



Urban Renewal: A sensible balance

The Cover:

The URA's Johnston Road project in Wan Chai features five preserved historical buildings including a row of four Cantonese verandah shophouses, standing in harmony with the new development.

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Highlights of the Year

2007

April

Local leaders and residents of the Sham Shui Po community gather at the URA community workshop to explore possible way forward for urban regeneration of the district.

Secretary for Housing, Planning and Lands, Mr Michael Suen, officiates at the milestone event for 20,000 rehabilitated units cum Best Rehabilitated Building Award presentation ceremony.

URA submits the development scheme plans of Kwun Tong Town Centre to Town Planning Board, signifying commencement of the statutory planning procedures for the mega project.

The Government announces the appointment of Mr Barry Cheung as the Chairman of the URA Board and the appointment or re-appointment of other 18 non-executive directors, with effect from May 1, 2007.



May

A heritage advisory panel set up under the URA's Central & Western District Advisory Committee conducts its first meeting to study and recommend ways to promote heritage conservation features in the Peel Street/Graham Street project.

June

The URA participates in the three-week exhibition in Beijing to celebrate the 10th anniversary of HKSAR displaying its 4R work and mega Kwun Tong Town Centre project.

July

The URA announces the commencement of the Peel Street/Graham Street project by conducting an occupancy survey.





August

About 60 people participate in the “Forum on the Conservation of the Street Market” organised by the Heritage Advisory Panel of the Peel Street/Graham Street project.

September

The URA consults the Wong Tai Sin District Council and the villagers about the preservation-cum-redevelopment design proposal for the Nga Tsin Wai Village.

The URA Staff Club with the assistance of the urban renewal social service team offers gift packs of mooncakes and fruit to the elderly people living in Yu Lok Lane/Centre Street project for the Mid Autumn Festival.



October

The URA announces the commencement of the Nga Tsin Wai Village project by ways of an innovative preservation-cum-redevelopment approach.

The URA issues purchase offers for the Yu Lok Lane/Centre Street project in Sai Ying Pun and Peel Street/Graham Street project in Central and Western District.

The Government announces the approval by the Chief Executive in Council to the draft Staunton Street/Wing Lee Street Development Scheme Plan and Nullah Lane/Hing Wan Street/King Street Development Scheme Plan.



Highlights of the Year



November

The Lands Department announces the resumption of land for three URA projects in Fuk Tsun Street/ Pine Street, Tai Kok Tsui; Lai Chi Kok Road/ Kweilin Street & Yee Kuk Street, Sham Shui Po and Mallory Street/Burrows Street, Wan Chai.

The URA announces a new package of enhancement policies for the benefits of residents and business operators affected by its redevelopment projects.

December

The URA announces Sports Retail City theme project in Sai Yee Street, Mong Kok.

The URA invites estate developers to provide expression of interests for the joint development of Pine Street/ Anchor Street project in Tai Kok Tsui. An open tender exercise follows in January 2008.

The URA unveils plan to create a thematic “Wedding City” and a social enterprise pilot scheme in the Lee Tung Street project, Wan Chai.

The URA holds a community workshop for the Staunton Street/Wing Lee Street project to collect the local community’s views on the planning and design of the project.

The URA holds an exhibition in the Western Market to tie in with the “old shop” theme of the Peel Street/ Graham Street project.

- The URA staff and social service team clean up the common areas of two residential buildings without owners’ corporation in the Kwun Tong Town Centre project for the new year.





2008

January

The URA issues purchase offers for the Nga Tsin Wai Village project.

The URA participates in the Hong Kong & Shengzhen Bi-city Biennale of Urbanism/ Architecture held at the Central Police Station Compound.

February

The URA commences the statutory planning procedure for the Chi Kiang Street/Ha Heung Road and Pak Tai Street/Mok Cheong Street redevelopment projects in Ma Tau Kok.

The Government announces the appointment of Mr Quinn Law as the Managing Director of the URA for a term of three years, with effect from 1 March 2008.

March

The URA issues purchase offers for the Staunton Street/ Wing Lee Street and Sai Yee Street projects.

The URA invites estate developers to provide expression of interests for the joint development of the Baker Court project in Hung Hom. An open tender exercise follows in the same month.

A joint development contract for the Pine Street/Anchor Street project is awarded to Sincere Development Limited, a wholly-owned subsidiary of Sino Land Company Limited.

The URA announces an expansion of its conservation strategy to preserve some 48 pre-war shophouses of Cantonese verandah type.

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.



Highlights of the Year



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.

The URA Board decides to implement the Kwun Tong Town Centre project in phases and acquires all properties in one go.

June

The URA and the Hong Kong Playground Association announces 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 in 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.

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

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 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 Kwun Tong Town Centre project.



Chairman's Statement

“Our goal is to achieve sustainable developments that represent the best value and return for the community, while incorporating heritage preservation and, most importantly, improving the quality of life for less fortunate Hong Kong people.”



