacant possession basis) and an ex-gratia allowance equivalent to 2 times the prevailing ex-gratia allowance adopted by the Government for legal industrial occupiers upon resumption (“GEGA”), the latter shall prevail for the calculation of the amount of allowance for owner-occupied industrial property. The calculation of GEGA above is based on the prevailing ex-gratia allowance basic rate per square meter adopted by the Lands Department for legal industrial occupiers multiplied by the saleable area of the affected property.

Continuous Operation for	Minimum Amount of EGBA
(a) 10 years or less	HK\$110,000 (effective from 1 April 2025 and subject to annual review)
(b) More than 10 years (maximum 30 years)	The minimum amount for (a) above plus an additional HK\$10,000 for each completed year after 10 years.

In applying for EGBA, an owner-occupier is required to substantiate the period of continuous operation in the industrial property as business owner. The owner-occupier may choose to claim for severance payments payable to his/her employees under the Employment Ordinance (Chapter 57) as an alternative to EGBA.

3. URA will also offer Incidental Cost Allowance (“ICA”) to owners of industrial property to assist their payment of expenditure relating to the purchase of a non-domestic replacement property and the legal cost incurred in the sale of the affected industrial properties to URA. The amount of ICA payable is 5% of the market value (assessed on vacant possession basis) of the affected industrial property. Payment of the ICA is subject to the condition that the owner must have acquired the affected industrial property before FS Date, and accepted the initial acquisition offer of URA within the validity period.
4. If the amount of necessary and reasonable expenses actually incurred by the owner in selling the affected industrial property to URA, namely (i) legal cost incurred by selling the affected industrial property to URA and (ii) stamp duty, agency fee and legal cost incurred in purchasing a non-domestic replacement property, exceeds the amount of ICA offered by URA, the owner may be reimbursed with the difference (“the Expense for Non-domestic Property”). In submitting a claim for reimbursement of the Expense for Non-domestic Property, the owner may choose to submit “One-to-One” or “Split” or “Combined” claim for the reimbursement of the Expense for purchasing Non-domestic Property according to the number of industrial property(ies) he/she sold to URA and the number of non-domestic replacement property(ies) (Please see **Appendix I** for examples) subject to the following eligibility criteria:
 - (1) The owner must have acquired the affected industrial property before FS Date;
 - (2) The owner must have accepted the initial acquisition offer of URA within the validity period of the offer;
 - (3) The reimbursement claim must be made within 12 months from the date of the assignment of the affected industrial property sold to URA, and the reimbursable amount must be the actual expenses already paid by the owner within 12 months after the industrial property is sold to URA. If the owner sells more than one industrial property to URA and chooses to make one single claim for the reimbursement of the Expense for Non-domestic Property against more than one such industrial property, the date of the assignment of the last industrial property sold to URA shall be adopted as the date of commencement of the said 12-month period to make the claim;
 - (4) The non-domestic replacement property must be located in Hong Kong Special Administrative Region and must be purchased after the date of issuance of initial acquisition offer by URA; and

- (5) The owner should be the sole registered owner or one of the registered owners of the non-domestic replacement property, and his/her interest in the non-domestic replacement property must be recorded in the land register.
5. In general, the principles in assessing the reimbursable amount of the Expense for Non-domestic Property as described in Paragraph 4 above are:
 - (1) The reimbursable amount for stamp duty shall be calculated at Scale 2 rates of the ad valorem stamp duty payable for a non-domestic replacement property;
 - (2) The reimbursable amount for real estate agency fee should follow the general market practices but not exceed 1% of the purchase price of the non-domestic replacement property;
 - (3) The reimbursable amounts in both items (1) and (2) of paragraph 5 above will be subject to a ceiling to be calculated on the basis of a non-domestic replacement property with a purchase price of 110% of the market value of the industrial property sold to URA as stipulated in the initial acquisition offer of URA;
 - (4) For the avoidance of doubt, if the owner chooses to make one single claim for the reimbursement of the Expense for Non-domestic Property against more than one industrial property sold to URA, the basis for calculating the ceiling of items (1) and (2) of paragraph 5 above shall be the aggregate of the ceiling of each individual property sold to URA;
 - (5) The number of non-domestic replacement property(ies) used in making a claim for reimbursement of legal cost in an application shall not exceed the number of industrial property(ies) sold to URA in the same application;
 - (6) URA will only reimburse the Expense for Non-domestic Property which is reasonable, absolutely necessary and actually paid by the owner in relation to the expenses described above;
 - (7) The owner should provide sufficient documentary evidence for the expenses submitted with the reimbursement claim; and
 - (8) URA will consider each reimbursement claim on its own merits, and URA has the sole discretion in determining the amount of the Expenses for Non-domestic Property reimbursable (whether in whole or in part) in each case.
6. An owner-occupier may choose to claim for business loss as an alternative to all the above-mentioned allowances for an industrial property.
7. If the existing use of the affected industrial property does not comply with the permitted use under the Government lease², and the affected owner fails to provide evidence of the affected industrial property permitted for the existing use, the allowances (other than ICA and EGBA) to the affected owners or the business loss amount (if the owner-occupier opted to claim for business loss in lieu of all the allowances) will be reduced by 10%. In case of any dispute in relation to the compliance with the permitted use by the Government, the decision of URA shall be final.

