



**Charging Land Premium
at Standard Rates on Lease Modifications
for Redevelopment of Industrial Buildings¹**

This Practice Note (“PN”) sets out the arrangement for charging land premium at standard rates for lease modifications or in-situ land exchanges for redevelopment of industrial buildings (“IB”) on industrial lots². For the purpose of this PN, any reference to a lease modification shall include an in-situ land exchange, where the context so admits or requires. This PN takes immediate effect and supersedes LAO PN Nos. 1/2021 and 1/2021A.

2. To expedite the redevelopment of pre-1987 IBs³ on industrial lots, Lands Department (“LandsD”) will introduce a scheme for lease modification for the redevelopment of industrial lots under which the owner may opt for the premium **to be charged at standard rates** (“the scheme”) as set out below.

3. The scheme is only applicable to lease modification of industrial lots for the redevelopment of pre-1987 IBs for commercial, modern industrial and/or residential uses⁴. For the avoidance of doubt, an application for a lease modification for additional plot ratio pursuant to LandsD Lands Administration Office (“LAO”) PN No. 2/2019 is not a pre-requisite for opting for the premium to be charged at standard rates.

¹ An industrial building refers to a building built for industrial and/or godown use on an industrial lot (see footnote 2 below).

² An industrial lot refers to a lot which, under the terms of its land grant, shall not be used for any purpose other than for industrial or godown purposes or both. For the purpose of this PN, (a) an industrial use includes **special industrial uses** such as leather tanning, garment manufacturing, food production etc., and (b) a lot that does not contain a specific user restriction will also be regarded as an industrial lot. The decision of LandsD as to whether a use under the terms of its land grant amounts to a special industrial use under this PN shall be final and binding on the applicant. For the purpose of this PN, vacant industrial lots which were occupied by pre-1987 IBs (see footnote 3 below) immediately before they became vacant are also eligible for the Option (as referred to in paragraph 4 of this PN) under the scheme (as referred to in paragraph 2 of this PN).

³ A pre-1987 IB refers to an IB which was wholly or partly constructed on or before 1 March 1987, or was constructed in accordance with building plans first submitted to the Building Authority for approval on or before 1 March 1987. For the purpose of this PN, IBs which have completed wholesale conversion under the 2010 or 2018 IB Revitalisation Schemes are not considered as pre-1987 IBs and hence not eligible for the scheme.

⁴ For the avoidance of doubt, the scheme is not applicable to redevelopment for special uses such as columbarium use. The decision of LandsD as to whether a redevelopment is for special uses falling outside the ambit of this PN, and whether a use amounts to commercial, modern industrial or residential use under this PN, shall be final and binding on the applicant.

4. An applicant for the lease modification can continue to choose having the premium to be assessed on the established case-by-case basis. Alternatively, the applicant may **opt** for the premium for the eligible lease modification to be charged at standard rates (“the Option”) under the scheme **not later than** the acceptance of the Provisional Basic Terms Offer (“PBTO”) for the proposed lease modification by completing the Option Form at **Appendix I** (“Option Form”). As the Option is irreversible, no appeal against the premium to be offered pursuant to the scheme under the Binding Basic Terms Offer (“BBTO”) for the proposed lease modification will be provided for or considered. Fees paid for the application will be forfeited if the applicant decides not to proceed with the lease modification.

5. The premium to be charged at standard rates under the scheme is not negotiable. It is the **difference** between the product of A and B **and** the product of C and D **less** E, i.e. premium⁵ = A x B – C x D – E, where –

