

**Memorandum for the Subsidised Housing Committee  
of the Hong Kong Housing Authority**

**Sale of Home Ownership Scheme Flats 2016 –  
Sale Prices and Sales Arrangements**

**PURPOSE**

This paper seeks Members' approval of the average selling prices and sales arrangements for the sale of the second batch of new Home Ownership Scheme (HOS) flats ("Sale of HOS Flats 2016").

**BACKGROUND**

2. The second batch of 2 657 new HOS flats are expected to be completed in 2018, and will be offered for pre-sale in February 2016.

----- Location plans of the two developments involved are at **Annexes A1** and **A2** respectively. Details of the two developments are summarised below –

<b>Name of Developments</b>	<b>District</b>	<b>Number of Flats</b>	<b>Saleable Area (m<sup>2</sup>)(about)</b>	<b>Estimated Material Date</b> <sup>note 1</sup>
Ka Shun Court (嘉順苑)	Sha Tin	248	41.3 – 41.7	30 June 2018
Ping Yan Court (屏欣苑)	Ping Shan, Yuen Long	1 386	34.9 – 36.2	30 September 2018
		858	41.3 – 42.6	
		165	53.0 – 53.3	
<b>Total</b>		<b>2 657</b>		

3. Tentative timing of the key activities of the pre-sale exercise is as follows –

<b>Activities</b>	<b>Timing</b>
Commencement of applications	end February 2016
Ballot	May 2016
Commencement of flat selection	July 2016

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Note 1 According to the Residential Properties (First-hand Sales) Ordinance (Cap. 621) (the Ordinance), if the development is an uncompleted development, the “estimated material date” for the development has to be stated in the sales brochures, Agreement for Sale and Purchase (ASP) and advertisements. In the case of HOS developments, the “material date” refers to the date on which the development is completed in all respects in compliance with the approved building plans. According to the mandatory provisions in the ASP as required by the Ordinance, the Hong Kong Housing Authority (HA) will apply in writing for the Occupation Permit (OP) from the Independent Checking Unit (ICU) of the Office of the Permanent Secretary for Transport and Housing (Housing) within 14 days from the material date and will notify purchasers in writing within six months from the date of the OP that HA is in a position validly to assign the flats to the purchasers. The sale and purchase of the flats will be completed within 14 days from the date of such notification.

## PROPOSALS AND JUSTIFICATIONS

### A. Average selling prices of the HOS flats

4. According to the established HOS pricing formula, selling prices of flats are determined by applying a discount to the market values. The discount is related to the affordability of the eligible households, which is determined based on the principle that for at least 50% of the flats for sale, a mortgage-to-income ratio of not more than 40% can be achieved for eligible households with income at the level of the prevailing HOS Income Limit <sup>note 2</sup> for White Form (WF) family applicants (i.e. households with two persons or more). In 1991, the then Home Ownership Committee (HOC) agreed that HOS flats should under normal circumstances be sold at 30% discount from the market value, but a higher discount could be offered if the affordability criteria could not be met. The general guideline of offering a discount of 30% from market value was reaffirmed in 2006 for the sale of surplus HOS flats and again in 2012 for the sale of future HOS flats.

5. In assessing the market values of the two HOS developments, we have considered sale transactions of residential properties in the open market for both private and HOS developments in the vicinity of the subject developments up to September 2015. Due regard has also been made to the differences in age, location, design, facilities, etc. between the comparable and the subject developments.

6. In Paper No. SHC 63/2015 to be considered separately by Members, the HOS income limit for WF family applicants is proposed to be \$49,000. Based on the proposed HOS income limit and selling prices at 30% discount from the assessed market values, the overall affordability ratio in respect of the HOS flats for sale under this sale exercise is 100%, which meets the established affordability criteria detailed in paragraph 4 above. We therefore **propose** that the **average selling prices** be set at **30% discount** from the assessed market values for the two HOS developments. Details are at ----- **Annex B**. Upon Members' endorsement of the average selling prices, a Directorate officer of the Housing Department (HD) will work out the selling prices of individual flats for approval of the Permanent Secretary for Transport

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Note 2 The HOS income limit for WF applicants is proposed to be \$49,000 per month for households of two persons or above. Details are set out in Paper No. SHC 63/2015, which will be considered by Members separately.

and Housing (Housing) under the delegated authority of the Chief Executive (CE).<sup>Note 3</sup>

## **B. Joint application exercise with the Hong Kong Housing Society**

7. In his 2015 Policy Address, CE announced that the Hong Kong Housing Society (HS) would offer about 1 600 subsidised sale flats (SSFs) for pre-sale in 2016-17. Of these SSFs, 1 020 will be provided in the development at Sha Tin Area 36C, which is scheduled for completion in 2019 and will be ready for pre-sale in early 2016. Location plan of the development is at **Annex C**. Details of the development are as follows –

<b>Name of the Development</b>	<b>District</b>	<b>Number of Flats</b>	<b>Saleable Area (m<sup>2</sup>)(about)</b>	<b>Estimated Material Date</b> <sup>Note 4</sup>
Greenhill Villa (綠怡雅苑)	Sha Tin	272	35 - 40	31 December 2019
		646	47 - 60	
		102	68 - 69	
<b>Total</b>		<b>1 020</b>		

8. Since target applicants of the Hong Kong Housing Authority (HA)'s HOS flats and HS's SSFs are similar and both HA's and HS's flats are intended to be offered for pre-sale at around the same time, we consider it appropriate to conduct a joint application exercise so that eligible applicants only need to submit one application and undergo one vetting process while having the opportunity to buy either HA's or HS's flats. This has also been the

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Note 3 Section 17A(1) of the Housing Ordinance stipulates, inter alia, that the payment of the purchase price and the terms and conditions of payment may be determined by HA with the prior approval of CE. CE delegated his powers under section 17A(1) to the Secretary for Transport and Housing and Permanent Secretary for Transport and Housing (Housing) in 2008.

Note 4 For Greenhill Villa, the "material date" refers to the date on which the conditions of the land grant are complied with in respect of the development. According to the mandatory provisions in ASP as required by the Ordinance, HS will apply in writing for a Certificate of Compliance or the consent of the Director of Lands to assign in respect of the development within 14 days after its having completed the development in all respects in compliance with the conditions of the Government Grant and will notify the purchasers in writing within one month after the issue of the Certificate of Compliance or the consent of the Director of Lands to assign, whichever is the earlier, that HS is in a position validly to assign the flats to the purchasers. The sale and purchase of the flats will be completed within 14 days from the date of such notification.

practice in the past. From the operational point of view, the joint application exercise will also avoid duplicated efforts in vetting the same pool of applicants by HA and HS separately and in verifying overlapping of buyers of HA's and HS's flats. We therefore **propose** to conduct a joint application exercise, with HA taking up all the work relating to the processing of the applications (such work includes receiving applications, vetting applicants' eligibility, balloting, etc.).

