

Extension of Government Leases Ordinance to come into force tomorrow

The Extension of Government Leases Ordinance (the Ordinance) will come into force tomorrow (July 5).

The Secretary for Development, Ms Bernadette Linn, said, "The Ordinance upholds the land policy made in July 1997 and simplifies the arrangement for extension of land leases. This manifests the solid safeguards to Hong Kong under the steadfast and successful implementation of 'one country, two systems', and creates more favourable conditions for Hong Kong to pursue economic growth."

The Ordinance provides a standing statutory mechanism for handling lease extension matters for general purposes leases (i.e. general residential, commercial, industrial leases) which do not contain a right of renewal and expire on or after July 5, 2024 (hereafter "applicable leases") in batches.

The Director of Lands will continue to exercise the sole discretion of the Government and extend the relevant land leases by publishing an "Extension Notice" in the Government Gazette six years before the expiry of each batch of applicable leases. The "Extension Notice" will specify that applicable leases that are due to expire in a specified period will be extended for 50 years without payment of additional premium but subject to payment of annual government rent equivalent to three per cent of the rateable value of the relevant land as annually assessed, except those specified on the "Non-extension List" published on the same day. Through the "Extension Notice" under the new mechanism, the encumbrances, interests and rights under the original lease (such as mortgages) will be carried forward to the extended lease term without being affected. Owners do not have to perform any procedures, hence obviating the need for owners to undergo cumbersome procedures such as executing lease extension documents with the Government individually, re-arranging the mortgages, etc. as in the past.

Moreover, the Lands Department will publish the first "Extension Notice" tomorrow, which covers applicable leases expiring in less than six years (i.e. leases expiring between July 5, 2024 and December 31, 2030) (Note). This batch of land leases are all extended. They involve 376 lots, including 309 situated in Kowloon mainly in Yau Tsim Mong district and 67 lots on the Hong Kong Island.

Thereafter, in accordance with the requirement under the Ordinance to give six years' prior notice, the Lands Department will publish the next "Extension Notice" at the end of 2024, which will cover land leases expiring in 2031.

Ms Linn said, "The arrangement of extending land leases without having to execute a new contract ensures that the significant number of land leases

expiring in upcoming years will be handled in an efficient and orderly manner, as well as saves the time and costs of owners bringing tremendous convenience to the public and businesses."

As the Government has reiterated in the past, in general, applicable leases will be extended by the Government, unless there are public interest considerations against extension of any particular lease (e.g. serious lease breach unpurged despite repeated warnings).

The Development Bureau has disseminated information on the Ordinance to relevant professional organisations and offices of the Hong Kong Special Administrative Region Government overseas and in the Mainland to facilitate stepping up promotion of the new mechanism to various stakeholders in the land and property market, including owners, banking sector, estate agents, investors, etc. The Government will continue to step up promotion and education through various channels. The dedicated webpage and enquiry hotline of the Lands Department will commence operation tomorrow (www.landsd.gov.hk/en/land-disposal-transaction/extension.html).

Note: The Ordinance is not applicable to Special Purpose Leases (SPLs). For SPLs expiring within the same period (244 lots in total, including lots for the purposes of petrol filling station, education, recreation, public utility, welfare, special industries, etc.), the Lands Department will issue letter to all the concerned lessees and make an "SPL identification note" in the Land Registry register of the relevant land leases on the same day. This will identify the SPLs for handling of their lease extension matters in accordance with the original administrative procedures outside the Ordinance.