- (i) **A** is the maximum total gross floor area (“GFA”) after the lease modification as stipulated in lease modification document(s)⁶ to be determined by LandsD at its absolute discretion;
- (ii) **B** is the applicable standard rate as per paragraph 6 below in accordance with the geographical location of the lot(s) under application and the use after the lease modification. In respect of the use after lease modification, it should be noted that residential rates are applicable to all applications not prohibiting private residential use, save for those falling within the zone of “Comprehensive Development Area” or “Other Specified Uses” for commercial-cum-residential uses under Outline Zoning Plan(s) and/or related planning approvals in which case the residential rate is applicable to the GFA not prohibiting private residential use whereas the commercial/modern industrial rate is applicable to the remainder GFA so specified in lease modification documents. For the avoidance of doubt, hotel and hotel ancillary GFA will be treated as commercial use under the scheme;
- (iii) **C** is the GFA of the pre-1987 IB(s) existing on the lot(s) under application or existed immediately before the lot(s) became vacant (collectively “the existing building”) as per the latest building plans of the existing building as approved by the Building Authority (“the approved building plans”), but excluding the GFA of any parking, loading and unloading spaces, plant rooms and other similar facilities not normally accountable for GFA under the Buildings Ordinance and any GFA in the approved building plans which do not comply with the lease conditions. The applicant shall provide a certificate by an Authorized Person (as defined in the Buildings Ordinance) or a Registered Professional Surveyor (as defined in the Surveyors Registration Ordinance) (“the Certificate”) certifying the above GFA. In case the applicant c

⁵ In case the premium as calculated is negative, no premium will be charged.

⁶ In determining the maximum total GFA for the purposes of paragraph 5(i) of this PN, any floor space that is constructed or intended for use solely as a Government Accommodation may be disregarded. If the Net Operation Floor Area (“NOFA”) of the Government Accommodation is stated in the lease modification document, for the purpose of this PN, the conversion ratio of the NOFA to GFA of the Government Accommodation is 1:1.8, e.g. 100m² NOFA = 180m² GFA. For the purposes of paragraph 5(i) of this PN, a Public Vehicle Park is GFA accountable unless specified to be exempted from GFA calculation in the lease modification document. If no maximum total GFA is stipulated in the lease modification document, the scheme is not applicable.

alternative basis for determination of the GFA figure of “C” based on the GFA figure upon redevelopment of the site for industrial and/or godown use before lease modification, as would have been adopted by LandsD in a case-by-case assessment, the applicant may provide the GFA figure on such basis (with or without supporting information) for LandsD’s consideration. LandsD will then determine the GFA figure on such alternative basis. For certainty and simplicity, such choice for alternative basis is irreversible. The decision of LandsD as to the GFA figure of “C” will be final and binding on the applicant⁷;

- (iv) **D** is the applicable standard rates for Industrial/ Godown (except Special Industrial)⁸ and Special Industrial as per paragraph 6 below in accordance with the geographical location of the lot(s) under application; and
- (v) **E** is a deductible being the construction cost of the Government Accommodation required to be constructed by the applicant under lease modification document(s), to be assigned or handed back to the Government (either upon completion or upon demand) or to be operated, managed and maintained on behalf of the Government for public use. Such construction cost will be assessed by the proponent Government department and, if practicable, conveyed to the applicant before the deadline for making the Option. If there is no conveying of such construction cost, there will not be such deductible for the premium to be charged at standard rates under this paragraph. The definition of Government Accommodation for the purpose of this PN and whether any Government Accommodation is eligible for the deduction from the premium shall be at the sole and absolute discretion of LandsD. The decision of LandsD shall be final and binding on the applicant.

6. The standard rates to be applicable to lease modification will be based on those in one of the following five broad regions as delineated at **Appendix II** where the lot(s) is/are situated⁹. These standard rates will remain valid until 31 March 2024. The applicable standard rates from 1 April 2024 onwards will be promulgated in due course. For each lease modification application opting for standard rates, the level of rates prevailing at the time of the acceptance of the PBTO shall apply.

⁷ The GFA figure may not be the same as provided by the applicant.

The rate is also applicable where the land grants do not contain user restriction.

⁹ In the event that an eligible lease modification application under this PN falls within the New Development Areas or area under the pilot scheme for development of agricultural land in the New Territories outside the New Development Areas (“the Pilot Scheme Areas”), the applicant shall only be allowed to opt for the standard rates for the New Development Areas or the Pilot Scheme Areas under the relevant PNs issued by LandsD. LandsD’s decision as to whether the standard rates of this PN are applicable to a particular application is final and binding on the applicant.

