

Principles Adopted by the Urban Renewal Authority in the Payment of Ex-gratia Allowances to Tenants of Industrial Properties Acquired by Urban Renewal Authority (Applicable to Project KC-019 at To Kwa Wan Road / Ma Tau Kok Road only)

This leaflet briefly outlines the principles adopted by the Urban Renewal Authority (“URA”) for providing ex-gratia allowance to affected tenants of industrial properties of URA’s redevelopment project, To Kwa Wan Road / Ma Tau Kok Road Development Scheme (KC-019) (the “Project”).

(A) Ex-gratia Allowances for Tenants of Industrial Properties

1. According to the Landlord and Tenant (Consolidation) Ordinance, tenants of non-domestic properties are required to move out from their properties and are not entitled to any compensation or other payments if their tenancies are terminated and are not renewed. However, the URA will still offer an ex-gratia allowance equivalent to 2 times the prevailing ex-gratia allowance adopted by the Government for legal industrial occupiers upon resumption (“GEGA”)¹ to tenants of industrial properties who agreed to move out from their properties.
2. In addition to the ex-gratia allowance described in Paragraph 1 of Part (A) above, additional payment of ex-gratia business allowance (“EGBA”) is payable to any tenant-operator of industrial properties who had commenced occupying their properties for business use before and since the first day of Freezing Survey (“FS Date”) and have accepted the ex-gratia allowance offer from the URA both unconditionally and within the validity period of the offer and agreed to move out from their properties. The amount of EGBA is directly proportional to the number of years of continuous operation by the tenant-operator as business owner in the property. In calculating the number of years of continuous operation, the expiry date of continuous operation is 2 years from the date which the URA issues initial acquisition offers to property owners. The amount of EGBA is payable at a rate of 0.1 times the RV for each year, 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 a minimum amount as described in the table below.

¹ The calculation of GEGA is based on the prevailing ex-gratia allowance basic rate per square metre 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\$100,000 (effective from 1 April 2026 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.

3. In the application for EGBA, the tenant-operator is required to substantiate the period of continuous operation in the property as business owner. “Tenant-operator” here means a tenant who occupies his property, which is a legal premises, for his own business.
4. A tenant-operator may choose to claim for (i) severance payment (if any) paid to his/her employees under Employment Ordinance (Chapter 57); and (ii) value of an unexpired lease term and professional fee reasonably incurred (if any), as an alternative to the EGBA (if applicable).
5. A tenant-operator may also choose to claim for business loss (including the claims as mentioned in Paragraph 4 of Part (A) above) as an alternative to the two allowances referred to in Paragraphs 1 and 2 of Part (A) above (if applicable).
6. For car-parking space or external wall, if its tenant agrees to deliver vacant possession thereof to the URA, the URA will offer to the said tenant one of the following ex-gratia allowances, namely:
 - (i) a sum equals to the amount of the rateable value of the car-parking space or external wall if the said tenant has commenced occupying the car-parking space or external wall under a tenancy commenced before the FS Date; or
 - (ii) a sum equals to half of the amount of the rateable value of the car-parking space or external wall if the said tenant has commenced occupying the car-parking space or external wall under a tenancy commenced on or after the FS Date.
7. If the existing use of the industrial property does not comply with the permitted use under the Government lease², and the tenant-operator fails to provide evidence of the affected property permitted for the existing use, the allowances (other than EGBA) to the tenant-operator or the business loss amount (if the tenant-operator 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 under the Government lease, the decision of URA shall be final.

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

(B) Payment Arrangement

1. All applicable allowance mentioned above, half will be paid upon the execution of surrender agreement and the remaining half will be paid after the delivery of vacant possession.

(C) Other General Rules

1. Calculation of the ex-gratia allowance 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).
2. The tenant must operate the business in the property before the FS Date and is still the tenant after URA's successful acquisition of the property in order to be eligible to the ex-gratia allowance stated above.
3. If the tenant of industrial property only rents the property in the Project on/after the FS Date, URA will not pay to such tenant any of the above-mentioned allowances, including EGBA or any allowances applicable to industrial property. In general, URA will only pay an allowance equivalent to the amount of GEGA as described in Paragraph 1 of Part (A) above.
4. Trespassers occupying industrial properties in the Project, who move in on or after the FS date, will be required to move out without any allowance.
5. If tenants of industrial properties refuse to accept ex-gratia allowance and/or execute surrender documents, the URA will recover vacant possession of their properties in accordance with the laws.
6. Tenant-operator of industrial properties whose tenancy commenced before the FS Date and who was requested by their landlord to move out from the affected properties due to the expiry or termination of their tenancies before the URA acquired the affected properties successfully and moving out from the affected properties after the FS Date and who are unable to receive the ex-gratia allowances according to Part (A) (the "affected tenants of industrial properties") can apply for the URA's Special EGBA. The amount is equal to EGBA as described in Paragraph 2 of Part (A) above. The affected tenants of industrial properties should provide sufficient evidence of business operation, including tenancy agreements, rental receipts, termination notice served by their landlord and other relevant documents, at least 1 month before moving out from the affected properties, to facilitate the URA to conduct initial assessment on their eligibility of receiving Special EGBA.

7. To become eligible for Special EGBA, the affected tenants of industrial properties should fulfill the following criteria:
- (i) they are operating in a legal premises; and
 - (ii) they have commenced operating the business in the affected properties with valid tenancy continuously before and since the FS Date and have been in operation for at least 6 months continuously before moving out from the affected properties; and
 - (iii) they are required to leave the affected properties not because of his/her breach of tenancy terms; and
 - (iv) the tenancy is terminated or not renewed by the landlord and they have not terminated the tenancy early at their own will; and
 - (v) after the expiry of the tenancy, they have not refused to renew their tenancy due to unreasonable grounds and circumstances; and
 - (vi) they have received no compensation or other payment from their landlord for vacating the affected properties.

After completion of the acquisition or government resumption of the affected properties, the URA will assess the eligibility of the affected tenants of industrial properties in receiving the Special EGBA.

8. The URA has drawn to the attention of landlords whose properties had been tenanted out on the FS Date that the URA will not consider making a higher offer to them to acquire their properties in the following situations: -
- (i) properties being left vacant; or
 - (ii) landlords entering into new tenancies, whether with the existing tenants or new tenants; or
 - (iii) landlords occupying their properties for their own use.
9. URA would remind landlords / tenants that it is an offence for landlords to unlawfully deprive a tenant of occupation of property or to make an unwarranted demand with menaces with a view to gain for himself/herself or others or to defraud against URA. URA will report to the enforcement authorities on all cases of suspected criminal offences.
10. The information contained in this leaflet only applies to To Kwa Wan Road / Ma Tau Kok Road Development Scheme (KC-019) announced by URA. URA reserves the right to adopt different policies and principles for its other projects.

11. 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 payment, 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.

This leaflet 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 leaflet. 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 ex-gratia allowance to be offered are subject to the principles and practice of the Urban Renewal Authority prevailing at the time the offer of ex-gratia allowance 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 leaflet is hereby reserved.

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