



Towards Urban Renewal 3.0 : Meeting Challenges Ahead

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# Introduction to URA

## Establishment

The Urban Renewal Authority (URA) was established under the Urban Renewal Authority Ordinance (URAO) in May 2001 to replace the Land Development Corporation as the statutory body to undertake, encourage, promote and facilitate the regeneration of the older urban areas of Hong Kong.

## Purposes

The main purposes of the URA, as listed in Section 5 of the URAO, are to -

- improve the standard of housing and the built environment of Hong Kong and the layout of built-up areas by replacing old and dilapidated areas with new development which is properly planned and, where appropriate, provided with adequate transport and other infrastructure and community facilities;
- achieve better utilization of land in the dilapidated areas of the built environment of Hong Kong and to make land available to meet various development needs;
- prevent the decay of the built environment of Hong Kong by promoting the maintenance and improvement of individual buildings as regards their structural stability, integrity of external finishes and fire safety as well as the improvement of the physical appearance and conditions of that built environment; and
- preserve buildings, sites and structures of historical, cultural or architectural interest.

## Vision and Mission and 4Rs

### Vision -

To create quality and vibrant urban living in Hong Kong - a better home in a world-class city.

### Mission -

To realize our Vision, we act on our priorities with ingenuity and sensitivity, join forces with our partners and nurture our people.

Our priorities are –

- To accelerate redevelopment by replacing old buildings with new to provide a better living environment and neighbourhood;
- To enable and encourage the rehabilitation of dilapidated buildings to prevent urban decay;
- To preserve by maintaining and restoring buildings of historical and architectural value, and to sustain local characteristics; and
- To revitalize through enhancing and strengthening the socio-economic and environmental fabric for the benefit of our urban communities.

### 4Rs Strategy -

In renewing urban areas, we implement our four priorities in a coordinated and mutually reinforcing manner through our holistic 4Rs Strategy, comprising –

- building Redevelopment;
- building pReservation/Restoration;
- building Rehabilitation; and
- street and open space Revitalisation/Rejuvenation,

in order to provide the maximum benefit to the urban communities of Hong Kong, which we serve.

### Urban Renewal Strategy and Work of URA

Section 20 of the URAO requires the Secretary for Development to consult the public in preparing an Urban Renewal Strategy (URS).

The URA is required to follow the guidelines in the current URS each year, when preparing our five-year Corporate Plan for urban renewal under Section 21 and our annual Business Plan under Section 22 for submission to the Financial Secretary for approval for implementation.

The current URS was issued in November 2001 by the then Secretary for Planning and Lands. Since then, the URA has been carrying out its work in accordance with its obligation to continue implementation of 10 ongoing projects inherited from URA's predecessor, the Land Development Corporation and the priorities set out in the 2001 URS, which required the URA to give priority to implementation of 25 new redevelopment only announced but not commenced by the Land Development Corporation. All of these 25 projects had been commenced by March 2008. In addition, the Government gave the URA a list of 200 further projects for redevelopment. These obligations have defined the URA's redevelopment portfolio and priorities to date.

The 2001 URS is now being reviewed by the Secretary in consultation with the public over a two-year period which began in mid-2008 and will continue into 2010. As a major stakeholder, URA is proactively supporting the Secretary in the Development Bureau's conduct of

this Review. Until such time as any new URS is issued, the URA will continue to be required to follow the 2001 URS in carrying out its work.

### Finances

The resources of the URA are defined in Section 10 (1) of the URAO and include both the \$10 billion appropriated by the Legislative Council and paid to the URA and all other money received by the URA.

One of the 2001 URS's objectives is for the urban renewal programme to become self-financing in the long run and URA must have due regard for this. In addition, URA is required by Section 10 (4) of the URAO to exercise due care and diligence in handling its finances.

URA's borrowing and lending powers are set out in Sections 11 and 12, while Section 14 governs the use, including the investment, of any surplus funds.

Section 15 (1) states that the URA is indebted to the Government for all of the \$10 billion received under Section 10 (1) (a) and all expenditure incurred by the Government for the URA's benefit.

Sections 16 and 17 require URA to keep proper accounts, while Section 18 requires URA to, each year, prepare and submit both an annual report on its work together with its audited accounts to the Financial Secretary who, in turn, is required to arrange for them to be tabled in the Legislative Council.

### URA's Environmental Commitments

We aim at creating an environmentally-sustainable, high quality and vibrant urban environment providing better homes in Hong Kong through our 4Rs strategy.

We are committed to the following:

- To meet all relevant regulatory and legislative requirements.
- To reduce consumption of resources (materials, fuel and energy) by efficiency, reuse, recovery or recycling where feasible and consequently reduce waste.
- To adopt technologies and use raw materials which minimize pollution, energy use and waste where applicable.

- To plan, design and implement projects in such a way as to minimize the adverse environmental effects of new developments in construction, operation and demolition.
- To provide and promote environmental education and training.
- To work with our partners (affected communities, tenants, owners, Government, development and financial institutions, professionals and academics) to find acceptable solutions which minimize our impact on the environment and prevent pollution.
- To communicate our environmental objectives, efforts and achievements to the public.
- To adopt "green" purchasing where appropriate and expect high environmental standards from suppliers, joint venture partners and contractors who work with or for us.





**URA's Environmentally Sustainable Policy**



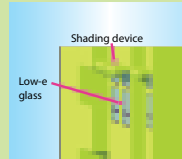
We have already used some of these elements to good effect in our projects. This has won us four HK-BEAM platinum ratings, the highest distinction possible, for the environmental sustainability of four of our projects: Mount Davis 33 in Kennedy Town, Vision City in Tsuen Wan, i-home and Florient Rise in Tai Kok Tsui.



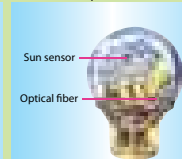


Hong Kong's buildings are using more electricity than they should and they generate a large quantity of greenhouse gas. The city has more than 40,000 buildings and another 500 to 600 new ones are going up every year. These buildings eat up nearly 80% of our electricity, and in the process they produce about half of Hong Kong's total greenhouse gas emissions. It is Hong Kong's residential sector that most badly needs to pursue environmentally sustainable practices.

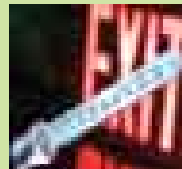
High Thermal Performance Structural Fabric



Renewal Energy Lighting System



Solar Hot Water System



Low Lighting Power/Density and Advanced Energy Saving Light Fittings



Energy Saving Air-conditioning Devices



Grey Water Recycling System



The Lee Tung Street redevelopment project will be the first URA project to incorporate all these environmentally-friendly features. The green features will help cut carbon dioxide emission by 23 percent. This is equivalent to planting 170,000 trees, or 20 percent of the trees planted each year in Hong Kong.

Our new policy has taken on board the experience of many cities overseas and drawn on the latest environmental technologies. We have also sought the advice of leading experts with hands-on experience in the field.



Before and after looks of the four preserved shophouses at Johnston Road.



## Preservation in Action

The URA has been steadily broadening its vision to look at solutions to urban decay that are all-encompassing, and address the needs of the community as a whole.

One of our preservation projects, a cluster of four shophouses on Johnston Road, now known as the Pawn, was completed in July 2008. It is now one of Hong Kong's hippest places to hang out. They are within the boundary of our Johnston Road redevelopment project.

The four shophouses were very run-down and the surrounding neighbourhood was also dilapidated.

Knocking down the old shophouses would have been the easiest solution, but they housed Hong Kong's oldest pawn shop, and so they had significant heritage and architectural value.

We decided to preserve the most valuable shophouses for re-use as restaurants and shops and to redevelop the rest of the cluster, which did not have significant heritage value.

The entire project took no less than six years and just the restoration itself cost more than \$15 million. But the value goes far beyond just these four restored shophouses. We also took advantage of the opportunity to try and revitalise Wan Chai District altogether. Ship Street nearby has already benefited, as has the rest of Johnston Road itself.



The Wedding City will be located in three preserved Cantonese verandah-type shophouses at Queen's Road East.

In fact, the URA's revitalisation efforts stretch all the way across to Queen's Road East, and they include the redevelopment and revitalisation of the old Wan Chai market.

It also includes Wedding Card Street, which we are proposing to redevelop, because of the appalling state of the buildings, which suffered from not just cosmetic problems but major structural degeneration that made them unsafe. We are redeveloping Wedding Card Street in a way that will continue to see the street used as the focus of the wedding industry.

Whenever we look at a redevelopment project, we do take into serious consideration the heritage aspects.

At Staunton Street, for example, we are taking a conservation led approach that will actually reduce the permitted plot ratio from 8 to under 4.5.



A small plaza will be created at the junction of Wing Lee Street and Shing Wong Street to enhance visibility to the Victoria stone pitch wall.



At Mong Kok, we are now working to preserve two clusters of 20 pre-war shophouses, one on Prince Edward Road West and the other on Shanghai Street. The two projects are breakthrough in URA's preservation work and there will not be redevelopment elements at all.

To date, the URA has already preserved 25 pre-war buildings and we expect to safeguard 48 more shophouses.



A cluster of 10 pre-war verandah-type shophouses of outstanding heritage value in Prince Edward Road West will be preserved and revitalised.







## Rapid Progress on Kwun Tong Project

The URA has worked especially hard on the Kwun Tong Town Centre redevelopment project, to ensure that it moves ahead as quickly as possible. This is by far our largest project to date, covering two sites that together occupy 5.35 hectares and 24 buildings. Some 5,000 people living in nearly 1,800 households will be affected, as well as over 500 shops and hawker stalls.

Through these efforts, we were able to secure approval from the Chief Executive in Council for the two Development Scheme Plans in July 2008. This approval allowed us to develop further the two Master Layout Plans, which were approved by the Town Planning Board by January 2009.

The good progress we have made with this project has been partly the result of the very extensive and successful two-year public consultation conducted by the URA during the preliminary planning stages, together with our intensive ongoing community engagement programme.

No fewer than 1,657 property interests stand to gain from the project and the URA made offers to acquire all these interests at the close of the 2008 calendar year. Only five months after the offer period began from early January, over 80% have accepted. These acceptances include 97% of the domestic owner-occupiers.

This is an unprecedentedly high rate of acceptance for this stage of the project acquisition process for such a large project. It demonstrates both the fairness of the URA's property valuations and the efficiency with which the offers were delivered by our dedicated staff in often difficult and stressful conditions.



Many have already benefited. Many of those who accepted the offers, have been able to buy much better homes for themselves with, in some cases, some money left over to spend on their new homes.

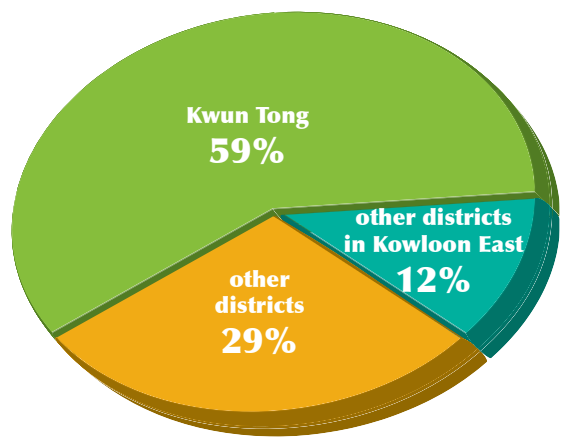
In a further step forward for this project, the URA started construction of the Fuk Tong Road bus terminus so that the Yuet Wah Street Site could be vacated ready for construction to start by the fourth quarter of 2009.

The URA has already commenced or implemented about 50 redevelopment projects. When completed, these projects will help 30,000 people improve their living condition.



Mr Tsui in his new home in Clear Water Bay Road.

**Where have domestic owner-occupiers gone?**



This table is based on the reply of 325 domestic owner-occupiers affected by the Kwun Tong Town Centre redevelopment project who were willing to provide information. A detailed tracking survey is being conducted.



Madam Lee has bought her new home in Hiu Kwong Road.



Madam Lee has moved to her new home in Lam Tin.

# Highlights of the Year



## 2008

### April

The Town Planning Board decides to submit the two Development Scheme Plans of the Kwun Tong Town Centre project to the Chief Executive in Council for approval after completing the statutory public consultation and hearing process.

### May

The URA and the Hong Kong Playground Association invite estate developers to provide expression of interests for the development of the Macpherson Indoor Stadium redevelopment project. An open tender exercise follows in the same month.

A joint development contract for the Baker Court project is awarded to Union Harvest Investments Limited, a wholly-owned subsidiary of Sino Land Company Limited, in a public tender exercise.

The URA Board decides to implement the Kwun Tong Town Centre project in phases and make offers to acquire all properties in one go in December 2008.

### June

The URA and the Hong Kong Playground Association announce that Wealth Genesis Limited, a wholly-owned subsidiary of Kowloon Development Company Limited has won the bid to implement for the Macpherson Indoor Stadium redevelopment project in a public tender exercise.

The Government announces the approval of the draft Hai Tan Street/Kweilin Street and Pei Ho Street Development Scheme Plan by Chief Executive in Council.

### July

The Secretary for Development Mrs Carrie Lam and the URA Chairman Mr Barry Cheung, officiate at a ceremony to mark the completion of the URA's first redevelopment cum preservation project at Johnston Road, Wan Chai.

The Secretary for Development authorises the URA to proceed with the Chi Kiang Street/Ha Heung Road and the Pak Tai Street/Mok Cheong Street development projects in Ma Tau Kok.

## Highlights of the Year



The Old Wan Chai Revitalisation Initiatives Special Committee organises workshops to collect the public views on the revitalisation of the open-air bazaar at Tai Yuen Street/Cross Street and Gresson Street.

The URA announces tactical measures along with the implementation of Peel Street/Graham Street project in order to keep the nearby century-old market intact as well as to enhance its vibrancy.

The URA invites community leaders and affected residents to participate in a ballot for selecting the valuation consultants to perform assessment of a notional seven-year-old flat for the Kwun Tong Town Centre project.

The Secretary for Development announces the commencement by Development Bureau of its two-year review of the current Urban Renewal Strategy which was published by the Government in November 2001.

### August

The URA holds a focus meeting to solicit public views on the proposed initiatives for maintaining and enhancing the local character and vibrancy of the market in the vicinity of the Peel Street/Graham Street project.

The URA invites estate developers to provide expressions of interest for the joint development of Lee Tung Street/McGregor Street project in Wan Chai.

The URA issues purchase offers to the owners affected by the Hai Tan Street/Kweilin Street and Pei Ho Street project in Sham Shui Po.

### September

The URA announces the commencement of two largest ever preservation cum revitalisation projects involving 20 pre-war verandah-type shophouses of outstanding heritage value at Prince Edward Road West and Shanghai Street.

The Government announces the approval of two draft Kwun Tong Town Centre Development Scheme Plans by Chief Executive in Council.



## Highlights of the Year



## 2008

### October

The URA organises a series of consultative sessions on the adaptive re-uses of the 20 pre-war shophouses at Prince Edward Road West and Shanghai Street.

The URA issues purchase offers for the two projects at Chi Kiang Street/Ha Heung Road and Pak Tai Street/Mok Cheong Street in Ma Tau Kok.

The URA, the Buildings Department and Hong Kong Housing Society jointly organise the Building Safety Carnival at the Victoria Park to promote a culture of building maintenance.

The URA's purpose built Resource Centre opens at Hip Wo Street to serve those affected by the Kwun Tong Town Centre project.

### November

A series of roving exhibitions entitled "Towards Urban Renewal 3.0" is held to tie in with the extensive public consultation exercise on the Urban Renewal Strategy Review.

The Government announces the appointment of nine new non-executive directors and re-appointment of other two non-executive directors to the URA Board, with effect from 1 December, 2008.

The URA announces new rehabilitation initiatives and community revitalisation projects with aggregated costs of around \$250 million to help create more job opportunities.

The URA decides to adopt a conservation-led redevelopment approach for the Staunton Street/Wing Lee Street project to tie in with the Government's policy of revitalising the Former Police Married Quarters site at Hollywood Road.

### December

The URA holds a seminar engaging overseas and local experts to exchange views on the models and challenges of urban renewal in some Asian cities.

URA hosts the "Towards Urban Renewal 3.0" cocktail reception to mark 20 years of urban renewal in Hong Kong with the Chief Executive of HKSAR the Hon. Donald Tsang as the officiating guest.



The URA issues purchase offers to owners of all 1,657 property interests of the Kwun Tong Town Centre project.

The Resource Centre at Hip Wo Street extends its office hours from 9 am to 9 pm, seven days a week, to provide one-stop service to the residents affected by the Kwun Tong Town Centre project.

URA obtains a credit rating of AA+ long-term corporate rating from Standard & Poor's Ratings Services. This is the same rating as the Hong Kong SAR Government.

## 2009

### January

The URA organises more than 30 briefing sessions for owners and tenants affected by the Kwun Tong Town Centre project to explain its acquisition and rehousing policies.

The Lands Department announces resumption of land at the Yu Lok Lane project in Sai Ying Pun.

The Old Wan Chai Revitalisation Initiatives Special

Committee invites all interested private organisations to submit an Expression of Interest on revitalisation of old Wan Chai district.

The URA announces a comprehensive plan to preserve the character of the renowned Wing Woo Grocery which is located within the Peel Street/Graham Street project site.

Stage 1 of the Urban Renewal Strategy Review, "Envisioning", is completed. This stage sets the agenda and the range of topics and issues for public discussion.

### February

Stage 2 of the Urban Renewal Strategy Review, "Public Engagement", commences. Initiatives are rolled out to encourage public participation.

The URA provides \$150 million funding to "Operation Building Bright", a large-scale campaign jointly implemented with the Government and the Hong Kong Housing Society.

To increase the transparency of its work, URA begins posting confirmed summaries of the minutes of its Board Meetings on URA's website.

# Highlights of the Year



## 2009

### March

The URA invites estate developers to provide fresh expressions of interests for the joint development of Lee Tung Street/McGregor Street project in Wan Chai.

### April

The Government announces the resumption of a private lot at Stone Nullah Lane, Wan Chai, for the revitalisation of the Blue House Cluster, which has been included in the Government's Revitalising Historic Buildings Through Partnership Scheme.

The Secretary for Development Mrs Carrie Lam and the URA Chairman Mr Barry Cheung officiate at the opening of the Urban Renewal Idea Shop, which is set up to facilitate public engagement in the Urban Renewal Strategy Review.

The Government gazettes road works at Lee Tung Street, McGregor Street and Amoy Street in Wan Chai, which are authorised by the Chief Executive in Council.

### May

The URA invites a total of 15 property developers/consortia to tender for the joint development of the Lee Tung Street/McGregor Street project in Wan Chai.

The Secretary for Development Mrs Carrie Lam, the URA Chairman Mr Barry Cheung and HKHS Chairman Mr Yeung Ka-sing sign the Memoranda of Understanding on "Operation Building Bright" to mark the launch of this large-scale campaign.

The URA Board endorses a comprehensive policy on environmental sustainability to be applicable to its future urban renewal initiatives.

The URA organises a seminar entitled "Green Homes: Building an Environmentally Sustainable Future for Hong Kong" to facilitate experience sharing between overseas and local experts.

The URA commences the statutory planning procedures for a new redevelopment project at San Shan Road/Pau Chung Street in Ma Tau Kok and conducts a freezing survey.

## Highlights of the Year



### June

The URA arranges briefing sessions for the San Shan Road/Pau Chung Street project to explain the planning approval procedure and the prevailing acquisition and compensation policies.

The Secretary for Development Mrs Carrie Lam, the URA Chairman Mr Barry Cheung and the HKHS Chairman Mr Yeung Ka-sing, officiate at the ballot ceremony for Category 1 buildings under “Operation Building Bright” to set the priority for processing the applications and granting of funds for eligible buildings.

Following a public tender exercise, a joint development contract for the Lee Tung Street/McGregor Street project is awarded to a consortium named Grand Site Development Limited, which consists of two consortium members, Sino Land Company Limited and Hopewell Holdings Limited.

The URA commences the statutory planning procedures for a new project at Shun Ning Road near Tonkin Street in Sham Shui Po and conducts a freezing survey.

### July

The Finance Committee of the Legislative Council approves a further \$1 billion in Government funding of “Operation Building Bright” to increase the number of buildings rehabilitated under this large scale campaign, which URA and HKHS are helping the Government to implement.

The URA invites estate developers to provide expressions of interest for the joint development of the Yuet Wah Street Site in the Kwun Tong Town Centre project.

The Government announces the approval of the draft Anchor Street / Fuk Tsun Street Development Scheme Plan by Chief Executive in Council.

The URA announces its debut bond issue of HK\$1.5 billion, which is very well received by the market.

The URA invites the community leaders and affected residents to participate in a ballot for selecting the valuation consultants to perform assessment of a notional seven-year-old flat for the Anchor Street/Fuk Tsun Street project.





Mr Barry CHEUNG Chun-yuen

### Quality Living, Sustainable City

The URA made good progress during the year with its programme to improve the quality of life for the many thousands of people in Hong Kong whose homes are blighted by urban decay.

When our current projects are completed, including those in which we are partners with the Government and the Housing Society, the URA will have helped to rehouse over 30,000 people. We will have achieved this by redeveloping the 780 or so dilapidated, decaying and often dangerous buildings in which they had lived. In addition, our programme of rehabilitation will have benefited 40,000 apartment owners in over 500 buildings, and we plan to rehabilitate 1,000 more buildings in the years to come.

At the same time, our strategy has been evolving rapidly in response to the changing aspirations of our community. We know that the solutions we adopt to tackle urban degeneration must also enhance the entire urban environment. We must not limit our goals to replacing slum dwellings with the decent accommodation our Hong Kong families deserve. Our projects must also contribute to the preservation of our architectural heritage, the protection of the natural environment and the creation of a city we can all be proud of.



URA Chairman Mr Barry Cheung meets the residents of Kwun Tong Town Centre to understand their concerns.

### Rapid Progress at Kwun Tong

Our highest priority during the year was the Kwun Tong Town Centre, the largest and most complex project the URA has ever undertaken. It covers two sites measuring 5.35 hectares on which 24 buildings are located. These are home to some 5,000 people -- almost 1,800 households -- as well as over 500 shops and hawker stalls.

The project made excellent progress, thanks to the cooperation we have received from the Kwun Tong community. The URA was determined to take full account of the public's views, and we carried out an extensive consultation exercise throughout

## Chairman's Statement

the two years of the preliminary planning stages. We have maintained an intensive ongoing programme of engagement with the community and have carefully managed the implementation process. The public's engagement has helped the URA team to design a project that will transform this important area into a comfortable, safe and attractive environment for everyone who lives and works there.

There were 1,657 separate properties on the two sites. The first task was to obtain the owners' agreement to sell their interests to the URA. The offers went out at the end of 2008. By June this year, 97 percent of the 754 domestic owner-occupiers had accepted the URA's terms, and the overall acceptance rate had reached 80 percent of all properties.

This marks a record acceptance rate for the early stages of such a large urban renewal project. The owners' positive response demonstrates that the URA had set property valuations that were fair and reasonable. Our success also reflects the dedication of URA staff in meeting with those people affected and providing open, sympathetic answers to the questions that inevitably arose as they faced significant decisions about their homes and businesses.

## Responding to the Community

Kwun Tong is just one of 47 redevelopment and preservation projects we currently have in hand. During the year, we decided to expand our programmes by helping more owners to form owner corporations and by lowering the requirements for buildings eligible for assistance. In addition, we have expanded the range of building clusters where we are helping with the design and repainting of the external facades to beautify the overall appearance of entire neighbourhoods.

In all that we do, we know that our starting point must be the local community and that we must adapt our schemes in response to changing community aspirations. In Wan Chai, for example, we have adjusted the approach taken in an existing joint venture redevelopment contract in order to preserve the architectural style and other important heritage elements of the Old Wan Chai Market Building. In nearby Lee Tung Street and McGregor Street, we have proposed a scheme that incorporates a Wedding City theme, reflecting the deep roots of the wedding industry in the area, while accepting that extensive building decay meant that redevelopment was the only solution.

Our shophouse conservation strategy, which we introduced in early 2008, has gone from strength to strength. Two such projects have been launched in Mong Kok. At Prince Edward Road West and Shanghai Street, we will preserve, restore and adapt for re-use two clusters of verandah-style shophouses. Here again, extensive public consultation played an important role, with over 80% of people in the area who were polled showing a clear preference for preserving these historic buildings. The Town

## Chairman's Statement

Planning Board will discuss the development scheme plans for both projects very soon. We have also identified 28 more shophouses of lower heritage value that we aim to preserve through our new Voluntary Acquisition and Voluntary Restoration Schemes.



(From left) Legislative Councillor Professor Hon Patrick Lau, URA Chairman Mr Barry Cheung, Secretary for Development Mrs Carrie Lam and Convener of Old Wan Chai Revitalisation Initiatives Special Committee Mr Stephen Ng at the official opening of the Idea Shop.

### Supporting the Urban Renewal Strategy Review

Throughout the year, we have continued to work with the Government in a wide variety of ways for the benefit of the people of Hong Kong and our urban environment.

In his February 2009 Budget Speech, the Financial Secretary announced an initiative to combine building rehabilitation with job creation, called Operation Building Bright. The URA readily joined hands with the Government and the Hong Kong Housing Society and are contributing \$150 million of our capital towards implementing this \$1,000 million scheme, which aims to benefit 1,000 buildings and to create much needed employment.

In cooperation with various Government Departments, the URA has already rejuvenated 19 streets totalling 6,000 metres in length. During 2008, we worked closely in support of the Development Bureau and the Wan Chai District Council on implementation of the district-based Old Wan Chai Revitalisation Initiative.

In addition to working with the Government on redevelopment initiatives and job creation, we have welcomed the opportunity to provide further support for the major review of the Urban Renewal Strategy (URS) that was launched last year. We have provided financial resources and established a core team to manage the programme in support of the consultation. Activities include creation of a dedicated website, the establishment of an "idea shop" in Wan Chai, organising public forums, seminars and surveys and studying urban renewal in other relevant cities. We will continue to actively support the Development Bureau in carrying out the next stages of the Review.



# Chairman's Statement

## A Catalyst for Environmental Change

One of the most urgent issues for the contemporary city is environmental degradation and if Hong Kong is to live up to its aspiration to be Asia's World City, we have to tackle environmental sustainability.

I believe that the URA can play an important role in leading by example. Our goal must be to incorporate environmental sustainability in all aspects of our work. Hong Kong has more than 40,000 buildings, with 500 to 600 new structures being built each year. They consume nearly 80% of our electricity and in the process produce about half of Hong Kong's greenhouse gas emissions, which have risen by 18% in the last decade.

If we modify our existing building stock and build structures that use less energy, we will over time make a significant improvement to our environment. The world already has the simple technologies that can be retrofitted to buildings to make them more environmentally efficient. Old and new, every building in Hong Kong can make a direct contribution to reducing pollution.

In May, we set out our policy on environmental sustainability, which is now at the core of our urban renewal strategy. The policy draws on the experience of many cities overseas, and is based on the latest environmental technology, as well as the advice of leading experts in the field.

Its guidelines cover six main environmental provisions: energy efficiency, water conservation, environmentally-friendly building materials, greening, the collection of recyclable waste and finally, the reduction of construction waste and environmental nuisances during construction.

Our current project in Lee Tung Street will be the first to incorporate all of these environmental provisions in a comprehensive way. We estimate that by applying all these features, carbon dioxide emissions will be cut by about 23 percent. This is equivalent to planting 170,000 trees, or 20 percent of the total planted each year in Hong Kong.

## Outlook

We expect to be no less busy in 2009 than we were last year. We will also be driven by the same sense of urgency.

There are well over 100,000 people living in dilapidated buildings across Hong Kong, and the scale of urban decay will get worse each year unless a considerable



Greening features at the Wan Chai Road/Tai Yuen Street Project (The Zenith).

## Chairman's Statement

effort is made by the Government and the community. There are currently about 18,000 buildings over 30 years old, with 3,600 in poor condition. Half of those in poor condition were identified as such more than a decade ago. Most have no management committees, so maintenance and repairs are neglected. The current economic downturn is likely only to reduce the spending on repair and maintenance needed to prevent building decay.

Kwun Tong will continue to be our top priority. The scale of the development and of the acquisition programme means that we will need to use new methods to raise the increased funding that will be required as the project progresses.

We began to prepare for this task at the end of 2008 by obtaining the Financial Secretary's approval to borrow by means of bond issues as well as through bank loans and other sources. We successfully secured a AA+ rating from Standard & Poor's and in July this year issued HK\$1.5 billion in three-year notes, which were enthusiastically taken up by a wide range of institutions. This is a useful diversification of our funding and contributes to the development of the Hong Kong bond market.

In all our projects we will focus on improving quality of life for all Hong Kong. This means that we will seek to preserve buildings that are of historical or architectural merit, and to revitalise districts through projects that build on those themes that had already taken root in the neighbourhood.

We firmly believe that the URA's work is most successful when we are able to take a comprehensive, district based approach to our work, so that we can maximise the social, architectural and environmental benefits to the local neighbourhood and the wider community.