Region	Use Before Lease Modification		Use After Lease Modification	
	Industrial / Godown (except Special Industrial)	Special Industrial	Commercial/ Modern Industrial	Residential
Hong Kong Island	\$40,000/m ²	\$28,000/m ²	\$75,000/m ²	\$130,000/m ²
Kowloon East	\$40,000/m ²	\$28,000/m ²	\$65,000/m ²	\$100,000/m ²
Kowloon West	\$35,000/m ²	\$24,500/m ²	\$60,000/m ²	\$110,000/m ²
New Territories South	\$35,000/m ²	\$24,500/m ²	\$50,000/m ²	\$75,000/m ²
New Territories North	\$20,000/m ²	\$14,000/m ²	\$30,000/m ²	\$55,000/m ²

7. To facilitate an applicant to decide whether to opt for charging land premium at standard rates under the scheme, LandsD will inform the applicant on the GFA figure of “C” as referred to in paragraph 5(iii) above at the time of the issuance of the PBTO by a separate letter, **provided that** the applicant has submitted the Enquiry Form at **Appendix III** with all relevant supporting documents **not later than** the settlement of the initial administrative fee as demanded by LandsD for the proposed lease modification application.

8. If an applicant opts for the premium to be charged at standard rates and LandsD accepts such option, the premium offer under the BBTO for straightforward cases¹⁰ will normally be issued to the applicant within five weeks from the date of receipt by LandsD of the acceptance of the PBTO.

9. Among the terms and conditions of the lease modification document, the maximum development intensity for redevelopment allowed under the lease as approved by LandsD and the modified building covenant will be imposed. The building covenant will be determined having regard to the complexity of individual cases, and will normally take effect upon the execution of the lease modification document.

10. As a transitional arrangement, for on-going lease modification applications in respect of industrial lots which are restricted under the terms of their land grants to **special industrial uses** with the PBTO already accepted or with the BBTO already issued but without acceptance of the premium offered as of the date of this PN that would otherwise be eligible to opt for the premium to be charged at the standard rates, the applicants will be invited to opt by **28 February 2024** for the Option **once** without having to resubmit lease modification applications and pay administrative fee again. If the applicants wish to enquire about the GFA figure of “C” (as referred to in paragraph 5(iii) above) before deciding on the Option, they can submit the Enquiry Form at **Appendix III** with all relevant supporting documents not later than **26 January 2024**. This transitional arrangement will not apply to any lease modification application where the BBTO (including the premium offered) has already been accepted as of the date of this PN, for which the lease modification will proceed to execution.

¹⁰ For more complex cases such as land exchange cases with land title and/or boundary issues, the time required may be longer.

11. Subject to paragraph 10 above which is applicable only to cases eligible for the transitional arrangement, if the duly completed Option Form is not received by LandsD on or before the acceptance of the PBTO, the premium will be assessed in accordance with the established case-by-case basis. If an applicant subsequently wishes to opt for the use of standard rates after acceptance of the PBTO but before the acceptance of the BBTO, the applicant is required to resubmit the lease modification application which will be considered **afresh** subject to the established mechanism and time frame including the payment of the prescribed fees.

12. Every Option Form submitted to LandsD pursuant to this PN will be considered on its own merits by LandsD acting in its capacity as a landlord and LandsD has the absolute discretion to decide whether or not to accept the Option. This PN shall not constitute any representation on the part of the Government or other authorities or give rise to any expectation on the part of the applicant that any lease modification application or the Option submitted to the LandsD will be processed or approved. The premium for a lease modification is to be determined by LandsD at its absolute discretion. The decision of LandsD as to whether a lease modification application is eligible for opting for the premium to be charged at standard rates shall be final and binding on the applicant.

13. This PN is issued for general reference purpose only. All rights to modify the whole or any part of this PN are hereby reserved.



(Andrew LAI)
Director of Lands
28 December 2023

First issued March 2021 (PN 1/2021 - superseded)
Last revision March 2022 (PN 1/2021A - superseded)
This revision December 2023

OPTION FORM

To : District Lands Officer, _____

Date : _____

Lot No.: _____ (“the Lot”)

Address: _____

*Proposed Lease Modification/Land Exchange

With reference to your letter dated _____ and pursuant to the Lands Department LAO Practice Note No. 12/2023 (“PN”), *I/we hereby opt for the land premium payable for the proposed *lease modification / land exchange transaction (“proposed transaction”) to be assessed at standard rates.