² The permitted user of the lot of the Project under the Government lease is "Industrial".

Car-parking Space or External Wall Interest

8. An owner of a car-parking space or external wall interest will receive the market value of the car-parking space or external wall interest (assessed on vacant possession basis) plus:
 - (1) an ex-gratia allowance equivalent to 10% of its market value (assessed on vacant possession basis); and
 - (2) an ex-gratia allowance equivalent to the Rateable Value of the car-parking space or external wall interest if the car-parking space or external wall interest is used by the owner.
9. If an owner accepts the initial acquisition offer of URA within the validity period, he/she will also receive an ICA at 5% of the market value (assessed on vacant possession basis) of the affected car-parking space or external wall interest. If the amount of necessary and reasonable expenses actually incurred by the owners exceeds the amount of ICA offered by URA, i.e. (i) the legal cost necessarily incurred in selling the car-parking space or external wall interest to URA and purchasing a replacement property; and (ii) the stamp duty and agency fee necessarily incurred in purchasing a replacement property, the owner may claim for reimbursement of the difference in accordance with the same criteria and principles described in Paragraphs 4 to 5 above but the replacement property must be a car-parking space or an external wall interest accordingly.

Other General Rules

10. Calculation of the market value of a property is based on the saleable area of the property. The definition of saleable area shall follow the Code of Measuring Practice issued in March 1999 and the Supplement to the Code of Measuring Practice issued in July 2014 by the Hong Kong Institute of Surveyors. Subject always to the owner having good title to the property or any part thereof, area calculations may be based on the boundary of the property as delineated on the assignment plan and the area as measured from the latest relevant building plans approved by the Buildings Department (if any).
11. URA will provide an allowance to the owner, who has employed a professionally qualified surveyor to assess the market value of the affected property (which shall not include any allowance), as a subsidy for the owner's payment of the surveyor's fees for the relevant services. Please refer to the pamphlet of "Allowance for Surveyor's Fees" for details of the arrangement.
12. If an owner only purchased the affected property in the Project on/after the FS Date, URA will not pay to such owner any of the above-mentioned allowances (including EGBA, AVP, ICA or any allowances) applicable to industrial property, car-parking space and external wall interest. In general, URA will only pay an allowance equivalent to the Rateable Value of the affected industrial property, car-parking space or external wall interest to the owner, plus:

- (1) an allowance equivalent to the prevailing ex-gratia allowance adopted by the Government for legal industrial occupiers upon resumption if the industrial property is used by the owner; its calculation is based on the prevailing ex-gratia allowance basic rate per square meter adopted by the Lands Department for legal industrial occupiers multiplied by the saleable area of the affected property; or
 - (2) an allowance equivalent to half of the Rateable Value if the car-parking space / external wall interest is used by the owner.
13. URA will consider acquiring property from a holder of a valid adverse possessory order granted by the Court in favour of him/her. Depending on the circumstances of individual cases, URA may impose appropriate additional requirements to safeguard the interest of URA when acquiring properties with adverse possessory title.
14. URA will not purchase a structure which is not erected in compliance with the Buildings Ordinance or the terms of the Government lease and no value, compensation or allowance will be paid by URA in respect of such structure.
15. If an owner is found to have given false or misleading information to URA, URA reserves the right to revise its offers and/or take legal action against such owner and/or report the matter to relevant enforcement authorities.
16. In line with URA's prevailing principles and practices for property acquisition, URA's acquisition offer is based on the occupancy status of the owner's property on the FS Date and the time of the acquisition offer. One of these principles is that if the owner's property was owner-occupied on the FS Date but is currently let out or no longer owner-occupied at the time of URA's acquisition offer, the owner will only receive allowances applicable for the acquisition of the affected property on a tenanted or vacant basis under normal circumstances.