We welcome the opportunity to contribute to future policy through our input into the URS review, and the consultations it involves. Working in partnership with the community and exploiting expertise from around the world as well as from Hong Kong's own professionals, urban renewal can both help those people in dire need of better housing and act as a catalyst for improvement in Hong Kong as a whole. Our goal is simply to give the people of Hong Kong what they want and deserve - a built environment that is sustainable, offers a good quality of life and holds the prospect of even higher standards for their children.

**Barry CHEUNG Chun-yuen**

**Chairman**

31 July 2009

## Managing Director's Statement



Mr Quinn LAW Yee-kwan

## Managing Director's Statement

The evolution and implementation of our holistic 4Rs (Redevelopment, pReservation, Rehabilitation and Revitalisation) urban renewal programme, in order to meet the changing needs and aspirations of the community, continued apace throughout 2008/09.

During the first half of the year, Management's focus was more on planning and preparation, while during the second, our focus was more on implementation.

While pressing ahead with our work on all fronts throughout the year, our five particular areas of attention were –

•	planning and implementation of URA's largest ever project, the redevelopment of Kwun Tong Town Centre;
•	expanding and organising URA's human resources to handle our increasing workload;
•	improving the quality, range, sustainability and benefits to the community of our work;
•	stepping up our efforts to communicate and enhancing the level of understanding and acceptance by the community of URA's role, mandate, work and approach to it; and
•	planning and managing our finances, including arranging borrowing to fund our urban renewal programme's cashflow requirements;

Detailed accounts of our work during 2008/09 are given in the Operating Review and Redevelopment Highlights. I will, therefore, only discuss the above five areas here.

### Kwun Tong Town Centre

The Kwun Tong Town Centre project covers 5.35 hectares on two sites. These sites contain 1,657 property interests, comprising domestic and non-domestic owner-occupiers, landlords and tenants, as well as other stakeholders, including various Government offices, facilities and open space, bus, minibus and taxi services, a large number of hawkers and thousands of passengers of the transport services and customers of the businesses operating in and around the project site. Its redevelopment

## Managing Director's Statement

is estimated to cost over \$30 billion to implement. The sheer size, scale, complexity, number of stakeholders, cost and timescale have resulted in URA accorded high priority and having to make special efforts to implement this, our largest ever project.

Our preparations included progressively expanding the resources of the dedicated division established within URA to implement this project; locating this team in a new project office in Millennium City 6 in Kwun Tong to enable a hands on approach to be taken; establishing a Resource Centre within the Main Site to provide information about the project and a readily accessible point of contact between URA and the community for both group briefings and individual consultations; and continuing to publish and distribute the K7 bulletin regularly to update parties interested in this project.

In addition, early last year, in May 2008, we announced our acquisition strategy of issuing offers to all owners at the same time in December 2008 in order to treat equally all owners, even though this strategy increased the financial exposure of URA to this project, which we plan to redevelop in phases over 12 years. Then, in October 2008, we announced that, after issuing our acquisition offers to all owners by the end of December 2008, we would issue revised offers in June 2013 to all owners of then still unacquired premises. In addition, we went the extra mile to ensure the fairness of our offers by employing no less than 11, instead of the usual seven, independent valuation firms to assess the unit rate of a notional seven year old flat within this project.

As 2008/09 progressed, in addition to issuing acquisition offers to property owners and briefing all tenants and other interested parties, we endeavoured to take care of all other stakeholders as well, by working out preliminary plans for relocation of linkages to all transport facilities to enable redevelopment to proceed, by agreeing with the various Government Departments where, when and how its various facilities should be relocated and funded and by liaising with Food and Environmental Hygiene Department and the licensed hawkers affected by the project and offering the hawkers a removal allowance to help them in future years when they are required to move to new pitches to make way for the redevelopment.

The success of the acquisition offers we made in December 2008 is evidenced by the very high rates of acceptance that have subsequently been achieved, and which have been mentioned by our Chairman in his Statement. As I write, I am pleased to be able to report that we are about to pass another important milestone in the progress of this project, with the forthcoming award of the joint venture development tender for the Yuet Wah Street Site of this project.



Kwun Tong Town Centre project: green coverage of almost 30% of the site area.



## Managing Director's Statement

Ever since we embarked on this project, we have proactively reached out to all stakeholders, including local leaders. In particular, we have worked closely with and have been grateful for the strong and continuous support and co-operation of the Kwun Tong District Council. We will continue to work together with the District Council for the benefit of Kwun Tong as this project progresses. Valuable advice has also been obtained from the Kwun Tong District Advisory Committee from time to time.

Looking ahead, we shall exercise our best endeavours to accelerate the progress of this project to the extent practicable for the benefit of the people of East Kowloon which it will serve.

### Manpower and Organisation

2008/09 saw the build up on all fronts to a peak workload for URA which will continue for some years. Apart from implementing directly 33 redevelopment projects, including the Kwun Tong Town Centre, other contributing factors are the expansions in all of our preservation, rehabilitation and revitalisation programmes.

In preservation, we progressed our Mallory Street/Burrows Street project in Wan Chai to preserve five shophouses and commenced two projects in Mong Kok in September 2008 to preserve two clusters of ten verandah style shophouses each. More recently, we launched our pilot Voluntary Acquisition and Voluntary Rehabilitation Schemes with a view to preserving some more shophouses of lower heritage value. As regards revitalisation, we have started implementing measures to revitalise Old Wan Chai and are beginning to replicate the district-based approach taken in that District in Sheung Wan, Old Central and Mong Kok. Meanwhile, we have refined the eligibility criteria of our building rehabilitation initiatives to enable us to assist the owners of more old buildings to a greater extent than before and we have joined hands with the Government and the Hong Kong Housing Society to support the Government's Operation Building Bright, which aims to help rehabilitate up to 2,000 buildings over the next few years.

In addition to all of this expansion across the full spectrum of our 4Rs urban renewal work, to cope with which we are having to recruit more staff, we have taken on the role of the proactively supporting the Development Bureau in its two-year review of the Urban Renewal Strategy, which commenced in July 2008 and is now at the half way stage.

## Managing Director's Statement

To handle all of these workloads, we have expanded our headcount from 275 to 358 during the 2008/09. Absorbing such a large influx of staff has been a major challenge. We have met this by recruiting and retaining all of our senior management team which has provided stable and coherent leadership. We have also given special attention to ensuring that new staff are welcomed into our organisation and give thorough induction programmes, as well as enhancing staff training, experience sharing and communication between all levels and across divisions. In addition, we have strengthened our performance based culture and enhanced our systems for interdisciplinary project management.

## Quality and Sustainability

The quality and sustainability of our work and the value provided to the community in terms of improved housing, facilities and urban environment are important to URA. Therefore, we take great care in designing our projects and in specifying, in our joint venture development agreements, not only what should be built but how, to what standard, with what materials and with what building systems. We also set out how the project should be managed and how, on completion, the residential and commercial elements should be sold or leased and managed thereafter. We often incorporate Government, Institution and Community facilities and public open space into our developments and we take the opportunities to set back buildings and widen pavements and circulation areas wherever we can.

We incorporate urban greening into our projects and strive to carry out urban renewal in an environmentally sustainable way and we have won awards for our work in this area. Nevertheless, during the past year, we decided to take this a step further by adopting a comprehensive policy on environmentally sustainable urban renewal and promoting environmentally sustainable development, which we announced in early May of this year, to formalize our commitment to fostering a quality living environment in Hong Kong. To demonstrate our commitment to practicing what we are preaching, we organised a well attended seminar in the same month, entitled "Green Homes : Building an Environmentally Sustainable Future for Hong Kong", which provided an opportunity for local and overseas policy makers, experts and professionals to share experiences and discuss the way forward. Subsequently, we have incorporated all of our upgraded environmental sustainability requirements into all of our joint venture development contracts, starting with the one awarded in June 2009 for our Lee Tung Street/McGregor Street project in Wan Chai.



A landscaped area in the Tsuen Wan Town Centre Project (Vision City).

## Managing Director's Statement



URA Managing Director Mr Quinn Law and Executive Director (Planning & Project Control) Ms Iris Tam in the meeting of the Development Panel of the Legislative Council.

### Communication and Understanding

Through our extensive community engagement activities, URA endeavours to communicate with all stakeholders through both formal and informal means and channels in order to explain our work and understand their needs and aspirations and allay their concerns. In addition, we have taken steps to further enhance the transparency of our work by posting summaries of the confirmed minutes of our Board Meetings on our website, in addition to holding media briefings after most Board Meetings and on other significant occasions. To improve our accessibility to the public, we opened our Resource Centre in Kwun Tong in October 2008. As 2008 marked 20 years of urban renewal in Hong Kong, URA organised a programme of activities under the theme "Towards Urban Renewal 3.0". This included a seminar entitled "Models and Challenges of Urban Renewal – Sharing of Asian Experience" in December 2008 to enhance understanding of urban renewal and prepare for future initiatives. We will be opening a new Urban Renewal Exploration Centre in the coming months in our head office in Sheung Wan. We have also added to the content of this Report additional information which we hope readers will find useful.

### Financing Urban Renewal

As regards our finances, our net assets value as at 31 March 2009 was \$9.9 billion, comprising five capital injections totalling \$10 billion from the Government and an accumulated deficit of \$0.1 billion since 2002. This is mainly due to our making a provision for loss of \$4 billion for the Kwun Tong Town Centre project. In addition, we are continuing to expand the scope of our work on non-revenue generating areas of urban renewal, including in particular preservation of pre-war shophouses, building rehabilitation and district-based revitalisation.

## Managing Director's Statement

At the financial year-end, our cash and bank balances and the fair value of the funds managed by the investment manager totalled \$7.7 billion while our accruals and estimated outstanding commitments were \$17 billion in respect of our projects under acquisition and resumption. We currently estimate that, in the five years from 1 April 2009 to 31 March 2014, our total expenditure, excluding operational overheads, on the various urban renewal projects which we have commenced and planned will amount to about \$20.2 billion.

The property market conditions over the past few years have gradually increased our costs of property acquisition despite the temporary downturn which followed the financial crisis in September 2008. At the same time, with the acquisition of interests in Kwun Tong Town Centre now under way, the volume of our acquisition work has reached an all time peak, which is affecting our cashflow as well as increasing our exposure to any future downturns in the property market.

So, apart from continuing to exercise prudent financial management, striving to achieve good value for money in our activities and making good use of available funds, we have, nevertheless, needed to secure external financing for the next few years. Prior to the financial tsunami in September 2008, bank borrowings would have provided the best source. However, as a result of the credit squeeze which ensued in the last quarter of 2008, the capital market became better positioned to meet the Authority's financing needs. Therefore, in December 2008, the Authority obtained a credit rating of AA+ from Standard & Poor's Ratings Agency. Then, in July 2009, we put in place committed credit facilities with a number of major banks as well putting together a Medium Term Note Programme and issuing our debut bond under this programme which also rated as AA+ and was well received by institutional investors. By securing a credit rating equivalent to that of the Government and obtaining these two sources of external finance at competitive rates, we have been able to ensure that we have the funds required to enable our urban renewal programme to proceed as planned.

Urban renewal is a complex multidisciplinary job requiring expertise, inputs and consensus building involving many parties and taking account of many factors and viewpoints. I would, therefore, like to thank our Chairman and the Members of our Board and Committees, as well as that of the members of our six District Advisory Committees, all of whose respective guidance and advice are invaluable to Management in our work, for their respective contributions and support.

## Managing Director's Statement



Toasting after the signing ceremony of the URA's first bond issue.

I would also like to thank all of our staff for their hard work and dedication over the past year, without which URA would not have been able to turn our visions into reality and achieve our urban renewal objectives.

In 2009/10, my staff and I look forward to working together with our Board and Committees and District Advisory Committees as well as with the Government, joint venture partners, our consultants, all stakeholders in each of our projects and other relevant members of the community to fulfill our urban renewal mission.

**Quinn LAW Yee-kwan**

**Managing Director**

31 July 2009



重建  
Redevelopment

活化  
Revitalisation

保育  
pReservation

復修  
Rehabilitation

This Operating Review covers the Urban Renewal Authority's (URA) work over the past year.

### Corporate and Business Plan

The URA Ordinance (URAO) empowers the Secretary for Development (SDEV) to prepare an Urban Renewal Strategy (URS) and, thereafter, to revise it in such a manner as the Secretary may decide. The current URS was published by the Government in November 2001 and remains in force. The URAO requires the URA to follow the guidelines in the current URS and prepare and obtain the approval of the Financial Secretary each year for both a five-year Corporate Plan (CP) and an annual Business Plan (BP) laying out the direction and programme of the Authority's activities.

These two Plans are carefully devised to integrate the proposals and activities conceived under the URA's holistic Redevelopment, pReservation, Rehabilitation, and Revitalisation (4Rs) approach. Among the key considerations when drawing up these Plans are previous obligations, continually changing community aspirations with respect to urban renewal and the urgency for taking renewal action within the framework of the URA's current mandate and resource limitations.

The Plans covering the period from 2008 to 2013, including the 2008/09 BP, were submitted to the Financial Secretary (FS) in December 2007 and approved by the FS in March 2008. The Plans covering the current period from 2009 to 2014, including the 2009/10 BP, were prepared in the third quarter of 2008/09, submitted to the FS in December 2008 and approved by the FS in March 2009.

# Operating Review

## Projects

In this Annual Report, the word “project” is used generically to cover all categories of redevelopment and preservation schemes, proposals and projects under both the Land Development Corporation (LDC) Ordinance and the URAO. Some projects may also be grouped together while others may be split into several smaller projects for implementation.

Although the URA's Development Scheme Plans (DSP) prepared under Section 25 of the URAO do not fall directly under the Town Planning (Amendment) Ordinance (TP(A)O), we have agreed that the URA will follow the procedures for plan making and amendment of plans covered under the TP(A)O. In this way, the DSPs are subject to formal public comments, representations and, if necessary, hearings conducted by the Town Planning Board (TPB) in considering the suitability of these projects. To date, 12 such projects have been launched by URA under this process, with the most recent ones being the Shanghai Street / Argyle Street and Prince Edward Road West / Yuen Ngai Street shophouse preservation projects, which were both launched in September 2008.

The URA can also implement Development Projects (DP) under Section 26 of the URAO. Such projects are not subject to the formal plan making process of the TP(A)O but have to be authorized by the Secretary for Development after considering the merits of URA's proposals and any public objections to them. Up until 31 March 2009, three projects had been launched by this means, with the Chi Kiang Street / Ha Heung Road and Pak Tai Street / Mok Cheong Street projects, being launched in February 2008. Since then two further projects, namely the San Shan Road/Pau Chung Street and Shun Ning Road projects have been launched in May and June 2009 respectively.

## Environmentally Sustainable Development

URA seeks to promote and implement environmentally sustainable and innovative development to improve the built environment and enhance the quality of life in urban Hong Kong. To this end, where applicable, we incorporate into the design and construction of our joint venture developments appropriate environmental provisions covering –

- Energy efficiency
- Water conservation
- Environmentally-friendly building materials
- Facilities for collection of recyclable waste
- Reduction of construction waste and environmental nuisance
- Extensive and well-planned greening

In recent years, our efforts to develop our projects in a sustainable way have been recognized by the issue of platinum standard certificates by the Hong Kong Building Environmental Assessment Method Society in recognition of the environmental features of our Mount Davis 33 project in Ka Wai Man Road in 2006/07, our Vision City project in Tsuen Wan Town Centre in 2007/08, our i-home project in Tai Kok Tsui in 2008/2009 and our Florient Rise project in Tai Kok Tsui in 2009/2010. In order to further gauge the environmental performance of the URA's projects, URA commissioned a separate environmental assessment by an independent consultant on Mount Davis 33. This assessment, which was completed in November 2008, confirmed that this project had achieved a high standard in the local market.

In February 2009, we engaged an international environmental consultant to prepare a corporate policy and implementation strategy mainly for environmentally sustainable development. In May 2009, URA announced its adoption of a comprehensive policy on environmentally sustainable urban renewal to formalize and enhance our commitment to fostering a quality living environment in Hong Kong. By adopting this policy, URA aims to set an example for the property industry and, thereby, play our part in encouraging the industry and the community to adopt more environmentally-friendly practices. Our objectives are to exceed present standards in implementing our urban renewal programme, starting with the Lee Tung Street/McGregor Street project in Wan Chai and, by striving for continuous improvement, make our contribution to sustainable future for Hong Kong.



Expert speaker from France, Ms Chloe Clair shares her experience and insight in the Green Homes seminar.



URA's exhibition booth in the seminar showing its environmentally sustainable policy.

As part of this policy, URA organized a seminar under the theme "Green Homes: Building an Environmentally Sustainable Future for Hong Kong" in May 2009 to increase public awareness of the importance of protecting the environment and encourage the community to adopt more environmentally-friendly property planning and development practices. This well received seminar was opened by the Secretary for Development and our Chairman. During the seminar, expert overseas speakers from the United Kingdom, United States of America, France and Hong Kong shared their experiences and insights with over 350 delegates and exhibitors drawn from a broad cross-section of Hong Kong's community. The Secretary for the Environment delivered a keynote speech at the luncheon meeting which followed.

# Operating Review

## Selection of New Redevelopment and Preservation Projects

When the URA was set up in 2001 to, among other things, speed up the pace of urban redevelopment, URA was given the specific redevelopment tasks by the Government under the current URS of –

- taking over and completing implementation of 10 commenced and still ongoing redevelopment projects from the LDC;
- giving priority to commencing 25 further redevelopment projects announced but not commenced by the LDC; and
- implementing a list of 200 further redevelopment projects which had been selected by the Government.

Subsequently, the URA was tasked by the Government with implementing one other redevelopment project as well as a number of preservation projects not included in any of the three categories above. The redevelopment project was implemented because the buildings covered by the project had become very dilapidated and were severely affected by traffic noise to the detriment of the residents. On redevelopment, URA will therefore change the use of this site from residential to hotel. The preservation projects were implemented to save the relevant buildings from demolition in accordance with the Government's current initiatives to preserve more of Hong Kong's built heritage.

In accordance with the current URS, the URA determines the priority given to commencing new projects on the basis of a number of factors, including but not limited to -

- whether the proposed project area is old and dilapidated and requires urgent redevelopment;
- whether the buildings lack basic sanitation facilities or are exposed to potential fire risk;
- whether the living conditions of the residents in the proposed project area are satisfactory;
- whether the proposed project will improve the area by replanning and restructuring;
- whether the proposed project area will achieve a better utilization of land after redevelopment;
- whether any of the buildings in the proposed project area are worthy of preservation and, if so, whether they would be in danger of demolition and redevelopment if the project did not proceed; and
- whether the rehabilitation of buildings in the proposed project area is a practicable and viable option.

Before URA can select and commence any project, the project must be approved by its Board for inclusion in the URA's draft CP and BP. These two Plans must be approved by the FS, after first being vetted by the Development Bureau, Financial Services and Treasury Bureau, Planning Department, Lands Department and other relevant Government Departments.

### Commencement of New Redevelopment and Preservation Projects

Since the start of the current 2009/10 BP year on 1 April 2009, URA has to date commenced two URAO redevelopment projects, which are described in the following paragraphs.

#### Shun Ning Road



Artist's impression of Shun Ning Road project.

In June 2009, URA commenced this modest sized project of around 827m<sup>2</sup>, which is located at Shun Ning Road in Sham Shui Po. It comprises five buildings, which were built in 1954 or 55, are of five storeys in height and contain about 180 households. These buildings are in generally dilapidated condition with various unauthorized structures. URA plans to redevelop this site for residential use with modest commercial provision in line with its Residential (Class A) zoning. This is the 13th redevelopment project implemented by the URA to help improve people's living conditions and the environment of Sham Shui Po. Of these 13 projects, five are being implemented in collaboration with HKHS. In addition to these redevelopment projects, URA has carried out an extensive programme of building rehabilitation work in this district over the past five years benefiting some 42 buildings comprising over 1,900 flats. The public objection period for this project under Section 24(1) of the URAO will expire on 26 August 2009.

#### San Shan Road/Pau Chung Street



URA Director (Acquisition & Clearance), Mr Joseph Lee announces the commencement of the San Shan Road / Pau Chung Street project.

In May 2009, URA commenced this modest sized project of around 1,170m<sup>2</sup>, which is located in Ma Tau Kok. It comprises seven buildings constructed in 1957 which are in dilapidated condition. The buildings are six storeys high, lack lifts and have various unauthorized structures. Around 130 households are affected by this project. URA plans to redevelop this site for residential use with modest commercial provision in line with the Residential (Class A) zoning for the said project, which provides opportunity for widening existing pavements through building set back and corner splay. This project, which is the third redevelopment project launched in this district, complements the extensive rehabilitation work initiated by URA over the past four years and covering some 100 buildings comprising over 8,000 flats in the district. The public objection period for this project under Section 24(1) of the URAO expired on 29 July 2009.



## Operating Review

During 2008/09, URA commenced two URAO shophouse preservation projects. These two projects are described in brief in the following paragraphs.

### Shanghai Street/Argyle Street

This preservation-cum-revitalisation project involves a cluster of 10 pre-war verandah-type shophouses considered to have outstanding historical, cultural and architectural value and already graded as historical buildings by the Antiquities Advisory Board (AAB), and four 1960s buildings which dissect the shophouse cluster. In September 2008, the URA announced its intention to preserve them through a DSP to be processed under the Town Planning Ordinance (TPO) to ensure that these historic buildings would not be demolished and allow those affected and the community at large to express their views. The URA subsequently conducted a brainstorming session involving the owners, residents, Yau Tsim Mong District Council, academics and professionals, amongst others, to consider the most appropriate and viable adaptive re-uses for the shophouses. In addition, we conducted two surveys of direct stakeholders and the public respectively, with the public survey finding that over 80% of those surveyed supported preservation of this cluster of shophouses. The aspirations and views gathered by these various means were then reflected in the DSP which was submitted to the Town Planning Board (TPB) in January 2009. The TPB considered the DSP, which includes proposals for adaptive re-use for daily necessities and traditional foods shops and outlets and commercial uses, suitable for publication under Section 5 of the TPO on 3 April 2009 and it was published on 8 May 2009 for two months during which the community could make formal representations to the TPB. Subsequently, in July 2009, the TPB published the representations received, to which the URA, if deemed warranted, will respond with its comments which will be considered by the TPB at a hearing.

### Prince Edward Road West/Yuen Ngai Street

This second preservation-cum-revitalisation project, which was commenced at the same time and for the same purpose as the Shanghai Street / Argyle Street project, also comprises 10 pre-war verandah-type shophouses of outstanding historical, cultural and architectural value. This shophouse cluster was identified in a consultancy study commissioned by the URA as having Level One – Outstanding Heritage Value, which URA's consultants believe to be equivalent to the Grade One classification of the AAB. As in the case of the Shanghai Street / Argyle Street project, a wide ranging brainstorming session involving all stakeholders was conducted to ascertain the most appropriate and viable adaptive re-uses for these shophouses and two surveys of direct stakeholders and the public respectively were carried out. Again, the public survey found that over 80 percent of those surveyed supported preservation of this cluster of shophouses. These results were subsequently reflected in the DSP submitted to the TPB in January 2009. The TPB considered the DSP which includes proposals for adaptive re-use for educational, recreational, cultural and commercial uses, suitable for publication under Section 5 of the TPO on 3 April and it was published on 8 May 2009 for two months during which the community could make formal representations to the TPB. Subsequently, in July 2009, the TPB published the representations received, to which the URA, if deemed warranted, will respond with its comments which will be considered by the TPB at a hearing.



URA staff conducts an occupancy survey upon the commencement of the Prince Edward Road West/ Yuen Ngai Street project.

### Implementation of Commenced Redevelopment and Preservation Projects

Between early 2002 and July 2009, in addition to continuing implementation of the 10 projects commenced by and inherited from the LDC, the URA launched a total of 33 new redevelopment and preservation projects, comprising 18 ex-LDC projects and 15 URAO projects. Our strategic partner, the Hong Kong Housing Society (HKHS), has launched a further seven ex-LDC projects and one URAO project in cooperation with us. Thus, all 25 of the projects announced by the LDC in early 1998 have now been launched, along with 16 URAO projects, comprising 12 redevelopment and four preservation projects. The 41 projects launched by URA and HKHS have helped or are helping over 18,000 people to improve their previously poor living conditions, as well as producing almost 11,000 new homes plus over 34,000 square metres of Government, Institution and Community (GIC), some 260,000 square metres of commercial facilities and some 26,000 square metres of public open space. Of these 41 projects, one has been fully completed with all flats sold, while the rest are ongoing, with sales of flats well under way in four projects.

Of the 10 projects commenced by and inherited from the LDC, six have been completed with all flats sold, three have obtained their certificates of compliance with flat sales and commercial leasing now under way, while one is under construction. The final project comprises three sites, with construction on two of these sites having been completed and most flats sold and most commercial spaces leased out and construction on the third site now under way. These 10 inherited projects have helped almost 14,000 people to improve their living conditions, as well as producing over 6,000 new homes plus various GIC and commercial facilities and public open space.



Estate developer submits tender for the joint development of the Lee Tung Street/McGregor Street project.

Out of the 18 ex-LDC projects that have been launched directly by the URA, five are at the acquisition stage. Development tenders were awarded for three projects i.e. MacPherson Stadium in Mong Kok, Pine Street/Anchor Street in Tai Kok Tsui and Baker Court in Hung Hom during the year. These were followed by the award of the tender for Lee Tung Street/McGregor Street in Wan Chai in June 2009. The constructions of these four projects, together with five other projects, are now all on-going. The construction works on three projects, MOD 595 at Reclamation Street in Mong Kok, Vista at Fuk Wa Street/Fuk Wing Street in Sham Shui Po and i-home at Bedford Road/Larch Street, Tai Kok Tsui were completed and their certificates of

compliance obtained. One project, the J Residence in Wan Chai, was fully completed with all flats sold in 2008/09.

Five of the 15 URAO projects launched directly by URA are being processed as two combined larger projects. Of these, one, namely the Lai Chi Kok Road / Kweilin Street / Yee Kuk Street project is now under resumption with demolition of the vacated portions of its site proceeding in parallel, while URA has applied for resumption of the other, namely the Hai Tan Street / Kweilin Street / Pei Ho Street project. Site clearance was completed in August 2008 for Mallory Street / Burrows Street. The remaining nine commenced URAO projects are at different stages. Five of these, including Shun Ning Road in Cheung Sha Wan, San Shan Road/Pau Chung Street in Ma Tau Kok and the two shophouse preservation projects in Mong Kok, all of four of which are described above, and Anchor Street/Fuk Tsun Street in Tai Kok Tsui are under planning. Of the other four projects, two are under acquisition and two are under resumption.

## Operating Review

### Sales of New Residential Flats in Projects

During the year, the URA and its joint venture partners have continued with the flat sales of three joint venture developments launched in the previous year – Vision City, The Zenith and J Residence. By the end of 2008/2009, the sale of J Residence was fully completed while there were some 49 flats in the other two developments remaining to be sold. In addition, the URA and its joint venture developers launched the flat sales of six new projects – MOD595, Beacon Lodge, Dynasty, Vista, Florient Rise and i-home, offering more than 1,380 flats for sale to the public. By 31 July 2009, some 1,000 flats had been sold in these six projects.

These sales are all conducted under difficult conditions because, since April 2008, the local property market has fluctuated significantly as a consequence of the global financial crisis and subsequent remedial economic measures taken by the government to address it. As a result, the market declined significantly from its peak in July 2008 until January 2009, since when it began to show signs of recovery.

### Commercial Properties in Projects

In July 2008, the URA opened the 275,000-square-foot shopping mall at Citywalk in Tsuen Wan Town Centre, which is in joint ownership with the developer of the Vision City project and accommodates 150 retailing outlets to serve the daily necessities of the neighbourhood. During the year, the shopping mall at J Senses comprising four preserved historic buildings plus a new annex at Johnston Road and Ship Street commenced full operations. J Senses is currently made up of 11 retail outlets which combine to offer a new destination containing high quality exotic food and beverages restaurants and modern living facilities. These popular outlets include Yin Yang Restaurant and Bo Innovation which were ranked as first and second best restaurants in Hong Kong by a prominent magazine, the Pawn which was ranked as second best new restaurant and OVO Studio which was ranked as best non-fashion shop by the same magazine. Bo Innovation was also awarded 2 Michelin stars in the first ever Guide Rouge Hong Kong. Other shopping malls presently under leasing are Citywalk 2 in Tsuen Wan Town Centre and Vista in Sham Shui Po.

### Partnership with Hong Kong Housing Society

The URA and the Hong Kong Housing Society (HKHS) entered into a Memorandum of Understanding (MOU) on Strategic Cooperation in December 2002. Under the MOU, the HKHS has to date commenced seven redevelopment projects announced but not commenced by the former LDC. Five of these projects are in Sham Shui Po and two are in Shau Kei Wan. During the year, the HKHS continued implementation of these projects, which affect 748 property interests and almost 1,230 households comprising almost 2,310 people. When developed, the projects are expected to provide about 1,700 new flats, approximately 13,300 square metres of commercial space, 300 square metres of open space and 4,450 square metres of space for Government/ Institution/ Community (GIC) use. In addition, the HKHS continued implementation of a revitalisation-cum-preservation project, involving nine tenement blocks and 34 households and commonly known as the Blue House Project, in Wan Chai. The preserved buildings were originally planned to be used for cultural and community purposes complemented by commercial facilities and approximately 230 square metres of public open space. Subsequently, following the announcement by the Secretary for Development in October 2007 of the Government's new Revitalisation of Historic Buildings Initiative, the Development Bureau and HKHS are working together with a view to adding the Blue House to the seven Government-owned historic buildings included in the first phase of this initiative.

