



Mr Daniel LAM Chun, SBS, JP

MANAGING DIRECTOR'S STATEMENT

"We must find alternative ways of tackling these problems with a lighter demand for capital approach, and a speedier response by improving and extending the useful life of buildings."

I took up the position of Managing Director on 15 June 2015, totally unprepared, and to the surprise of the staff, the Board, and the public. I switched my seat from being an independent non-executive director, and sat on the other side of the table as an executive.

It was a difficult time for URA, with confusion and doubts cast over the differences between the Board and executives, and an obscure way forward.

Organisation and Finance

During the year, we had McKinsey & Company completed the Value For Money Study and the Organisation Structure Review of URA. Although a small part of their recommendations remains arguably controversial with disagreements from some stakeholders, the majority of their recommendations have been accepted for implementation through our One Team One Goal exercise and Work Improvement Teams within URA. Matters such as structural re-organisation, succession planning and the philosophy of selection of projects have been reviewed and improvements implemented.

As part of the above exercises, the financial viability of new projects come under stricter scrutiny to ensure that, in

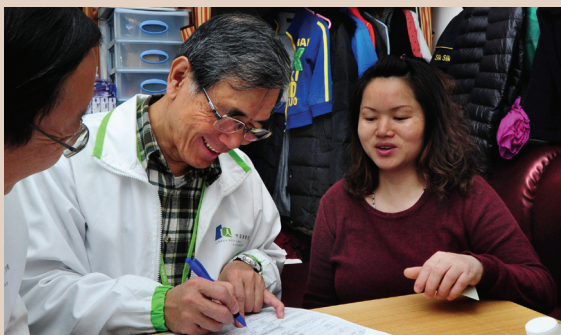
the longer term, URA can maintain its financial sustainability. It is now evident that the cash flow position of URA as reported this year is much healthier than previously projected.

I started my work by engaging the senior staff and collecting their opinions during this period of disruptions. I held private "sandwich" sessions in groups of five, with Senior Managers and above from different divisions and levels. Towards the end of the financial year, I repeated the same exercise with totally different combination of staff members. I found it most comforting that, as I learned from these sessions, the general consensus of the staff are positive. They appear happier and more focused on the way URA is now heading.

First "R"- Redevelopment

During the year we initiated self-selected projects, which included the new District-based Concept developments for the To Kwa Wan area, with which we believe that we are bringing much more planning gains to the small districts under the scheme.

For the development in Bailey and Ngan Hon Streets, we will breakthrough dead end streets. We will re-group the individual car-parking requirements of small plots into one single common site, consequently releasing the requirements for the other small plots, so that the numbers of vehicular ingress-egress points are substantially reduced. More street shops will be made available, thereby creating more street activities. The inclusion of Chun Tin Street into a development scheme adjoining the Ma Tau Wai Road Development will improve the flat sizes and layouts of the block. In addition, the proper widening of Sung Chi Street will provide a better flow of vehicular traffic. As a result, the common facilities shared between two originally stand-alone developments will be much improved.



■ Mr Daniel Lam conducts freezing survey at the Bailey Street / Wing Kwong Street project.

In relation to the Demand-led projects, the fourth round attracted a large number of unqualified applications from single residential flat units, which did not meet the criteria and resulted in no project being accepted by the Board. We have immediately accelerated the launch of the fifth round with identical thresholds, and this resulted in the submission of 19 applications being considered by the Board.

As to facilitating services that we provide to property owners, this year is unfortunately not very successful in a relatively depressing

market. It is worth mentioning that URA volunteered to help the property owners of Wing On House in Wong Tai Sin where a disastrous accident happened. This building was burnt seriously due to the accident involving the explosion of liquid gas containers for car repairing operations. Three were killed in the blaze. Unfortunately after many months of work at URA's own expenses, only 56% of the property owners engaged in the joint sale agreement, and therefore the project was reluctantly dropped.

Second "R"- Rehabilitation

Our work on Operation Building Bright (OBB) and other initiatives towards rehabilitation of old buildings continue, and URA has since received commendation letters from owners and residents. We recently launched the "Smart Tender" Campaign with the intention to help existing flat-owners to lower the risk of "tender-rigging". We also took the initiative to look into alternative means and new initiatives in what we would describe as Enhanced Rehabilitation Schemes. These are essentially reviewing old buildings with inadequate common facilities, but whose site has already been developed to the full potential. The initiative looks at pro-longing the useful life of the building, and introducing a retrofit for the benefit of particularly the elderly occupants. We intend to carefully select and implement one to two pilot projects so that the effectiveness and efficiency of such an initiative can be proven.

Third "R" – pReservation

In the year under review, ongoing preservation projects include the Prince Edward Road West project, the acquired units of which have been renovated and almost fully let, while the preservation and construction work for the Shanghai Street project has now commenced.



■ Mr Daniel Lam speaks at the staff communication session.

The Nga Tsin Wai Village site, which was the first project in Kowloon in the days of the Land Development Corporation experienced a long delay, but was finally cleared successfully and peacefully towards the end of January 2016. We have since discovered certain historical relics on the site which are being scrutinized under the direct charge of the Antiquities and Monuments Office. We are assisting the authority concerned to conduct the archaeological study and are awaiting the direction and requirement, if any, for construction.

4th "R"- Revitalisation

We have carefully reassessed the feasibility of the revitalisation of Central Market and have decided to revert to a simplified version, due partly to the risks involved in renovating and substantially altering an unknown complicated structure, which was left in a dilapidated state, and partly due to financial constraints. As this is a high profile project being in the centre of Central, the Board has formed a special committee to look into the future operating mode of the subject project, so that an early selection can be made with the view of opening the Central Market again in the earliest possible time.

Subsidised Sale of Flats (SSF)

In response to the Chief Executive of Hong Kong SAR's Policy Speech in 2015, we have made available 338 flats out of 484 units that were originally designed and

built for "Flat-For-Flat" scheme to cater for displaced owners of properties in our development projects. During the very short period of four months, we managed to push through the preparations for sale of these flats to the public. As this was URA's first ever involvement in such operations, we encountered a number of unforeseen difficulties. Despite all the anxieties and hurdles, we successfully launched the sale in April 2016, and sold out 96% of the 338 units.

Concluding Remarks

At the speed of almost 500 blocks of buildings per year dropping into the over 50 years' age, it is a huge commitment on the part of URA to master the urban renewal cityscape of Hong Kong. The rate at such old buildings fall into disrepairs far exceeds the pace of possible redevelopment to be comfortably taken up by URA. We must find alternative ways of tackling these problems with a lighter demand for capital approach, and a speedier response by improving and extending the useful life of buildings, without compromising the reasonable comfort of existing occupants.

I have thoroughly enjoyed my participation in URA's formidable team, both at the frontline and back in headquarters operations. The Board has given me insurmountable support for which I am totally grateful.

Although my tenure as Managing Director will end on 14 June 2016, I am confident that the incoming Managing Director, Ir Wai Chi-sing, who is very experienced in such matters and well conversant in public administration, will certainly steer URA into a new era of success and pride.

Daniel LAM Chun
Managing Director

14 June 2016