9. However, in view of the licensing requirements for estate agency work under the Estate Agents Ordinance (Cap. 511), we need to avoid HA carrying out any sales-related work in connection with HS's SSFs. Otherwise, HA may be perceived as acting as HS's agent in selling the latter's SSFs. Accordingly, we will ensure the presence of both HA's and HS's staff in manning the sales counters during the flat selection stage, availability of separate enquiry hotlines for HA and HS, etc.

10. To enable the joint exercise to be conducted, subject to the agreement of its Executive Committee, HS intends to largely follow HA's arrangements as endorsed by Members such as the eligibility criteria for applicants (including income and asset limits for WF applicants); allocation of quota between Green Form (GF) and WF applicants; priority for flat selection; allocation of quota for specific categories, etc. Detailed proposals are set out in the ensuing paragraphs. It should be noted that while the objective of conducting a joint application exercise is to facilitate applicants, HA and HS are essentially two different organisations having different established practices and arrangements. The flats to be sold are also different in terms of location, fittings and finishes. There are also differences in the sales and operational arrangements for the sale of flats. A summary of the major differences is as follows –

	<b>HA</b>	<b>HS</b>
Fittings and finishes of flats	To provide maximum flexibility to purchasers, the flats are fitted with basic provisions only. While water heater is provided, no bedroom partitions, flooring, skirtings, cabinets, etc. are provided.	Flats are fitted with bedroom partitions, timber flooring, kitchen cabinets, gas heater, cooker, range hoods, exhaust fan, air-conditioners, etc.
Mortgage guarantee	Mortgage loans are guaranteed up to 95% of the purchase price for GF applicants and 90% of the purchase price for WF applicants.	A guarantee of 30% of the purchase price will be provided such that applicants can obtain a mortgage loan up to 90% of the purchase price.
Deposits	GF applicants pay 5% of the purchase price and WF applicants pay 10% of the purchase price as deposits.	Both GF and WF applicants pay 10% of the purchase price as deposits.
Conveyancing arrangements	Applicants sign ASP and pay the deposit on the day of flat selection.	Applicants sign the provisional agreement for sale and purchase (PASP) and pay the preliminary deposit at 5% of the purchase price on the day of flat selection. The balance of the deposit (i.e. the remaining 5%) will be paid when they sign ASP within five working days after they sign PASP.
Stamp duty arrangements	Due to provisions under the Stamp Duty Ordinance (Cap.117), different dates apply to purchasers of HA's and HS's flats in the determination of the liability and timing for payment of Buyers' Stamp Duty (if applicable) and ad valorem stamp duty. Details are at <b>Annex E</b> .	
Show flats	Virtual show flat walkthrough videos (SF videos) and doll houses will be displayed at the HA Customer Service Centre (HACSC). The SF videos will also be uploaded onto the HA/HD website.	Physical show flat(s) will be provided at HS's Cheung Sha Wan venue.
Sales Documents	HA and HS will make available sales materials for collection by the public starting seven days before commencement of the application period. Details are as set out in paragraphs 27 to 29 and at <b>Annex D</b> .	

11. Furthermore, in line with the established practice, HS will determine the selling prices of its own development in accordance with its existing mechanism. In this connection, the selling prices of HS's SSFs are also set at a discount to the assessed market values. In determining the discount, HS will take into account the affordability of eligible applicants, which is assessed based on HS's own established formula and the project financial viability.

### **C. Sales arrangements**

#### ***(a) Allocation of quota between GF and WF applicants***

12. In the past sales of HOS flats, the ratio for allocation of quota between GF and WF applicants varied from 80:20 to 50:50. Since the sale of surplus HOS flats under Phase 6 in 2010, the ratio has been maintained at 60:40. After exhausting all GF applicants in the flat selection stage, any remaining GF quota will be allocated to WF applicants and vice versa. The actual number of flats sold to GF and WF applicants in past HOS sales up to the "Sale of Surplus HOS Flats Phase 7" was on average at a ratio of 55:45, although it was 60:40 in both the "Sale of HOS Flats in Tin Lee Court/Tin Chung Court" and the "Sale of HOS Flats 2014".

13. It is HA's policy to encourage public rental housing (PRH) tenants to purchase HOS and other subsidised sale flats so that they can release their PRH flats for re-allocation. On the other hand, there have also been calls from members of the public for increase in the quota for WF applicants. As a matter of fact, in the "Sale of HOS Flats 2014", although only 40% of the quota is allocated to WF applicants, 91.5% of the applications (about 123 500) were from WF applicants. In the first and second rounds of the "Interim Scheme to Extend the HOS Secondary Market to WF Buyers" (the Interim Scheme), a total of about 66 000 and 43 900 applications were received from WF applicants respectively.

14. While it remains our objective to provide PRH tenants opportunity to buy SSFs so that they will in turn release their PRH flats for reallocation, we may also need to suitably address the strong home ownership aspirations of WF applicants as shown in recent sale exercises. Another relevant consideration is that the "Green Form Subsidised Home Ownership Pilot Scheme" (GSH), to be launched in the latter half of 2016, will provide additional opportunities for subsidised home ownership to GF applicants. On balance, therefore, we **propose** that the ratio for allocation of quota between GF and WF applicants for

the coming sale exercise be set at **50:50**. We will continue to maintain the flexibility to allocate any remaining GF quota to WF applicants and vice versa.

***(b) Order of priority for flat selection***

15. The flat selection order of successful applicants (i.e. applicants who have passed the detailed vetting) is determined by the relative priority of their application categories and the quota allocation ratio between GF and WF applicants. The flat selection order of applicants within the same category is determined by the sequence of the last two digits of their application numbers according to the ballot results. In case the last two digits of the application numbers within the same application category are the same, the priority order is randomly generated by the computer. According to the established arrangements, GF applicants have priority over WF applicants; and family applicants have priority over one-person applicants. For GF family and one-person applicants living in PRH estates who are affected by HA's announced clearance programme(s) and where the target clearance date(s) is after the launch date of this sale exercise, they will have absolute priority over other ordinary GF and WF family and one-person applicants respectively. In other words, after flat selection by GF family applicants living in PRH estates affected by HA's clearance programme(s), other ordinary GF and WF family applicants will select their flats according to the relative order of their application categories and the quota allocation ratio. The same priority arrangement also applies to one-person applicants.