Under a separate MOU executed in July 2003 and renewed in July 2008, the HKHS also continues to rehouse eligible tenants affected by URA projects in rehousing units at an agreed cost per unit.

### Partnership with Hong Kong Housing Authority

Under an MOU executed in June 2002 and renewed in July 2007, the Hong Kong Housing Authority (HKHA) continues to rehouse eligible tenants affected by URA projects in public rental housing units at an agreed cost per unit.

### Individual Project Details

Individual details of all 44 still current projects and all seven projects completed to date are given in the table entitled URA Project Highlights on pages 66 to 69.

# Operating Review

## Redevelopment

Further information about eight of URA's more significant current redevelopment projects is given in the following paragraphs.

### Sai Yee Street

This project was commenced in December 2007. To help preserve and enhance the local character of this part of Mong Kok, URA drew up and announced a special Local Sports Shops Arrangement exclusive to this project in November 2007. Under this special arrangement all current sports shop operators affected by this project will be offered priority to lease space within the 'Sports Retail City' which will form a special feature of the new development and which was unveiled to the public in December 2007. In addition to this retail element, the Sports Retail City will contain Hong Kong's first Sports Hall of Fame. The design of the future development breaks up the building mass into a juxtapositioned jigsaw of shop units with plenty of breathing space to blend in with the local small shop environment. The buildings will also be set back to provide wider pavements and loading and unloading will be relocated to the basement to improve the pedestrian environment. Another special feature of this project is that the streets will be revitalised to link up this project with the Hong Kong Playground Association's (HKPA) nearby MacPherson Stadium. This is being redeveloped by URA in partnership with HKPA to provide a modern indoor stadium and youth centre. It will also provide residential and commercial space into which some sports shop operators affected by the Sai Yee Street project may be able to relocate temporarily, pending completion of the Sports Retail City in Sai Yee Street, at which time they will have the opportunity to return and rent retail premises there.

General acquisition offers were made to all affected domestic and non-domestic owners in March 2008 and acquisition has been progressing steadily since then.



Existing view of the Sai Yee Street project. (top)  
The design concept of the Sports Retail City.



### Peel Street/Graham Street

The Master Layout Plan (MLP) for this project was approved by the TPB in May 2007. The project commenced in July 2007 and acquisition offers were issued to the affected owners in October 2007. Key features incorporated by URA into this project are the preservation and adaptive re-use of three pre-war shophouses on Graham Street, preservation of the façade of Wing Woo Grocery as the building in which it is housed is structurally unsound, preservation of the vibrancy and ambience of the existing street retail and hawker activities in the public streets outside the project's boundaries, provision of a two storey wet market trade complex to accommodate wet trade shop operators now operating within the project's boundaries, creation of an Old Shop Street and provision of a multipurpose activities hall and public open space. Following clearance and prior to and during the demolition of the structure of the building containing the Wing Woo Grocery, URA will take careful photographic, film and cartographic records, for future reference, of its ambience and structure.

In response to public concerns about the need to retain the vitality and character of the existing fresh food street market in the public streets surrounding the project, the URA is phasing demolition and construction to minimize inconvenience to stall operators and users. In addition, URA is making arrangements for temporary relocation within the project, as phased implementation progresses, of the fresh food shop businesses affected by the project. The amendments to the MLP required to incorporate these new measures were approved by the TPB in January 2009. URA believes that the benefits these measures bring to the community justify the increases in the costs of the project to URA of about \$200 million and the lengthened time required for its completion.

### Nga Tsin Wai Village

The URA has adopted an innovative conservation paramount approach to this unique project, which commenced in October 2007 under the joint venture development agreement with the major owner of properties within this project's boundaries. This involves retaining three core heritage elements of this unique urban village, namely, the gatehouse, the embedded stone tablet and the Tin Hau Temple as well as the central axis and eight authentic village houses, within a new Conservation Park. To accommodate this approach, the residential towers will be lifted up to provide a vertical clearance above ground level, as well as being set well apart and designed to minimize encroachments into the Conservation Park and interference with sightlines towards the Lion Rock.

Acquisition offers were made to the affected owners in January 2008. Photographic and cartographic records are being made of village houses as they are acquired and cleared. Acquisition and demolition are now in progress. The acquisition and clearance issues relating to this project are particularly challenging because the owners of the property interests in this project include indigenous villagers and non-indigenous villagers and a major owner and, in addition, many of the property titles are defective. There are also a substantial number of illegal structures and illegal occupants both within and surrounding the project site. In addition, unlike in other projects where most properties are in multi-storey buildings with strata title ownerships within one lot, this unique urban village project is made up of over one hundred small individually owned private lots, over 70% of which have been acquired by a major owner over the past two decades, plus over a dozen government-owned lots. To enable this project to proceed, URA entered into a cooperation arrangement with the major owner concerned, which is also a developer, in 2006 after protracted negotiations, to jointly redevelop this project while preserving its core heritage elements. Since then the major owner has cooperated with URA in the implementation of this conservation led project.



# Operating Review

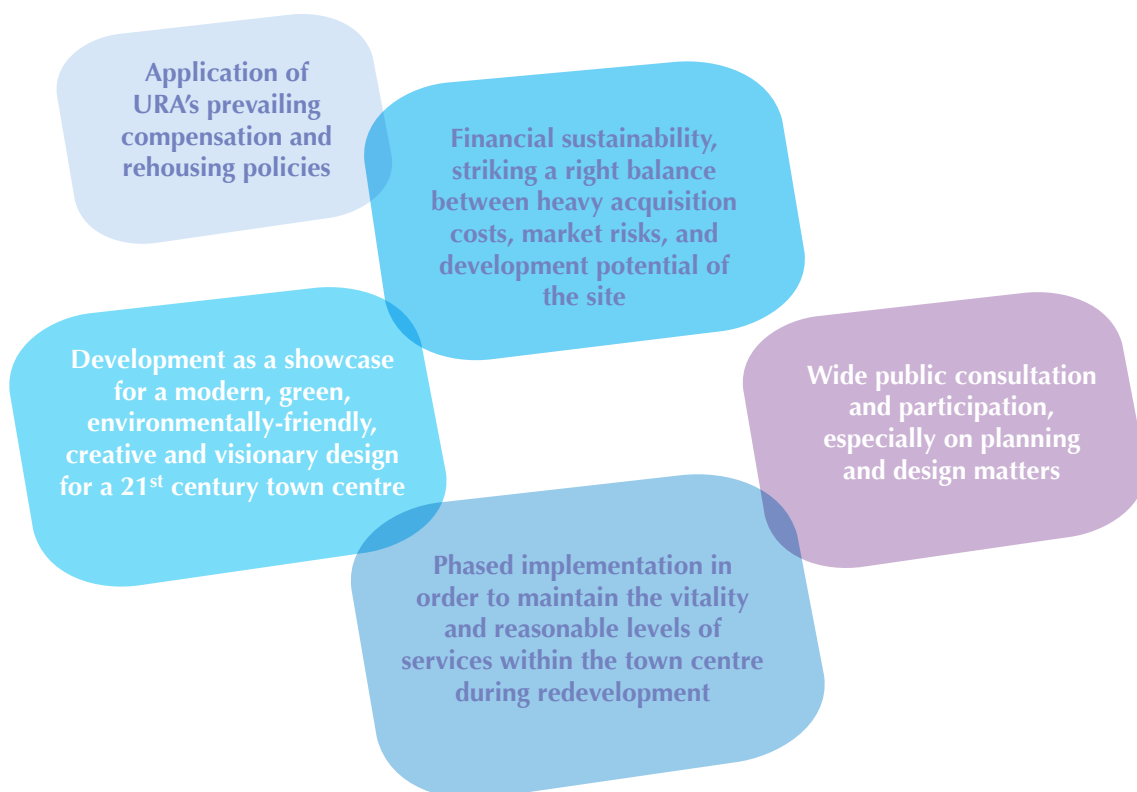
## Kwun Tong Town Centre

The Kwun Tong Town Centre (KTTC) project, which has a site area of 5.35 hectares of land, 75% of which is Government land, and will cost over \$30 billion to implement, is continuing to progress well, with most of the required statutory planning processes being completed in 2008/09.

URA is developing this project according to five guiding principles –



Kwun Tong Town Centre project incorporates an “urban window” design.



The visionary design for this 21<sup>st</sup> Century town centre includes well-spaced building blocks for better ventilation, increased public open space and greening, an integrated public transport interchange, grade-separated pedestrian facilities connecting to adjacent developments, kaifong-style street shops, a covered bazaar, a multi-storey shopping mall, as well as re-provisioned and improved Government medical and other facilities. All facilities will be accessible to wheel-chair users.

In July 2008, the Chief Executive-in-Council approved the two DSPs for the Yuet Wah Street and Main Sites in accordance with Section 9 of the TPO. These DSPs were gazetted in September 2008. Traffic, drainage, sewage, air ventilation, visual and environmental impact assessments were undertaken and their results supported the design and redevelopment scale. The MLPs were approved by the TPB in December 2008 and January 2009 respectively. A Section 16 planning application was submitted to the TPB for approval in April 2009 to facilitate the relocation of the existing methadone clinic to location near the Kwun Tong Road/Hoi Yuen Road roundabout.

Due to the huge size of the project, URA plans to divide the two sites into different areas and to redevelop these areas in phases. The first phase, comprising the Yuet Wah Street Site, which entails relocation and redevelopment of the Yuet Wah Street Bus Terminus in the summer of 2009, is at an advanced stage of implementation planning. Expressions of interest in redeveloping it were invited from potential joint-venture partners in July 2009, with a view to inviting tender bids in the following month for award in October 2009.



The Yuet Wah Street Bus Terminus.



The Fuk Tong Road Bus Terminus under construction.

In implementing this project, the URA has continued its ongoing programme of consultation of all stakeholders including relevant Government departments, the Kwun Tong District Council, residents, the Kwun Tong District Advisory Committee, hawkers, transport operators, professional bodies and local concern groups.

URA's frontline staff and the independent Christian Family Service Centre Social Service Team, commissioned by URA, continue to provide assistance to residents and families in need of help, before and during redevelopment.

In view of the scale of this project, URA recruited additional staff to strengthen the transport, planning, acquisition, clearance and community engagement teams in our Kwun Tong Project Division to facilitate its implementation. In July 2008, a new Kwun Tong Project Office was commissioned in Millennium City 6, while the URA's Hip Wo Street Office was converted into a Resource Centre, so that URA can provide one-stop-shop services to owners, tenants and other stakeholders during and after the acquisition process. The Resource Centre also serves as a venue for exhibition of the MLPs and design models for this project.

URA appointed 11 independent surveyor firms to work out fair offer prices for the 1,657 legal property interests directly affected by this project, having due regard to market conditions and our established compensation policies. General acquisition offers were issued to the owners of all of these interests on 29 December 2008 for acceptance within a period of 90 days. Owner-occupiers of domestic properties were offered \$5,937 per square foot of saleable floor area, based on the assessed unit rate of a notional 7-year-old flat as at 1 December 2008. The total cost for acquiring all legal property interests was estimated to be about \$12 billion.

## Operating Review



A staff member of the URA shows to a Kwun Tong resident, Mr Chu, the renovated ceiling in his flat.



Staff of the URA Kwun Tong project team talk to Madam Chow to understand her needs.

Almost 1,100 or about 66% of all property interests were acquired within the initial general offer period which expired on 30 March 2009. URA is continuing to make steady progress in its negotiations with the owners of the remaining unacquired property interests. The acceptances by the overwhelming majority of domestic owner-occupiers of URA's offers, have demonstrated clearly both the fairness of URA's offers, and the desires and necessities of those owners to improve their previously harsh living conditions.

To maintain vibrancy, order, safety and reasonable environmental conditions in the acquired properties, the URA has engaged property management contractors to manage and maintain all premises, which have been vacated by their occupiers.

In mid July 2009, in accordance with URAO, the URA submitted an application to the Government for resumption and phased reversion of the unacquired property interests to tie in with the phased redevelopment of this project.

To mitigate the concerns of licensed hawkers trading in fixed pitch stalls within the project's main site, all of whom will have to move to first temporary and later new permanent fixed pitches to make way for this project, URA has undertaken to provide them with a new Hawker Removal Assistance of \$9,500 per licensed fixed pitch per move. This gesture was welcomed by the hawkers concerned, with whom URA and the Food and Environmental Hygiene Department maintain close contacts, even though no hawkers will have to move for the next two years.

In a similar vein, URA is also maintaining dialogue with the operators of Public Light Buses, although no changes to their services are expected to be necessary for the next couple of years.

Looking ahead, all of us in URA will continue to make our very best efforts to shorten the implementation programme, to minimize its impacts during redevelopment and to ensure that the project will both bring about sustainable long-term economic benefits to Kwun Tong and East Kowloon and set a new benchmark for urban renewal in Hong Kong.



The Kwun Tong Bulletin provides updated information on the project.

### Lee Tung Street/McGregor Street

On redevelopment of this residential and commercial project, URA will create a Wedding City featuring Hong Kong's first wedding traditions and culture gallery and a retail area catering for wedding related trades such as wedding dresses, flowers, decorations, cakes, hair salons, jewellery, photo studios and wedding organizers. This project will also contain a pilot social enterprise scheme under which social enterprise operators with good local knowledge and connections will be invited to operate a centre aimed at preserving and strengthening local social networks. In addition, three pre-war shophouses will be preserved, Lee Tung Street will be pedestrianized and a new east-west pedestrian link with attractive open space will also be created.

The MLP for this project was approved by the TPB on 22 May 2007. In August 2007, the URA commenced the gazettal procedure for the road works and road scheme at Amoy Street, Lee Tung Street, and McGregor Street required to pedestrianize Lee Tung Street and open Amoy Street to enable the project to be implemented in accordance with the approved MLP. The proposed road works and road scheme were gazetted on 25 April 2008. Objections were received and six hearing sessions were conducted. The Chief Executive in Council authorized the said road works and road scheme on 31 March 2009 and its authorization was gazetted on 30 April 2009. Meanwhile, demolition was completed during 2008/09. The Conservation Plan for the preservation and adaptive re-use of three pre-war shophouses on Queen's Road East was agreed with the AMO in April 2009. Expressions of interest in redeveloping the site were invited in March 2009, tenders were invited in May 2009 and the joint venture development tender was awarded in June 2009 with a view to completion of construction in 2015.



Property developer submits tender for the joint development of the project.



Wedding City theme for the Lee Tung Street project.

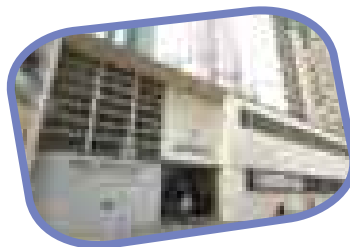
## Operating Review

### Staunton Street/Wing Lee Street

This is one of the 25 uncommenced ex-LDC projects inherited by the URA in 2001. The URA commenced the project in March 2003. In November 2003, the TPB considered and decided not to uphold an objection to the project lodged by a private developer who claimed to own a portion of the site within the development scheme plan boundary. Following lengthy court proceedings initiated by the developer, including first, a judicial review and, later, an appeal by the private developer concerned, the Appeal Court requested the TPB to re-consider the private developer's objection. Therefore, in June 2007, the TPB re-heard the objection and, at that time, decided to uphold it. The DSP boundary was, therefore, amended to excise the site owned by the private developer and then published under, Section 6 of the TPO, for further representations. However, no further objections to the proposed amendment were lodged by any party at that time and the amended DSP was subsequently approved by the Chief Executive in Council in October 2007. The revised Planning Brief for this scheme was approved by the TPB in November 2007. Based on this approved revised Planning Brief and feedback from the public, URA then prepared the MLP.

The MLP for this project had been prepared taking on board the public views and aspirations expressed at a community workshop conducted in December 2007 and the advice of the Central and Western District Council. It comprised new residential, commercial and Government/ Institution/ Community uses as well as public open space, together with conservation of the Bridges Street Market, some old tenement buildings along Staunton Street and Wing Lee Street, and the characteristics of the existing terraces, streets and lanes, as well as allowing for the possibility of commemoration of Dr Sun Yat Sen's association with the locality. The MLP was submitted to the TPB on 26 March 2008.

Subsequent to the submission of this MLP, the Government announced that it intended to revitalise the adjacent Former Police Married Quarter (PMQ) site on Hollywood Road, rather than redevelop it. To complement this new Government initiative, the URA decided to adopt a "conservation-led redevelopment" approach to its Staunton Street/ Wing Lee Street project to enhance the street ambience and the heritage significance of this part of Sheung Wan by visually connecting the two adjacent sites and generating a synergetic effect.



(from top) Three tenement buildings at 10-12 Wing Lee Street will be preserved. New medium rise cascaded buildings along Shing Wong Street are proposed in order to maintain the visual and physical integrity of the street. The Bridges Street Market will be preserved.

To achieve this, the URA refined the MLP for this project to reduce the overall density from a plot ratio of 8.0 to one of 4.5 by removing one residential tower near to the preserved Bridges Street Market and replacing it with low-rise buildings along Wing Lee Street of similar typology, height and scale to the existing tenement buildings, which need to be demolished due to their poor conditions and many unauthorized structures. A new medium rise cascaded building along Shing Wong Street will also help maintain the visual and physical integrity of the locality. In addition to the preservation of some tenement buildings and the Bridges Street Market building, URA has proposed to create an additional open air plaza and building set back to allow visual and physical appreciation of an existing Victorian stone pitch wall at the rear of Shing Wong Street. URA believes that the benefits these measures bring to the community justify the increases in the costs of the project to URA of about \$300 million and the lengthened time required for its completion. The URA's refined design was supported by the Central and Western District Council in January 2009 and the refined MLP was submitted by URA to the TPB in February 2009.

Subsequently, in April 2009, an alternative MLP was submitted to the TPB by four owners of property within Site C of the project and a rezoning application covering Site C was submitted under Section 12A of the TPO. In late July 2009, the TPB considered the rezoning application submitted by the four owners at Site C and decided to defer the consideration of URA's MLP until a decision on the rezoning application has been made.



The design concept of the project maintains the visual and physical integrity of the streets.



# Operating Review

## Tai Yuen Street/Wan Chai Road

Sites A and B have already been redeveloped into The Zenith and almost all flats built on these sites have been sold. However, during development of these sites, strong opposition emerged in the community to the demolition of the Wan Chai Market building to allow redevelopment of Site C, even though this had been agreed by all parties a decade earlier. Therefore, URA took a fresh look at the way forward for redevelopment of this site. After negotiating and reaching agreement with our joint venture partner for the whole project, a revised MLP, which enables the core elements of the Wan Chai Market building to be preserved whilst allowing residential development above it, was prepared for Site C for consultation with the Antiquities Advisory Board and members of the Wan Chai District Council. Subsequently this revised MLP was submitted to the TPB in April 2008, following which it was approved in June 2008. Under the revised MLP, the core elements of the market building, including the major façade, the main entrance, the curved canopy and fins, and part of the front portion of the structural form, will be preserved in-situ. This provides a pragmatic solution whereby the URA can honour its contractual agreement with the developer whilst, at the same time, recognizing the community's current wish for preservation of the market to the extent practicable, albeit at an additional estimated cost of over \$200 million to the URA and with a longer development period.

Demolition of the non-core elements commenced in November 2008. Prior to and during the process of their demolition, URA took careful photographic, film and cartographic records, for future reference, of the non-core elements of the structure. The Supplementary Agreement for the Core Preservation Scheme was executed between URA and its joint venture development partner on 31 December 2008. General Building Plans for the Core Preservation Scheme were approved in March 2009. Foundation work will begin in the second half of 2009, following completion of demolition of the non-core elements.



Special hoarding design for the Tai Yuen Street/Wan Chai Road project site.



The core elements preservation approach of the Wan Chai Market building.

## pReservation

### Cantonese Verandah-style Shophouses

In his 2007/08 Policy Address in October 2007, the Chief Executive of the Hong Kong Special Administrative Region encouraged URA to extend our conservation work to cover pre-war shophouses. In response, URA conducted a consultancy study on pre-war verandah-type shophouses. In March 2008, after taking into account the respective heritage values, practical issues and potentials for adaptive re-uses of different shophouses, URA announced a conservation strategy comprising a range of approaches for application to shophouses depending on their different levels of heritage value.

Subsequently, in September 2008, URA commenced the two preservation-cum-revitalisation projects in Mong Kok covering two clusters of 10 shophouses of high heritage value and potential for adaptive re-use at Shanghai Street / Argyle Street, and Prince Edward Road West / Yuen Ngai Street. The details of both of the projects, the draft DSPs of which were finalised following brain storming sessions held with all relevant stakeholders on their appropriate after uses, have already been described above.

Action plans for the potential preservation of a further 28 shophouses of lower but, nevertheless, significant heritage values, have also been drawn up. Ten of these shophouses, which were identified in the conservation strategy as having significant but lower levels of heritage value than those in the clusters in Mong Kok mentioned above, have been selected for potential preservation under new pilot voluntary acquisition and voluntary restoration schemes. In June 2009, we approached the owners of the first batch comprising four shophouses to invite them to participate in our pilot voluntary acquisition scheme. In the event that any of these owners prefer to retain their ownerships of their shophouses, we will invite them to participate in our pilot voluntary restoration scheme instead. Subsequently, in July 2009, we approached the owners of four further shophouses to invite them to participate in our pilot voluntary restoration scheme.



A cluster of 10 shophouses of outstanding heritage value will be preserved and revitalised in Shanghai Street / Argyle Street.

# Operating Review

## Ongoing Preservation

Meanwhile, in Wan Chai, URA is continuing to implement directly one preservation-cum-revitalisation project at Mallory Street/ Burrows Street, while a similar project is being jointly undertaken with HKHS at Stone Nullah Lane/Hing Wan Street. Three of our redevelopment projects in Wan Chai also contain significant preservation elements, namely, preservation of five pre-war buildings in the completed redevelopment project at Johnston Road, preservation of the core elements of the Wan Chai Market building in the ongoing Tai Yuen Street project and preservation of three pre-war shophouses as part of the ongoing Lee Tung Street redevelopment project. In Central and Western District, URA currently operates the preserved Western Market and is undertaking three redevelopment projects involving the preservation of heritage at Peel Street/Graham Street, Staunton Street/Wing Lee Street and Yu Lok Lane/Centre Street. Elsewhere, in Nga Tsin Wai Village in Wong Tai Sin, URA is preserving the village gatehouse and stone tablet, the temple and a number of village houses within a themed conservation park.

As well as operating the Western Market, URA has already completed preservation of five buildings in the projects already completed by URA. After adding to these six buildings, the 51 buildings now being preserved in the above named six ongoing redevelopment and four ongoing preservation projects, URA will have preserved a total of no less than 57 buildings as well as various historic features, upon completion of the latter 10 projects.



Design concept of the preserved elements in the Yu Lok Lane project.

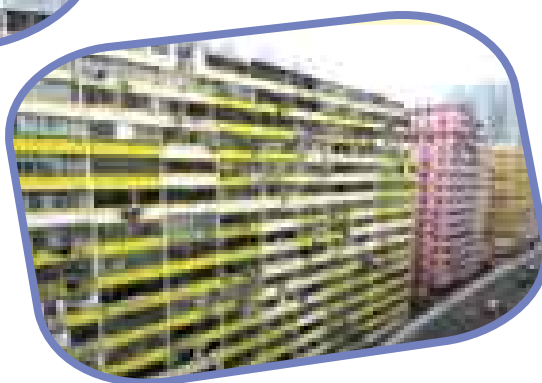


The Tin Hau temple, the village gatehouse, stone tablet and a number of authentic village houses will be preserved within a themed conservation park in the Nga Tsin Wai Village project.

## Rehabilitation

In 2008/09, URA managed to help 117 buildings within our rehabilitation scheme areas, comprising about 9,600 units, to carry out and complete rehabilitation works through our two incentive schemes, i.e. the materials incentive scheme and the interest free loan scheme. These two schemes, together with our other initiatives to promote building rehabilitation, which include the hardship grants, subsidies for third party liability insurance, preferential bank mortgage terms and technical advice to owners' corporations, on rehabilitation works, have continued to gain popularity and public support.

With the help of local community groups and non-government organisations, we conducted promotional activities about building rehabilitation and our schemes to the residents of some 380 buildings covering over 10,000 units. We participated in relevant large scale promotional events organised



Fresh looking buildings with thematic colour designs are appearing in Tsuen Wan and Tai Kok Tsui as a result of URA's rehabilitation work.

## Operating Review



URA offers technical advice to owners.



by government departments and public bodies e.g. Buildings Department (BD) and HKHS. We publicized the benefits of building rehabilitation and common issues related to it through seminars, rehabilitation bulletin and media interviews.

In the past five years since 2004, when our rehabilitation schemes were rolled out, and the end of March 2009, almost 530 buildings, covering almost 41,000 units, in our URA Building Rehabilitation Scheme Areas had joined these schemes, with works commenced or completed on 490 buildings covering over 38,000 units and about \$200 million in loans and grants being approved to enable rehabilitation works to be carried out on the buildings concerned.

More fresh looking buildings with thematic colour designs are appearing in our Action Areas as a result of our rehabilitation work. In 2008/09, in addition to the technical advice offered to owners' corporations, we provided design services to some 50 buildings in prominent locations in Sheung Wan, Tai Kok Tsui, Hung Hom, Tsuen Wan and elsewhere in order to bring out the unique characters of individual buildings upon completion of their respective rehabilitation works. Similar services were extended to cover three clusters of buildings in various localities such as Tai Kok Tsui Road in Tai Kok Tsui, Tai Ho Road in Tsuen Wan and Queen's Road East in Wan Chai, in order to uplift the appearances of entire neighbourhoods by use of coordinated colour designs for their external appearances.



Participants at the URA booth during the Building Safety Carnival jointly organised by the URA, the Buildings Department and Hong Kong Housing Society.

## Operating Review

With effect from 1 April 2009, URA has allocated some \$425 million in our five year Corporate Plan for 2009 to 2014 to rehabilitate about 1,000 buildings comprising some 66,000 units. URA has also improved the Materials Incentive Scheme by refining the eligibility criteria in order to assist more old buildings and enhancing the subsidies available to eligible buildings which join this Scheme.

Since February 2009, when the Government announced Operation Building Bright (OBB) which is a special operation proposed by Government as an initiative to create employment opportunities through the promotion of building rehabilitation, URA and HKHS have been working together with Development Bureau and BD on the necessary implementation details. In February 2009, The Board approved URA's contribution of \$150 million to the \$1 billion OBB fund established by the Government and implementation by URA of



Before and after looks of the rehabilitated Tai Fong Buildings in Tai Kok Tsui.



## Operating Review



(From left) Chief Executive Officer and Executive Director of HKHS Mr Wong Kit-loong, Chairman of HKHS Mr Yeung Kasing, Secretary for Development Mrs Carrie Lam, URA Chairman Mr Barry Cheung, Principal Assistant Secretary (Planning and Lands) Mr Edward To and URA Managing Director Mr Quinn Law at the MOU signing ceremony of “Operation Building Bright”.



URA Chairman Mr Barry Cheung conducts the balloting for Category 1 buildings under the “Operation Building Bright”.

OBB within URA’s Scheme Areas. In May 2009, a Memorandum of Understanding was executed with the Government and the Financial Secretary proposed an additional allocation of \$1 billion to increase the total funds available for OBB over the next two years from \$1 billion to \$2 billion, thereby providing the resources to expand the coverage of OBB from some 1,000 to about 2,000 buildings. This was followed, in June 2009, by a ballot to select the first 500 buildings to be rehabilitated voluntarily under this special operation. In July 2009, the Finance Committee of the Legislative Council approved the additional allocation of \$1 billion which had been proposed by the Financial Secretary.

Looking ahead, the URA plans to expand our various current schemes to assist owners of units in more buildings to rehabilitate their properties. In addition, the URA stands ready to assist the Government and the HKHS in implementation, within the URA’s Scheme Areas, of both the Mandatory Building Inspection Scheme, once the relevant legislation has been processed and brought into force and the Building Maintenance Grant Scheme for Elderly Owners, which was launched in May 2008.

## Revitalisation

In 2008/09, the URA started various new revitalisation studies and programmes which will widen and enhance the community benefits of redevelopment, rehabilitation and preservation, as well as continuing the design and construction of ongoing revitalisation projects. In order to carry out this revitalisation programme in a way that meets the local community's aspirations, URA has sought and been given the support of the community through the District Councils to which URA is grateful. URA also works in close co-operation and coordination with key Government Departments such as Highways Department, Transport Department and the Leisure and Cultural Services Department.

Following the completion in 2008 of improvement works on Ho Pui Street near the Tsuen Wan Town Centre project, street improvement works commenced in December 2008 at the nearby busy Chung On Street retail spine in a joint initiative with the HKHS and under the guidance of the Tsuen Wan District Council. As well as re-dressing the carriageway, other improvements being made include widening of pavements to aid pedestrian flows and creation of new space for tree planting.

