

**Information Summary on the Dissolution, Acquisition and Resumption
Arrangements for Urban Renewal Authority’s
Civil Servants’ Co-operative Building Society (“CBS”) Development Scheme
at Kau Pui Lung Road/Chi Kiang Street**

This summary provides an outline on the arrangement of the dissolution of CBSs and the acquisition and resumption of property interests in the Urban Renewal Authority (“URA”)’s Development Scheme at Kau Pui Lung Road/Chi Kiang Street (“the Project”) ^{note 1}.

Dissolution of a CBS

1. The “Guidelines to be Followed to Achieve the Transfer of Title to Flats and Land from Civil Servants’ Co-operative Building Societies to their Individual Members under the Modification of Lease Approach” issued by the Government in 1993 (“the MLA Guidelines”) aims at facilitating members of a CBS to obtain the title of the flats they are occupying. Dissolution mainly comprises, inter alia, the following two stages -

- (i) the first stage involves passing relevant resolutions (including but not limited to the dissolution of the CBS) in a special general meeting in accordance with the provisions in the Co-operative Societies Ordinance (Cap. 33) (“the Ordinance”) and Co-operative Societies Rules (Cap. 33A) (“the Rules”). Section 21 of the Rules stipulated that voting in general meetings must be exercised in person and not by proxy. Before convening a special general meeting, the CBS should resolve all outstanding membership issues including to trace the missing members and to complete the beneficial succession formalities.

According to Sections 26 of the Rules, one-half of the total number of members of a CBS in the Project is already sufficient to form a quorum. According to the MLA Guidelines, the resolution on CBS dissolution shall only be decided by a simple majority in the special general meeting (i.e. more than 50% of members presenting at the meeting); and

- (ii) the second stage requires an application made by at least 75% of the members to the Registrar of Co-operative Societies for dissolution. The application only needs to be made by way of written consent. The signatures in the written consent should be verified by the Chairman and Secretary of the CBS concerned.

2. To facilitate URA to proceed with redevelopment of the Project, the current workflow for processing dissolution of CBS has been substantially streamlined and

Note 1 : Subject to approval from the Chief Executive in Council to proceed with the Project.

compressed. URA will offer assistance to help dissolve CBSs if their members so wish.

Acquisition of Property Interests by URA

3. URA will only acquire the flats with the respective legal titles already transferred to ex-CBS members after dissolution of the relevant CBSs. If the flats are still subject to alienation restriction under the Government leases after dissolution, acquisition by URA can only be completed after the owners have settled the land premium required to remove the alienation restriction (“Premium”). Upon owners’ request, URA would arrange settlement of the Premium with the Government by deducting the Premium from the amounts payable to the owners for acquisition of their flats.
4. For the members of the CBSs that have not been dissolved (“undissolved CBSs”) and non-consenting members of dissolved CBSs (“non-consenting members”) who have not taken up the legal titles of their properties, acquisition of their properties will only be processed after they have become the registered owners of their properties.

Land Resumption

5. If the Project is implemented, URA will make an application to the Secretary for Development requesting him to recommend to the Chief Executive in Council the resumption of land in the Project under the Lands Resumption Ordinance (Cap. 124) (“LRO”) pursuant to section 29 of Urban Renewal Authority Ordinance (Cap. 563), including those flats held under undissolved CBSs or Owners’ Corporations (“OCs”), and flats of those owners who refuse to sell or cannot sell their flats to URA because of various reasons.
6. According to LRO, the Director of Lands shall, within 28 days from the date of reversion,
 - (i) under s.6(1)(a), write to the former owner and to any person having an estate or interest in the land immediately before the reversion under an instrument registered in the Land Registry, making an offer of compensation in respect of the resumption of the land; or
 - (ii) under s.6(1)(b), serve on any of the persons referred to in s. 6(1)(a) a notice in such form as the Director of Lands may specify, requiring him to submit his claim for compensation within the time stipulated in such notice.

Basis of Compensation upon Land Resumption

(A) Ex-member of Dissolved CBSs

7. Compensation for ex-members of dissolved CBSs who have already paid the Premium will comprise open market value (“OMV”) of a freely assignable property with no restriction on alienation (hereinafter referred to as “Normal OMV”) and a Home Purchase Allowance (“HPA”)/Supplementary Allowance (“SA”) which shall be derived by basing on the value of a 7-year notional replacement flat. For ex-members of dissolved CBSs who have not yet paid the Premium, the Government will pay the Normal OMV and HPA/SA to them upon land resumption on the condition that they have agreed to pay the Premium in respect of the flats concerned. The compensation amount in this case will reflect the impact of the alienation restriction on the value of the resumed CBS flats. Such arrangement also aligns with URA’s acquisition offers which are offered on the condition that ex-members of dissolved CBSs with outstanding Premium have agreed to pay the Premium in respect of the concerned CBS flats. However, the “levelling adjustment”^{note 2} introduced by URA to help owners settle the Premium during the acquisition stage will not be applicable (please see para. 15 below also).