2. *I/We provide the following requisite documents / information herewith :-

(i) (a) The occupation permit(s) issued by the Building Authority for the Pre-1987 industrial buildings erected on the Lot(s) (for the purpose of this Option Form, “Pre-1987 industrial building” has the meaning as defined in Footnote 3 of PN); or

(b) The approval letter(s) issued by the Building Authority showing the building plans of the Pre-1987 industrial building(s) erected on the Lot(s) were first submitted to the Building Authority for approval on or before 1 March 1987; and

#(ii) A certificate by *an Authorized Person (as defined in the Buildings Ordinance) / a Registered Professional Surveyor (as defined in the Surveyors Registration Ordinance) (“the Certificate”) certifying the gross floor area (“GFA”) of the Pre-1987 industrial building(s) existing on the Lot(s) or existed immediately before the Lot(s) became vacant (collectively “the existing building”) as per the latest building plans of the existing building approved by the Building Authority (“the approved building plans”), but excluding the GFA of

. A set of the approved building plans shall be attached with the Certificate.

3. *I/We further understand and acknowledge that :-

(i) the GFA figures will be determined by LandsD at its absolute discretion;

(ii) LandsD has the absolute discretion to decide whether to accept *my/our application to opt for the premium to be charged at standard rates;

(iii) if *my/our application to opt for the premium to be charged at standard rates is not accepted by LandsD, the premium will be assessed in accordance with the established case-by-case basis; and

(iv) *my/our application to opt for the premium to be charged at standard rates is irreversible and if such application is accepted by LandsD, *I/we will no longer be entitled to appeal against the premium to be offered under the Binding Basic Terms Offer for the proposed transaction and fees paid for the application of the proposed transaction will be forfeited if *I/we decide not to proceed with it.

4. *I/We have read and understood the attached Note on Use of Personal Information.

Yours faithfully,

Signature(s) of the *Applicant / authorized officer(s) for and on behalf of the Applicant(s) : _____