The extensive improvement studies in Tai Kok Tsui and Sham Shui Po, which are geared at linking together new redevelopment projects in these districts, have now reached their detailed design stages. Works on Phase I of the revitalisation of Beech Street in Tai Kok Tsui commenced in March 2009, while the design for the roundabout linking Florient Rise in Cherry Street and the Beech Street revitalisation area is now under preparation with the aim of commencing works in 2009/2010. Apart from providing new paving and street furniture, these studies grasp the opportunities for pavement widening and pedestrianisation to allow street planting, create open space and promote vitality in these highly congested urban areas.



New paving and street planting in Tai Tsun Street, Tai Kok Tsui.



Greening facilities provided in Queen Street, Sheung Wan.

## Operating Review

In Mong Kok, schematic designs and feasibility studies are also being prepared for the upgrading of Nelson Street between our MacPherson Stadium and Sai Yee Street projects, as well as for adjoining areas in Mong Kok. In addition, the URA is studying how it might implement further improvement projects in other parts of this district to accentuate the local characters of their respective vicinities.

On Hong Kong Island, in response to the Chief Executive's 2007/08 Policy Address and Initiatives in October 2007, the URA is continuing to provide secretariat support to the Old Wan Chai Revitalisation Initiatives Special Committee in preparing a district-based approach to the development and revitalisation of Wan Chai, from which a strategy and programme for action will be recommended to the Wan Chai District Council, Development Bureau and URA. Under the auspices of the Special Committee, public engagement meetings have been held with the street hawkers on ways to revitalise and enhance the existing open-air bazaars on Cross Street / Tai Yuen Street, and Gresson Street. Based on the feedback obtained, URA has installed pilot electricity supplies for six hawkers' stalls and a pilot awning for a hawker stall, initially on a trial basis, in order to gauge the reactions of stakeholders prior to deciding whether to proceed for the whole street. In addition a heritage trail study has been carried out, which has resulted in proposals to install special lightings and signage at significant heritage features along the proposed trail. A Public Private Sector Participation Scheme inviting revitalisation proposals from the community was also promulgated during the year. The submissions received have been considered by the Special Committee and Wan Chai District Council and further discussion will be held with one of the selected proponents.

Meanwhile, in Sheung Wan which is home to several URA projects, improvement works at Tung Street were substantially completed in late 2008 to link the earlier revitalisation of Sheung Wan Fong to the recently enhanced Hollywood Road. The URA, at the behest of the Central and Western District Council, has undertaken a feasibility study on revitalising the Pak Tsz Lane area which comprises an existing RCP, and an underutilized 'landlocked' local open space. The said area is part of the Dr Sun Yat Sen Historical Trail and is close to three other locations that have historical significance in the revolutionary history of modern China, as well as being in close proximity to the conservation and revitalisation elements within the adjacent Peel Street/Graham



Landscaped area at Po On Road/Shun Ning Road project (Beacon Lodge).



New paving and street greening in Cherry Street, Tai Kok Tsui.

Street and Staunton Street/Wing Lee Street projects described previously. This project was one of the 10 community revitalisation/ improvement projects which the URA announced, in November 2008, that we would commence in 2009/10 with the aim of helping to create job opportunities and boost local economic activities. Specifically, the URA aims to improve pedestrian accessibility to the Pak Tsz Lane area from the surrounding streets, especially from Gage Street and Hollywood Road; take the opportunity to highlight the historical importance of the area in Hong Kong/Chinese history; supplement and connect the various area-based revitalisation and preservation initiatives being pursued by the URA in our Peel Street/Graham Street, Staunton Street/Wing Lee Street and Yu Lok Lane projects; and expand and modernize the Gage Street Refuse Collection Point. All Government Departments have agreed in principle to these revitalisation proposals. URA is now consulting relevant Departments concerning the detailed design and technical assessments. The Central and Western District Council have expressed their support and urged URA to expedite implementation. The URA has also been invited to join the Central and Western District Council Harbourfront Working Group. URA is now undertaking a feasibility study on improvements to the Western Wholesale Market and the surrounding waterfront area, with a view to revitalising the underused market and the surrounding waterfront land.



New paving and street planting in Morrison Street, Sheung Wan.



New Street furniture in Tung Street, Sheung Wan.



Senior citizens enjoy the facilities provided by the St. Matthew's Neighbourhood Elderly Centre in the Queen Street project (Queen's Terrace).

### Social Dimensions

The URA's work has always extended beyond redevelopment and compensation to both other forms of renewal and social aspects. These include not only our non-revenue generating 3Rs preservation, rehabilitation and revitalisation work, but also other activities aimed at improving living conditions, including providing assistance with rehousing, bringing about environmental improvements and contributing to maintenance of social networks. Project specific actions initiated in 2008/09 include devising a mixed flower and school supplies theme for the ground floor shops in Prince Edward Road West/Yuen Ngai Street shophouse preservation project, coupled with adaptive re-uses of the upper floors to ensure the maximum public enjoyment of and benefit from these buildings following their restoration. In addition, a district based approach is being taken, in partnership with the Development Bureau and in consultation with the Wan Chai District Council, to revitalise Wan Chai. Subject to its success, a similar approach is likely to be adopted in other districts in the years to come.

In projects where it is feasible to do so, URA now offers owner-occupiers of domestic units affected by redevelopment projects the opportunity of purchasing new units in the developments concerned and moving back to the same areas where they once lived under the Expression of Interest in Purchasing Arrangement in order to help these residents to retain their social networks. To assist long-time business operators in re-establishing themselves, an additional payment of ex-gratia business allowance is being paid to them as an Ex-gratia Business Allowance. To preserve the local characteristics in the vicinity of the Sai Yee Street Project, sporting goods retailers will be given priority to lease shop spaces in the new retail portion of the new development at market prices so that they can re-establish their sporting goods retail businesses there under the Local Sports Shop Arrangement, as an alternative to receiving Ex-gratia Business Allowance. Similar arrangements are being offered to fresh food shop operators affected by the Peel Street/Graham Street project in Central and to the flower shop and school supplies shop operators in the Prince Edward Road West/Yuen Ngai Street project mentioned earlier. A number of other measures have also been taken to finetune the implementation of URA's compensation policies.

Many of URA's developments already contain Government/Institution/Community facilities. For several years, URA has been providing premises on concessionary terms to over a dozen charities, non-government organisations and social enterprises in various premises. Building upon this, and on top of our provision of premises for Government and institutional uses required by Government departments, URA has now reserved significant amounts of space in certain redevelopment projects for community/ commercial use. It is intended that in the years to come, when such space becomes available for occupation, it will be allocated, having due regard for the needs and aspirations of the local communities concerned as well as relevant currently evolving Government policies and pledges concerning poverty relief and social enterprises. A residential care home for the elderly provided within the Cherry Street project in Tai Kok Tsui will soon be opened together with the development in late 2009. Space has also been reserved in the approved MLP for a pilot social enterprise scheme to promote social networks and build up social capital in Wan Chai within the McGregor Street portion of the Lee Tung Street/McGregor Street project. Similar space for potential use by social enterprises has also been identified in our Lai Chi Kok Road/Kweilin Street/Yee Kuk Street and Larch Street/Fir Street projects which are at various stages of implementation. In our Peel Street/Graham Street project, we will be providing a multipurpose activity hall. Elsewhere, spaces have been included in both the Lee Tung Street/McGregor Street and the First Street/Second Street projects for residential care homes for the elderly and in the Wan Chai Road/Tai Yuen Street project for a day nursery. Agreement has also been reached with Social Welfare Department to provide a day care centre for the elderly, as well as a special child care and early education and training centre within the Hai Tan Street/Kwelin Street/Pei Ho Street project in Sham Shui Po.

URA has also contracted four non-governmental organisations to provide four Social Service Teams, whose role is to assist people affected by URA's projects before, during and after acquisition of relevant sites in Central and Western, Wan Chai, Kowloon and Kwun Tong respectively.



A social service team member introduces its service to a resident in San Shan Road Project.



# Operating Review

## Community Engagement

The URA is fully aware of the importance and benefits of effective community relations and reaches out to the communities in the URA's action areas as an integral part of our people-oriented community engagement strategy. Intensive efforts continued to be made throughout the year to engage all relevant stakeholders with a view to ensuring that the sentiments and concerns of stakeholders in individual projects are taken into consideration during the planning and acquisition stages of such projects. The URA reaches out to all residents groups, concern groups, local consultative bodies, educational institutions, professional bodies, politicians, and the mass media to cultivate and foster better mutual understanding with all stakeholders, to address their legitimate concerns as far as practicable and to enlist both local and general public support.



Meeting of the Sham Shui Po District Advisory Committee.

To facilitate this process, URA has established six District Advisory Committees (DAC) in our major action areas, namely, Sham Shui Po, Wan Chai, Central and Western, Yau Tsim Mong, Kwun Tong and Kowloon City. Membership of these DACs includes legislators, district councillors, government representatives, academics, social workers, landlords, tenants and trade representatives as well as professionals, so that URA may be suitably and directly advised on all relevant aspects and concerns when planning our renewal projects. During 2008/09, a total of 18 DAC meetings were held, not including numerous informal discussion sessions with individual members. In addition, the URA attended no less than 30 full District Council and sub-committee meetings to ensure that all relevant Councils were kept fully informed of the progress of our projects in their Districts and that, where practicable, their suggestions were incorporated into our project plans.

The URA's Board Chairman, Managing Director and other representatives of the URA also participated in various community engagement activities including workshops, goodwill visits and meetings with residents.

The URA will open its new Urban Renewal Exploration Centre (UREC) in August 2009. The aim of the UREC is to introduce the public to the evolution of urban renewal in Hong Kong, as well as the vision and mission of URA, in a hands-on user-friendly way. The UREC utilizes multimedia facilities to enable visitors to experience what living in dilapidated housing is like and to learn about urban renewal through interactive exhibits and games.

## Public Relations

A structured, message-driven communication programme was developed during the year to enhance the public's understanding of URA's vision, mission and contributions to urban renewal. In addition, our Chairman often meets the press after relevant Board meetings to announce and explain policies and key decisions made by the Board, which affect residents, business operators and other stakeholders. The management team also briefs the media from time to time on the URA's work.

In 2008/09, URA's public hotline service, neighbourhood centres and Kwun Tong Resource Centre handled some 14,400 enquiries and requests for assistance as well as 16 complaints. We fully met our performance pledge to provide same-day replies for 95 percent of all enquiries, replies within five days for 90 percent of all requests, and replies within 14 days for 90 percent of all complaints. The one-stop hotline service between the URA, HKHS and BD also provided an effective means of handling public enquiries and requests for building rehabilitation and maintenance assistance as well as OBB, a specific joint action launched by the Government, URA and HKHS to both improve building safety and create more job opportunities in view of the difficult economic situation.



Overseas and local experts participate in the "Models and Challenges of Urban Renewal : Sharing of Asian Experience" Seminar.

As in previous years, URA joined hands with the BD and HKHS to organise the Building Safety Carnival in Victoria Park in October 2008 to maximize the publicity of building safety and the three parties' complementary rehabilitation schemes.

2008 marked the 20th year of focused and systematic urban regeneration in Hong Kong. To tie in with the two-year Urban Renewal Strategy (URS) Review being conducted by the Government's Development Bureau, a series of programmes under the theme "Towards Urban Renewal Version 3.0" were organised by URA. These initiatives, which included roadshows, seminars, advertorials and a brochure, provided a useful platform which enabled the community as a whole to review the past, understand the present and discuss the way forward for urban renewal.

URA also strengthened our website to tie in with the URS Review and OBB. The popularity of the URA website as a source of up to date information on URA's work and policies increased during the year, with the website recording some 24,680,000 hits, an increase of 35 percent as compared to the number of hits in the previous year.

Message-driven exchange sessions were organised for Chairman and the management team to communicate with stakeholders, such as residents affected by our projects, professional bodies, university students, academics and community groups about URA's work.

The URA also took part in the job fair organised by Development Bureau in the Central Library in March 2009.

During 2008/09, the URA was pleased to receive visits from and exchange views with a number of delegations hailing from various regions, including Thailand, South Korea, Japan, Taiwan, Germany, Scotland, Holland and South Africa as well as Mainland provinces and cities such as Beijing, Shanghai, Fushan, Panyu and Shenzhen. URA Board and management representatives also visited Tokyo and Shanghai to study and discuss urban renewal methods and issues in those places.

# Operating Review

## Urban Renewal Strategy Review

In February 2008, the Financial Secretary announced in his Budget Speech that the current Urban Renewal Strategy (URS), which was published by the Government in November 2001, would be reviewed by the Development Bureau. In June 2008, the Secretary for Development briefed the Legislative Council Panel on Development about how the two-year review would be conducted and the review began in the following month. Since then the URA has been proactively supporting the Development Bureau in its conduct of the review by -

a)	assisting Development Bureau to set up a dedicated URS Review website <a href="http://www.ursreview.gov.hk/">http://www.ursreview.gov.hk/</a> ;
b)	commissioning and managing a consultant team to conduct an urban renewal policy study on six Asian cities and, in relation to this study, helped arrange two study trips to Tokyo and Shanghai for members of the Government's URS Review Steering Committee, URA's URS Review Committee and URA's District Advisory Committees;
c)	commissioning and managing another consultant team to carry out a great variety of public engagement activities, including innovations such as setting up an idea shop and sponsoring a commercial radio programme with a view to reaching out to the general public; and
d)	carrying out research, including starting two tracking studies, as supplements to the social impact assessments for two projects.

URA encourages all stakeholders and interested members of the community to participate in the review by contributing their views about the best way forward and future priorities for urban renewal in Hong Kong. To provide more accurate data to support the review, URA is currently carrying out a building and living condition survey in partnership with the Buildings Department of some 3,000 old buildings located in URA's Action Areas with the help of consultants. The interim results of this survey are expected to be available before the end of 2009. The URA will continue to support proactively the Development Bureau as the review progresses towards its completion in 2010.

Group discussions and roadshows are held to facilitate the expression of views by the general public on URS Review.



Public engagement activities organised in the Idea Shop.

## Human Resources

The major challenge in 2008/09 was to equip the organisation with appropriate quantities and qualities of manpower to take on the increases in workload arising from various complex projects during the year. In parallel with recruiting additional manpower on both standard terms and contractual terms and growing headcount, a number of enhancements were made to URA's human resources infrastructure and programmes to ensure that the rapidly growing organisation was able not only to attract necessary talents but to train, integrate, retain and motivate them.

## Performance and Remuneration

To uphold its performance-driven culture, the URA only applied pay adjustments to reward good performers. URA awarded salary adjustments to its good performers with effect from 1 April 2009 to ensure that those who performed well received due recognition and encouragement. In addition, a comprehensive review of the performance review system was conducted with participation by staff from all levels to ensure that an effective and well accepted mechanism for managing staff performance is in place. In the coming year, further efforts will be made to link performance management to the reward system.

A remuneration review was also conducted to ensure the competitiveness of URA's remuneration levels. Although the result of the review confirmed that URA remained competitive in the market, similar reviews will continue to be conducted at regular intervals to maintain both internal and external relativities.

## Organisation and Staffing

The organisation continued to grow in 2008/09 from 275 to 358 staff members to cope with increases in workloads and the complexities, scales and significance of the many projects under way and being planned. All senior positions in the URA were successfully filled during the year. Where appropriate, our permanent staff resources and expertise were complemented by the use of individual consultants on aligned fixed term contracts, as well as use of temporary and part-time staff and appointment of experts to committees and/or task forces based on project needs. In addition, to ensure continuity and to enhance staff commitment, all staff filling permanent positions in the URA became employed on open-ended rather than fixed term contracts, with the exceptions for those at the level of Executive Director and above, who are appointed on contracts by the Government.

# Operating Review

## Training

In 2008/09, URA's training and development plan was enhanced by the establishment of a training curriculum to outline the training strategy for different levels of staff.

In addition, more training and experience sharing on compliance issues relating to business ethics, such as protection of personal data, respect for individuals and the obligations for providing equal opportunities, as well as the issues relating to the acceptance of benefits, were organised for all staff. Other training courses covered team building, customer service, supervisory skills and leadership development required by our rapidly growing organisation. In total, 12 training courses were held. We also continued to utilize the resources of the Civil Service Training and Development Institute, with our staff members attending 24 of their courses on various subjects, including leadership development, during the year.

## Staff Communications

URA recognises the importance of communication with all staff to ensure cohesiveness and mutual understanding, maintain morale and, thereby, optimise both performance and job satisfaction. This is especially important at a time when URA has been expanding rapidly and undertaking a large number of challenging, complex and sometimes controversial tasks that are stressful for staff. The URA continued to proactively communicate with staff to facilitate their understanding, to ensure the quality of their performances in their respective roles and to enhance their senses of belonging. Regular town hall staff briefings as well as briefings on specific human resources and operational topics were held throughout the year. In addition, task force/working groups and focus groups were organised to ensure staff participation in reviews conducted in areas of concern to staff.

In addition, staff members from different levels were invited to meet with senior management in a series of structured internal communication sessions. Special gatherings were held for new hires to help them to settle in to their new jobs in URA. Views and comments gathered on such occasions and actions taken were communicated to all staff for sharing.



Communication session for all staff and senior management.



Members of the URA Staff Club for 2008/09 and the senior management.

As a caring employer and in view of the financial turmoil and the workload faced by staff members in a growing organisation with a significant proportion of its staff members being new comers, URA organised regular updates and information sharing sessions on various topics, including work / life balance and stress management, to help staff to maintain their physical and mental wellness and cope with the challenges and stresses of work.

The Staff Club organised a wide range of social, sports and community service activities to help build teamwork and to provide avenues for staff to relax, enjoy and utilize their leisure in a worthwhile manner. A total of 29 well received activities were arranged. A significant number of awards were won by URA's staff in various sports activities, including the Corporate Games and the Standard Chartered Hong Kong Marathon. Participation in voluntary work and community service was also promoted.

Although the organisation grew rapidly in the year and it was difficult for some staff to adapt and settle in their early days with the organisation, staff turnover has been stable. The overall staff turnover rate slightly dropped from 13.7 percent in 2007/08 to 13.5 percent in 2008/09. Over the same period, the turnover rate for senior staff also dropped from 14.3 percent in 2007/08 to 10.7 percent in 2008/09 which reflected, to a certain extent, the positive effect of the enhancements made during the year to the URA's internal communication and staff induction and engagement activities.



URA staff participate in a distance run competition organised by the Staff Club.



# Operating Review - URA Project Highlights

		Project Site Information				Project Development Information						
Project Name	Development Name	Area m <sup>2</sup>	Existing GFA m <sup>2</sup>	Buildings	Population	Total GFA m <sup>2</sup>	Residential Flats	Commercial Space m <sup>2</sup>	Other Uses m <sup>2</sup>	G/IC GFA m <sup>2</sup>	Open Space <sup>(1)</sup> m <sup>2</sup>	
<b>1-2 - 2 New URA Projects commenced up to 31 July 2009 by URA</b>												
1 <sup>(2)</sup>	Shun Ning Road, Cheung Sha Wan	827	3556	5	182	6977	110	775	0	0	0	
2 <sup>(2)</sup>	San Shan Road / Pau Chung St, Ma Tau Kok	1170	5464	7	349	10530	144	1755	0	0	0	
<b>3-32 - 30 URA Projects commenced up to 31 March 2009 by URA</b>												
3 <sup>(2, 3)</sup>	Shanghai Street / Argyle Street, Mong Kok	1128	3630	14	170	3377	0	3377	0	0	0	
4 <sup>(2, 3)</sup>	Prince Edward Road West / Yuen Ngai Street, Mong Kok	1440	4334	10	40	6126	0	6126	0	0	0	
5 <sup>(2)</sup>	Anchor Street / Fuk Tsun Street, Tai Kok Tsui	726	3348	6	257	6534	0	6534	0	0	0	
6 <sup>(2)</sup>	Chi Kiang Street / Ha Heung Road, Ma Tau Kok	928	5226	5	270	8352	116	1392	0	0	0	
7 <sup>(2)</sup>	Pak Tai Street / Mok Cheong Street, Ma Tau Kok	776	3772	5	253	6984	92	1164	0	0	0	
8 <sup>(2)</sup>	Sai Yee Street, Mong Kok	2465	14434	14	498	22185	196	8241	0	0	0	
9 <sup>(2, 3)</sup>	Nga Tsin Wai Village, Wong Tai Sin	4637	2051	36	154	37097	580	2319	0	0	1400	
10 <sup>(2, 3)</sup>	Peel Street / Graham Street, Sheung Wan	5320	20219	37	823	68300	293	45940	0	1290	1000	
11 <sup>(2)</sup>	Kwun Tong Town Centre, Kwun Tong	53500	96104	24	4829	401250	1980	111780	114560	14300	13400	
12	MacPherson Stadium, Mong Kok	2400	2788	1	0	24768	254	2443	0	5619	0	
13 <sup>(2)</sup> 14 <sup>(2)</sup> 15 <sup>(2)</sup>	Hai Tan Street / Kweilin Street & Pei Ho Street, Sham Shui Po	7440	25344	37	1233	59580	784	9930	0	2200	1500	
16 <sup>(2)</sup>	Fuk Tsun Street / Pine Street, Tai Kok Tsui	560	4071	3	270	5040	72	804	0	0	0	
17 <sup>(2, 3)</sup>	Yu Lok Lane / Centre Street, Sai Ying Pun	2156	4140	14	270	16464	270	245	0	0	1100	
18 <sup>(2, 3)</sup>	Mallory Street / Burrows Street, Wan Chai	780	2687	5	122	2140	0	0	2140	0	300	
19 <sup>(2)</sup> 20 <sup>(2)</sup>	Lai Chi Kok Road / Kweilin Street & Yee Kuk Street, Sham Shui Po	3330	13197	17	551	29538	384	4925	0	0	580	
21	Pine Street / Anchor Street, Tai Kok Tsui	2328	11802	12	520	20952	304	3492	0	0	450	
22	Larch Street / Fir Street, Tai Kok Tsui	2195	10332	12	594	19710	377	3285	0	0	0	
23 <sup>(3)</sup>	Lee Tung Street / McGregor Street, Wan Chai	8220	36534	52	1611	79697	1212	11749	0	2671	3900	
24	Baker Court, Hung Hom	277	834	2	9	2316	67	238	0	0	0	
25	Bedford Road / Larch Street, Tai Kok Tsui	1229	6313	7	280	10363	182	1148	0	0	0	
26 <sup>(2, 3)</sup>	Staunton Street / Wing Lee Street, Sheung Wan	3563	6272	24	288	11771	133	3375	0	0	920	
27	Queen's Road East, Wan Chai	378	1806	5	25	3984	96	441	0	0	0	
28	First Street / Second Street, Sai Ying Pun	3536	15690	30	777	38178	488	3919	0	2197	700	
29	Po On Road / Shun Ning Road, Sham Shui Po	1394	4898	8	327	12534	166	2083	0	0	251	
30	Reclamation Street, Mong Kok	535	2411	4	122	4921	85	802	0	0	0	
31	Cherry Street, Tai Kok Tsui	4510	14416	33	1020	43231	522	4916	0	1849	0	
32	Fuk Wing Street / Fuk Wa Street, Sham Shui Po	1384	5129	8	246	12453	173	2075	0	0	255	
<b>1-32 Launched Sub-Total (A)</b>		<b>117135</b>	<b>321782</b>	<b>425</b>	<b>15559</b>	<b>957845</b>	<b>8826</b>	<b>242779</b>	<b>116700</b>	<b>30126</b>	<b>25756</b>	

## Operating Review - URA Project Highlights

Remarks	Status
	Project commencement gazetted on 26/06/09 Public objection period to end on 26/08/09
	Project commencement gazetted on 29/05/09 One objection received during public objection period ended on 29/07/09 URA to submit project to SDEV for authorization
Other uses include compatible daily necessities, traditional foods and commercial uses	Project commencement gazetted on 19/09/08 Representations received during public consultation period ended 08/07/09 TPB to organise public hearing
Other uses include compatible educational, recreational, cultural and commercial uses Additional means of escape and improved public access will be provided	Project commencement gazetted on 19/09/08 Representations received during public consultation period ended 08/07/09 TPB to organise public hearing
Commercial space is for 200 room hotel	Project commencement gazetted on 07/03/08 DSP approved by CE in C on 30/06/09
	SDEV authorized URA to proceed on 07/07/08 Property acquisition in progress
	SDEV authorized URA to proceed on 07/07/08 Property acquisition in progress
	Project commencement announced on 21/12/07 Property acquisition in progress
	Project commencement announced on 2/10/07 Property acquisition in progress Demolition of vacated properties in progress
G/IC is a 1,290m <sup>2</sup> multi-purpose activity hall. Commercial space includes 270m <sup>2</sup> for social enterprises and 8,950m <sup>2</sup> for 182 room hotel	Revised MLP approved by TPB in 01/09 Property acquisition in progress
Other uses include 16,700m <sup>2</sup> for Public Transport Interchange, 65,860m <sup>2</sup> for offices and 32,000m <sup>2</sup> for hotel G/IC includes 6,200m <sup>2</sup> for Kwun Tong Jockey Club Health Centre in Yuet Wah Street Site and 8,100m <sup>2</sup> for Government uses in Main Site	Project commencement gazetted on 30/03/07 2 DSPs approved by CE in C on 15/07/08 Yuet Wah Street MLP approved by MPC on 5/12/08 Property acquisition offers made on 29/12/08 Main Site MLP approved by MPC on 23/01/09 1,088 of 1,657 offers accepted before expiry on 30/03/09 Preliminary basic terms offer for Yuet Wah Street Site issued by LandsD on 07/05/09 Expressions of interest in redeveloping Yuet Wah Street Site invited in 07/09
G/IC is for Indoor Stadium and Youth Centre	Estimated completion of construction in mid 2012 Demolition completed
Three projects taken forward as one G/IC is for unspecified reserve	DSP approved by CE in Council on 03/06/08 Property acquisition in progress
	Clearance in progress Preliminary basic terms offer was issued on 14/10/08
Commercial space includes 76m <sup>2</sup> for community use	MLP approved by TPB in 09/07 Clearance in progress
Other uses include cultural and commercial uses	Site clearance completed in 08/08 Section 16 application approved by TPB in 02/09
Two projects taken forward as one Commercial space includes 405m <sup>2</sup> for social enterprises	MLP approved by TPB in 01/08 Clearance in progress Demolition of vacated properties in progress Preliminary basic terms offer issued by LandsD on 09/12/08
	Estimated completion of construction in early 2012
Commercial space includes 1,000m <sup>2</sup> for social enterprises	Estimated completion of construction in late 2011
Commercial space includes 968m <sup>2</sup> for social enterprises G/IC includes Residential Care Home for Elderly/Community Service Support Centre, Refuse Collection Point and public toilet	MLP approved by TPB on 22/05/07 Demolition completed Authorization of road scheme and road works gazetted on 30/04/09 Joint venture development tender awarded in 06/09
	Joint venture development tender awarded in 05/08 Estimated completion of construction in late 2011
	Construction completed in 03/09 Sales of flats in progress
	Revised MLP submitted to TPB in 02/09 and now awaiting consideration Property acquisition in progress
	Estimated completion of construction in early 2010
Commercial space includes G/IC area. G/IC is for Residential Care Home for Elderly	Estimated completion of construction in late 2009
	Construction completed in 04/08 Sales of flats in progress
	Construction completed in 03/08 Sale of remaining unsold penthouse in progress
G/IC is for Residential Home for Elderly	Construction completed in 02/09 Sales of flats in progress
	Construction completed in 11/08 Sales of flats in progress

# Operating Review - URA Project Highlights

Project Name	Development Name	Project Site Information				Project Development Information						
		Area m <sup>2</sup>	Existing GFA m <sup>2</sup>	Buildings	Population	Total GFA m <sup>2</sup>	Residential Flats	Commercial Space m <sup>2</sup>	Other Uses m <sup>2</sup>	G/IC GFA m <sup>2</sup>	Open Space <sup>(1)</sup> m <sup>2</sup>	
<b>33-40 - 8 Projects commenced up to 31 March 2009 by HKHS</b>												
33 <sup>(2,3)</sup>	Stone Nullah Lane / Hing Wan Street, Wan Chai	Blue House	906	1706	9	67	1706	0	0	1706	0	0
34 <sup>(2)</sup>	Sai Wan Ho Street, Shau Kei Wan		712	3796	2	21	5791	88	631	0	0	0
35 <sup>(2)</sup>	Castle Peak Road / Cheung Wah Street, Sham Shui Po		1000	5935	10	158	9000	149	1500	0	0	0
36 <sup>(2)</sup>	Castle Peak Road / Un Chau Street, Sham Shui Po		2609	14193	22	496	23482	356	3914	0	0	150
37 <sup>(2)</sup>	Un Chau Street / Fuk Wing Street, Sham Shui Po		2222	10114	22	362	19998	333	1133	0	2200	150
38 <sup>(2)</sup>	Castle Peak Road / Hing Wah Street, Sham Shui Po		1382	8286	11	344	12438	180	2073	0	0	0
39	Shau Kei Wan Road, Shau Kei Wan		1870	9834	17	400	19606	292	2717	0	0	0
40	Po On Street / Wai Wai Road, Sham Shui Po		2592	9923	19	528	21219	326	891	0	2648	0
<b>33-40 Commenced Sub-Total (B)</b>			<b>13293</b>	<b>63787</b>	<b>112</b>	<b>2376</b>	<b>113240</b>	<b>1724</b>	<b>12859</b>	<b>1706</b>	<b>4848</b>	<b>300</b>
<b>41-44 - 4 Ongoing projects taken over from ex-LDC</b>												
41	Yeung Uk Road, Tsuen Wan	The Dynasty	7230	NA	0	0	44404	256	17373	0	0	0
42	Hanoi Road, Tsim Sha Tsui	The Masterpiece	8299	27309	20	220	102625	345	31209	25816	0	1219
43	Tsuen Wan Town Centre, Tsuen Wan	Vision City	20300	56851	22	7119	134185	1466	23221	0	3080	3700
44 <sup>(3)</sup>	Tai Yuen Street / Wan Chai Road, Wan Chai	The Zenith	6308	12555	31	975	62310	904	3441	0	5254	0
<b>41-44 Commenced Sub-Total (C)</b>			<b>42137</b>	<b>96715</b>	<b>73</b>	<b>8314</b>	<b>343524</b>	<b>2971</b>	<b>75244</b>	<b>25186</b>	<b>8334</b>	<b>4919</b>
<b>Commenced Total (A) + (B) + (C)</b>			<b>172565</b>	<b>482284</b>	<b>610</b>	<b>26249</b>	<b>1414609</b>	<b>13521</b>	<b>330882</b>	<b>144222</b>	<b>43308</b>	<b>30975</b>
<b>45 - 1 Completed project commenced by URA<sup>(4)</sup></b>												
45 <sup>(3,4)</sup>	Johnston Road, Wan Chai	J Residence	1970	7640	21	333	20567	381	2600	0	0	0
<b>45 Commenced Sub-Total<sup>(4)</sup> (D)</b>			<b>1970</b>	<b>7640</b>	<b>21</b>	<b>333</b>	<b>20567</b>	<b>381</b>	<b>2600</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0 Completed project commenced by HKHS<sup>(4)</sup></b>												
<b>Nil Completed Sub-Total<sup>(4)</sup> (E)</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>46-51 - 6 Completed project commenced by ex-LDC<sup>(4)</sup></b>												
46 <sup>(4)</sup>	Ka Wai Man Road, Kennedy Town	Mount Davis 33	728	NA	0	0	7280	89	0	0	0	0
47 <sup>(4)</sup>	Queen Street, Sheung Wan	Queen's Terrace	7964	25792	50	648	66233	1148	400	0	5254	1200
48 <sup>(4)</sup>	Kennedy Town New Praya, Kennedy Town	The Merton	6075	24808	15	1683	62904	1182	0	0	0	2300
49 <sup>(4)</sup>	Waterloo Road / Yunnan Lane, Yau Ma Tei	8 Waterloo Road	3869	6610	19	444	32012	576	0	0	0	1650
50 <sup>(4)</sup>	Argyle Street / Shanghai Street, Mong Kok	Langham Place	11976	40810	58	2603	167414	0	160866	0	6548	1100
51 <sup>(4)</sup>	Kwong Yung Street, Mong Kok	Paradise Square	1607	4190	10	272	15160	272	2414	0	0	0
<b>46-51 Completed Sub-Total<sup>(4)</sup> (F)</b>			<b>32219</b>	<b>102210</b>	<b>152</b>	<b>5650</b>	<b>351003</b>	<b>3267</b>	<b>163680</b>	<b>0</b>	<b>11802</b>	<b>6250</b>
<b>Completed Total<sup>(4)</sup> (D) + (E) + (F)</b>			<b>34189</b>	<b>109850</b>	<b>173</b>	<b>5983</b>	<b>371570</b>	<b>3648</b>	<b>166280</b>	<b>0</b>	<b>11802</b>	<b>6250</b>
<b>Commenced + Completed Total</b>			<b>206754</b>	<b>592134</b>	<b>783</b>	<b>32232</b>	<b>1786179</b>	<b>17169</b>	<b>497162</b>	<b>144222</b>	<b>55110</b>	<b>37225</b>

Note (1) In this table, Open Space includes both Public Open Space and Private Open Space.