16. If Members endorse the ratio of 50:50 for allocation of quota between GF and WF applicants as proposed in paragraph 14 above, for every two applicants invited for flat selection, the order will be one GF applicant and one WF applicant from the respective ordinary GF and WF queues according to the priority of the application categories as set out below —

**Absolute priority** for family applicants living in PRH estates who are affected by HA's announced clearance programme(s) and where the target clearance date(s) is after the launch date of this sale exercise. After their flat selection, ordinary GF and WF family applicants will select the flats according to the quota allocation ratio (i.e. 1:1 under this joint application exercise if the proposed ratio of 50:50 is endorsed) and in the order of the following categories –

	<b>Ordinary GF</b>	<b>WF</b>
Family applicants	(1) Eligible <sup>Note 5</sup> families who are affected by HA's Interim Housing (IH) clearance programmes  (2) Families applying under the Priority Scheme for Families with Elderly Members  (3) Other families	(1) Nuclear families applying under the Priority Scheme for Families with Elderly Members  (2) Other nuclear families  (3) Non-nuclear families

**Absolute priority** for one-person applicants living in PRH estates who are affected by HA's announced clearance programme(s) and where the target clearance date(s) is after the launch date of this sale exercise. After their flat selection, ordinary GF and WF one-person applicants will select the flats according to the quota allocation ratio (i.e. 1:1 under this joint application exercise if the proposed ratio of 50:50 is endorsed) and in the order of the following categories –

One-person applicants	(1) Eligible <sup>Note 5</sup> one-person applicants who are affected by HA's IH clearance programmes  (2) Other one-person applicants	(1) One-person applicants
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17. We **propose** to follow the established order of priority stated in paragraphs 15 and 16 above for the coming sale exercise. At the same time, taking into account the experience of the last HOS sale exercise, as well as the special circumstances pertaining to the coming sale exercise, we would also like to propose a number of sales arrangements as detailed in paragraphs 18 to 25 below.

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Note 5 According to the prevailing policy, if the households affected by IH clearance are eligible for PRH and wish to purchase HOS flats, they will be accorded GF status and priority in the upcoming HOS sale exercises, subject to Members' approval of the sales arrangements for the relevant exercise (Paper No. SHC 2/2014 refers).

*(c) Quota for clearerees of HS's clearance programme*

18. About 2 300 households will be affected by HS's redevelopment of Ming Wah Dai Ha, which was announced in 2011. Applicants affected by HS's clearance programme will **not** have priority in buying HA's HOS flats under the established arrangements. However, HS intends to give absolute priority over all other applicants for the clearerees (including family and one-person households) affected by the Ming Wah Dai Ha redevelopment to buy HS's SSFs in Greenhill Villa in the coming sale exercise. Taking into account the relatively small number of flats available for sale in Greenhill Villa (1 020 flats), HS intends to set a **quota of 200 for affected clearerees of Ming Wah Dai Ha to have absolute priority to purchase the SSFs in Greenhill Villa**. If the affected clearerees fail to obtain this special quota, they still have the opportunity to purchase HA's or HS's flats under the ordinary GF queue. If the affected clearerees are not interested to purchase HS's flats in Greenhill Villa, they will also have the opportunity to purchase HA's flats<sup>Note 6</sup> under the ordinary GF queue. On the other hand, any unused quota will be allocated to other applicants under the ordinary GF and WF queues.

19. In the case of HA, there will not be any clearance programme of PRH estates before the launch of the "Sale of HOS Flats 2016". Furthermore, since eligible<sup>Note 5</sup> households affected by HA's IH clearance programme who wish to purchase HOS flats will only be accorded priority in HOS sale exercises launched before the target clearance date and that clearance of Long Bin IH<sup>Note 7</sup> should complete by January 2016, affected clearerees of Long Bin IH will not be eligible to apply under the category of "Eligible family/one-person applicants affected by HA's IH clearance programme" in this sale exercise. For future HOS sale exercises, in case there are PRH or IH clearance programmes which are announced before the launch of the sale exercise concerned, depending on the number of flats available for sale, there may also be a need to set a quota for according flat selection priority for affected clearerees.

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Note 6 The affected clearerees may also purchase flats in HS's Greenview Villa (綠悠雅苑) under the ordinary GF queue. Greenview Villa is a SSF development of the HS and the pre-sale of flats was launched in December 2012. HS intends to offer the rescinded flats in Greenview Villa for sale in this coming exercise, but the affected clearerees of the Ming Wah Dai Ha redevelopment will not have any priority to purchase these flats.

Note 7 As endorsed by Members (Paper No. SHC 2/2014 refers), the clearance of Long Bin IH was announced in January 2014 and the target completion date will be in January 2016.

*(d) One-person applicants*

20. Prior to the launch of the “Sale of HOS Flats 2014”, there were calls from the public for setting aside a certain number of flats for one-person applicants. Taking into account the small number of flats available for sale and that setting any quota for one-person applicants would inevitably be at the expense of family applicants, Members decided not to set aside quota for one-person applicants for the 2014 sale exercise. It turns out that about 59% of all applications received in the “Sale of HOS Flats 2014” were from one-person applicants. However, since priority was given to family applicants, none of them was able to select a flat due to their low priority, resulting in quite a lot of frustration from one-person applicants.

21. To enable one-person applicants a reasonable chance to select flats offered for sale and given the fact that there are slightly more flats available for sale in the coming exercise, we consider that there is a case for setting aside a quota for them. As point of reference, in the Interim Scheme, a quota of 10% was set for one-person applicants. However, as stated in paragraph 18 above, HS intends to set aside 200 flats in Greenhill Villa for clearerees affected by HS’s Ming Wah Dai Ha redevelopment. This means that the remaining number of flats left for family applicants will also be limited. Therefore, quota for one-person applicants, if any, will need to be considered in proper context.

22. To uphold HA's policy of according priority to family applicants over one-person applicants on the one hand, and to address the strong home ownership aspirations of one-person applicants on the other, on balance, we **propose** to set aside a quota of **200 flats for one-person applicants** in the coming sale exercise. The GF and WF applicants will each take up 50% of this quota and any unused GF quota will be allocated to WF applicants and vice versa. In case the quota is not fully consumed after exhausting all one-person applicants in the flat selection stage, the remaining quota will be allocated to other applicants under the ordinary GF and WF queues. Since one-person applicants will be selecting the remaining 200 flats after family applicants have selected their flats, we also **propose** to follow the prevailing policy of allowing one-person applicants to buy any remaining flat irrespective of the size.<sup>Note 8</sup>

*(e) Priority Scheme for Families with Elderly Members*

23. In accordance with the established arrangements, families applying under the Priority Scheme for Families with Elderly Members (Priority Elderly Scheme) will have priority for flat selection in the ordinary GF queue after flat selection by eligible family applicants affected by HA's IH clearance programmes (if any). In the case of the WF queue, families applying under the Priority Elderly Scheme have priority for flat selection. In the "Sale of HOS Flats 2014", around 6 700 families applied under the Priority Elderly Scheme (representing about 5% of the total number of applications received), while a total number of 1 895 flats (representing about 88% of the 2 160 flats offered for sale) were sold to these families. Even though families without elderly members and one-person applicants constitute the majority (around 95%) of the applications, they had limited chance in buying a flat in that sale exercise.

