

Managing Director's Statement

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Mr Quinn LAW Yee-Kwan

Having recently assumed the role of Managing Director, I am pleased to contribute to our Annual Report for 2007/08. At the outset, I would like to express the appreciation of myself and the staff of the URA for the outstanding leadership and contributions made by my predecessor, Mr Billy Lam, in the six years of his tenure from January 2002 to December 2007.

During this period, URA made major improvements to dilapidated urban areas in accordance with its 4Rs (Redevelopment, pReservation, Rehabilitation and Revitalisation) urban renewal strategy. Most significantly, URA succeeded after a great deal of consultation, planning and hard work in launching all 25 projects inherited from its predecessor, the Land Development Corporation (LDC). Indeed, URA commenced the last of these in December 2007, and thereby fully honoured its commitment under the Urban Renewal Strategy to give priority to these 25 projects. Although a lot of work still lies ahead in implementation of all of these projects, this nevertheless represents a significant milestone for URA, which completed six projects to date and now has 41 projects underway at various stages. Taken together, these 47 projects have already helped or are helping almost 32,000 people to improve their previously poor living conditions. URA can now start to look ahead to the next stage of our urban renewal mission.

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Detailed accounts of our work during 2007/08 are given in the Operating Review and Project Highlights, which cover all four facets of our holistic 4Rs urban renewal strategy as well as other aspects of our work. I will, therefore, only mention a few highlights here.

URA shares the aspirations of our community with respect to preservation of Hong Kong's heritage and local character wherever practicable, while at the same time fulfilling our mission of improving the living conditions of the many people residing in dilapidated urban areas. During 2007/08, we have, therefore, incorporated revitalisation elements and heritage preservation into some of our projects.



Three pre-war buildings in Graham Street will be preserved and put into adaptive re-use.

In the case of the Peel Street/Graham Street, where the community has called for maintenance of the vibrancy of the hawker market in the streets surrounding the project's three sites, we are making every effort to do so and are taking steps to minimise any disruption to the market to the extent practicable during the redevelopment period. We will also provide a two storey building to accommodate the wet food shops currently operating within the project area, as well as introducing an Old Shop Street theme in the future development along with new pedestrian areas and open space. In Staunton Street/Wing Lee Street, we have revised our approach to enable preservation of the market building, several tenements, open space and other aspects of its local character.

In Tai Yuen Street/Wan Chai Road, we have succeeded in negotiating an agreement with the developer enabling the core elements of the Wan Chai Market building to be preserved while continuing to honour the contract signed by the LDC, more than 10 years ago. In nearby Lee Tung Street, we have incorporated into the future development plan a Wedding City theme plus community facilities, space for social enterprises to serve the local community and help preserve social networks, open space and pedestrian areas.

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In Nga Tsin Wai Village, we have drawn up plans to preserve the key historic elements of this urban village in a conservation park, while in Sai Yee Street, we have adopted a Sports Retail City theme, including a Sports Hall of Fame to enhance the local characteristics of this area which is also known as Sneaker Street. Pedestrian pavements in the surrounding streets will also be widened and loading and unloading areas will be incorporated in the new development.

Meanwhile, we have continued to work hard on our largest ever project, namely, Kwun Tong Town Centre, the Development Scheme Plans for which have now been reviewed by the Town Planning Board and approved by the Chief Executive in Council. We are now preparing the Master Layout Plans for submission to the Town Planning Board. Looking ahead, we will be offering to acquire all affected properties at the same time in December 2008 and to implement this massive project in phases in order to maintain the vibrancy and functionality of all services throughout the development period.

Since October 2007, when the Chief Executive announced a number of new initiatives relating to urban renewal, preservation and revitalisation, URA has been working under the coordination of the Development Bureau on revitalisation of Wan Chai using a district-based approach. We have also responded to the call for preservation of pre-war buildings by commissioning a study of 56 pre-war shophouses of Cantonese verandah type and drawing up and announcing a strategy for the preservation of up to 48 of these by various means. These are in addition to the more than 25 other buildings which we are already preserving, including the five preserved, adapted and re-opened shophouses incorporated into our project in Johnson Road in Wan Chai.

Meanwhile, we have been implementing our ongoing rehabilitation and revitalisation programmes by working together with owners' corporations, District Councils, Government Departments and the Hong Kong Housing Society to improve the appearances of neighbourhoods and living conditions in buildings, with our 2007/08 rehabilitation programme improving the living environments of the people living in some 115 buildings or 7,160 units.

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The announcement by the Financial Secretary in his Budget Speech in February 2008 that a review of the current Urban Renewal Strategy would be conducted by the Development Bureau and the URA was most timely and was welcomed by the URA. Since then, we have been working closely with the Bureau on this review, about which the Bureau briefed the Legislative Council Panel on Development on 24 June 2008. Over the next two years, we look forward to hearing views from all stakeholders and interested members of the community about the best way forward and priorities for the next chapter of urban renewal in Hong Kong.



Secretary for Development Mrs Carrie Lam (front right), URA Chairman Mr Barry Cheung (top right), URA Managing Director Mr Quinn Law (top left) and Permanent Secretary for Development (Planning and Lands) Mr Raymond Young in the meeting of the Development Panel of the Legislative Council.

As regards our finances, thanks to improving property market conditions over the past few years which enabled additional revenue to be realised from certain projects based on their deal structure, our net assets value as at 31 March 2008 was \$14.4 billion, comprising five capital injections totalling \$10 billion from the Government and an accumulated surplus of \$4.4 billion since 2002. However, we have made a provision for loss of \$1 billion for the Sai Yee Street project and, at present, we anticipate needing to provide about \$2 billion for losses when we start to acquire the properties affected by the Kwun Tong Town Centre project in 2008/09.

In addition, we are expanding the scope of our work on non-revenue generating areas of renewal including in particular preservation of pre-war shophouses and district-based revitalisation. At the financial year-end, our cash and bank balances totalled \$10.9 billion while our estimated outstanding commitments were \$7.2 billion in respect of our projects under acquisition. We currently estimate that, in the five years from 1 April 2008, our total expenditure on the various urban renewal projects which we have commenced and planned will amount to about \$30 billion.

Moreover, the improving property market conditions over the past few years have gradually increased our costs of property acquisition and, with it, our financial exposure to any downturns. Therefore, apart from continuing to

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exercise prudent financial management and striving to achieve good value for money in our activities and to make good use of available funds, we envisage that we will still need external financing, such as bank borrowings in coming year.

The guidance and advice of our Chairman and the Members of our Board and Committees, as well as that of the members of our six District Advisory Committees, are invaluable to Management in our work. I would, therefore, like to thank all of them for their respective contributions and support.

URA relies on the hard work, dedication and professional skills of our staff to turn our visions into reality and achieve our urban renewal objectives. I would therefore, also like to thank all of them for their efforts and achievements over the past year.

My staff and I look forward to working together with all stakeholders, as well as with the Government, joint venture partners, our consultants and other relevant members of the community, in 2008/09, to help those now residing in dilapidated urban areas and improve the living environment of Hong Kong.

Quinn LAW Yee-Kwan

Managing Director

31 July 2008