(2) The details of projects 1 to 11, 13 to 20, 26 and 33 to 38 have yet to be finalised and are still subject to change during the statutory, planning and land grant approval processes.

(3) Projects 3, 4, 18 and 33 are purely preservation projects. All other 47 projects are redevelopment projects, with redevelopment projects 9, 10, 17, 23, 26, 44 and 45 containing some preservation elements.

(4) In this table, a project is deemed to be completed once all accommodation has been sold, leased out or distributed between joint venture partners.

#### Glossary of Terms

BP = Business Plan

CDA = Comprehensive Development Area

CE = Chief Executive of Hong Kong Special Administrative Region

CE in C = Chief Executive in Council

C/R = Commercial / Residential

DSP = Development Scheme Plan

GFA = Gross Floor Area

G/IC = Government / Institution and Community

HKHS = Hong Kong Housing Society

LandsD = Lands Department

LDC = Land Development Corporation

MLP = Master Layout Plan

MPC = Metro Planning Committee

OU = Other Specified Use

OZP = Outline Zoning Plan

R(A) = Residential Group A

SDEV = Secretary for Development

TPB = Town Planning Board

TPO = Town Planning Ordinance

URA = Urban Renewal Authority

## Operating Review - URA Project Highlights

Remarks	Status
Part of revitalising historic buildings through partnership scheme Other uses include education, recreation, welfare or visitor uses	Resumption in progress
	Property acquisition in progress
	Demolition in progress
	Demolition in progress
G/IC is for Residential Home for Elderly	Demolition in progress
	Demolition in progress
	Construction in progress
G/IC is for Residential Home for Elderly	Construction in progress
	Construction completed in 01/09 Sales of flats in progress
Other use is for 384 room hotel	Construction completed in 01/09 Leasing of commercial space and preparations for sales of flats underway
G/IC is for transport and community facilities	Sales of remaining unsold flats and leasing of commercial premises underway
G/IC includes Market, Day Nursery, Refuse Collection Point and Public Toilet	Redevelopment of Sites A and B completed Revised MLP for Site C approved by TPB on 20/06/08 Partial demolition at Site C in progress Construction at Site C expected to commence in late 2009 for completion in early 2013
	Project completed in 2008/09
	Project completed in 2007/08
G/IC includes Single-person Hostel, Care & Attention Home, Day Nursery, Social Centre for the Elderly, Hostel for Moderately Mentally Handicapped and Cooked Food Centre	Project completed in 2007/08
	Project completed in 2007/08
	Project completed in 2007/08
Commercial space includes 41,933m <sup>2</sup> for 686 room hotel, 65,793m <sup>2</sup> for offices and 53,140m <sup>2</sup> for retail G/IC includes Cooked Food Centre and transport and community facilities	Project completed in 2005/06
	Project completed in 2005/06

# Management Discussion and Analysis

## Review of Financial Results and Positions

### (I) Review of 2009 Results

#### (a) Revenues

Revenues for the financial year amounted to \$1,413 million. Compared to the last financial year's revenue of \$5,266 million, this represents a decrease of \$3,853 million. Although upfront payments for the three redevelopment projects namely Pine Street / Anchor Street, Baker Court and Macpherson Indoor Stadium were recognised during the year versus two projects in the previous year, the receipts were much lower due to the market conditions prevailing at the times of awarding the development agreements being worse in 2008/09 than in 2007/08 and the much smaller sizes of the projects awarded in 2008/09. The total site area of the projects awarded during the year was 5,004 square metres whereas in 2007/08, it was 22,495 square metres. There were also fewer properties sold by and less sizable shares of surpluses from our joint venture partners during the 2008/09 financial year. In the 2007/08 financial year, sizeable shares of surpluses from certain jointly controlled development projects, including the Vision City project were received.

#### (b) Other net income

Of the \$286 million in other net income for the year (2007/08: \$404 million), \$226 million (2007/08: \$377 million) relates to interest income earned from bank balances, with an average yield of 2.43% p.a. (2007/08: 4.11% p.a.), and \$30 million is the gain reported from funds managed by the investment manager, with a net yield of 3.65% p.a.. URA placed its surplus cash as short-term deposits with a number of financial institutions in accordance with the Authority's approved investment guidelines. An investment manager was appointed in May 2008 to manage a portion of the URA's surplus funds. The decrease in other income as compared to 2007/08 was mainly due to the lower deposit interest rate and bank balances mentioned in paragraph (II)(b) below.

#### (c) Administrative expenses

Administrative expenses comprised mainly staff costs, accommodation costs and depreciation. Administrative expenses for the financial year increased to \$235 million (2007/08: \$198 million) for expansion required to meet the workload of our planned projects.

The URA continued to maintain prudent financial management, to contain growth in headcount and to undertake cost-reduction measures whenever possible. Nevertheless, to cope with the increased scale of urban renewal activities, such as the commencement of acquisition of four projects, including the Kwun Tong Town Centre project, and increased activities in rehabilitation, revitalisation and preservation during the year, it was necessary to expand the URA's headcount which resulted in a surge in annual administrative expenses. The staffing level increased from 275 as at 31 March 2008 to 358 as at 31 March 2009.

#### (d) Provision for impairment on properties and committed projects

The URA's properties and committed projects were valued by in-house professionals at 31 March 2009 and based on our accounting policy, there was a need to make a provision for loss in this financial year of \$5,337 million (2007/08: \$1,034 million) in aggregate. The provision for loss for the year mainly comprises losses on the Kwun Tong Town Centre project of \$4,032 million and \$1,305 million on other projects. The provision for loss made in the previous year was mainly for the Sai Yee Street project.

# Management Discussion and Analysis

## **(e) Operating deficit for the year**

The URA recorded a net operating deficit of \$4,524 million for the year. This compares unfavourably to the \$2,078 million net operating surplus reported last year. This was mainly due to the reduction in upfront payment income and share of surplus from jointly controlled development projects recognised during the year mentioned in paragraph (l)(a) above and the substantial loss provision of \$4,032 million made for the Kwun Tong Town Centre project mentioned in paragraph (l)(d) above. Before the provision for impairment on properties and committed projects, there was a surplus of \$813 million against \$3,112 million reported in the previous year.

## **(II) Financial Position at 31 March 2009**

### **(a) Properties under development**

The value of "Properties under development" as at 31 March 2009 was \$8.1 billion (2007/08: \$4.7 billion) representing the acquisition costs for projects for redevelopment or preservation purpose which were at various stages of implementation. This is set against the cumulative provision for loss on projects of \$3 billion (2007/08: \$0.2 billion) resulting in a net cost of \$5.1 billion (2007/08: \$4.5 billion). The increase in the balance was mainly due to the increase in the number of projects up to 13 now being implemented from 12 in 2007/08 and generally higher acceptance levels. The URA commenced acquisition of four projects, including the Kwun Tong Town Centre project, during 2008/09, and issued acquisition offers to 2,168 owners in aggregate.

### **(b) Cash and bank balances**

As at 31 March 2009, the URA's cash and bank balances and the fair value of the funds managed by the investment manager totalled \$7.7 billion (2007/08: \$10.9 billion). The \$3.2 billion decrease in bank balances from last year was mainly due to the increase in the amount spent for property acquisitions during the year.

The URA placed its surplus cash as short-term deposits with a number of financial institutions and it had no borrowings in this financial year. An investment manager also managed a portion of the URA's surplus funds in accordance with our approved investment guidelines.

### **(c) Net assets value**

The URA's net assets value as at 31 March 2009 was \$9.9 billion, representing the Government capital injection of \$10 billion offset by an accumulated deficit from operations of \$0.1 billion. The accumulated deficit was mainly a result of the substantial provision for loss made for the Kwun Tong Town Centre project, although surpluses were earned in previous years mainly because of the improved condition of the property market. When established in May 2001, the URA started with a deficit of \$2.2 billion after taking over from its predecessor, the LDC. Therefore, URA has made an accounting profit of \$2.1 billion in the eight years since 2001, thereby reducing its deficit to \$0.1 billion. This has been achieved partly because of the waiver of premia by the Government on the Land granted to URA.



## Management Discussion and Analysis

### **(III) Capital Injection, Land Premium Waiver and Tax Exemption**

Following approval by the Finance Committee of the Legislative Council on 21 June 2002, the Government injected \$10 billion of equity capital into the URA in five tranches of \$2 billion over a five-year period from 2002/03 to 2006/07. The Government waives the land premia for redevelopment sites granted to URA and has also exempted the URA from taxation.

### **(IV) Financial Resources, Liquidity and Commitments**

As mentioned in paragraph (II)(b), as at 31 March 2009, the URA's cash and bank balances and the fair value of the funds managed by the investment manager totalled \$7.7 billion. At the same date, the URA's accruals and estimated outstanding commitments in respect of projects under acquisition and resumption stood at \$17 billion.

When implementing its urban renewal programme, the URA is necessarily exposed to financial risks arising from property market fluctuations. Due to the timing difference and other factors, the upfront payment receipt from a project may be higher or lower than URA's acquisition costs. As at 31 March 2009, the total costs of properties under development was \$8.1 billion. Taken together with its commitments, URA's exposure to the property market was at a high historically level. Its financial position is also affected by the outcomes of individual projects cleared and launched at different times of property cycles.

The URA estimates, in its 2009 to 2014 Corporate Plan, that a total expenditure of about \$20.2 billion, excluding operational overheads, will be required by the URA to meet the costs of both its currently outstanding and its forthcoming expenditure commitments on implementation of the projects contained in this Plan, which covers the five years from 1 April 2009. This expenditure covers the full range of the URA's 4Rs work in redevelopment, preservation, rehabilitation and revitalisation. Among the redevelopment projects are several major ex-LDC projects, including the Kwun Tong Town Centre project, which is the largest project ever undertaken by the URA. It, therefore, requires an exceedingly large outlay of about \$12 billion for the acquisition of all of the almost 1,657 property interests in it, following issue of acquisition offers for all of these properties on 29 December 2008. Moreover, it will be some years before such cost can be recouped through the awards of joint venture development contracts for this project. In recent years, acquisition costs for URA's various projects have increased significantly, bringing with them increased development risks for the URA. In addition, the URA has recently launched an extensive new programme of preservation of pre-war shophouses at an estimated cost of about \$1.3 billion, as well as stepping up the scales of its building rehabilitation and street and open space revitalisation work. Therefore, the URA envisaged in its approved Corporate Plan that the URA would have to seek external financing in order to implement its 4Rs Plans in the years to come.

## Management Discussion and Analysis

To ensure that its urban renewal programme is sustainable for the long term, the URA must, therefore, maintain a very prudent financial position and have due regard for commercial principles in its operations.

In December 2008, the URA obtained a corporate credit rating of AA+ from Standard & Poor's Ratings Agency. In July 2009, committed term credit facilities with several major financial institutions were put in place. In the same month, the URA also put together a Medium Term Note Programme which allows it to access debt capital market funding. In the same month, it also issued its first HK\$1.5 billion bond under the Programme. The bond issue carries a three year maturity, with an annual coupon of 2.08% and is rated AA+ Standard & Poor's. Securing these two sources of external financing in advance has ensured that sufficient funding will be in place for the URA to enable it to carry out the urban renewal programme as planned.

control and risk management covering all its Divisions and Departments. Where appropriate, treatment plans formulated to address significant operating risks were implemented to enhance the URA's internal control framework on an on-going basis. In addition, the URA continued to seek the advice of the Independent Commission Against Corruption's Corruption Prevention Department whenever necessary with respect to various policies and procedures in order to minimize the risks of any abuse or misinterpretation of them.

The financial highlights of the past few years are summarized on page 95 of this Annual Report.

### **(V) Internal Control**

The URA keeps its financial and administrative systems and procedures under constant review and updates and improves them whenever appropriate. Apart from statutory audit, the URA's Internal Audit Department conducts regular reviews of activities undertaken by the URA. During the year, the URA conducted its annual organisation-wide review of internal

### Introduction

The URA places high priority on the standard of Corporate Governance to ensure accountability, openness and transparency in the work of its Board and Committees.

### Board and Committees

The URA is governed by a Board appointed by the Chief Executive under Section 4 of the URAO, currently comprising a Chairman and 25 other members. There are three executive Board members who are not public officers, namely the Managing Director, who is by law also the Deputy Chairman, and the two Executive Directors. The Director of Lands, the Director of Planning, the Director of Buildings and the Director of Home Affairs are Board members who are non-executive directors and public officers. In addition, the current Board includes four legislative councillors plus professionals and academics from various fields, including property, planning, surveying, architecture and social work who are non-executive directors and not public officers. The Board met on nine occasions between April 2008 and March 2009.

For the better carrying out of the purposes and powers of the URA, the Board has established six standing committees, each chaired by a Board member and comprising other Board members and co-opted members with the relevant expertise and experience. The committees and their function areas are listed as follows:-

## Committees

## Function Areas

### Audit Committee

- Internal control and risk management
- Reliability, integrity, timeliness and conformity of financial and operational information
- Compliance of business operations and management practices
- Economy, efficiency and effectiveness in the employment of URA's resources
- Special projects and investigations
- Accounting policies
- External audit reviews and internal audit charter
- Annual financial reporting and auditing

### Land, Rehousing & Compensation Committee

- Policies and matters relating to land grants, property acquisition, compensation and rehousing
- Policy and criteria for loans under Section 12 of the URA Ordinance
- Policies on the selection and operation of Social Service Teams

### Finance Committee

- URA's funding requirements
- Financial and treasury policies
- Investment of surplus fund
- Financial aspects of the Annual Business Plan and Five-year Corporate Plan

### Planning, Development and Conservation Committee

- Selection of projects in the Five-year Corporate Plan and Annual Business Plan
- Endorse Development Scheme Plans and proposals for Development Projects
- Recommend to the Board submission of Development Scheme Plan to the Town Planning Board, and commencement of Development Project
- Planning and development parameters and design issues
- Conservation proposals
- Revitalisation proposals

### Review Committee

- Review of the Management's decisions on application of relevant URA's policies as requested by affected owners or occupiers

### Remuneration Committee

- Remuneration policies (level and mix) of senior and general staff
- Proposals for adjustments to salary and variable pay

### Decision Making System

By virtue of the URA Ordinance, the Board is vested with the powers and duties as are conferred and imposed on it. Over the years, some of these decision-making powers have been delegated to Committees established under the Board. The Managing Director is the administrative head of the URA. As authorized and directed by the Board, the Managing Director, in consultation with the two Executive Directors, decides on the appropriate levels of approval authorities for all matters and affairs and activities of the URA except for those matters that require approval of the Board as stipulated in the URA Ordinance and those matters for which the Board stipulates a different approval authority from time to time. Such levels of approval authorities are documented in a corporate operational and authorization manual which must be followed. These arrangements provide proper checks and balances on the one hand and enhance operational efficiency on the other.

### Internal Audit

Reporting directly to the Managing Director and to the Board's Audit Committee, the Internal Audit Department conducts regular independent reviews of activities undertaken by all other functional units within the URA. The main purposes of the operational and value-for-money audits are to ensure compliance with all of the various statutory requirements, Board directions and prevailing internal policies and procedures, as well as cost-effective use of the URA's resources. Before the start of each fiscal year, the Department presents an internal audit plan setting out the audit assignments to be carried out in the year to the Audit Committee for its approval.

The Department also advises on the adequacy and effectiveness of the URA's annual internal control and risk management review. This annual organization-wide review exercise includes reviews of risks at the corporate level by all in-house directors and reviews of operational risks and the effectiveness of the systems



of internal controls in managing identified significant risks by all functional units. Treatment plans are then implemented wherever appropriate to mitigate the identified significant risks in key business processes to the extents possible. The overall results of the annual review are reported to the Audit Committee. In addition, the Department coordinates with other assurance functions, such as the URA's External Auditors and the Independent Commission Against Corruption's Corruption Prevention Department, to achieve optimal audit coverage of the URA.

### Measures to Promote Transparency of Work

In line with the spirit of the Urban Renewal Strategy, the URA holds a large variety of public engagement activities such as exhibitions, surveys, public forums and workshops from time to time to gather community stakeholders' views on the planning and design of urban regeneration projects. Open briefing sessions are held for owners, tenants and other stakeholder groups both upon the commencement of urban redevelopment and preservation projects and after the respective acquisition offers have been made. To enhance the wider community's understanding of the work of the URA, we also speak at relevant seminars, conferences and meetings of professional and other organizations and give briefing sessions to secondary schools.

We value our partnerships with local communities in undertaking renewal work in old urban areas. We regularly brief the relevant District Councils on the progress of URA projects in our various Action Areas. To this end, we have established seven District Advisory Committees comprising representatives of the local communities including district councillors, affected owners/tenants and district organizations to advise on community needs and aspirations with respect to urban renewal and to enhance community understanding of the URA's work in the districts concerned.

The Chairman of the Board of the URA briefs the media after each Board meeting on the relevant decisions reached and issues discussed. These interactive media sessions, together with other media interviews with management representatives throughout the year, seek to promote better understanding of the mission and role of the URA and the rationale and objectives of its work.

Bilingual press statements are issued after Board meetings and on other important occasions as appropriate. They are uploaded to the URA's website, which serves as a primary electronic platform to communicate to the public about any salient corporate development and the status of various projects and activities undertaken by URA in a timely manner.

As a further pro-transparency measure, the Board approved the preparation of bilingual summaries of confirmed minutes of Board meetings for uploading to the URA's website with effect from February 2009. These summaries cover the numbers of Board Members and management representatives in attendance, the agenda items discussed and the Board's resolutions.



## Members of the Board and Profiles



MEMBERS OF THE BOARD

### FROM LEFT

Front row : Mr Walter CHAN Kar-lok, The Honourable CHAN Kam-lam, Mr Quinn LAW Yee-kwan (Managing Director), Mr Barry CHEUNG Chun-yuen (Chairman), Professor David LUNG Ping-yee, Mr LO Chung-hing, Mr Peter TO

Back row : Ms Annie TAM Kam-lan, Mrs Ava NG Tse Suk-ying, Mr CHEUNG Hau-wai, Mr Victor CHAN Hin-fu, Mr Stephen YIP Moon-wah, Mr IP Kwok-him, Mrs Pamela TAN Kam Mi-wah, Mr Aaron WAN Chi-keung, Ms Agnes NG Ka-yin, Dr Isaac NG Ka-chui, Mr NG Shui-lai, The Honourable Howard YOUNG, Ms Iris TAM Siu-ying (Executive Director)

Members not in the group photo : Dr Allan ZEMAN, The Honourable Fred LI Wah-ming, Mr Maurice LEE Wai-man, Professor HO Pui-yin, Mr Francis CHAU Yin-ming

## Members of the Board and Profiles



MEMBERS OF THE BOARD

### FROM LEFT

Front row : Mr Francis CHAU Yin-ming, The Honourable IP Kwok-him, Mr Quinn LAW Yee-kwan (Managing Director), Mr Barry CHEUNG Chun-yuen (Chairman), Mr Peter TO, Mr Walter CHAN Kar-lok, Mr NG Shui-lai

Back row : Mr Calvin LAM Che-leung (Executive Director), Mr Philip KAN Siu-lun, Mr Daniel LAM Chun, The Honourable WONG Kwok-kin, Mr AU Choi-kai, Mrs Pamela TAN Kam Mi-wah, Ms Agnes NG Ka-yin, The Honourable Tanya CHAN, Professor HO Pui-yin, Ms Annie TAM Kam-lan, Mrs Ava NG Tse Suk-ying, Ms Iris TAM Siu-ying (Executive Director), Mr Victor CHAN Hin-fu, Mr Almon POON Chin-hung, Dr John WONG Yee-him, Professor Desmond HUI Cheuk-kuen, Mr Dane CHENG Ting-yat, The Honourable James TO Kun-sun

Member not in the group photo : Dr Isaac NG Ka-chui

## Members of the Board and Profiles

**Chairman :** Mr Barry Cheung Chun-yuen, JP

**Managing Director :** Mr Quinn Law Yee-kwan

**Executive Directors :** Ir Calvin Lam Che-leung (from 11 November 2008)  
Ms Iris Tam Siu-ying, JP

**Non-Executive Directors :**  
( non-official )

Mr Victor Chan Hin-fu  
The Honourable Chan Kam-lam, SBS, JP (up to 30 November 2008)  
Mr Walter Chan Kar-lok, SBS, BBS, JP  
The Honourable Tanya Chan (from 1 December 2008)  
Mr Francis Chau Yin-ming, MH  
Mr Dane Cheng Ting-yat (from 1 December 2008)  
Professor Ho Pui-yin  
Professor Desmond Hui Cheuk-kuen (from 1 December 2008)  
The Honourable Ip Kwok-him, GBS, JP  
Mr Philip Kan Siu-lun (from 1 December 2008)  
Mr Daniel Lam Chun, BBS, JP (from 1 December 2008)  
Mr Maurice Lee Wai-man, JP (up to 30 November 2008)  
The Honourable Fred Li Wah-ming, SBS, JP (up to 30 November 2008)  
Mr Lo Chung-hing, SBS (up to 30 November 2008)  
Professor David Lung Ping-yee, SBS, JP (up to 30 November 2008)  
Dr Isaac Ng Ka-chui  
Ms Agnes Ng Ka-yin  
Mr Ng Shui-lai, BBS, MBE, JP  
Mr Almon Poon Chin-hung, JP (from 1 December 2008)  
The Honourable James To Kun-sun (from 1 December 2008)  
Mr Peter To  
Mr Aaron Wan Chi-keung, BBS, JP (up to 30 November 2008)  
The Honourable Wong Kwok-kin, BBS (from 1 December 2008)  
Dr John Wong Yee-him (from 1 December 2008)  
Mr Stephen Yip Moon-wah, JP (up to 30 November 2008)  
The Honourable Howard Young, SBS, JP (up to 30 November 2008)  
Dr Allan Zeman, GBS, JP (up to 30 November 2008)

**Non-Executive Directors :**  
( official )

Mr Cheung Hau-wai, SBS, JP Director of Buildings (up to 9 October 2008)  
Mr Au Choi-kai, JP Director of Buildings (from 10 October 2008)  
Mrs Pamela Tan Kam Mi-wah, JP Director of Home Affairs  
Ms Annie Tam Kam-lan, JP Director of Lands  
Mrs Ava Ng Tse Suk-ying, JP Director of Planning

## Members of the Board and Profiles

### Chairman

#### Mr Barry CHEUNG Chun-yuen, JP

Mr Cheung, Chairman of Hong Kong Mercantile Exchange, has been Chairman of the URA since 2007 and a board member since 2001. He is currently Chairman of the Standing Committee on Disciplined Services Salaries and Conditions of Service, an Alternate Chairman of the Pay Trend Survey Committee, a member of the Commission on Strategic Development and a member of the Standing Commission on Civil Service Salaries and Conditions of Service.

Mr Cheung was a former Chairman of the Corruption Prevention Advisory Committee of the ICAC. He was a full-time member of the Central Policy Unit on secondment from McKinsey & Company. He was a consultant with McKinsey & Company in the United States and Asia.

Mr Cheung received a Bachelor of Science degree with First Class Honours in Mathematics and Computer Science from the University of Sussex and an MBA from the Harvard Business School.

### Managing Director

#### Mr Quinn LAW Yee-kwan

Since 1 March 2008, Mr Law has been holding the position of Managing Director of the Urban Renewal Authority. His current appointment will end on 28 February 2011. He was Executive Director of the Authority from November 2005 to February 2008.

Mr Law is a Certified Public Accountant in Hong Kong. He has been serving on a committee in the Hong Kong Institute of Certified Public Accountants, a member of the Advisory Board of Accounting Studies of the Chinese University of Hong Kong, and a Court member of the Hong Kong University of Science and Technology. Mr Law is also a Chartered Secretary.

He completed his accounting training with a Big-Four accounting firm and was qualified in 1977; and joined a listed group (a constituent stock in Hang Seng main index) in 1983 after working for the then Securities Commission in Hong Kong and two international shipping companies.

Prior to joining the Authority, Mr Law had overseen different areas of operation in a variety of businesses and industries including property investment and development: corporate and operation management, strategic and business planning, finance and administration, corporate services, investor relation, statutory and internal audit.



## Members of the Board and Profiles

### Non-Executive Directors

(non-official)

#### Mr Victor CHAN Hin-fu

Mr Chan was appointed Non-executive Director (non-official) of the Urban Renewal Authority in May 2007. Mr Chan has served as the General Manager - Property Development since joining the MTR Corporation Limited in 1992. He is responsible for the development of all properties above and adjacent to railway stations and depots. He leads a multi-disciplinary team of managers involved in the planning and tendering of large-scale joint venture property developments. Mr Chan is also involved in the marketing, sales and letting of completed units in these developments. Between 1974 and 1992, Mr Chan worked for the Hong Kong Government specialising in land administration and before he left in 1992, held a directorate post in the Lands Department. Mr Chan qualified in 1976 as a chartered surveyor in Hong Kong and since 2004 also qualified as a member of the China Institute of Real Estate Appraisers. Mr Chan is currently a Supervisory Board Member of the Hong Kong Housing Society as well as the Property Advisory Committee Member of the Salvation Army.