Mr Barry CHEUNG Chun-yuen

A Year of Challenges, Change and Progress

The past year has been one of challenges and change for the URA but I believe we made good progress on several fronts.

First, the issue of urban decay remained urgent in terms of solution and action. With more than 110,000 of Hong Kong's poor still living in appalling housing conditions, we remained conscious of the need to act quickly. At the same time, we had to be ready to meet our community's rising expectations and increasingly sophisticated aspirations. The public expects new considerations to be taken into account, such as heritage conservation. The URA's response has been to be more open and proactive, and to develop a sensible and balanced approach for each of our projects.

The year was marked, therefore, by a change in the level of engagement and outreach by the URA. We increased our efforts to make the best use of our dialogue opportunities not just with those who were affected by the URA's initiatives and projects, but also with groups who might be affected more indirectly.

Chairman's Statement

As for progress, we reached a number of important milestones.

For example, the redevelopment of Kwun Tong Town Centre, the biggest project ever undertaken by the URA, has progressed through the planning stage and is being considered by the Chief Executive in Council. The Master Layout Plan will be submitted to the Town Planning Board soon. In the meantime, I have promised the owners in the redevelopment area that they should be able to receive purchase offers for their properties by the end of 2008.

During the year, we also came up with innovative redevelopment solutions for our more complex projects. Working with our joint venture partner, conservation experts and the local community, we devised a way to preserve the core elements of the old Wan Chai Market, while honouring our contractual commitments. Separately, 2,600 square metres of gross floor space have been set aside in four renewal projects for social enterprises. And we have enhanced our compensation measures in favour of owners and businesses in the renewal areas.

The Chief Executive's Policy Address of October last year entrusted the URA with new responsibilities for conservation. As a result, we have expanded our conservation strategy to cover 48 pre-war shophouses, a project that will be a major contribution to the preservation of important features of our architectural past which are particularly valued by the community. This is now perhaps the most ambitious initiative of the URA in terms of safeguarding significant heritage elements of our city.



Examples of rare pre-war shophouses in Hong Kong.

When it comes to corporate governance, we are keenly aware of the community's desire for the URA Board to operate with complete transparency. Since I assumed chairmanship last May, I have made it a practice to brief the media after each Board meeting. This policy of open communication seems to have helped to improve public perceptions of our endeavours and to promote wider understanding of the objectives of the URA.

Putting People First

The URA was set up seven years ago, tasked with a unique social mission: namely to improve conditions for those still living in rundown, squalid housing in the urban areas without even basic amenities. Unlike profit-driven private developers, we have to juggle many objectives simultaneously. Our goal is to achieve sustainable developments that represent the best value and return for the community, while incorporating heritage preservation and, most importantly, improving the quality of life for less fortunate Hong Kong people.

Embracing Environmentally Sustainable Development

The URA is also keenly aware of the need for a sensible and balanced approach for its projects. We fully support the Government and the community in working towards a sustainable future for Hong Kong. We use every measure possible to protect the environment and to reduce the use of depletable natural resources. Our regeneration projects are founded on a simple premise: meeting the present generation's needs without compromising the ability of future generations to meet theirs.

In the course of last year, we continued to improve the standards, quality and the neighbourhoods of URA projects, and we sought to make every area as green and environmentally-friendly as possible. As testament to our environmental credentials, Vision City, a newly completed redevelopment in Tsuen Wan, won a platinum award under the Hong Kong Building Environmental Assessment Method, for environmental features.

Preserving Our Heritage

The community's interest in, and awareness of Hong Kong's heritage has increased dramatically in recent years. That has resulted in a greater focus on how the URA has been preserving and restoring historical buildings as an important part of our "4Rs" strategy: Redevelopment, Rehabilitation, pReservation and Revitalisation. Much remains to be accomplished. But already the revitalised heritage buildings in the Johnston Road project have in the meantime emerged as the pride of not only the URA, but also of local

Chairman's Statement

preservation experts. It is well received by the general public and tourists. The URA has more such initiatives in the pipeline, with the conservation theme park in Nga Tsin Wai Village and the restored shophouses in Mallory Street as two examples of major preservation projects that are due to commence soon.

Quality of Life A Priority

Urban regeneration makes sense if it makes people's lives better. That is why our people-oriented approach is underpinned by the conviction that our projects are driven by the community's priorities and needs. The URA will continue to fine tune its planning strategy so as to keep in step with society's changing aspirations and needs. The wishes of local residents, traders and business people who want a greater say in the regeneration of their neighbourhoods will also continue to be valued as we try to act upon the views and suggestions raised during public consultations.

In addition, uppermost in our minds will be our duty to cause the least disruption to people's daily lives while work is in progress. To this end, four teams of social workers are deployed for our projects to help ensure a smooth transition period for everyone affected in a redevelopment area. And for our projects at Sai Yee Street and Lee Tung Street, thematic designs that aim to preserve local characteristics have been chosen.