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Note 8 When WF one-person applicants were first made eligible to apply under HOS Phase 21B (Paper No. HOC 86/99 refers), both GF and WF applicants were allowed to buy flats up to a saleable area of 50m<sup>2</sup>. Furthermore, while their priority in buying small flats with saleable area not exceeding 28 m<sup>2</sup> would not be affected, they would be placed at the end of the queue if they wanted to buy larger flats up to a saleable area of 50 m<sup>2</sup> (later relaxed to 51 m<sup>2</sup> vide Paper No. HOC 29/2000). As the majority of flats offered for sale at that time had a saleable area of over 51 m<sup>2</sup>, in order to meet the needs of one-person applicants, they were allowed to buy any remaining flats irrespective of the flat size after all family applicants had selected their flats starting from HOS Phase 22A. (Paper No. HOC 37/2000 refers.)

24. While it is our policy intent to encourage the younger generation to live with and to take care of the elderly by according priority to eligible family applicants under the Priority Elderly Scheme, given the limited number of new HOS flats for sale, the chance to buy a flat would be slim for those applicants who do not qualify for the Priority Elderly Scheme. Since a total of only 3 677 flats are available for sale in the coming exercise, taking into account the experience of the last sale exercise, we consider it reasonable to set a quota for applicants under the Priority Elderly Scheme. Along this line, we **propose** that a **quota of 2 000 flats** be set aside for applicants applying under the **Priority Elderly Scheme**. This constitutes about 60% of the remaining flats available for sale after deducting the proposed quota set aside for clearerees affected by HS's Ming Wah Dai Ha clearance programme and the proposed quota for one-person applicants, assuming that the respective quotas will be fully consumed. The GF and WF applicants will each take up 50% of the proposed quota and any unused GF quota will be allocated to WF applicants and vice versa. If families applying under the Priority Elderly Scheme fail to obtain a quota, they still have the opportunity to purchase under the ordinary GF and WF queues under the "Other families" category. On the other hand, any unused quota for applicants under the Priority Elderly Scheme will be allocated to other applicants under the ordinary GF and WF queues.

25. To sum up, subject to Members' agreement of the proposals in paragraphs 12 to 24 above, the quota/number of flats available for each application categories will be as follows —

Categories	Quota/No. of Flats Available		Remarks
	GF	WF	
Clearees of HS's Ming Wah Dai Ha redevelopment	200 flats in HS's Greenhill Villa		With absolute priority to select flats in Greenhill Villa
Applicants applying under the Priority Elderly Scheme	1 000	1 000	Assuming the quota of 200 flats for HS's Ming Wah Dai Ha clearees and the quota of 200 flats for one-person applicants will be fully consumed
Other family applicants	639	638	
One-person applicants	100	100	
Sub-total	1 739	1 738	
<b>Total</b>	<b>3 677</b> <sup>Note 9</sup>		

#### D. Application fees

26. Applicants will be required to pay a one-off and non-refundable fee upon application. To recover HA's costs for processing the applications, we **propose** that an amount of \$200 be charged for this joint application exercise.

#### E. Publicity arrangements

27. Divisions 2 to 8 <sup>Note 10</sup> of Part 2 of the Residential Properties (First-hand Sales) Ordinance (Cap. 621) (the Ordinance) do not apply to developments constructed by HA. However, in the previous three sale exercises <sup>Note 11</sup>, HA followed such requirements as far as practicable and made

Note 9 The number of rescinded flats in Greenview Villa that HS intends to offer for sale in this exercise has not been confirmed yet and has therefore not been taken into account in the total number of flats for sale. Upon confirmation of the number of flats for sale in Greenview Villa, the total number of flats and the number of flats available for sale to other family applicants will be slightly increased accordingly.

Note 10 Divisions 2 to 8 of Part 2 of the Ordinance regulate arrangements relating to sales brochure, price list, show flats for uncompleted development or phase, viewing of property in completed development or phase, sales arrangements and other information, preliminary agreement and agreement for sale and purchase and register of transactions for the sale of first-hand residential properties.

Note 11 The previous three sale exercises include the "Sale of Surplus HOS Flats Phase 7" launched in March 2013, the "Sale of HOS Flats in Tin Lee Court/Tin Chung Court" launched in June 2014 and the "Sale of HOS Flats 2014" launched in December 2014.

available sales brochures, price lists and documents on sales arrangements of the developments starting seven days before commencement of the application period. HA also provided show flats in the “Sale of HOS Flats 2014” for viewing by the public, although it is not a requirement of the Ordinance.

28. Given the increasing demand for subsidised home ownership and our limited staffing resources, our current priority is to concentrate our efforts in preparing and conducting the various sale exercises in the pipeline. Apart from this joint application exercise in which HD will shoulder the processing and vetting work for all the applications received, other sale exercises in the pipeline which we need to work on include the new round of the Interim Scheme; GSH; as well as the third batch of new HOS flats. As we need to concentrate our limited staffing resources in completing essential work critical to the sale of flats to enable timely launch of the various sale exercises, we cannot afford to adopt the same elaborate publicity arrangements as in the last sale exercise. Details of our publicity arrangements for the coming sale exercise, as well as those to be adopted by HS, are set out at **Annex D**. Major differences of the publicity arrangements from the last sale exercise are that –

- (a) only virtual show flats will be provided and we will not provide physical show flats for HA’s HOS flats in the coming sale exercise; and
- (b) we will adopt a two-stage approach for the distribution of sales materials to the public and prospective purchasers. In short, sales booklets with basic and essential information of the developments and price ranges will be made available to the public starting seven days before the commencement up to the end of the application period. Sales brochures and price lists will be made available before the commencement of the flat selection period.

29. As the Ordinance is applicable to the sale of first-hand residential properties by HS, HS must comply with the requirements under the Ordinance in the sales arrangements for its SSFs. We also understand that HS will provide show flats in line with the practice in its recent sale exercises. <sup>Note 12</sup>

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Note 12 It should be noted that for the sale of SSFs by HS such as the sale of flats in Greenview Villa in 2012/13, some of the preparation and processing work was carried out by HD such as vetting the eligibility of and providing Green Form Certificates to PRH applicants, verifying and certifying the Green Form applications of PRH tenants in HA’s estates, duplication checks on whether the applicants had enjoyed other subsidised housing benefits, etc.

## **F. Other operational arrangements**

30. Apart from different publicity arrangements, there are also differences in some other operational arrangements for the sale of flats by HA and HS. Details are at **Annex E**. These different operational arrangements will be clearly set out in the Application Guides for applicants' reference.

## **LEGAL IMPLICATIONS**

31. There are no legal implications as far as compliance with Divisions 2 to 8 of Part 2 of the Ordinance (which relates to sales practices) is concerned, since this part of the Ordinance does not apply to developments constructed by HA. However, HA has to comply with the requirements under Part 3 of the Ordinance relating to advertisements. It should also be noted that Part 4 of the Ordinance, which covers misrepresentation and dissemination of false or misleading information, is applicable to HA.