#### Mr Walter CHAN Kar-lok, SBS, BBS, JP

Mr Chan has been a practising lawyer for over 20 years and is a senior partner of Rowland Chow, Chan & Co., Solicitors. He is also a China-Appointed Attesting Officer.

Mr Chan was previously a member of the Housing Authority for 10 years (up to March 2006) and served as Chairman of Home Ownership Committee, Commercial Property Committee and Supervisory of Divestment Committee (Linkreit) consecutively. At present, he is a member of the Town Planning Board, Appeal Tribunal (Building), ICAC Citizens Advisory Committee and Guardianship Board.

For social service, Mr Chan is a Council Member of the Hong Kong Federation of Youth Groups, a Director of Haven of Hope Christian Service and the China Graduate School of Theology. He is also an honorary legal advisor of a number of organizations.

#### The Honourable Tanya CHAN

The Hon Chan is a member of the Legislative Council (Hong Kong Island), the Deputy Chairman of the Legislative Council's Panel on Home Affairs, and an elected District Councillor of the Central and Western District (the Peak). She is also a director of the Hong Kong Mortgage Corporation Limited and a member of the Advisory Committee on Travel Agents.

#### Mr Francis CHAU Yin-ming, MH

Mr Chau was appointed as a Board Member of the Urban Renewal Authority on 1 May 2004. He is the Chief Supervisor of the Social Service Office of the Association of Evangelical Free Churches of Hong Kong. He is an elected member of Sai Kung District Council, a member of the Municipal Services Appeal Board, the Community Sports Committee, the Guardianship Board, the Railway Objections Hearing Panel, the Committee on Libraries and the Regional Advisory Committee (Kowloon) of the Hospital Authority.

#### Mr Dane CHENG Ting-yat

Mr Dane Cheng is General Manager, Corporate Communications with Cathay Pacific Airways. Mr Cheng joined the airline in 1986 and has been posted to Hong Kong, Bangkok, Beijing, Taiwan and Japan. He held other senior positions in Cathay Pacific including General Manager, Sales, Hong Kong & China, and General Manager, Japan.

Mr Cheng graduated from the Chinese University of Hong Kong with a Bachelor of Arts degree in English. He has also completed senior executive programmes at Stanford University, INSEAD and Zhongshan University.

Mr Cheng serves on a number of public bodies in Hong Kong including the Hong Kong Tourism Board, the Tourism Strategy Group, the Immigration Department Users' Committee and the Appeal Board Panel (Town Planning).

## Members of the Board and Profiles

### Professor HO Pui-yin

Professor Ho is a social and economic historian who previously worked as a research consultant at the Organisation for Economic Co-operation and Development (OECD) in Paris. She now teaches in the History Department at the Chinese University of Hong Kong. She authors numerous books and articles on Hong Kong and social and economic history of modern China. Her current researches are mainly on urbanisation of modern day Hong Kong.

Concurrently, she is Director of Lee Woo Sing Hong Kong History Resource Centre of Shaw College of the Chinese University of Hong Kong and Member of the Board of Trustees of the same College; Honorary Advisor of Hong Kong War Memorial Pensions Advisory Committee of the Labour and Welfare Bureau; Museum Expert Advisor of the Leisure and Cultural Services Department; and Visiting Professorship (Chaire Dupront) of Université Paris-Sorbonne.

### Professor Desmond HUI Cheuk-kuen

Professor Hui is Director of the Centre for Culture and Development and Professor of the Department of Cultural and Religious Studies of the Chinese University of Hong Kong. He obtained Bachelor of Architecture from Cornell University, USA; Master and Doctor of Philosophy from the University of Cambridge, UK.

Professor Hui is a member of the Old Wan Chai Revitalisation Initiatives Special Committee, Advisor of the HK Arts Development Council and Museum Expert Advisor of the Leisure and Cultural Services Department. He was formerly a member of the Antiquities Advisory Board and the Commission on Strategic Development of Hong Kong.

### The Honourable IP Kwok-him, GBS, JP

The Honourable Ip Kwok-him is a member of the Legislative Council (LegCo) representing the district council functional constituency. He is presently a deputy to the 11th National People's Congress of the PRC for Hong Kong SAR, Chairman of LegCo Panel on Home Affairs, an advisor of the Democratic Alliance for

the Betterment and Progress of Hong Kong, member of Central & Western District Council (Kwun Lung) and a trustee of Hon Wah Education Organisation. He also serves on a number of committees and is now a member of the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Hong Kong Housing Authority.

The Honourable Ip had been a member of the Hong Kong Legislative Council between 1995 and 1997, a member of the Provisional Legislative Council between 1997 and 1998, a member of the Legislative Council of the Hong Kong SAR representing the district council functional constituency between 2000 and 2004 and an elected member of the Central and Western District Council between 1992 and 2003.

### Mr Philip KAN Siu-lun

Mr Kan, Partner and CEO of Whale Capital Inc. also serves as Member of Antiquities Advisory Board, Member of the Board of Trustees of Lord Wilson Heritage Trust, Member of the Investigation Panel of the HK Institute of Certified Public Accountants, and Member of School of Business Advisory Committee of HK Baptist University. He served as Member of Chinese Temples Committee, Director of Dragon Foundation, Member of Board of Review (Inland Revenue), and Member of Court of HK Baptist University.

In 2000, the company which Mr Kan co-founded was listed on the HK Stock Exchange and he served there as Executive Director until 2004; he also served as Executive Director and Independent Non-Executive Director of two other public companies in Hong Kong. In recent years, he is involved in corporate finance and development businesses. Prior to that, he has served the local banking industry for over 20 years.

Mr Kan holds a Diploma in Business Management (Dist) from HK Baptist University; a MBA degree from Henley Management College, UK; Fellow Membership of Chartered Management Institute (FCMI), UK. He is also Registered Investment Advisor of SFC HK, and Hon Associate of School of Business, HK Baptist University.



## Members of the Board and Profiles

### Mr Daniel LAM Chun, BBS, JP

Mr Lam is the Honorary Advisor of DCL Consultants Limited and Member of the Administrative Appeals Board. He was the Director-Property of Hong Kong's Kowloon-Canton Railway Corporation (2000 – 2007). He first qualified as a Chartered Building Surveyor and registered as an Authorized Person under the Buildings Ordinance of Hong Kong. He is a Fellow of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors. He has been elected as a Chartered Arbitrator and listed on the London Panel of Arbitrators of the Chartered Institute of Arbitrators. He is also listed on similar panels in Hong Kong and Vancouver, and is appointed as Arbitrator to the China International Economic Trade Arbitration Commission and the Beijing Arbitration Commission. In 1995, Mr Lam was appointed as Non-official Justice of Peace and in 2001 awarded the Bronze Bauhinia Star.

Mr Lam was the President of the Hong Kong Institute of Surveyors (1986-1987). Because of Mr Lam's professional knowledge and interest in arbitration, he has been appointed as arbitrator in a number of cases. He is a council member of the Hong Kong International Arbitration Centre and Fellow and Past Chairman of the Hong Kong Institute of Arbitrators (1997-2000).

Mr Lam has held a number of professional and public service positions in Hong Kong, such as member of the Land & Building Advisory Committee (1986-1990), Hong Kong Housing Authority (1993-2001) and Chairman of its Building Committee (1996-2001), and member of the Construction Industry Review Committee. During 1991-1993, Mr Lam was appointed as a consultant to the World Bank, Washington DC, and published a report on China's urban land policy.

Mr Lam's experience in property development extends beyond Hong Kong. For a considerable period of time, he had also been responsible for project developments in major overseas cities and countries including London, Tokyo, New York, Paris, Frankfurt, Malaysia, Singapore, Indonesia, the Middle East, North and South America. Mr Lam had been working for the Hongkong Land Group, Hong Kong Government, the Hongkong Bank (HSBC) Group, the Sime Darby Group and China Light & Power Group before starting his own practice in 1993. Owing to Mr Lam's involvement with the World

Bank and as the Executive Director of Tian An China Investment Company Limited, he is very familiar with project development issues in Mainland China.

In 2000, Mr Lam joined the Kowloon-Canton Railway Corporation as its Director-Property to plan and direct all property development projects, as well as operating a sizeable leasing, licensing, advertising and property management portfolio. The total gross development value of projects is HK\$190 billion, and the total value of the managed investments is HK\$11.3 billion as at the end of May 2007.

Mr Lam was Chairman of the Surveying Department's Advisory Committee of the University of Hong Kong (HKU) from 1986 to 1991, and External Examiner of Real Estate & Construction Department from 1995 to 1998. In July 2003, the HKU School of Professional and Continuing Education appointed Mr Lam as Adjunct Professor. Mr Lam was appointed as member of the Department of Building and Construction Advisory Committee, City University of Hong Kong, in 1994 and as the Chairman during 1997-1998. In 2009, Mr Lam has been appointed as Honorary Professor to the Real Estate and Construction Department of the University of Hong Kong.

### Dr Isaac NG Ka-chui

Dr Ng obtained his PhD in Land Economy at the University of Aberdeen (Scotland) and is Lecturer at the City University of Hong Kong. He received extensive training in Public Administration with particular interest in Urban Renewal and Housing Policy. Some of his writings and articles are found in different local and international publications. He had also been engaged in consultancy work and has been a Member of the Planning Study Working Group on Kwai Tsing District Council, Vice-chairperson of the Education and Training Committee of the Chartered Institute of Logistics and Transport (Hong Kong Branch). Dr Ng is also a Fellow Member of the Hong Kong Institute of Real Estate, as well as a Fellow Member of the Chartered Institute of Logistics and Transport.

## Members of the Board and Profiles

### Ms Agnes NG Ka-yin

Ms Agnes Ng, an experienced architect in Hong Kong and the former Managing Director and Global Board Director of Aedas Limited, has more than 25 years of working experience in both HK and PRC. Ms Ng is presently semi-retired but is still actively involved in public and volunteer services besides being engaged as the part-time lecturer at the University of Hong Kong.

Ms Ng is also the founding Chairman of Hong Kong Architecture Centre, which is a charitable organization aimed at providing a platform to bridge our general public and the local architecture.

Since 2001, Agnes has been the fellow member of Hong Kong Institute of Architecture (HKIA), participating actively in the activities of the Institute. In addition, as the vice-chairman of HK-Beam Society, Ms Ng has also devoted her time and effort to promoting the sustainability of the built environment as well as the green labelling of buildings in Hong Kong.

### Mr NG Shui-lai, BBS, MBE, JP

Mr Ng is the Chief Executive of Hong Kong Christian Service and Four Dimensions Consulting Limited. He is also a part-time lecturer of the Chinese University of Hong Kong.

He was a member of the Housing Authority for 10 years (up to 2006) and served as the Chairman of the Subsidy Housing Committee. He was also a member of the Town Planning Board, Transport Advisory Committee, Social Welfare Advisory Committee, Hospital Authority, International Federation of Social Workers Vice President (President for Asia and Pacific) and President of the Hong Kong Social Workers Association.

At present, he is a member of the Executive Committee of the Hong Kong Council of Social Service, Vice-Chairman of the Hong Kong Christian Ai Hua Association and member of the Social Workers Registration Board.

### Mr Almon POON Chin-hung, JP

Mr Almon Poon is a Solicitor, High Court of Hong Kong; an Advocate and Solicitor, the Supreme Court of Republic of Singapore; an Arbitrator of Guangzhou Arbitration Commission; a China-Appointed Attesting Officer; Member, Chartered Institute of Arbitration and Accredited Mediator, Hong Kong International Arbitration Centre. He received a Bachelor of Law degree from the University of London and a Master of Law degree in Commercial Law from the University of Northumbria.

Mr Poon is a member of the Antiquities Advisory Board. He was formerly a member of the Transport Advisory Committee, the Town Planning Board and the Administrative Appeals Board, and a part-time member of Central Policy Unit.

### The Honourable James TO Kun-sun

The Hon To is a Solicitor, and currently a Legislative Councillor and Deputy Chairman of the Panel on Security of the Legislative Council. He received a Bachelor of Law degree from the University of Hong Kong.

The Hon To is a Court Member of the University of Hong Kong and was a Member of the Managing Board of the then Land Development Corporation (1996-2001). He was Member of the Sham Shui Po District Council and Yau Tsim Mong District Council in 1991-1994 and 1999-2007 respectively.

### Mr Peter TO

Mr To has worked in the property development and investment sector for more than 30 years. He was a former President of the Hong Kong Institute of Housing and has previously served as a member of the Commercial Properties Committee of the Hong Kong Housing Authority and a member of the Vetting Committee of the Professional Services Development Assistance Scheme.

## Members of the Board and Profiles

### The Honourable WONG Kwok-kin, BBS

Wong Kwok-kin is a member of the Legislative Council (Kowloon East), a deputy of the 11th National People's Congress of the People's Republic of China for HKSAR, vice president of Hong Kong Federation of Trade Unions, and convenor of its Logistics and Transport Industry Committee. Mr Wong is also a member of Commission on Strategic Development, non-executive director of Mandatory Provident Fund Schemes Authority, member of the Hong Kong Housing Authority and its Subsidised Housing Committee.

Mr Wong was previously the employee representative of Labour Advisory Board and a panelist of Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong". He was a member of the Panel on Social Cohesion of Central Policy Unit and a Committee member of the Maritime Services Training Board of Vocational Training Council.

### Dr John WONG Yee-him

Dr Wong Yee-him is a psychiatrist by profession and serves as the Senior Medical Officer in charge of the Kwai Chung Hospital Psychogeriatrics Out Patient Clinic cum Carer Support Centre. His work involves the development and delivery of services for elders suffering from dementia, depression, suicidal ideas and other mental health problems.

Dr Wong has been actively engaging in community affairs since 2000. He is currently an elected Kowloon City District Councillor, member of the Election Committee (Medical subsector), member of the Elderly Commission, member of the Criminal and Law Enforcement Injuries Compensation Board and member of the Town Planning Appeal Board. He was formerly a member of the Consumer Council (and was Chairman of Research and Testing Committee), the Home Purchase Allowance Appeal Board and the Advisory Board on Quality of Water Supply.

Dr Wong has a MBBS from the University of New South Wales and is a member of the Royal College of Psychiatrists and a Fellow of the Hong Kong Academy of Medicine (Psychiatry).

### Non-Executive Directors (official)

#### Mr AU Choi-kai, JP

##### Director of Buildings

Mr Au Choi-kai is a professional building surveyor. He is a Fellow of the Hong Kong Institute of Surveyors, Fellow of the Royal Institution of Chartered Surveyors of U.K. and Member of the Society of Fire Protection Engineers of USA. After completing his education in the Hong Kong Polytechnic, he joined the Hong Kong Government in 1974. He has held a number of positions in the then Buildings Ordinance Office, Building Development Department, Buildings and Lands Department and Buildings Department. He is now the Director of the Buildings Department. He has over thirty years of experience in building control, especially in the review and formulation of statutory standards in the design and construction of buildings. He was the chief drafter of a number of Codes of Practice which are still in force. These include the Codes of Practice for "Means of Escape 1996", "Fire Resisting Construction 1996", "Means of Access for Fire Fighting and Rescue 1995", "Overall Thermal Transfer Value in Buildings 1995" and "Building Works for Lifts and Escalators 1993".

#### Mrs Pamela TAN Kam Mi-wah, JP

##### Director of Home Affairs

Mrs Pamela Tan joined the Government's Administrative Service in October 1977. During her career, she has served in directorate positions in a number of policy bureaux, resource bureaux and frontline departments. She has also served as the Deputy Head of the Central Policy Unit which advised the then Governor, the Chief Secretary and the Financial Secretary on all major issues affecting Hong Kong.

In the political field, Mrs Tan was involved in the establishment of the Provisional Regional Council in 1984 and the Regional Council from 1985 to 1987.

In the economic field, Mrs Tan worked in the Trade and Industry Bureau, the Monetary Affairs Bureau, the Financial Services Bureau and the Insurance Commission for a total of 8 years during the period from 1987 to 1998. She also held posts in financial and human resource management in 1982 to 1984 and 1989 to 1990.



## Members of the Board and Profiles

In the social services field, Mrs Tan worked in the Social Services Bureau and the Social Welfare Department from 1977 to 1982. She was the Director of Administration and Development in the Department of Justice from 1999 to 2000. In June 2000, she took up the post of Commissioner of Labour. On 30 June 2003, she assumed her current post of Director of Home Affairs.

### Ms Annie TAM Kam-lan, JP

#### Director of Lands

Ms Tam is the Director of Lands. She is currently a member of the Hong Kong Housing Authority, a member of the Supervisory Board of the Hong Kong Housing Society and a member of the Town Planning Board.

### Mrs Ava NG Tse Suk-ying, JP

#### Director of Planning

Mrs Ng is a Fellow of the Hong Kong Institute of Planners and Registered Professional Planner. After obtaining her Master Degree in Urban Planning from McGill University, Canada, she joined the Hong Kong Civil Service in 1977. She is currently Director of Planning of the Government of the Hong Kong Special Administrative Region. She is a member of the Town Planning Board.

## Executive Directors

### Mr Calvin LAM Che-leung

Mr Calvin Lam is a Registered Professional Engineer (RPE), a Registered Structural (RSE) and Geotechnical Engineer (RGE) in Hong Kong. Mr Lam is also a Fellow of the Hong Kong Institution of Engineers. From 2005 to 2008, he had served as a council member of the Association of Consulting Engineers, Hong Kong.

Mr Lam completed his engineering training with a top ranking international engineering consultant and became a chartered engineer in 1978. He continued working in the engineering field and has worked with consultants and government works departments in Hong Kong, UK and Australia.

In his previous employments, Mr Lam oversaw different areas of project and operation management including project study, design, execution and implementation, operation and quality assurance, staff resources management, strategic and business planning. His experience spans across wide areas including infrastructure construction and new town developments.

### Ms Iris TAM Siu-ying, JP

Ms Tam was appointed Executive Director of the Urban Renewal Authority in September 2006. She started her town planning career in the government and left the civil service after seven years in 1990. She then set up a planning consultant firm and was actively involved in both private and public sector planning projects and studies in Hong Kong and in Mainland China for sixteen years. She was the President of the Hong Kong Institute of Planners (1995-97) and served as Chairperson and Member of various Statutory and Advisory Tribunals/Committees. She is currently a member of the Transport Advisory Committee and Council for Sustainable Development.

# Members of Committees

## Audit Committee

### Chairperson

Mr LO Chung-hing, SBS  
(up to 30 November 2008)

Mr NG Shui-lai, BBS, MBE, JP  
(from 1 December 2008)

### Members

Mr Francis CHAU Yin-ming, MH  
(from 1 December 2008)

Professor HO Pui-yin  
(from 1 December 2008)

Mr Philip KAN Siu-lun  
(from 1 December 2008)

Mr Maurice LEE Wai-man, JP  
(up to 30 November 2008)

The Honourable Howard YOUNG, SBS, JP  
(up to 30 November 2008)

### Co-opted Member

Mr Patrick CHAN

## Finance Committee

### Chairperson

Mr Barry CHEUNG Chun-yuen, JP

### Members

Mr Walter CHAN Kar-lok, SBS, BBS, JP

The Honourable Tanya CHAN  
(from 1 December 2008)

Mr Philip KAN Siu-lun  
(from 1 December 2008)

Mr LO Chung-hing, SBS  
(up to 30 November 2008)

Mr Almon POON Chin-hung, JP  
(from 1 December 2008)

Mr Peter TO

Mr Stephen YIP Moon-wah, JP  
(up to 30 November 2008)

Mr Quinn LAW Yee-kwan

### Co-opted Members

Mr Chester KWOK  
(up to 30 November 2008)

Mr Josiah KWOK  
(up to 30 November 2008)

Dr Billy MAK  
(from 1 December 2008)

## Review Committee

### Chairperson

Mr Maurice LEE Wai-man, JP  
(up to 30 November 2008)

The Honourable IP Kwok-him, GBS, JP  
(from 1 December 2008)

### Members

Mr Francis CHAU Yin-ming, MH

Mr Dane CHENG Ting-yat  
(from 1 December 2008)

The Honourable IP Kwok-him, GBS, JP  
(up to 30 November 2008)

Mr Daniel LAM Chun, BBS, JP  
(from 1 December 2008)

Dr Isaac NG Ka-chui

Ms Agnes NG Ka-yin  
(from 1 December 2008)

The Honourable James TO Kun-sun  
(from 1 December 2008)

Mr Aaron WAN Chi-keung, BBS, JP  
(up to 30 November 2008)

Dr John WONG Yee-him  
(from 1 December 2008)

The Honourable Howard YOUNG, SBS, JP  
(up to 30 November 2008)

### Co-opted Members

Ir Dr Alex S K CHAN

Mr Andrew CHAN Ping-chiu

Mr Henry CHAN Kai-wing

Mr CHUA Hoi-wai

Dr Ernest CHUI Wing-tak

Dr Amy HO Po-ying

Ms LAM Tze-yan

Dr LAU Kwok-yu, JP

Ir Kenneth T K LAU

Ms Elizabeth LAW, MH, JP

Dr LEE Yok-shiu

Mr Tony LUK Ka-luen

Mr MOK Hing-luen

Rev Dr Paul C C NG

Mr Dickson PANG Kam-fai

Dr Louis SHIH, JP

Mr TSE Siu-kwong

Dr Patrick L T WONG, JP

Mr YUNG Ching-tat, BBS, JP

### Planning, Development and Conservation Committee

#### Chairperson

Mr Peter TO

#### Members

Mr Victor CHAN Hin-fu

The Honourable Tanya CHAN  
(from 1 December 2008)

Professor HO Pui-yin

Professor Desmond HUI Cheuk-kuen  
(from 1 December 2008)

The Honourable IP Kwok-him, GBS, JP

The Honourable Fred LI Wah-ming, JP  
(up to 30 November 2008)

Ms Agnes NG Ka-yin

Mr NG Shui-lai, BBS, MBE, JP

Mr Almon POON Chin-hung, JP  
(from 1 December 2008)

The Honourable James TO Kun-sun  
(from 1 December 2008)

The Honourable WONG Kwok-kin, BBS  
(from 1 December 2008)

Mr Stephen YIP Moon-wah, JP  
(up to 30 November 2008)

Dr Allan ZEMAN, GBS, JP  
(up to 30 November 2008)

Director of Lands  
(Ms Annie TAM Kam-lam, JP)

Director of Planning  
(Mrs Ava NG TSE Suk-ying, JP)

Mr Quinn LAW Yee-kwan

Ms Iris TAM Siu-ying, JP

#### Co-opted Members

Ms Betty HO  
(from 1 December 2008)

Mr Andy LEUNG  
(from 1 December 2008)

Dr NG Mee-kam  
(up to 30 November 2008)

Mr Barry WILL  
(up to 30 November 2008)

Dr Greg WONG  
(from 1 December 2008)

Assistant Director (2), Home Affairs Department  
(Ms Margaret HSIA, JP)  
(up to 31 May 2008)

Assistant Director/New Buildings 1  
Buildings Department  
(Mr MO Kim-ming)  
(from 1 June 2008)

### Land, Rehousing & Compensation Committee

#### Chairperson

Mr Walter CHAN Kar-lok, SBS, BBS, JP

#### Members

The Honourable CHAN Kam-lam, SBS, JP  
(up to 30 November 2008)

Mr Victor CHAN Hin-fu

Mr Francis CHAU Yin-ming, MH

Mr Daniel LAM Chun, BBS, JP  
(from 1 December 2008)

The Honourable Fred LI Wah-ming, JP  
(up to 30 November 2008)

Dr Isaac NG Ka-chui

Ms Agnes NG Ka-yin  
(from 1 December 2008)

Mr NG Shui-lai, BBS, MBE, JP

The Honourable James TO Kun-sun  
(from 1 December 2008)

Dr John WONG Yee-him  
(from 1 December 2008)

Mr Quinn LAW Yee-kwan

Ms Iris TAM Siu-ying, JP

#### Co-opted Members

Dr LAU Kwok-yu, JP

Mr Patrick LAU, SBS  
(from 1 June 2008)

Mr Eddie SO  
(from 1 December 2008)

Mr WONG Kit-loong  
(from 1 December 2008)

Ms WONG Lai-chun, BBS  
(up to 30 November 2008)

Assistant Director, Lands Department  
(Mr Richard Calvert BARAM, JP)  
(up to 12 July 2008)

Assistant Director, Lands Department  
(Mr LAW Hin-wing, JP)  
(from 13 July 2008)

### Remuneration Committee

#### Chairperson

Mr Barry CHEUNG Chun-yuen, JP

#### Members

Mr Walter CHAN Kar-lok, SBS, BBS, JP

The Honourable IP Kwok-him, GBS, JP  
(from 1 December 2008)

Mr Maurice LEE Wai-man, JP  
(up to 30 November 2008)

Mr LO Chung-hing, SBS  
(up to 30 November 2008)

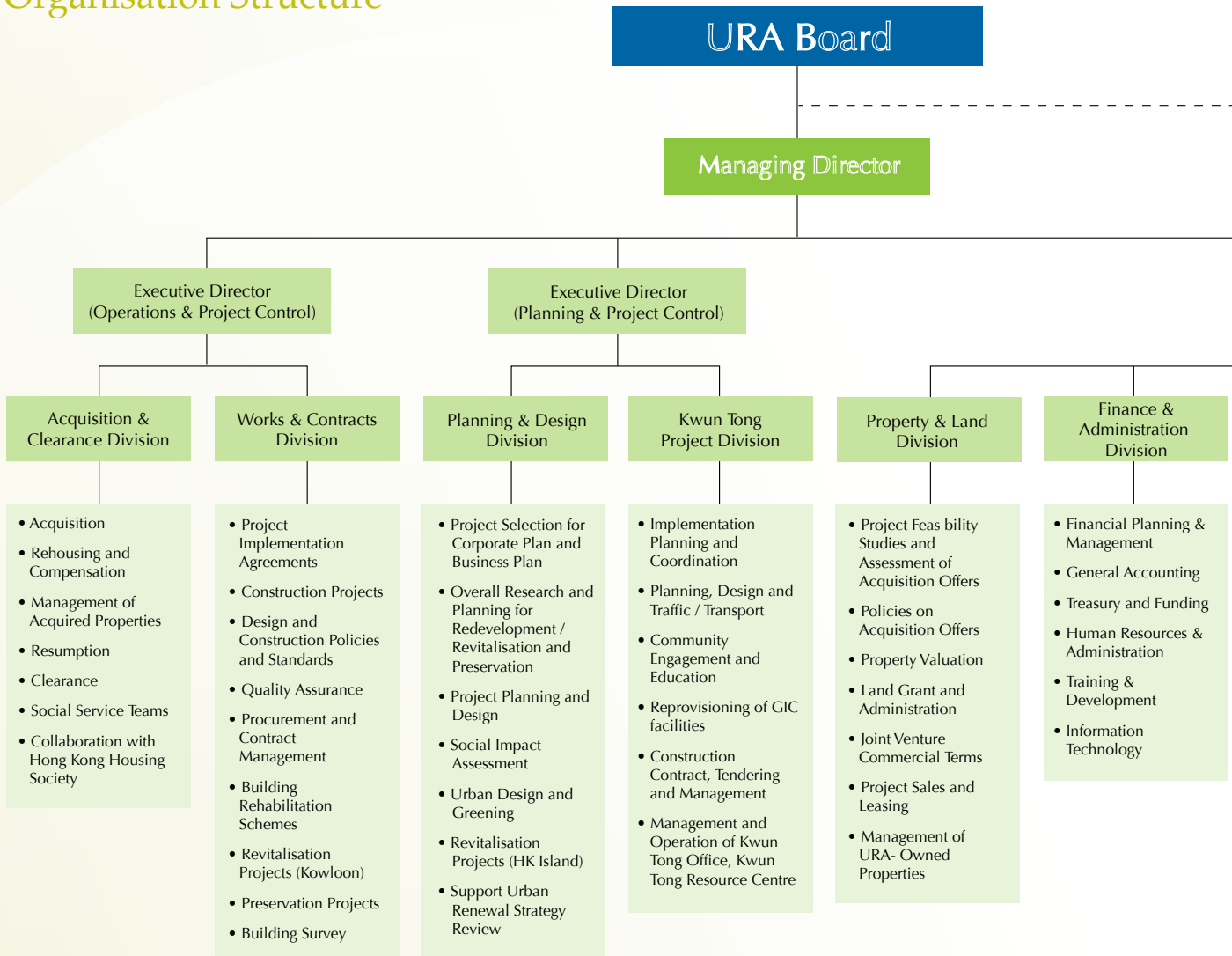
Mr NG Shui-lai, BBS, MBE, JP  
(from 1 December 2008)