Name(s) of the Applicant(s) in Block Letters: _____

*Name(s) and capacity of the authorized officer(s) of the Applicant(s): _____

Address of the Applicant(s): _____

Telephone Number of the Applicant(s): _____

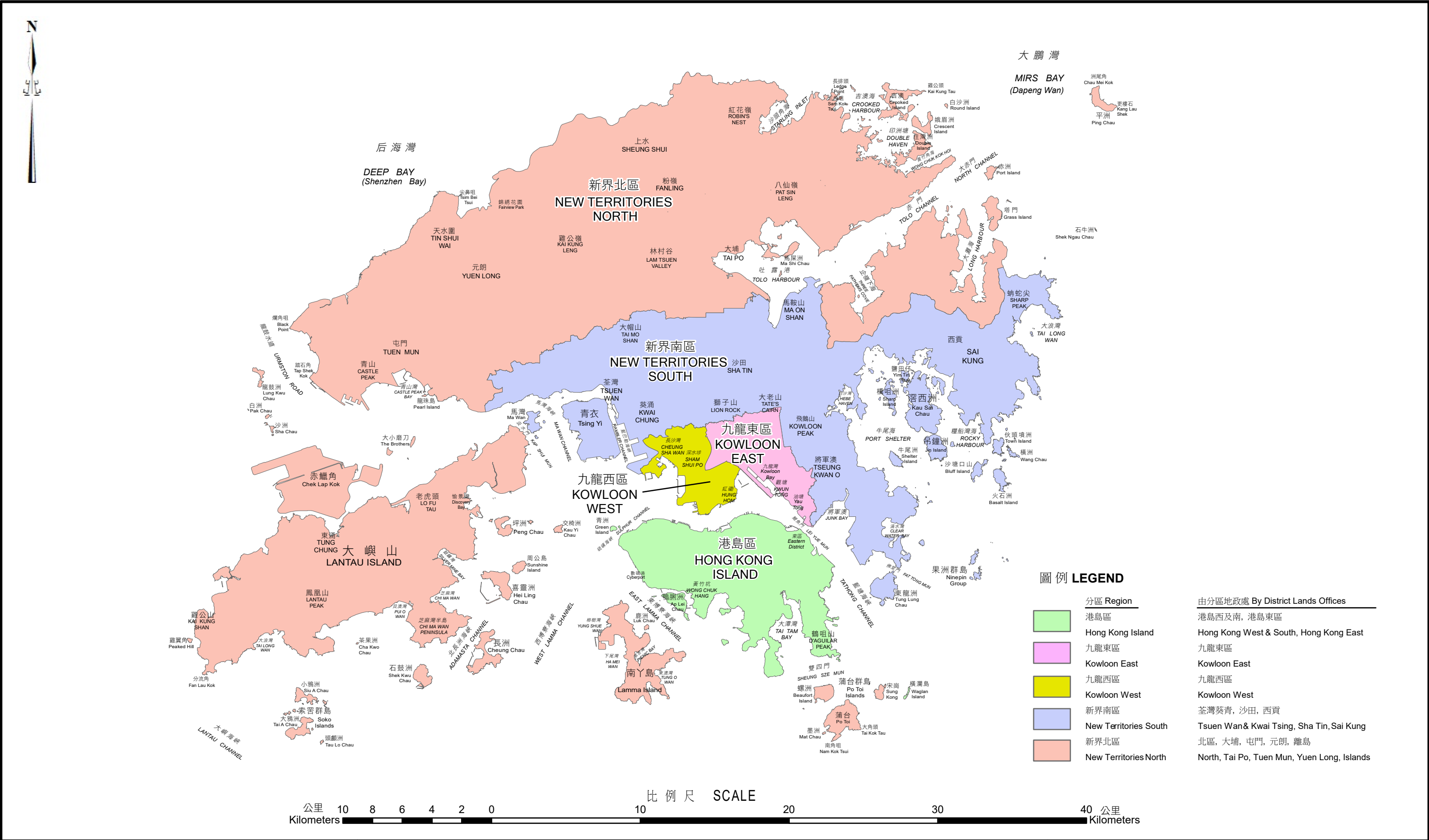
Date: _____

*Delete as appropriate

In case the applicant chooses not to provide the Certificate or the applicant chooses to adopt an alternative basis for determination of the GFA figure of "C" (as mentioned in paragraph 5(iii) of PN) based on the GFA figure upon redevelopment of the site for industrial and/or godown use before the lease modification / land exchange, as would have been adopted by LandsD in a case-by-case assessment, the applicant may provide the GFA figure on such basis (with or without supporting information) for LandsD's consideration. LandsD will then determine the GFA figure on such alternative basis, which is final and binding on the applicant. For certainty and simplicity, such choice by the applicant for alternative basis mentioned above is irreversible.

Note on Use of Personal Information

Purpose of Collection	The personal data provided in this Option Form will be used by the Lands Department for the purpose of considering and processing this Option Form. The provision of personal data as required in this Option Form is mandatory. If you do not provide sufficient information, the Lands Department may not be able to process this Option Form.
Class of Transferees	The personal data provided in this Option Form may be disclosed to other Government bureaux / departments for the purpose mentioned above.
Access to Personal Data	You have a right of access and correction with respect to personal data as provided for in Sections 18 and 22 and Principle 6 of Schedule 1 of the Personal Data (Privacy) Ordinance. Such right of access includes the right to obtain a copy of the personal data provided in this Option Form upon payment of the applicable charge.
Enquiries	Enquiries concerning the personal data collected, including the request for access and corrections, should be addressed to: Departmental Personal Data Controlling Officer of the Lands Department 20/F., North Point Government Offices 333 Java Road, North Point Hong Kong



只作識別用 FOR IDENTIFICATION PURPOSES ONLY 地政總署 Lands Department 圖則由土地信息中心繪製 Plan Prepared by Land Information Centre © 香港特別行政區政府 — 版權所有 Copyright reserved - Hong Kong SAR Government	計劃下的五個分區 Five Regions for the Scheme	檔案編號 File No. ----- 測量圖編號 Survey Sheet No. ----- 發展藍圖編號 Layout Plan No. ----- 參考圖編號 Reference Plan No. ----- 圖則編號 PLAN No. LIC-MIS-196c
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ENQUIRY FORM

To : District Lands Officer, _____

Date : _____

Lot No.: _____ ("the Lot")

Address: _____

***Proposed Lease Modification/Land Exchange**

Pursuant to paragraph 7 of the Lands Department ("LandsD") Lands Administration Office Practice Note No. 12/2023 ("PN"), *I/we wish to be informed on the GFA figure of "C" (as referred to in paragraph 5(iii) of the PN at the time of the issuance of the Provisional Basic Terms Offer for the proposed *lease modification / land exchange transaction ("proposed transaction").