(B) Members of Undissolved CBSs and OCs Holding Flats of Non-consenting Members

8. The undissolved CBSs and the OCs are the paper owners of the flats occupied by members of undissolved CBSs or non-consenting members respectively as shown in the instruments registered in the Land Registry. In other words, members of undissolved CBSs and non-consenting members do not hold legal title to the flats, but are only given a right to occupy the flats pursuant to underleases (with undissolved CBSs/OCs). However, it is noted that such underleases are not registered in the Land Registry. Hence, members of undissolved CBSs and non-consenting members are not entitled to be offered compensation by or invited to submit claims for compensation under s.(6)(1) of LRO.

Note 2 : URA has introduced a levelling adjustment policy to align the unit rates of the Premium per square foot to be paid by CBS owners for removing alienation restriction in URA’s acquisition stage for Shing Tak Street/Ma Tau Chung Road Development Project (CBS-1:KC). To this end, the lowest unit rate of the Premium assessed by the Lands Department amongst all the flats with outstanding Premium in a CBS project will be adopted as the reference rate. Any amount of Premium payable to the Government in excess of the amount calculated by multiplying the reference rate by the area of the flat will be borne by URA.

9. However, members of undissolved CBSs and non-consenting members may, under s.8(1) of LRO, submit claims in writing to the Director of Lands stating the nature of their estate or interest in the land and the amount of compensation they seek to recover.
10. The Government will consider the claims submitted under paragraph 9 above and may consider to offer compensation to the claimants on the same basis as the compensation offered for CBS flats owned by ex-members of dissolved CBSs as described in paragraph 7 above. As the flats occupied by members of undissolved CBSs and non-consenting members are still subject to alienation restriction, the Director of Lands will consider paying the Normal OMV and HPA/SA to them upon land resumption subject to the condition that they have agreed to pay the Premium in respect of the flats concerned.
11. The Director of Lands may serve a notice under s.6(1)(b) of LRO to the undissolved CBSs and OCs after land reversion, inviting their submissions of claim for compensation. Lands Department will determine the amount of compensation for undissolved CBSs and OCs upon receipt of their claims.
12. Paragraph 16 of Appendix to Section 3 of Chapter 1 of the MLA Guidelines stipulates that “[a]s with any property in the private sector, the consent of all owners will be required before any redevelopment can take place”. Hence, if claims are received for any redevelopment value (“RDV”) under s.6(1)(b) of LRO, Lands Department will assess the claims based on the RDV only if it has been provided with documentary proof which can demonstrate that before the date of reversion, there has been —
 - (i) unanimous agreement from all owners of the dissolved CBS or all members of the undissolved CBS concerned for redevelopment; and
 - (ii) joint and genuine actions from all owners of the dissolved CBS or all members of the undissolved CBS concerned for redevelopment.In the absence of any documentary proof, the compensation assessment will be made on existing use value basis.
13. Even with documentary proof as listed in paragraph 12(i) and (ii) above, the assessment on RDV basis according to LRO will be made on the basis that the land concerned would be redeveloped pursuant to the lease conditions and other applicable development controls such as building and town planning control. It should be noted that where statutory compensation for the land resumed is assessed on RDV basis, an owner (including an undissolved CBS or its members or OCs) is not entitled to claim HPA/SA and compensation for removal costs and expenses.

(C) Settlement of Outstanding Premium

14. The assessment of the Premium payable by individual owners of CBS flats (applicable to both dissolved CBSs and undissolved CBSs) should, with effect from 1 June 2020,

be based on existing use land value for all cases, unless the lot is subject to a Notice of Application to the Lands Tribunal for compulsory sale order under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545).

15. In assessing the Premium to be deducted from the compensation for the purpose of land resumption involving CBS flats, Lands Department will adhere to the established principles of premium assessment for usual CBS cases. In other words, the “levelling adjustment” policy applied by URA will not be adopted in the land resumption stage.

(D) Housing Benefit of the Civil Servants in CBS Scheme

16. CBS scheme is an old form of civil service housing benefit for providing accommodation to eligible civil servants on a discretionary basis instead of a condition of service. For ex-CBS members who are serving civil servants (other than those who became members through beneficial succession), they will not be eligible to receive any other civil service housing benefits if they have acquired the legal title of the CBS flats concerned.
17. For members of undissolved CBSs and non-consenting members who are serving civil servants and have chosen not to accept Government’s compensation offers for land resumption, they may still be eligible to receive other prevailing housing benefits subject to their meeting of the eligibility criteria of the housing schemes applicable to them after they have ceased their memberships from the undissolved CBSs or dissolved CBSs concerned. As civil service housing benefits are provided for serving officers only, retired members of undissolved CBSs and retired non-consenting members would not be eligible to apply for other housing benefits upon their cessation of service in the Government.
18. Whether a CBS member / ex-member is still eligible for enjoying housing benefits does not have any implication on the assessment of the amount of compensation offered for land resumption.
19. This note is prepared in consultation with the relevant government departments, namely Development Bureau, Civil Service Bureau, Lands Department as well as Agriculture, Fisheries and Conservation Department.

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