Mr Peter TO

Mr Quinn LAW Yee-kwan



# Organisation Structure



**Stephen LAM Wai-nang**  
Director, Works and Contracts

**Calvin LAM Che-leung**  
Executive Director,  
Operations and Project Control

**Joseph LEE King-chi**  
Director, Acquisition and Clearance

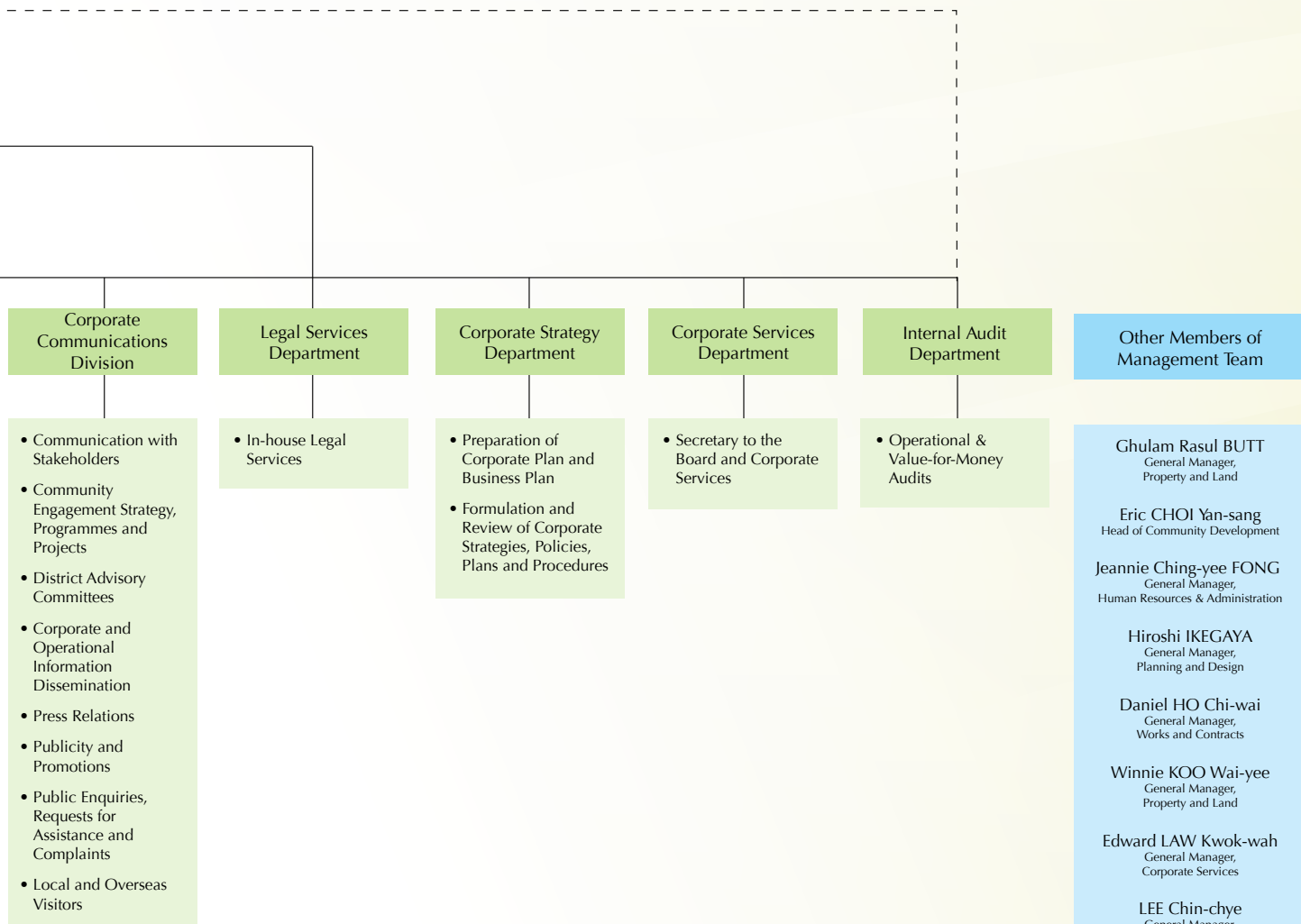


**Ernest LEE Shu-wing**  
Director, Kwun Tong Project

**Iris TAM Siu-ying**  
Executive Director,  
Planning and Project Control

**Michael MA**  
Director, Planning and Design

# Organisation Structure



Quinn LAW Yee-kwan  
Managing Director

William WAN Shiu-wah  
Director, Property and Land

Felicia WAI Sik-yin  
Director, Finance and Administration

Lawrence YAU Chung-hok  
Director, Corporate Communications

Pius CHENG Kai-wah  
Director, Legal Services

- Ghulam Rasul BUTT  
General Manager,  
Property and Land
- Eric CHOI Yan-sang  
Head of Community Development
- Jeannie Ching-yee FONG  
General Manager,  
Human Resources & Administration
- Hiroshi IKEGAYA  
General Manager,  
Planning and Design
- Daniel HO Chi-wai  
General Manager,  
Works and Contracts
- Winnie KOO Wai-yee  
General Manager,  
Property and Land
- Edward LAW Kwok-wah  
General Manager,  
Corporate Services
- LEE Chin-chye  
General Manager,  
Financial Planning and Accounting
- Bruchi NAM Chi-kwong  
General Manager,  
Property and Land
- Ian B I PETERSEN  
Coordinator,  
Corporate Strategy
- Eric POON Shun-wing  
General Manager,  
Works and Contracts
- Lawrence TANG Kwan-lam  
General Manager,  
Works and Contracts
- Roger TANG Man-hung  
General Manager,  
Kwun Tong Project
- Angela TANG Sin-yu  
General Manager,  
External Relations
- Ellen WONG Lai-kuen  
General Manager,  
Acquisition and Clearance
- Ian WONG Wai-kuen  
Head, Acquisition and Clearance
- Francis WONG Iu-ming  
General Manager,  
Internal Audit

# Members of District Advisory Committees

## Central & Western District Advisory Committee

### Chairperson

Mr Aaron WAN Chi-keung, BBS, JP  
(up to 30 November 2008)

Professor Desmond HUI Cheuk-kuen  
(from 1 December 2008)

### Members

Mr Stephen CHAN Chit-kwai, JP

Mr CHAN Hok-fung  
(from 1 April 2009)

Mr CHENG Po-hung

Mr Jackie CHEUNG Yick-hung

Dr Ernest CHUI Wing-tak

Mr CHUNG Man-chai, MH

Ms Betty HO Siu-fong  
(up to 31 March 2009)

Mr KAM Nai-wai, MH  
(up to 31 March 2009)

Mr KAN Kei  
(up to 31 March 2009)

Mr LAM Kin-lai, JP

Mr Sidney LEE Chi-hang

Mrs LEE LUI Siu-ling  
(up to 31 March 2009)

Mr LEE Ping-kuen, JP  
(from 1 April 2009)

Mr Tommy LI Ying-sang, MH, JP

Mr Samson WONG San

Mr WU Chor-nam, JP  
(up to 31 March 2009)

Mr YUEN Bun-keung

Central & Western District Officer

## Wan Chai District Advisory Committee

### Chairperson

Mr Stephen YIP Moon-wah, JP  
(up to 30 November 2008)

Ms Agnes NG Ka-yin  
(from 1 December 2008)

### Members

Mr CHEUNG Tat-tong  
(from 1 April 2009)

Mr Michael CHIANG Hong-man  
(up to 31 March 2009)

Mrs Fanny LAI IP Po-ping, JP

Mr Michael LAI Kam-cheung, JP

Mr Albert LAM Kwok-ming

Mr Kennedy LEE Kai-hung  
(up to 31 March 2009)

Ms Kenny LEE Kwun-yee

Ms Peggy LEE Pik-yee

Mr Dan LEE Yuen-kay  
(from 1 April 2009)

Mr Louis LOR Hing-hung

Mr Peter MAK Chi-cheung  
(up to 31 March 2009)

Mr Stephen NG Kam-chun, MH, JP

Dr Paul SIU Che-hung

Ms Anna TANG King-yung, MH

Dr John TSE Wing-ling, MH  
(up to 31 March 2009)

Mr WONG Wang-tai

Mr Stephen YAU How-boa, BBS, MH, JP

Wan Chai District Officer

# Members of District Advisory Committees

## Sham Shui Po District Advisory Committee

### Chairperson

Mr NG Shui-lai, BBS, MBE, JP

### Members

Mr Clarence CHAN Ka-yan  
(up to 31 March 2009)

Mr CHAN Wai-ming

Mr Vincent CHENG Wing-shun

Dr CHUNG Kim-wah  
(up to 31 March 2009)

Mr Nelson HO Siu-leung

Mr Aaron LAM Ka-fai

Dr LEUNG Kai-chi  
(from 1 April 2009)

Mr LEUNG Lai  
(up to 31 March 2009)

Mr LEUNG Yau-fong

Mr Allan LI Hon-hung, MH, JP  
(up to 31 March 2009)

Professor SIU Kwok-kin  
(from 1 April 2009)

Mr SUEN Kwok-lam, MH

Mr WAI Woon-nam

Mr WONG Kam-kuen, MH, JP

Sham Shui Po District Officer

## Yau Tsim Mong District Advisory Committee

### Chairperson

Dr Isaac NG Ka-chui

### Members

Mr Benjamin CHOI Siu-fung

Mr CHOW Chun-fai, BBS, JP

Mr HUI Tak-leung

Mr IP Chi-hoi  
(up to 31 March 2009)

Mr IP Kwok-chung, SBS, JP

Mr LAM Ho-yeung

Mr Edward LEUNG Wai-kuen, JP

Mr Allan LI Hon-hung, MH, JP  
(from 1 April 2009)

Mr POON Kit-man

Mr SIU Yin-wai

Mr SUEN Leung-kwong  
(from 1 April 2009)

Mr TONG Chun-wan

Mr TSUNG Po-shan

Mr WONG Cheuk-chuen

Yau Tsim Mong District Officer

# Members of District Advisory Committees

## Kwun Tong District Advisory Committee

### Chairperson

Mr Francis CHAU Yin-ming, MH  
(from 1 February 2009)

Professor David LUNG Ping-yee, SBS, MBE, JP  
(Up to 31 January 2009)

### Members

The Honourable CHAN Kam-lam, SBS, JP  
(Up to 31 January 2009)

Mr Nelson CHAN Wah-yu

Mr CHENG Kwai-hoi  
(from 1 February 2009)

Mr CHONG Yam-ming

Mr CHUI Wai

Mr FAN Wai-kong

Mr HIEW Moo-siew

Mr HSU Hoi-shan

Mr KAI Ming-wah  
(from 1 February 2009)

Mr KAN Ming-tung  
(from 1 February 2009)

Mr KWOK Lit-tung

Mr LAM Hang-fai, JP  
(Up to 31 January 2009)

Dr LAM Kin-wah, MH

Mr LAU Ting-on

Mr LAU Wai-chung  
(Up to 31 January 2009)

Ms LEUNG CHAN Siu-hing

Ms LEUNG Fu-wing, BBS, MH

Mr LEUNG Hung

The Honourable Fred LI Wah-ming, JP  
(Up to 31 January 2009)

Mr Henry LIM  
(Up to 31 January 2009)

Mr LING Chi-keung  
(from 1 February 2009)

Ms WONG Yat-man  
(Up to 31 January 2009)

Mr WONG Kai-ming

Ms Anita WONG Siu-lan

Ms Ann SO Lai-chun

Mr Thomas YU Kwun-wai  
(from 1 February 2009)

Kwun Tong District Officer

## Kowloon City District Advisory Committee

### Chairperson

Professor HO Pui-yin

### Members

Mr Wylie CHAN Kwok-pui  
(up to 31 March 2009)

Mr CHAN Lo-kin

Ms CHEUNG Ling

Mr Paul CHU Hoi-shan

Mr KAM Kwai-ki

Ms Starry LEE Wai-king  
(up to 31 March 2009)

Ms Rosanda MOK Ka-han

Mr NG Po-keung  
(from 1 April 2009)

Mr NGAN Siu-lun

Ms SIU Yuen-sheung, BBS, JP

Dr TANG Bo-sin

Mr WEN Choy-bon, MH

Mr Pius YUM Kwok-tung

Kowloon City District Officer

# FINANCIAL HIGHLIGHTS

The financial results of the Authority for the past eight years are summarised in the table below.

	In HK\$'million							
	2002	2003	2004	2005	2006	2007	2008	2009
Revenues for the year	128	57	201	4,936	2,766	536	5,266	1,413
(Deficit) / surplus for the year (before interest income)	(559)	(228)	(89)	2,990	1,394	416	1,701	(4,750)
(Deficit) / surplus for the year	(558)	(227)	(80)	3,002	1,576	759	2,078	(4,524)
Accumulated (deficit)/ surplus	(2,719)	(2,946)	(3,026)	(24)	1,552	2,311	4,389	(135)
Properties under development*	5,826	1,306	2,504	2,563	3,669	4,590	4,750	8,195
Net (liabilities) / assets	(2,719)	(946)	974	5,976	9,552	12,311	14,389	9,865
Capital		2,000	4,000	6,000	8,000	10,000	10,000	10,000

\* Properties under development includes properties under development before provision for impairment, jointly controlled development projects and properties acquired pending redevelopment.



# REPORT OF THE MEMBERS OF THE BOARD

The members of the Board submit their report together with the audited financial statements for the year ended 31 March 2009.

## **Board members**

Members of the Board for the year and up to the date of this report are set out on page 80.

## **Principal activities**

The principal activities of the Urban Renewal Authority (the “Authority”) and its subsidiaries (together, the “Group”) are to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation.

## **Financial statements**

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Group and of the Authority at that date are set out in the financial statements on pages 100 to 137.

## **Property, plant and equipment**

Movements in property, plant and equipment during the year are set out in Note 10 to the financial statements.

## **Working capital**

At 31 March 2009, the working capital of the Group was mainly financed by the Government’s equity injection.

## **Board members’ interests in contracts and rights of acquisition of shares**

No contract of significance, to which the Authority or any of its subsidiaries was a party and in which a member of the Board had a material interest, subsisted at the end of the year or at any time during the year.

At no time during the year was the Authority or any of its subsidiaries a party to any arrangement to enable the members of the Board to acquire benefits by means of the acquisition of shares in or debentures of any body corporate.

## **Auditor**

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

**Quinn Law Yee-kwan**

Deputy Chairman and Managing Director

Hong Kong, 23 June 2009

# INDEPENDENT AUDITOR'S REPORT



## **To the Members of the Board of the Urban Renewal Authority**

We have audited the consolidated financial statements of the Urban Renewal Authority (the "Authority") and its subsidiaries (together, the "Group") set out on pages 100 to 137, which comprise the balance sheets of the Group and the Authority as at 31 March 2009, and the consolidated income and expenditure account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **The Authority's responsibility for the financial statements**

The Authority is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 18 of the Urban Renewal Authority Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Authority and of the Group as at 31 March 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 23 June 2009

# CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2009  
(expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Revenues</b>	5(a)	1,412,968	5,266,017
Direct costs		<u>(581,857)</u>	<u>(2,301,022)</u>
Gross surplus		831,111	2,964,995
Other income, net	5(b)	285,983	403,600
Administrative expenses		(235,387)	(197,730)
Other operating expenses		(68,846)	(58,864)
Provision for impairment on properties and committed projects		<u>(5,337,126)</u>	<u>(1,034,400)</u>
<b>Operating (deficit) / surplus before income tax</b>	6	(4,524,265)	2,077,601
Income tax expenses	7(a)	<u>-</u>	<u>-</u>
<b>(Deficit) / surplus for the year</b>	8	<u>(4,524,265)</u>	<u>2,077,601</u>

The notes on pages 105 to 137 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

at 31 March 2009

(expressed in Hong Kong Dollars)

	Note	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Non-current assets</b>			
Leasehold land	9	262,369	269,322
Property, plant and equipment	10	102,043	102,789
Properties acquired pending redevelopment	11	7,503	7,532
Properties under development	12	5,116,176	4,487,632
Building rehabilitation loans	14	<u>81,031</u>	<u>66,855</u>
		<u>5,569,122</u>	<u>4,934,130</u>
<b>Current assets</b>			
Properties held for sale	15	14,655	14,429
Jointly controlled development projects	16	35,630	7,190
Building rehabilitation loans	14	29,404	21,008
Trade and other receivables	17	589,542	104,320
Financial assets at fair value through profit or loss	18	809,522	-
Cash and bank balances	19	<u>6,858,771</u>	<u>10,871,029</u>
		<u>8,337,524</u>	<u>11,017,976</u>
<b>Total assets</b>		<u>13,906,646</u>	<u>15,952,106</u>
<b>Capital and reserves</b>			
Capital	20	10,000,000	10,000,000
Accumulated (deficit) / surplus		<u>(135,207)</u>	<u>4,389,058</u>
		<u>9,864,793</u>	<u>14,389,058</u>
<b>Current liabilities</b>			
Trade and other payables		417,853	474,048
Provision for committed projects	21	<u>3,624,000</u>	<u>1,089,000</u>
		<u>4,041,853</u>	<u>1,563,048</u>
<b>Total capital, reserves and liabilities</b>		<u>13,906,646</u>	<u>15,952,106</u>

Approved by the Board

on 23 June 2009



**Barry CHEUNG Chun-yuen**  
Chairman



**Quinn LAW Yee-kwan**  
Managing Director

The notes on pages 105 to 137 form part of these financial statements.



# AUTHORITY BALANCE SHEET

at 31 March 2009

(expressed in Hong Kong Dollars)

	Note	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Non-current assets</b>			
Leasehold land	9	262,369	269,322
Property, plant and equipment	10	95,746	94,333
Properties acquired pending redevelopment	11	7,503	7,532
Properties under development	12	5,116,176	4,487,632
Subsidiaries	13	6,027	8,131
Building rehabilitation loans	14	<u>81,031</u>	<u>66,855</u>
		<u>5,568,852</u>	<u>4,933,805</u>
<b>Current assets</b>			
Properties held for sale	15	14,655	14,429
Jointly controlled development projects	16	35,630	7,190
Building rehabilitation loans	14	29,404	21,008
Trade and other receivables	17	589,386	104,198
Financial assets at fair value through profit or loss	18	809,522	-
Cash and bank balances	19	<u>6,858,771</u>	<u>10,871,029</u>
		<u>8,337,368</u>	<u>11,017,854</u>
<b>Total assets</b>		<u><u>13,906,220</u></u>	<u><u>15,951,659</u></u>
<b>Capital and reserves</b>			
Capital	20	10,000,000	10,000,000
Accumulated (deficit) / surplus		<u>(135,208)</u>	<u>4,389,058</u>
		<u>9,864,792</u>	<u>14,389,058</u>
<b>Current liabilities</b>			
Trade and other payables		417,428	473,601
Provision for committed projects	21	<u>3,624,000</u>	<u>1,089,000</u>
		<u>4,041,428</u>	<u>1,562,601</u>
<b>Total capital, reserves and liabilities</b>		<u><u>13,906,220</u></u>	<u><u>15,951,659</u></u>

Approved by the Board

on 23 June 2009



**Barry CHEUNG Chun-yuen**  
Chairman



**Quinn LAW Yee-kwan**  
Managing Director

The notes on pages 105 to 137 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2009  
(expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Operating (deficit) / surplus before income tax		(4,524,265)	2,077,601
Adjustments for:			
Interest income		(225,615)	(376,592)
Depreciation and amortisation		82,981	45,463
Loss on disposal of property, plant and equipment		92	160
Gain on financial assets at fair value through profit or loss		(29,522)	-
Provision for impairment on properties and committed projects		5,337,126	1,034,400
Operating surplus before working capital changes		640,797	2,781,032
(Increase) / decrease in jointly controlled development projects		(28,440)	706,659
Increase in properties under development		(3,496,852)	(895,501)
Increase in building rehabilitation loans		(22,572)	(31,927)
Increase in trade and other receivables		(567,433)	(6,827)
Decrease in properties held for sale		307	12,203
(Decrease) / increase in trade and other payables		(56,195)	27,569
Cash (used in) / generated from operations		(3,530,388)	2,593,208
Interest received		307,826	351,021
Net cash (used in) / generated from operating activities		(3,222,562)	2,944,229
<b>Cash flows from investing activities</b>			
Decrease / (increase) in bank deposits with maturities more than 3 months		8,276,000	(4,373,000)
Purchase of leasehold land and property, plant and equipment		(9,910)	(5,667)
Purchase of financial assets at fair value through profit or loss		(780,000)	-
Proceeds from sale of property, plant and equipment		214	-
Net cash generated from / (used in) investing activities		7,486,304	(4,378,667)
<b>Net increase / (decrease) in cash and cash equivalents</b>		4,263,742	(1,434,438)
<b>Cash and cash equivalents at 1 April</b>		2,492,029	3,926,467
<b>Cash and cash equivalents at 31 March</b>		<u>6,755,771</u>	<u>2,492,029</u>
<b>Analysis of cash and bank balances</b>			
Cash and cash equivalents		6,755,771	2,492,029
Other bank deposits with maturities more than 3 months		103,000	8,379,000
<b>Cash and bank balances at 31 March</b>	19	<u>6,858,771</u>	<u>10,871,029</u>

The notes on pages 105 to 137 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009  
(expressed in Hong Kong Dollars)

	<u>Capital</u>	<u>Accumulated</u> <u>(deficit) / surplus</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Balance at 1 April 2007	10,000,000	2,311,457	12,311,457
Surplus for the year	<u>-</u>	<u>2,077,601</u>	<u>2,077,601</u>
Balance at 31 March 2008	<u>10,000,000</u>	<u>4,389,058</u>	<u>14,389,058</u>
Balance at 1 April 2008	10,000,000	4,389,058	14,389,058
Deficit for the year	<u>-</u>	<u>(4,524,265)</u>	<u>(4,524,265)</u>
Balance at 31 March 2009	<u>10,000,000</u>	<u>(135,207)</u>	<u>9,864,793</u>

The notes on pages 105 to 137 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 1. General information

The Urban Renewal Authority (the “Authority”) is a statutory body established by the Hong Kong SAR Government under the Urban Renewal Authority Ordinance (Chapter 563). The principal activities of the Authority and its subsidiaries (the “Group”) are to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation.

The address of the Authority is 10/F Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong.

As part of the financial support for the Authority, the Government has agreed that all urban renewal sites for new projects set out in the Corporate Plans and Business Plans of the Authority, approved by the Financial Secretary (“FS”) from time to time, may in principle be granted to the Authority at nominal premium, subject to satisfying FS of the need therefor.

## 2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and in accordance with accounting principles generally accepted in Hong Kong and comply with all applicable Hong Kong Financial Reporting Standards (which include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (“HKFRSs”)) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

### (b) Standards and amendments to standards that are not yet effective

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective as at 31 March 2009. Those which are relevant to the Group’s operations are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (b) Standards and amendments to standards that are not yet effective (Continued)

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised)	Business Combination	1 July 2009

The Group has not early adopted the above standards in the financial statements for the year ended 31 March 2009. The Group will apply the above standards and amendment from 1 April 2009, but it is not expected to have a significant impact on the Group's financial statements.

### (c) Basis of consolidation

The consolidated financial statements include the financial statements of the Authority and all its subsidiaries made up to 31 March.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All material intercompany transactions and balances within the Group are eliminated on consolidation.

In the Authority's balance sheet, investments in subsidiaries are stated at cost less any provision for impairment losses. Any such provisions are recognised as an expense in the income and expenditure account.

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (d) Revenue recognition

Provided it is probable that the economic benefit will flow to the Group and the revenue can be measured reliably, revenue is recognised in the income and expenditure account as follows:

- (i) Income from sale of properties is recognised upon the risks and rewards of ownership have been passed. For instalment sales, under which the consideration is receivable in instalments, revenue attributable to the sales price, exclusive of interest, is recognised at the date of sale. The sales price is the present value of the consideration, determined by discounting the instalments receivable at the effective rate of interest. The interest element is recognised as other income as it is earned, on a time proportion basis using the effective interest method.
- (ii) Where the Authority receives its share of surplus from property development projects undertaken in joint ventures, sharing of such surplus is recognised in accordance with the terms of the joint development agreements.
- (iii) Where the Authority receives a distribution of the assets of a joint venture, surplus is recognised based on the fair value of such assets at the time when agreement to distribute the assets has been reached.
- (iv) When the Authority receives upfront payments from developers at the inception of joint development agreement, surpluses arising from such upfront payments are recognised when the Authority has no further substantial acts to complete. Generally, such surpluses are recognised as soon as the Group has performed its obligations in respect of the upfront payments, the events leading to the possible cancellation of the joint development agreements have lapsed, and the upfront payments have become non-refundable.
- (v) Interest income is recognised on a time-proportion basis using the effective interest method.
- (vi) Rental income net of any incentives given to the lessee is recognised on a straight line basis over the periods of the respective leases.
- (vii) Property management income is recognised when the services are provided.



# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (e) Property, plant and equipment

Buildings comprise rehousing blocks and commercial premises held for self-use. Rehousing blocks represent properties held by the Authority for the purpose of providing accommodation for affected tenants of development projects who are charged a rent which is substantially below the market value for an indefinite period. Accordingly, in addition to normal provision of depreciation, the carrying value of each rehousing flat is further written down to \$1 when it is so occupied. The additional write off is recognised as part of the cost of properties under development referred to in Note 2(j), or jointly controlled development projects for projects undertaken in joint ventures (Note 2(q)).

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income and expenditure account during the financial period in which they are incurred.

Depreciation is calculated to write off the costs of property, plant and equipment less residual values over their anticipated useful lives on a straight line basis as follows:

Buildings	- 2% per annum or over the period of the unexpired lease if less than 50 years
Leasehold improvements	- Over the unexpired terms of the leases
Plant and machinery	- 10% per annum
Motor vehicles	- 25% per annum
Furniture and office equipment	- 20% to 33 1/3% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income and expenditure account.

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (f) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (g) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income and expenditure account within 'other income, net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income and expenditure account as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (g) Financial assets (Continued)

#### (ii) Loans and receivables (Continued)

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income and expenditure account.

Purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income and expenditure account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### (h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income and expenditure account on a straight-line basis over the period of the lease.

### (i) Properties acquired pending redevelopment

Properties acquired pending redevelopment are stated at cost less provision for impairment losses until a decision is reached as to whether the redevelopment is to be undertaken by the Group or through joint ventures.

When a property is to be redeveloped, the cost of the property is reclassified as properties under development or jointly controlled development projects for projects undertaken in joint ventures.

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (j) Properties under development

Properties under development represent all costs incurred by the Authority in connection with property redevelopment, and include the cost of properties being reclassified from properties acquired pending redevelopment, borrowing costs, costs of rehousing units (see Note 2(k)), other costs incurred in connection with the development and the additional amounts written off against rehousing properties referred to in Note 2(e), less any provisions for impairment losses.

On completion of the development, the relevant cost of the developed property will be apportioned between the part to be retained and the part to be sold on an appropriate basis.

Property to be sold at the balance sheet date will be stated at the lower of cost and net realisable value.

Where property is received by the Authority as its share of distribution of assets from jointly controlled development projects, such property is recorded within non-current assets at its fair value at the time when agreement is reached or, if a decision is taken for it to be disposed of, at the lower of this value and net realisable value within current assets.

### (k) Costs of rehousing units provided by the Hong Kong Housing Authority and the Hong Kong Housing Society

The Hong Kong Housing Authority and the Hong Kong Housing Society have agreed to provide certain rehousing units to the Authority. In return, the Authority will pay for the reservation fees until a tenant is moved into the unit and the development costs of the rehousing unit. These costs are recognised as part of the cost of properties under development referred to in Note 2(j), or jointly controlled development projects for projects undertaken in joint ventures (Note 2(q)).

### (l) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses, except for those cases where the Group has a present obligation as a result of committed events.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (m) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

### (n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

Other borrowing costs are charged to the income and expenditure account in the period in which they are incurred.

### (o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

### (p) Translation of foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Authority's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (q) Jointly controlled development projects

The arrangements entered into by the Group with property developers for redevelopment projects are considered to be jointly controlled operations pursuant to HKAS 31 “Interests in Joint Ventures” and are accounted for in accordance with the terms of the development agreements. The Group’s share of income earned from such operations is recognised in the income and expenditure account in accordance with the bases set out in Notes 2(d) (ii), (iii) and (iv).

### (r) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and deposits held at call with banks with original maturities of three months or less.

### (s) Employee benefits

Salaries, annual leave and other costs of non-monetary benefits are accrued and recognised as an expense in the year in which the associated services are rendered by the employees of the Group.

The Group operates defined contribution schemes and pays contributions to scheme administrators on a mandatory or voluntary basis. The contributions are recognised as an expense when they are due.

## 3. Financial risk management

### (a) Financial risk factors

The Group’s activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, liquidity risk and price risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group’s financial performance.

#### (i) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits which carry at prevailing market interest rate. Nevertheless, the Group’s income and operating cash flows are substantially independent of changes in market interest rates.

#### Interest rate sensitivity

At the balance sheet dates, if interest rates had been increased / decreased by 1% (2008: 1%) and all other variables were held constant, the (deficit) / surplus of the Group would decrease / increase by approximately \$68,588,000 (2008: \$108,710,000) resulting from the change in the interest income generated from the cash and bank balances.



# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 3. Financial risk management (Continued)

### (a) Financial risk factors (Continued)

#### (ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and bank balances, building rehabilitation loans, jointly controlled development projects, and trade and other receivables.

The credit risk on cash and bank balances is limited because all the funds are placed in banks with high credit rankings, ranging from Aa1 to Baa1 and there is no concentration in any particular bank.