## **FINANCIAL AND STAFFING IMPLICATIONS**

32. The total sales proceeds for the sale of the 2 657 HOS flats is estimated to be \$5,723.3 million. After deducting the estimated total costs.<sup>Note 13</sup> at \$4,605.3 million, the operating surplus is estimated to be \$1,118 million.

33. Additional staff is required to take forward the preparation work for the on-going sale of HOS flats, including preparation of plans and area classifications, land grants, deeds of mutual covenant and related documents; fixing of sale prices; preparation of sales brochures and other documents; arrangements for conveyancing procedures and documents, etc. While some additional posts related to HOS sales have been created, we will continue to review the staffing requirement and if necessary, bid for additional manpower resources.

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Note 13 The estimated total costs include development costs (i.e. construction and overhead costs), land costs at 35% of the development costs, administration overheads and other sales related expenditure including expenses for printing, advertisements, publicity, consultancy, pre-management, etc.

34. We expect more applicants will be attracted to the joint application exercise due to the opportunity to choose either HA's HOS flats or HS's SSFs. HD will shoulder all work relating to processing of all the applications received (including receiving applications, vetting applicants' eligibility, balloting, etc) and to man our own sales office, arrange for flat selection, etc. With the larger number of flats available for pre-sale, more efforts will also be required in conducting detailed eligibility vetting <sup>Note 14</sup> and the duration for flat selection will also be lengthened. In addition, there will be extra work in liaising with HS on the detailed sales arrangements and in carrying out enhancement of the IT system. To undertake the additional workload arising from the joint application exercise as well as the processing of applications under the Interim Scheme, we have arranged for the employment of 18 body-shopped personnel. Regarding the operating costs for processing applications, they will be recovered by the application fees.

## **INFORMATION TECHNOLOGY (IT) IMPLICATIONS**

35. A new HOS system was developed and put to use when the "Sale of HOS Flats 2014" was launched in December 2014. We will enhance the system to cater for the joint application exercise as well as the proposed arrangements relating to the allocation of quota for various categories of applicants.

36. IT support will also be required for the setting up of designated websites for the two new HOS developments to follow the requirements under the Ordinance; display of the virtual show flat videos; provision of computer terminals at the HACSC; pre-screening and vetting of application forms; flat selection arrangements, etc.

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Note 14 After the ballot, HD will conduct detailed eligibility vetting of the applications to ascertain eligibility of the applicants and their final priority before inviting eligible applicants for flat selection. In general, the total number of applications vetted is at least two times the number of flats available for sale. The total number of flats available for sale in the coming exercise is 3 677, meaning that HD will have to vet at least about 7 400 applications.

## **PUBLIC REACTION AND PUBLICITY**

37. In view of the strong home ownership aspirations in the community, we expect that the launch of the “Sale of HOS Flats 2016” will continue to attract widespread interest from the media and the public. Response to the sale is likely to be equally overwhelming as in previous sale exercises. The joint application exercise will facilitate eligible applicants to have the convenience of making one single application while enjoying a wider choice of flats. Hence, this should be welcomed by applicants in general. A press statement on the sales arrangements as endorsed by Members will be issued after the Subsidised Housing Committee meeting.

38. HA will only provide sales booklets with basic and essential information of the developments and the price ranges starting seven days before the commencement up to the end of the application period and that sales brochures with full details of the developments and price lists will be provided only before the commencement of flat selection. Although the Ordinance in this respect does not apply to developments constructed by HA, this arrangement deviates from the practice in the previous three sale exercises in which HA chose to follow what is required in the Ordinance. As such, there may be criticisms from the public. However, it should be noted that the original intent of the Ordinance is targeted at addressing malpractices of vendors in the sale of first-hand residential properties in the private market. HOS flats offered for sale by HA follow set parameters including price setting, a system of balloting and established rules to determine the flat selection priority, etc., which are transparent and non-speculative. Provision of necessary information in two stages enables early pre-sale. Besides, experience tells that many of the HOS applicants may not need full details of the developments before application as many of them may not be able to proceed to purchase due to failure to pass the eligibility vetting or low priority in flat selection. Basic and essential information of the developments such as the location, flat layout, flat size, price range, etc. should therefore be sufficient for their information before submitting an application. Upon passing the detailed vetting, successful applicants will be provided with the sales brochures which largely follow the requirements of the Ordinance, so that they will have full details of the developments before they decide whether or not to purchase when their turn for flat selection comes up. Furthermore, it should be noted that HA will still be subject to the requirements under the Ordinance for advertisements as well as provisions relating to misrepresentation or dissemination of false or misleading information.

39. The Ordinance does not require vendor to provide any show flat for viewing by prospective purchasers or the general public in relation to the sale of uncompleted first-hand residential properties. However, there may still be criticisms against HA for not providing physical show flats for viewing by the public. Since HA has committed to compressing the preparation work as far as practicable to enable early pre-sale of HOS flats to meet strong public aspirations for home ownership, we have decided not to provide any physical show flat for the HOS developments. Instead, we will focus our efforts on essential preparatory work for the launch of this sale exercise as well as to carry out other sale exercises in the pipeline. In the “Sale of HOS Flats 2014”, we have made use of the building information modeling technique to produce virtual show flat walkthrough videos for public viewing at the HACSC and the HA/HD website, which were well received by the public and the hit rate for the copy on the website was over 80 000 during the application period. We consider that the continued use of the technique for production of virtual show flat walkthrough videos should be welcomed by the public.

## **DECLASSIFICATION**

40. We recommend that this paper be declassified after the meeting. The paper will be made available to the public at the HA homepage, HD’s library and through the Departmental Access to Information Officer if it is declassified.

## **RECOMMENDATIONS**

41. Members’ approval is sought on the following recommendations -
- (a) to adopt the average selling prices at 30% discount from the assessed market values as set out in **Annex B (paragraphs 4 to 6)**;
  - (b) to conduct a joint application exercise with the Hong Kong Housing Society (**paragraphs 7 to 11**);
  - (c) to adopt the ratio of 50:50 for quota allocation between Green Form (GF) and White Form (WF) applicants, with flexibility to allocate any unused GF quota to WF applicants and vice versa (**paragraphs 12 to 14**);

- (d) to follow the established order of priority in flat selection (**paragraphs 15 to 17**);
- (e) to set a quota of 200 flats (without restrictions on the flat size) for one-person applicants. GF and WF applicants will each take up 50% of the set quota and any unused GF quota will be allocated to WF applicants and vice versa (**paragraphs 20 to 22**);
- (f) to set a quota of 2 000 flats for families applying under the Priority Scheme for Families with Elderly Members. GF and WF applicants will each take up 50% of the set quota and any unused GF quota will be allocated to WF applicants and vice versa (**paragraphs 23 and 24**);
- (g) to set the one-off application fee at \$200 (**paragraph 26**); and
- (h) to declassify this paper after the meeting (**paragraph 40**).

