

New deposit and premium payment arrangements for government land sale by public tender

The Lands Department (LandsD) announced today (August 8) the following revised requirements for paying the initial deposit and balance of the tendered sum for government land sale by public tender:

(1) The initial deposit payable by each tenderer upon its submission of tender for the relevant site will be increased from the previous maximum amount of \$25 million to a maximum amount of \$50 million. This maximum amount will apply to all land sale sites with a ballpark land value of \$400 million or above as estimated by the LandsD. For land sale sites with estimated values of less than \$400 million, the amount of initial deposit payable will be determined with reference to the following schedule:

Ballpark Estimate of Land Value (HK\$)	Amount of Initial Deposit Payable (HK\$)
Less than \$100 million (M)	\$10 M
Between \$100 M and less than \$200 M	\$20 M
Between \$200 M and less than \$300 M	\$30 M
Between \$300 M and less than \$400 M	\$40 M

(2) The successful tenderer is required to pay a part payment equal to 10 per cent of its tendered sum less the initial deposit already paid, rounded up to the nearest \$100,000, within seven working days of the date of tender award issued by the LandsD.

The revised requirements will start to apply to land sale sites for which tenders are invited on or after August 8, 2019.

The existing arrangement of requiring the successful tenderer to pay the balance of the land premium within 28 days from the date of tender award will remain unchanged. Following current practice, the deposits paid by the unsuccessful tenderers will be returned shortly after the tender award is made.

A spokesperson for the LandsD said that the two new measures taken together will increase the cost of default by the successful tenderer, hence strengthening the deterrent effect and better protecting the Government's interest in the event of such a default.

In a recent land sale of a government site, namely New Kowloon Inland Lot (NKIL) No. 6546 at Kai Tak Area 4C Site 4, Kowloon, the successful

tenderer failed to settle the balance of the premium within the 28-day period after the award of the tender. As a result, the LandsD cancelled the land sale on June 13, 2019, and forfeited the deposit paid by the successful tenderer. The LandsD has since then reviewed the relevant payment arrangements.