Important Notes

17. *Particularly, URA would draw the attention to owners whose properties had been tenanted out on the FS Date that URA will not make a higher offer to them to acquire their properties in the following situations:*
 - (1) *the owners have subsequently obtained possession and occupied their properties for their own self-use; or*
 - (2) *the owners have entered into new tenancies, whether with the existing tenants or new tenants; or*
 - (3) *the properties are subsequently left vacant.*
18. *URA would remind owners that it is an offence for a landlord to unlawfully deprive a tenant of occupation of property or to make an unwarranted demand with menaces with a view to gaining for himself/herself or others or to defraud against URA. URA will report to the enforcement authorities on all cases of suspected criminal offences.*




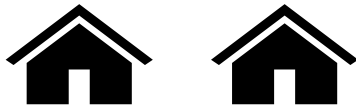
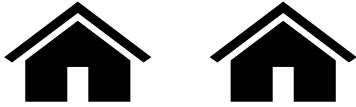

19. According to Social Welfare Department (SWD)'s prevailing policy, the Comprehensive Social Security Assistance (CSSA) Scheme and the Old Age Living Allowance (OALA) of the Social Security Allowance Scheme, are non-contributory social security measures. Applicants are required to go through a means test. The ex-gratia allowance, compensation or cash allowance received by CSSA/OALA applicants/recipients for the property being acquired/resumed by URA for the implementation of redevelopment projects should be disregarded as assets and income for three months from the date of receipt. Thereafter, the unspent amount is treated as savings. CSSA/OALA applicants/recipients are required to report any changes in the circumstances (including the receipt of the aforementioned compensation from URA) immediately to SWD.
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This pamphlet is issued for the purpose of general reference only. The information contained herein is with reference to the principles and practice of the Urban Renewal Authority prevailing at the date of issue of this pamphlet. It shall not constitute any representation on the part of the Urban Renewal Authority or give rise to any expectation whatsoever and shall not be relied on as such. Each case will be considered on its own merits having regard to all factors and circumstances. The terms of acquisition to be offered are subject to the principles and practice of the Urban Renewal Authority prevailing at the time the offer of acquisition is made and are subject to review from time to time as the Urban Renewal Authority shall at its absolute discretion consider appropriate. The Urban Renewal Authority's right to add to, amend or delete the whole or any part of this pamphlet is hereby reserved.

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September 2025

Diagrammatic Examples of Owner's Application for Reimbursement of Expenses

Examples of Application	Number of Affected Industrial Property(ies) Sold to URA	Number of Replacement Non-domestic Property(ies) Purchased by Owner
One-to-One	 <p>Legal Cost of the affected industrial property can be applied for reimbursement</p>	 <p>Stamp Duty, Estate Agency Fee and Legal Cost of the replacement non-domestic property can be applied for reimbursement</p>
Split	 <p>Legal Cost of the affected industrial property can be applied for reimbursement</p>	 <p>Stamp Duty and Estate Agency Fee can be applied for reimbursement for the two replacement non-domestic properties, and Legal Cost can be applied for reimbursement for one of the replacement non-domestic properties</p>
Combined	 <p>Legal Cost of the two affected industrial properties can be applied for reimbursement (so forth and so on)</p>	 <p>Stamp Duty, Estate Agency Fee and Legal Cost of the replacement non-domestic property can be applied for reimbursement</p>

Notes:

1. The reimbursable amounts of stamp duty and estate agency fee will be subject to a ceiling to be calculated on the basis of 110% of the market value of the affected industrial property sold to URA as stipulated in the initial acquisition offer of URA;
2. If the owner chooses to combine the claim for the reimbursement of the expense of more than one sold industrial property under one claim, the basis for calculating the ceiling of stamp duty and estate agency fee in the application shall be the aggregate of the ceiling of each individual industrial property sold to URA;
3. If the owner chooses to combine the claim for the reimbursement of the expense of more than one sold industrial property under one claim, the date of the assignment of the last affected industrial property sold to URA shall be adopted as the date of commencement of the 12-month period to make a claim;
4. The number of replacement non-domestic property(ies) for reimbursement of legal cost in an application shall not exceed the number of industrial property(ies) sold to URA in the same application.