42. Members are also invited to note the quota of 200 flats in Greenhill Villa which HS intends to set aside for purchase by the Ming Wah Dai Ha clearerees under absolute priority (paragraph 18); as well as the publicity arrangements and other operational arrangements as detailed in **Annex D** and **Annex E**.

## DISCUSSION

43. At the meeting to be held on 9 December 2015, Members will be asked to advise whether the recommendations as set out in **paragraph 41** above should be approved.

Ms Cindy CHAN  
Secretary, Subsidised Housing Committee  
Tel. No.: 2761 5033  
Fax. No.: 2761 0019

File Ref. : HD4-1/EST/1-55/1  
(Strategy Division)  
Date of Issue : 4 December 2015

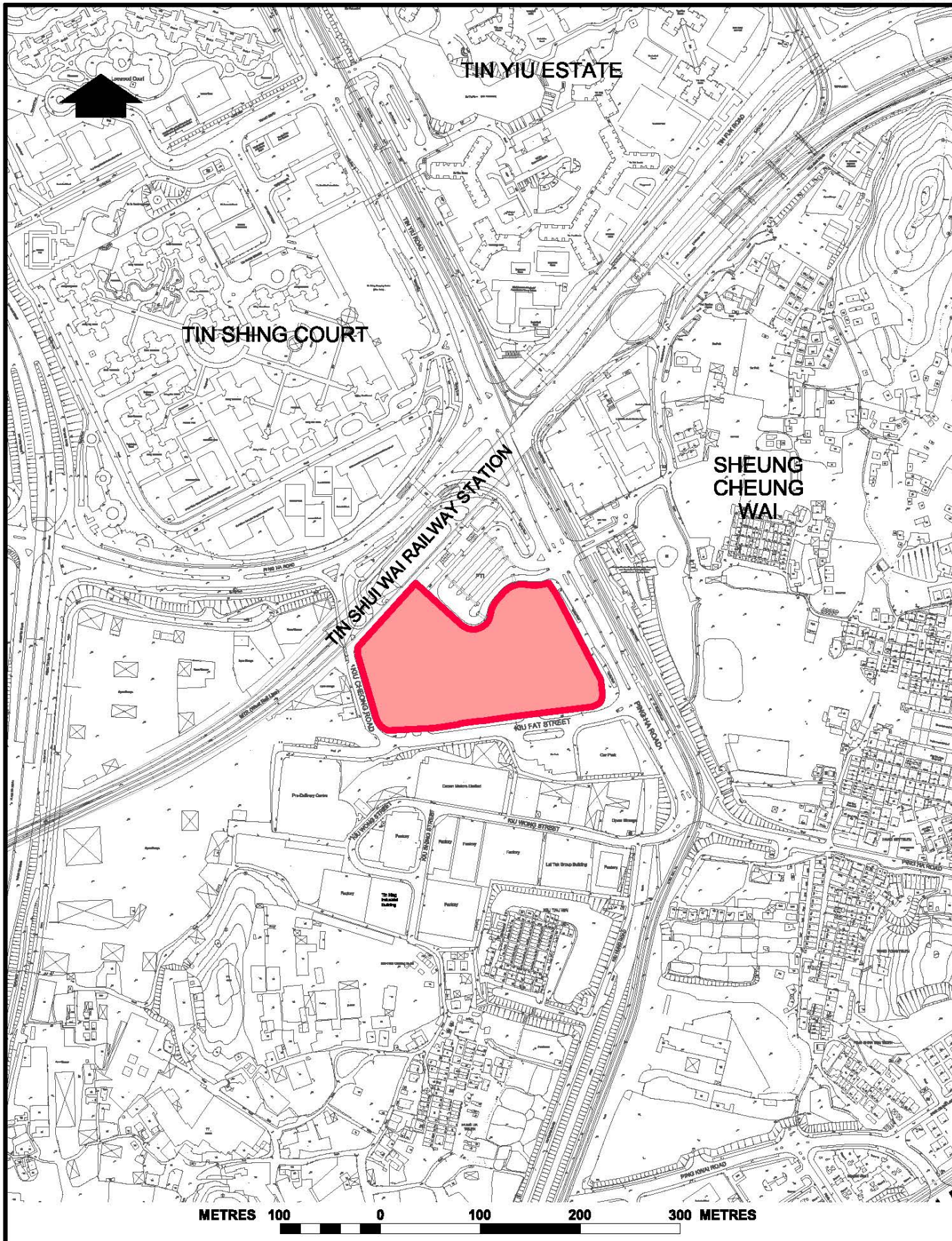


**LOCATION PLAN  
KA SHUN COURT**



**HOUSING DEPARTMENT  
PLANNING SECTION**

**DATE :  
13. 10. 2015**



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# LOCATION PLAN PING YAN COURT