2. *I/We provide the following requisite documents / information herewith[&] :-

- (i) (a) The occupation permit(s) issued by the Building Authority for the Pre-1987 industrial buildings erected on the Lot(s) (for the purpose of this Enquiry Form, "Pre-1987 industrial building" has the meaning as defined in Footnote 3 of PN); or
- (b) The approval letter(s) issued by the Building Authority showing the building plans of the Pre-1987 industrial building(s) erected on the Lot(s) were first submitted to the Building Authority for approval on or before 1 March 1987; and

[#](ii) A certificate by *an Authorized Person (as defined in the Buildings Ordinance) / a Registered Professional Surveyor (as defined in the Surveyors Registration Ordinance) ("the Certificate") certifying the gross floor area ("GFA") of the Pre-1987 industrial building(s) existing on the Lot(s) or existed immediately before the Lot(s) became vacant (collectively "the existing building") as per the latest building plans of the existing building approved by the Building Authority ("the approved building plans"), but excluding the GFA of

. A set of the approved building plans shall be attached with the Certificate.

- 3. *I/We further understand and acknowledge that the GFA figure of "C" (as referred to in paragraph 5(iii) of PN) will be determined by LandsD at its absolute discretion, it will be final and binding and shall be applied when I/we opt for the premium for the eligible proposed transaction to be charged at standard rates pursuant to PN.
- 4. *I/We have read and understood the attached Note on Use of Personal Information.

Yours faithfully,

Signature(s) of the *Applicant / authorized officer(s) for and on
behalf of the Applicant(s) : _____

Name(s) of the Applicant(s) in Block Letters: _____

*Name(s) and capacity of the authorized officer(s) of the
Applicant(s): _____

Address of the Applicant(s): _____

Telephone Number of the Applicant(s): _____

Date: _____

c.c. Chief Estate Surveyor / Valuation (email : cesv@landsd.gov.hk)
(Fax : 2523 1620)

* Delete as appropriate

& In case the applicant has submitted the requisite documents / information in accordance with paragraph 2 above, the applicant is no longer required to provide the same when he submits the Option Form under PN.

In case the applicant chooses not to provide the Certificate or the applicant chooses to adopt an alternative basis for determination of the GFA figure of "C" (as referred to in paragraph 5(iii) of PN) based on the GFA figure upon redevelopment of the site for industrial and/or godown use before the lease modification / land exchange, as would have been adopted by LandsD in a case-by-case assessment, the applicant may provide the GFA figure on such basis (with or without supporting information) for LandsD's consideration. LandsD will then determine the GFA figure on such alternative basis, which is final and binding on the applicant. For certainty and simplicity, such choice by the applicant for alternative basis mentioned above is irreversible.

Note on Use of Personal Information

Purpose of Collection	The personal data provided in this Enquiry Form will be used by the Lands Department for the purpose of considering and processing this Enquiry Form. The provision of personal data as required in this Enquiry Form is mandatory. If you do not provide sufficient information, the Lands Department may not be able to process this Enquiry Form.
Class of Transferees	The personal data provided in this Enquiry Form may be disclosed to other Government bureaux / departments for the purpose mentioned above.
Access to Personal Data	The individual who is the subject of the personal data has a right of access and correction with respect to personal data as provided for in Sections 18 and 22 and Principle 6 of Schedule 1 of the Personal Data (Privacy) Ordinance. Such right of access includes the right to obtain a copy of the personal data provided in this Enquiry Form upon payment of the applicable charge.
Enquiries	Enquiries concerning the personal data collected, including the request for access and corrections, should be addressed to: Departmental Personal Data Controlling Officer of the Lands Department 20/F., North Point Government Offices 333 Java Road, North Point Hong Kong