The credit risk on building rehabilitation loans is limited as the Authority has monitoring procedures to ensure that follow-up action is taken to recover overdue debts and place charge on the property.

The Authority monitors closely the performance of the underlying jointly controlled development projects.

#### (iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through non-committed credit facilities.

Management monitors rolling forecasts of the Group's cash and bank balances (Note 19) on the basis of expected cash flow.

The table below analyses the Group's and the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
<b>Less than 1 year</b>				
Trade and other payables	<u>417,853</u>	<u>474,048</u>	<u>417,428</u>	<u>473,601</u>

(expressed in Hong Kong Dollars)

### 3. Financial risk management (Continued)

#### (a) Financial risk factors (Continued)

##### (iv) Price risk

Price risk arising from uncertainties about future prices of the underlying financial instruments.

As at 31 March 2009, investment held by the Group has distinct underlying financial instruments. The market price risks of the investment is affected by market price of these instruments.

##### Price risk sensitivity

As at 31 March 2009, if the respective market price of the quoted financial instruments had been increased / decreased by 5% and all other variables held constant, the deficit of the Group would decrease / increase by approximately \$40,476,000 resulting from the change in fair value of the financial assets at fair value through profit or loss.

#### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation.

The Group's working capital is mainly financed by the Government's equity injection. The Group also maintains non-committed credit facilities to ensure the availability of funding when needed.

#### (c) Fair value estimation

The carrying amounts of the Group's financial assets including cash and bank balances, building rehabilitation loans, and trade and other receivables; and financial liabilities including trade and other payables, approximate their fair values due to their short maturities.

### 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 4. Critical accounting estimates and judgements (Continued)

### (a) Estimated impairment of properties

Properties are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired in accordance with the accounting policy stated in Note 2(f).

The valuation of properties is made on the basis of the "Market Value" adopted by the Hong Kong Institute of Surveyors ("HKIS"). The valuation is performed annually by internal valuers who are qualified members of the HKIS. The Group's management review the assumptions used by the internal valuers by considering the information from a variety of sources including (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; (ii) recent prices of comparable properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; (iii) expected arrangement with property developers on tender awarded; and (iv) discount rate used in land value assessment, which is made reference to Prime Rate.

#### Estimated impairment of properties sensitivity

As at 31 March 2009, if the respective estimated upfront payments to be received on the projects had been increased / decreased by 5% and all other variables held constant, the deficit of the Group would decrease / increase by approximately \$157,000,000 resulting from the change in provision for impairment on properties.

The final impairment amount would be affected by the actual realised value and development cost of properties and the final arrangements with the property developers.

### (b) Estimated provision for committed projects

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past and committed events in accordance with the accounting policy stated in Note 2(l). When the estimated value of the committed project is lower than the present legal or constructive obligation, a provision would be recognised.

The valuation of committed projects is made on the basis of the "Market Value" adopted by the HKIS. The valuation is performed annually by internal valuers who are qualified members of the HKIS. The Group's management review the assumptions used by the internal valuers by considering the information from a variety of sources including (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; (ii) recent prices of comparable properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (iii) expected arrangement with property developers on tender awarded; and (iv) discount rate used in land value assessment, which is made reference to Prime Rate.

(expressed in Hong Kong Dollars)

#### 4. Critical accounting estimates and judgements (Continued)

##### (b) Estimated provision for committed projects (Continued)

###### Estimated provision for committed projects sensitivity

As at 31 March 2009, if the respective estimated upfront payments to be received on the projects had been increased / decreased by 5% and all other variables held constant, the deficit of the Group would decrease / increase by approximately \$344,000,000 resulting from the change in provision for committed projects.

The ultimate losses arise from the committed projects would be affected by the actual realised value and development cost of properties and the final arrangements with the property developers.

#### 5. Revenues and other income

##### (a) Revenues

Turnover recognised during the year represents:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Share of property development surplus on jointly controlled development projects	159,593	3,231,214
Sale of properties	13,375	14,803
Upfront payments received from property developers	<u>1,240,000</u>	<u>2,020,000</u>
	<u>1,412,968</u>	<u>5,266,017</u>

##### (b) Other income, net

Other income, net recognised during the year represents:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Interest income	225,615	376,592
Rental income	30,938	27,008
Gain on financial assets at fair value through profit or loss	29,522	-
Loss on disposal of property, plant and equipment	<u>(92)</u>	<u>-</u>
	<u>285,983</u>	<u>403,600</u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax

Operating (deficit) / surplus before income tax is arrived at after charging / (crediting) the following items:

### (a) Other items

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Cost of properties under jointly controlled development projects charged	490,206	2,242,631
Cost of properties held for sale disposed	486	12,583
Depreciation and amortisation	82,981	45,463
Provision for / (write back of) provision for impairment on properties held for sale	316	(977)
Provision for / (write back of ) impairment on properties under development	1,796,110	(53,400)
Provision for impairment on committed projects	3,540,700	1,089,000
Write back of impairment provision for properties acquired pending redevelopment	-	(223)
Operating lease charges in respect of rental of office premises	18,584	9,604
Outgoings in respect of properties	11,890	14,141
Loss on disposal of property, plant and equipment	92	160
Staff costs (excluding directors' remuneration and including termination costs* of \$967,000 (2008: \$614,000))	165,775	141,098
Auditor's remuneration	<u>425</u>	<u>443</u>

\* Termination costs represent leave pay, payment in lieu of notice, long service payment and severance / redundancy payment.

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (b) Board and directors' remuneration during the year

	2009					2008
	Salaries	Provident fund scheme contributions	Sub-total	Variable Pay	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Managing Director						
- Billy Lam Chung-lun	-	-	-	-	-	3,676
- Quinn Law Yee-kwan	3,730	12	3,742	1,113	4,855	312
Executive Director (Commercial & Corporate)						
- Quinn Law Yee-kwan	-	-	-	-	-	3,530
Executive Director (Planning & Project Control)						
- Iris Tam Siu-ying	2,600	12	2,612	643	3,255	3,251
Executive Director (Operations & Project Control)						
- Calvin Lam Che-leung	1,058	5	1,063	-	1,063	-
Eight (2008: eight) Directors and One (2008: one) Ex-Director	<u>17,509</u>	<u>99</u>	<u>17,608</u>	<u>4,402</u>	<u>22,010</u>	<u>16,248</u>
	<u>24,897</u>	<u>128</u>	<u>25,025</u>	<u>6,158</u>	<u>31,183*</u>	<u>27,017*</u>



# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (b) Board and directors' remuneration during the year (Continued)

	<u>2009</u>	<u>2008</u>
Their remuneration fell within the following bands:		
	<u>No. of individuals</u>	<u>No. of individuals</u>
\$1 to \$500,000	-	2
\$500,001 to \$1,000,000	1	1
\$1,000,001 to \$1,500,000	1	1
\$1,500,001 to \$2,000,000	1	-
\$2,000,001 to \$2,500,000	3	1
\$2,500,001 to \$3,000,000	1	2
\$3,000,001 to \$3,500,000	4	3
\$3,500,001 to \$4,000,000	-	2
\$4,500,001 to \$5,000,000	<u>1</u>	<u>-</u>
Total	<u>12*</u>	<u>12*</u>

\* Including emoluments for ex-directors and excluding compensation in lieu of leave in the aggregate sum of \$544,000 (2008: \$1,324,000).

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Compensation in lieu of leave		
Managing Director	-	585
Executive Director & Director	<u>544</u>	<u>739</u>
Total	<u>544</u>	<u>1,324</u>

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (b) Board and directors' remuneration during the year (Continued)

Fees for 19 (2008: 19) non-executive members of the Board (excluding the government public officers who are not entitled to receive any fees) are as follows:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
<u>Chairman</u>		
Mr Barry Cheung Chun-yuen (from 1 May 2007)	100	92
Mr Edward Cheng Wai-sun (up to 30 Apr 2007)	-	8
<u>Non-Executive Directors (non-public officers)</u>		
Mr Francis Chau Yin-ming	65	65
Mr Walter Chan Kar-lok	65	65
Dr Isaac Ng Ka-chui	65	65
(from 1 May 2007)		
Mr Victor Chan Hin-fu	65	60
Professor Ho Pui-yin	65	60
The Honourable Ip Kwok-him	65	60
Ms Agnes Ng Ka-yin	65	60
Mr Ng Shui-lai	65	60
Mr Peter To	65	60
(from 1 Dec 2008)		
The Honourable Chan Tanya	22	-
Mr Dane Cheng Ting-yat	22	-
Professor Desmond Hui Cheuk-kuen	22	-
Mr Philip Kan Siu-lun	22	-
Mr Daniel Lam Chun	22	-
Mr Almon Poon Chin-hung	22	-
The Honourable Wong Kwok-kin	22	-
Dr John Wong Yee-him	22	-
The Honourable James To Kun-sun	22	-
(up to 30 Nov 2008)		
The Honourable Chan Kam-lam	43	65
Mr Maurice Lee Wai-man	43	65
The Honourable Fred Li Wah-ming	43	65
Mr Lo Chung-hing	43	65
Professor David Lung Ping-yee	43	65
Mr Aaron Wan Chi-keung	43	65
Mr Stephen Yip Moon-wah	43	65
The Honourable Howard Young	43	65
Dr Allan Zeman	43	65
(up to 30 Apr 2007)		
Professor Cecilia Chan Lai-wan	-	5
Mr Barry Cheung Chun-yuen	-	5
Mrs Peggy Lam Pei Yu-dja	-	5
The Honourable Alan Leong Kah-kit	-	5
Miss Maria Tam Wai-chu	-	5
	<u>1,270</u>	<u>1,265</u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (c) Five highest paid individuals

<u>2009</u>	<u>2008</u>
\$'000	\$'000

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2009 include the Managing Director, one Executive Director and three Directors (2008: the Managing Director, two Executive Directors and two Directors, among the five highest paid individuals, one of them ceased to be an Executive Director during the year, but continued to serve the Authority as Managing Director).

The total emoluments paid to the five highest paid individuals during the year are as follow:

Fixed - Salaries	13,889	12,782
- Provident fund scheme contributions	<u>60</u>	<u>333</u>
Sub-total	13,949	13,115
Variable pay	<u>3,683</u>	<u>3,771</u>
Total	<u>17,632##</u>	<u>16,886##</u>

Their remuneration fell within the following bands:

	<u>No. of individuals</u>	<u>No. of individuals</u>
\$3,000,001 to \$3,500,000	4	3
\$3,500,001 to \$4,000,000	-	2
\$4,500,001 to \$5,000,000	<u>1</u>	<u>-</u>
Total	<u>5</u>	<u>5</u>

## For the year ended 31 March 2009, compensation in lieu of leave of \$537,000 (2008: \$927,000) was excluded from the aggregate sum.

(expressed in Hong Kong Dollars)

## 7. Income tax expenses

(a) In accordance with Section 19 of the Urban Renewal Authority Ordinance, the Authority is exempted from taxation under the Inland Revenue Ordinance (Chapter 112).

No provision for Hong Kong profits tax has been made for the Group's subsidiaries as there are no assessable income for the year (2008: Nil).

(b) As at 31 March 2009, a subsidiary of the Group has unrecognised deductible temporary differences arising from capital allowance and tax losses of \$8,465,000 and \$3,547,000 respectively (2008: \$7,521,000 and \$3,629,000 respectively) to carry forward against future taxable income. These tax losses have no expiry date.

## 8. (Deficit) / surplus for the year

The consolidated deficit for the year includes a deficit of \$4,524,266,000 (2008: surplus of \$2,066,287,000) which has been dealt with in the financial statements of the Authority.

## 9. Leasehold land

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Balance at 1 April	269,322	76,186
Transfer (to) / from properties held for sale	(700)	199,389
Amortisation	<u>(6,253)</u>	<u>(6,253)</u>
Balance at 31 March	<u>262,369</u>	<u>269,322</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their net book value are analysed as follows :

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Leases of over 50 years	27,396	28,206
Leases of between 10 to 50 years	<u>234,973</u>	<u>241,116</u>
	<u>262,369</u>	<u>269,322</u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 10. Property, plant and equipment

### Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, office equipments and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2007</b>					
Cost	93,784	69,185	54,621	21,803	239,393
Accumulated depreciation	(66,123)	(44,703)	(50,633)	(16,784)	(178,243)
Net book amount	27,661	24,482	3,988	5,019	61,150
<b>Year ended 31 March 2008</b>					
Opening net book amount	27,661	24,482	3,988	5,019	61,150
Additions	-	2,027	762	2,878	5,667
Transfer from properties held for sale	45,854	503	-	-	46,357
Disposals	-	(106)	(50)	(4)	(160)
Depreciation	(1,920)	(4,424)	(1,283)	(2,598)	(10,225)
Closing net book amount	71,595	22,482	3,417	5,295	102,789
<b>At 31 March 2008</b>					
Cost	139,638	71,542	55,301	23,049	289,530
Accumulated depreciation	(68,043)	(49,060)	(51,884)	(17,754)	(186,741)
Net book amount	71,595	22,482	3,417	5,295	102,789
<b>Year ended 31 March 2009</b>					
Opening net book amount	71,595	22,482	3,417	5,295	102,789
Additions	-	2,749	1,525	5,636	9,910
Transfer to properties held for sale	(284)	-	-	-	(284)
Disposals	-	-	(108)	(198)	(306)
Depreciation	(1,920)	(4,127)	(1,085)	(2,934)	(10,066)
Closing net book amount	69,391	21,104	3,749	7,799	102,043
<b>At 31 March 2009</b>					
Cost	139,340	73,702	56,498	27,001	296,541
Accumulated depreciation	(69,949)	(52,598)	(52,749)	(19,202)	(194,498)
Net book amount	69,391	21,104	3,749	7,799	102,043

(expressed in Hong Kong Dollars)

## 10. Property, plant and equipment (Continued)

### Authority

	Buildings	Leasehold improvements	Plant and machinery	Furniture, office equipments and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2007</b>					
Cost	93,784	27,015	34,163	21,729	176,691
Accumulated depreciation	(66,123)	(13,147)	(30,297)	(16,714)	(126,281)
Net book amount	27,661	13,868	3,866	5,015	50,410
<b>Year ended 31 March 2008</b>					
Opening net book amount	27,661	13,868	3,866	5,015	50,410
Additions	-	2,027	762	2,878	5,667
Transfer from properties held for sale	45,854	503	-	-	46,357
Disposals	-	(106)	(50)	(4)	(160)
Depreciation	(1,920)	(2,265)	(1,161)	(2,595)	(7,941)
Closing net book amount	71,595	14,027	3,417	5,294	94,333
<b>At 31 March 2008</b>					
Cost	139,638	29,372	34,843	22,975	226,828
Accumulated depreciation	(68,043)	(15,345)	(31,426)	(17,681)	(132,495)
Net book amount	71,595	14,027	3,417	5,294	94,333
<b>Year ended 31 March 2009</b>					
Opening net book amount	71,595	14,027	3,417	5,294	94,333
Additions	-	2,749	1,525	5,636	9,910
Transfer to properties held for sale	(284)	-	-	-	(284)
Disposals	-	-	(108)	(198)	(306)
Depreciation	(1,920)	(1,969)	(1,085)	(2,933)	(7,907)
Closing net book amount	69,391	14,807	3,749	7,799	95,746
<b>At 31 March 2009</b>					
Cost	139,340	31,532	36,040	26,927	233,839
Accumulated depreciation	(69,949)	(16,725)	(32,291)	(19,128)	(138,093)
Net book amount	69,391	14,807	3,749	7,799	95,746

The Group's and the Authority's buildings comprise rehousing blocks held for the purpose of rehousing affected tenants of development projects and commercial premises held for self-use.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 11. Properties acquired pending redevelopment

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leasehold land	7,435	7,464
Building cost	<u>68</u>	<u>68</u>
	<u>7,503</u>	<u>7,532</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their net book value are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	6,614	6,622
Leases of between 10 to 50 years	<u>821</u>	<u>842</u>
	<u>7,435</u>	<u>7,464</u>



(expressed in Hong Kong Dollars)

## 12. Properties under development

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost less amortisation of properties acquired for redevelopment, including Home Purchase Allowance ("HPA") (Note)		
- leasehold land	7,599,905	4,245,965
- other cost	449,531	378,119
Development expenditure	<u>102,550</u>	<u>111,594</u>
Total cost (includes accumulated interest and other borrowing costs capitalised of \$278,000 (2008: \$286,000))	8,151,986	4,735,678
Provision for impairment	<u>(3,035,810)</u>	<u>(248,046)</u>
	<u>5,116,176</u>	<u>4,487,632</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their cost less amortisation are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	5,798,438	3,219,434
Leases of between 10 to 50 years	<u>1,801,467</u>	<u>1,026,531</u>
	<u>7,599,905</u>	<u>4,245,965</u>

Note:

In March 2001, the Finance Committee of the Legislative Council approved, inter alia, the revised basis for calculating the HPA payable to owners of domestic properties and ex-gratia allowances payable to owners and owner-occupiers affected by land resumption. The relevant policies governing the Authority's payment of HPA and ex-gratia allowances for properties acquired / resumed and the clearance of occupiers are based on the above framework which have resulted in a high cost base for the Authority's redevelopment projects.

In respect of domestic properties, the assessment of HPA is based on a notional flat, defined as a seven-year-old flat in a comparable building in a similar locality. The HPA paid represents the difference between the open market values of the notional flat and the acquired property at the offer date.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 13. Subsidiaries

	<u>Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note)	20,175	21,024
Less: Provision	<u>(14,149)</u>	<u>(12,894)</u>
	<u>6,027</u>	<u>8,131</u>

Note:

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The names of the principal subsidiaries, all of which are wholly and directly owned by the Authority and are incorporated in Hong Kong, are as follows:

<u>Name</u>	<u>Issued share capital</u>	
	<u>Number</u>	<u>Par value per share</u>
Ally Town Investment Limited	2	\$1
Doddington Limited	2	\$10
Opalman Limited	2	\$1
Sunfield Investments Limited	2	\$1
Western Market Company Limited	2	\$1

With the exception of Western Market Company Limited which is engaged in the operation of the Western Market, the other subsidiaries are acting as mere trustees for holding properties under certain jointly controlled development projects.

(expressed in Hong Kong Dollars)

#### 14. Building rehabilitation loans

At 31 March 2009, the building rehabilitation loans are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Current portion	29,404	21,008
Non-current portion	<u>81,031</u>	<u>66,855</u>
	<u>110,435</u>	<u>87,863</u>

The building rehabilitation loans are interest-free, except for default, in which case interest will be charged on the overdue amount at the Prime Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited. The Authority reserves the right to impose legal charges over the properties for loans of amounts between \$25,001 and \$100,000.

As of 31 March 2009, instalments of building rehabilitation loans of \$148,000 (2008: \$62,000) were past due but not impaired. These relate to a number of borrowers for whom there are no recent history of bad debt. The aging analysis of these building rehabilitation loans is as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Less than 3 months	54	31
3 to 6 months	25	31
6 to 12 months	32	-
Over 1 year	<u>37</u>	<u>-</u>
Balance at 31 March	<u>148</u>	<u>62</u>

The maximum exposure to credit risk is the carrying value of the building rehabilitation loans.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 15. Properties held for sale

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leasehold land	11,986	11,473
Building cost	3,427	3,397
Provision for impairment	<u>(758)</u>	<u>(441)</u>
	<u>14,655</u>	<u>14,429</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their net book value are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	7,120	6,428
Leases of between 10 to 50 years	<u>4,866</u>	<u>5,045</u>
	<u>11,986</u>	<u>11,473</u>

The carrying amounts of properties held for sale which are carried at net realisable value amounted to \$6,340,000 (2008: \$6,780,000).

(expressed in Hong Kong Dollars)

## 16. Jointly controlled development projects

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Amounts due from jointly controlled development projects	58,244	65,685
Amounts due to jointly controlled development projects	<u>(22,614)</u>	<u>(58,495)</u>
	<u>35,630</u>	<u>7,190</u>

The Group and the Authority have the following jointly controlled development projects as at 31 March 2009.

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m<sup>2</sup>)</u>	<u>Actual completion date (calendar year)</u>	<u>Expected completion date (calendar year)</u>
Queen's Terrace (Sheung Wan)	Commercial / Residential	67,433	2003 (Site A) 2002 (Site B)	-
8 Waterloo Road (Yau Ma Tei)	Residential	33,662	2004	-
The Merton (Kennedy Town)	Residential	65,204	2005	-
Mount Davis 33 (Kennedy Town)	Residential	7,281	2006	-
The Zenith (Wan Chai)	Commercial / Residential	62,310	2006 (Site A & B)	2013 (Site C)
Vision City / Citywalk (Tsuen Wan)	Commercial / Residential	137,885	2007	-
J Residence / J Senses (Wan Chai)	Commercial / Residential	20,567	2007	-
MOD 595 (Mong Kok)	Commercial / Residential	4,921	2007	-
K11 (Tsim Sha Tsui)	Commercial / Hotel / Service Apartment	103,844	2008	-
The Dynasty (Tsuen Wan)	Commercial / Residential	44,404	2008	-
Florient Rise (Tai Kok Tsui)	Commercial / Residential	43,231	2008	-

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 16. Jointly controlled development projects (Continued)

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m<sup>2</sup>)</u>	<u>Actual completion date (calendar year)</u>	<u>Expected completion date (calendar year)</u>
Vista (Sham Shui Po)	Commercial / Residential	12,703	2008	-
Beacon Lodge (Sham Shui Po)	Commercial / Residential	12,784	2008	-
i-home (Tai Kok Tsui)	Commercial / Residential	10,363	2009	-
First Street / Second Street (Sai Ying Pun)	Commercial / Residential	38,738	-	2009
Queen's Road East (Wan Chai)	Commercial / Residential	3,985	-	2010
Larch Street / Fir Street (Tai Kok Tsui)	Commercial / Residential	19,710	-	2011
Baker Court (Hung Hom)	Commercial / Residential	2,164	-	2011
Pine Street / Anchor Street (Tai Kok Tsui)	Commercial / Residential	20,952	-	2012
Macpherson Indoor Stadium (Mong Kok)	Commercial / Stadium and Youth Centre / Residential	24,768	-	2012

The Authority is entitled to returns which are predetermined in accordance with the provisions of the jointly controlled development agreements.

In respect of the commercial portions of certain projects, the Authority has reached supplemental agreements with the respective developers to extend the sale of the commercial portions to a few years after the issue of the occupation permits. The Authority shares percentage of any net proceeds derived from the operation of the commercial portions before the sale and includes it as surplus for the year and would also share the future sales proceeds at the same ratio. As at 31 March 2009, by reference to the valuation of the open market value of the commercial portions carried out by internal professional valuer, the fair value of the commercial portions was \$2,070,980,000 (2008: \$2,481,380,000) in aggregate and the Authority would account for its share of sales proceeds as surplus from the jointly controlled development projects when the commercial portions are sold in future.

(expressed in Hong Kong Dollars)

## 17. Trade and other receivables

At 31 March 2009, the trade and other receivables are analysed as follows:

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Trade receivables	18,986	8,634	18,830	8,512
Prepayments and deposits	563,566	6,484	563,566	6,484
Other receivables	<u>6,990</u>	<u>89,202</u>	<u>6,990</u>	<u>89,202</u>
Balance at 31 March	<u>589,542</u>	<u>104,320</u>	<u>589,386</u>	<u>104,198</u>

As of 31 March 2009, trade receivables of \$1,267,000 (2008: \$302,000) were past due but not impaired. These relate to a number of tenants for whom there are no recent history of bad debt. The aging analysis of these trade receivables is as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
3 months or less	1,146	221
3 to 6 months	63	49
6 to 12 months	38	20
Over 1 year	<u>20</u>	<u>12</u>
Balance at 31 March	<u>1,267</u>	<u>302</u>

The maximum exposure to credit risk is the carrying value of the trade and other receivables.

## 18. Financial assets at fair value through profit or loss

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Debt securities, listed		
- Overseas	3,506	-
- Hong Kong	295,023	-
Debt securities, unlisted	469,440	-
Cash and bank deposits	<u>41,553</u>	<u>-</u>
	<u>809,522</u>	<u>-</u>

The fair value of all debt securities is based on their current bid prices in an active market.



# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 19. Cash and bank balances

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Time deposits with banks				
Maturities of 3 months or less	6,756,166	2,490,135	6,752,613	2,486,617
Maturities more than 3 months	103,000	8,379,000	103,000	8,379,000
Sub-total	6,859,166	10,869,135	6,855,613	10,865,617
Less: Amounts held in trust for jointly controlled development projects	(3,553)	(3,518)	-	-
	6,855,613	10,865,617	6,855,613	10,865,617
Cash at banks and in hand	3,159	5,413	3,158	5,412
Less: Amounts held in trust for jointly controlled development projects	(1)	(1)	-	-
	<u>3,158</u>	<u>5,412</u>	<u>3,158</u>	<u>5,412</u>
	<u>6,858,771</u>	<u>10,871,029</u>	<u>6,858,771</u>	<u>10,871,029</u>
Maximum exposure to credit risk	<u>6,858,756</u>	<u>10,871,014</u>	<u>6,858,756</u>	<u>10,871,014</u>

The average effective interest rate of time deposits with banks was 2.43% per annum (2008: 4.11% per annum). These deposits have an average maturity of 81 days (2008: 192 days).

The credit quality of the cash and bank balances can be assessed by reference to external credit ratings and are analysed as follows:

<u>Rating (Moody's)</u>	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Aa1 – Aa3	2,915,165	5,693,651
A1 – A3	3,723,591	4,957,363
Baa1	<u>220,000</u>	<u>220,000</u>
	<u>6,858,756</u>	<u>10,871,014</u>

## 20. Capital

On 21 June 2002, the Finance Committee of the Legislative Council approved a commitment of \$10 billion for injection as equity into the Authority. The Government proposed to inject the equity into the Authority in phases over the five financial years from 2002-03 to 2006-07. At 31 March 2009, the Authority had received all five tranches of capital injection of \$2 billion each.

(expressed in Hong Kong Dollars)

## 21. Provision for committed projects

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at 1 April	1,089,000	-
Utilised during the year	(1,005,700)	-
Charged to the income and expenditure account	<u>3,540,700</u>	<u>1,089,000</u>
Balance at 31 March	<u><u>3,624,000</u></u>	<u><u>1,089,000</u></u>

The amount represents the provision for committed projects where acquisition was commenced before financial year end. The provision charge is recognised in the income and expenditure account. The balance at 31 March 2009 is current in nature.

## 22. Provident fund scheme

The Group provides retirement benefits to its eligible employees under defined contribution schemes. In accordance with the Mandatory Provident Fund Schemes Ordinance, the eligible employees enjoy retirement benefits under the Mandatory Provident Fund Exempted ORSO Scheme or the Mandatory Provident Fund Scheme (the "Schemes") under which employer's voluntary contributions have been made. The assets of the Schemes are held separately from those of the Group and managed by independent administrators. The Group normally contributes at 10% to 15% of the employees' monthly salaries depending on the years of service of the employees.

The total amount contributed by the Group into the Schemes for the year ended 31 March 2009 was \$10,276,000 (2008: \$8,925,000), net of forfeitures of \$633,000 (2008: \$622,000), which has been charged to the Group's income and expenditure account for the year.

## 23. Commitments

### (a) Capital commitments

Capital commitments in respect of property, plant and equipment at 31 March 2009 were as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Contracted but not provided for	176	123
Authorised but not contracted for	<u>5</u>	<u>-</u>
	<u><u>181</u></u>	<u><u>123</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 23. Commitments (Continued)

### (b) Operating lease commitments

At 31 March 2009, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Within 1 year	21,350	15,554
After 1 year but within 5 years	<u>23,110</u>	<u>32,568</u>
	<u>44,460</u>	<u>48,122</u>

### (c) Operating lease rental receivable

At 31 March 2009, the future aggregate minimum lease rental receipts under non-cancellable operating leases in respect of properties are receivable as follows:

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Within 1 year	20,405	22,304	18,769	22,182
After 1 year but within 5 years	<u>6,264</u>	<u>20,915</u>	<u>3,861</u>	<u>20,908</u>
	<u>26,669</u>	<u>43,219</u>	<u>22,630</u>	<u>43,090</u>

(expressed in Hong Kong Dollars)

## **24. Significant related party transactions**

Transactions entered into by the Authority with members of the Board and directors, parties related to them, Government Departments, agencies or Government controlled entities, other than those transactions which are entered into by enterprises in general in the course of their normal dealings, are considered to be related party transactions pursuant to HKAS 24 "Related Party Disclosures".

During the year, the Authority reimbursed the Government an amount of \$24,853,000 (2008: \$24,606,000) for actual costs incurred by the Lands Department of the Government (the "Lands Department") in connection with resumption and site clearance work conducted for the Authority. As at 31 March 2009, there is an amount of \$2,040,000 (2008: \$1,930,000) due to the Lands Department yet to be settled. The amount is unsecured, interest free and repayable on demand and included in trade and other payables.

The key management of the Authority refers to directors and members of the Board and their compensations are set out in Note 6(b).

## **25. Approval of financial statements**

The financial statements were approved by the Board on 23 June 2009.