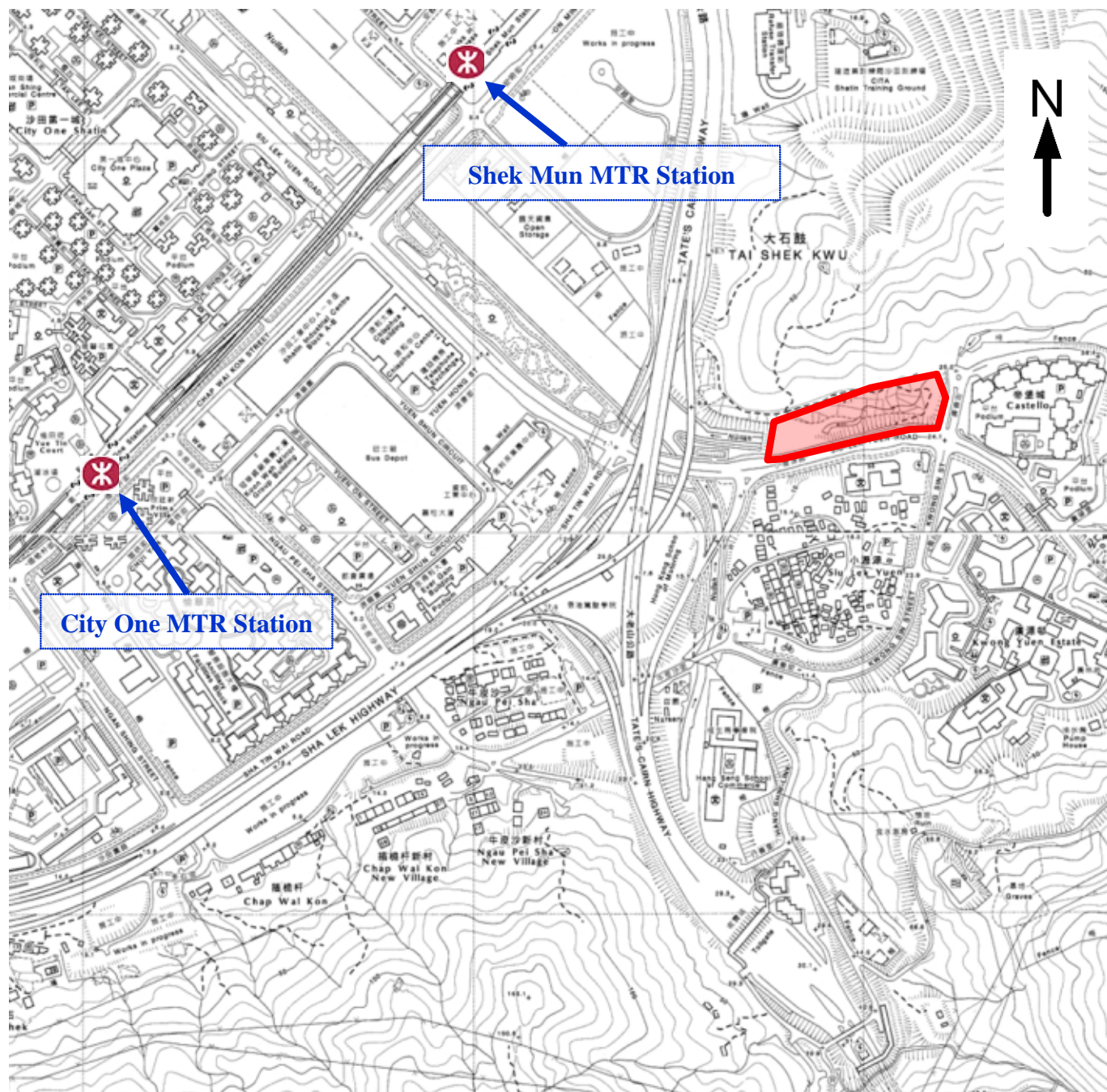


**HOUSING DEPARTMENT  
PLANNING SECTION**

**DATE :  
13. 10. 2015**

**Annex B****Proposed Average Selling Prices - Sale of Home Ownership Scheme Flats 2016**

<b>Development</b>	<b>District</b>	<b>Number of Blocks</b>	<b>Number of Flats</b>	<b>Saleable Area (SA) (m<sup>2</sup>) (about)</b>	<b>Assessed Average Market Value (\$/m<sup>2</sup> SA)</b>	<b>Proposed Average Selling Price @ 30% discount (\$/m<sup>2</sup> SA)</b>	<b>Range of Proposed Selling Prices (\$)</b>
Ka Shun Court (嘉順苑)	Sha Tin	1	248	41.3 – 41.7	105,000	73,500	2,445,800 – 3,275,700
Ping Yan Court (屏欣苑)	Ping Shan, Yuen Long	3	2 409	34.9 – 53.3	76,000	53,200	1,496,900 – 3,163,600



 GREENHILL VILLA

(For Identification Purposes Only)

### Location Plan



## Publicity Arrangements of HA and HS

### A. Publicity arrangements of HA

#### *Show flats and related arrangements*

For the coming “Sale of HOS Flats 2016”, given our limited staffing resources and in order to focus our efforts on essential preparatory work to enable early launch of this sale exercise, we will not provide physical show flat for the HOS developments. Instead, we will continue to make use of building information modeling technique to produce virtual show flat walkthrough videos (SF videos)<sup>Note 1</sup> and physical doll houses for display. The SF videos were also produced for public viewing at Domain, Housing Authority Customer Service Centre (HACSC) and on the website in the last sale exercise. They have proved to be very effective in enhancing potential buyers’ visualization and understanding of the design and layout of the flats, and were well received by the public with a hit rate of over 80 000 during the application period. We will produce three SF videos and doll houses of the majority flat types of three different sizes of flats in Ping Yan Court for display at HACSC starting seven days before the commencement up to the end of the application period and during the flat selection period for this joint application exercise. The SF videos will also be uploaded onto HA/HD’s website.

2. Panels exhibiting basic information and building models of the two HOS developments will also be displayed at HACSC starting seven days before the commencement up to the end of the application period and during the flat selection period. We will also put up posters in HACSC and other locations<sup>Note 2</sup> starting seven days before the commencement up to the end of the application period. Newspaper and radio advertisements will also be put up during the same period.

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Note 1 Division 4 of Part 2 of the Residential Properties (First-hand Sales) Ordinance (Cap. 621) (the Ordinance) does not apply to the SF videos and physical doll houses as they are not show flats. However, Part 3 of the Ordinance relating to advertisements will be complied with as anything which purports to promote the sale of first-hand residential properties may be regarded as an advertisement.

Note 2 The other locations include estate offices and District Tenancy Management Offices of HA, rental estate offices of HS, Public Enquiry Service Centres of the Home Affairs Department and HA’s Sham Shui Po Housing Information Centre.

### ***Sales Documents***

3. We will adopt a two-stage approach in distributing sales materials. Starting seven days before the commencement up to the end of the application period, we will make available sales booklets (which are not “sales brochures” as defined under the Residential Properties (First-hand Sales) Ordinance (Cap. 621) (the Ordinance)) containing basic but essential information of the HOS developments and price summaries, as well as application forms and application guides for collection by the public at HACSC and other locations<sup>Note 2</sup> during their respective opening hours. During the same period, electronic copies of the sales booklets as well as application forms and guides will also be uploaded onto the websites designated by HA for the respective HOS developments (designated websites) and the HA/HD website. As anything purporting to promote the sale of first-hand residential properties may be regarded as an advertisement, we shall follow the requirements under Part 3 of the Ordinance (which regulates advertisements for the sale of first-hand residential properties and applies to developments constructed by HA) in the preparation of the sales booklets.

4. Together with the invitation letter for flat selection, the sales brochures and price lists for the two HOS developments, which will be prepared in accordance with the requirements of the Ordinance as far as practicable, will be mailed to successful applicants (who have passed the detailed vetting) seven days immediately before their scheduled dates of flat selection so that applicants will be able to study in detail before deciding whether or not to buy any flat. Hard copies of the sales brochures and price lists will also be made available during opening hours at HACSC for collection by the public while electronic copies will be uploaded onto the designated websites before commencement of the flat selection period.

5. The Ordinance also requires the vendor to make available other documents<sup>Note 3</sup> and the Register of Transactions for inspection by the public at the sales office and on the designated website on each day of sale. Accordingly, we shall make available the required documents in respect of the two HOS developments at HACSC as well as on the designated websites.

### **B. Publicity arrangements of HS**

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Note 3 On each day of sale, vendors are required to make available the outline zoning plan, approved building plans, draft deed of mutual covenant (DMC)/DMC, land grant and aerial photograph of the development at the sales office for inspection by the public. The draft DMC/DMC and aerial photograph must also be made available on the designated website on each day of sale.

### ***Show Flats and related arrangements***

6. HS will provide show flats for Greenhill Villa at its own venue in Cheung Sha Wan, in line with the arrangements for the sale of its other developments. To observe specific requirements relating to advertisements for the sale of first-hand residential properties under the Ordinance, HS and HA will arrange separate advertisements, posters and other publicity materials. However, HA will make available space at HACSC for HS to put up its display panels, posters, etc.

### ***Sales documents***

7. As HS needs to comply with the Ordinance as with other private developers, they will make available hard copies of the sales brochure as well as price list and document on sales arrangements of Greenhill Villa at their Cheung Sha Wan venue, starting at least seven and three days respectively immediately before the commencement of the application period. Hard copies of those documents will also be made available during opening hours at HACSC (i.e. the place where the sale will take place) for collection by the public during the same period as the availability of sales materials for HA's HOS developments. HS will also make available electronic copies of those documents on the designated website of its subsidised sale flat (SSF) development and on the Sales of First-hand Residential Properties Electronic Platform (SRPE) (the electronic copy of the document on the sales arrangements does not have to be made available on SRPE) in accordance with the requirements of the Ordinance. A promotional leaflet for Greenhill Villa will also be made available for collection by the public at HACSC and other locations <sup>Note 2</sup> starting seven days before the commencement up to the end of the application period. Furthermore, a hyperlink to HS's designated website will be arranged on the HA/HD website. Copies of the sales brochure, price list and document on sales arrangements of HS's Greenhill Villa will also be mailed to successful applicants together with the sales brochures and price lists of the HOS developments seven days before their scheduled dates of flat selection.

8. Regarding the Register of Transactions and other documents <sup>Note 3</sup>, we will provide space at HACSC for HS to make available those documents in respect of its SSF development for inspection by the public in accordance with the requirements of the Ordinance. HS will also need to make available the required documents on its designated website.

## **Annex E**

### **Different operational arrangements of HA and HS**

The joint application exercise is intended to facilitate applicants so that they only need to submit one single application for the purchase of either HA's or HS's flats and HS will largely follow HA's arrangements. However, since HA and HS are, after all, two different entities and have different established practices and arrangements, there are still certain differences in terms of operational arrangements in the sale of HA's and HS's flats. Apart from different publicity arrangements due to the requirements of the Residential Properties (First-hand Sales) Ordinance (Cap. 621) (the Ordinance) as set out in **Annex D**, other operational arrangements which are different between the sale of HS's and HA's flats are set out in the ensuing paragraphs.

#### **Mortgage guarantee**

2. For HOS flats, HA provides guarantee to participating financial institutions for mortgage loans up to 95% of the purchase price for Green Form (GF) applicants; and up to 90% for White Form (WF) applicants for a maximum loan repayment period of 25 years.

3. In the case of HS, following the lowering of the cap on the loan-to-value ratio from 70% to 60% for residential properties under \$7 million by the Hong Kong Monetary Authority in February 2015, HS will provide a guarantee of 30% of the purchase price (for a 25-year repayment period) to participating financial institutions such that both GF and WF applicants will be able to obtain a mortgage loan up to 90% of the purchase price.

#### **Deposits and conveyancing arrangements**

4. Applicants who select HA's HOS flats will sign the agreement for sale and purchase (ASP) and pay the deposit of 5% (for GF applicants) or 10% (for WF applicants) of the purchase price on the day of flat selection.

5. For those who select HS's SSFs, both GF and WF applicants will need to pay a deposit of 10% of the purchase price. They will sign the provisional agreement for sale and purchase (PASP)<sup>Note 1</sup> and pay a preliminary

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Note 1 PASP must contain all the mandatory provisions as prescribed in the Ordinance.

deposit of 5% of the purchase price on the day of flat selection. Within five working days after they have signed PASP, purchasers of HS's SSFs will sign ASP<sup>Note 2</sup> and pay the balance of deposit (i.e. the remaining 5%). For those who do not sign ASP within five working days after they have signed PASP for HS's SSFs, PASP will be terminated and the preliminary deposit will be forfeited. The flat will be released for selection by other applicants.

### **Stamp duty payment**

6. The stamp duty arrangements for HA's HOS flats and HS's SSFs are very different.

7. In accordance with section 29H of the Stamp Duty Ordinance (Cap. 117), an agreement for sale to which HA or a person nominated by HA is a party is not deemed as a chargeable agreement for sale. Accordingly, for the purchase of HOS flats from HA, while the date of assignment is regarded as the date of acquisition for the purposes of Buyer's Stamp Duty (BSD)<sup>Note 3</sup>, the date of ASP is regarded as the date of acquisition for the purposes of ad valorem stamp duty (AVD)<sup>Note 4</sup>. Both BSD (if applicable) and AVD are payable within 30 days after the execution of the assignment for purchase of an HOS flat from HA.

8. For the purchase of SSFs from HS, the date of PASP is regarded as the date of acquisition for both BSD and AVD purposes. Both BSD (if applicable) and AVD are payable within 30 days after the execution of PASP<sup>Note 5</sup>.

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Note 2 ASP must contain all the mandatory provisions as prescribed in the Ordinance.

Note 3 For BSD purposes, a person is deemed to have acquired a residential property on the date he/she enters into a chargeable instrument as the purchaser of the residential property concerned.

Note 4 For the purposes of AVD, the date of acquisition of a property is the date of the earliest agreement for sale for the acquisition of the property.

Note 5 Or within 30 days after the execution of ASP, if ASP is signed within 14 days after PASP is signed.

9. The different stamp duty arrangements for HA's HOS flats and HS's SSFs are summarised in the table below –

	<b>HA's HOS Flats</b>	<b>HS's SSFs</b>
<b>BSD</b>		
Date of acquisition	Date of assignment	Date of PASP
When BSD is payable (if applicable)	Within 30 days after execution of assignment	Within 30 days after execution of PASP <sup>5</sup>
<b>AVD</b>		
Date of acquisition	Date of ASP	Date of PASP
When AVD is payable	Within 30 days after execution of assignment	Within 30 days after execution of PASP <sup>Note 5</sup>

### **Remaining flats from previous sale exercise**

10. Any rescinded flats from HS's earlier sale of Greenview Villa (綠悠雅苑)<sup>Note 6</sup> will be included for sale in the coming sale exercise. HS will make available sales materials of Greenview Villa<sup>Note 7</sup> and arrange viewing of the completed flats in accordance with the requirements of the Ordinance.

11. For HA, as at end October 2015, there is one rescinded flat from the "Sale of HOS Flats 2014". As there is more than a year before the relevant buildings will be completed, there could be more rescission cases coming up before building completion. In view of the time and efforts involved in making available updated sales brochures for the developments, any rescinded flats from the "Sale of HOS Flats 2014" will be included for sale in the next HOS sale exercise for cost effectiveness consideration.

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Note 6 Greenview Villa is a SSF development of the HS and the pre-sale of flats was launched in December 2012.

Note 7 The same arrangements as those for Greenhill Villa (paragraphs 7 and 8 of **Annex D**) will be made.