Enhanced Measures in Compensation

I am also pleased to report here that compensation for residents and others directly affected by the URA's projects, and who have to relocate during redevelopment, was enhanced during the past year. One important objective is to try and make it feasible, for those affected owner-occupiers, to eventually return to the same location, should they wish to do so.

Benefiting the Community

When planning a redevelopment project, we constantly challenge ourselves on the question of its eventual benefits to local residents. Our aim has to go beyond just helping those living in abject squalor to move to better living conditions. Wherever we can, we strive to revitalise public spaces for the widest possible range of public activities and enjoyment. We also make sure we enhance government, communal and institutional facilities, improve hygiene and sanitation, and provide safer public environments.



Kwun Tong Town Centre project : preserved old trees and new water feature at Yue Man Square.

Over the years, we have been able to allocate a total of about 20,000 square metres of open space and about 55,000 square metres of facilities, such as public transport interchange, multi-purpose activity hall, indoor stadium, youth centre and elderly home. And we will continue to do so with our upcoming projects, such as those at Peel Street/Graham Street and Lai Chi Kok Road/Kweilin Street. For these, we have already allocated space at nominal rents to non-governmental organisations, in support of their provision of facilities for social and community purposes.

The social dimension will continue to be our priority at each and every stage of our urban regeneration work, from planning and rebuilding to follow-up monitoring. We want to make sure that our efforts bring tangible benefits to the largest number of people.

Chairman's Statement

URS Review - An Opportunity to Change for the Better

The Authority intends to be a dynamic, forward-looking organisation that is in step with community aspirations, and that is focused on improving the quality of life for Hong Kong people who have been impacted negatively by urban decay. The URA therefore sees the Government's review of the Urban Renewal Strategy as an invaluable opportunity for re-assessment and long-term planning. This initiative should allow us to tap into the collective wisdom of the community and assist us when devising more innovative and cost-effective ways to fulfill the Authority's goal of tackling urban decay. The URA Board and its management team look forward to receiving feedback from all its stakeholders.



Public consultation leaflet of the Urban Renewal Strategy Review.

Open-mindedness will be crucial throughout this process, and our promise is to listen and to consider the opinions of our direct clients and the community at large. We are also drawing on the widest possible field of international expertise. By studying the urban renewal experiences of comparable overseas and Mainland cities, we can borrow and adapt planning models and methods to solve the problems of Hong Kong.

Looking Ahead

The future will require the URA to be even more open and accountable in serving the community. We will explore the feasibility of introducing a scheme that invites people at the district level to express their preferences about how their neighbourhood should be regenerated. The URA would produce master plans to show how a rundown urban environment could be transformed. If the plan in a given area were strongly supported, the Authority would work with the Government and make best endeavours to help people in the area make their renewal vision a reality. This scheme would take into account the community's high premium on social dialogue and its respect for the right to property ownership. We will strive to rely more on implementation methods that emphasise consensus building and commonly accepted market principles.

A Historic Milestone

By the end of 2008, the URA, together with its predecessor the Land Development Corporation, will have fulfilled 20 years of urban regeneration. The archives are already full of videos, photographs, anecdotes and oral accounts that bear testimony to the significant contribution made by the URA and its partners to improving people's lives. There are many lessons to learn, and as the Authority passes this historic milestone, I sincerely invite all our stakeholders to help us develop and achieve an urban renewal programme that all of us in Hong Kong can be proud of. We will listen to each and every opinion. We understand the faith placed by the public in us. We know that we have an extraordinary opportunity to improve the lives of families living under unacceptable conditions. We also recognise our responsibility to find the appropriate balance between the needs, expectations and aspirations of not just this generation, but of the next as well. We are determined to help take Hong Kong forward in a manner that befits its aspiration to become Asia's world city.

Barry CHEUNG Chun-yuen

Chairman

31 July 2008

Managing Director's Statement

“ 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. ”



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.

Managing Director's Statement

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.

Managing Director's Statement

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.

Managing Director's Statement

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

Managing Director's Statement

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

Operating Review

Redevelopment

Rehabilitation

Revitalisation

pReservation



The Tsuen Wan Town Centre project features vertical greening of about 8,000 square feet.

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 to prepare an Urban Renewal Strategy (URS) and, thereafter, to revise it in such a manner as the Secretary may decide. The URAO then requires the URA to follow the guidelines in the URS and prepare and obtain the approval of the Financial Secretary each year for both a five-year Corporate Plan and an Annual Business Plan (Plans) laying out the direction and programme of the Authority's activities.

The Plans are carefully devised to integrate the proposals and activities conceived under the URA's 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 mandate and resource limitations.

The Plans covering the period 2007 to 2012, including the 2007/08 Business Plan, were submitted to the Financial Secretary (FS) in December 2006 and approved by the FS in March 2007. The Plans covering the current period from 2008 to 2013, including the 2008/09 Business Plan, were prepared in the third quarter of 2007/08, submitted to the FS in December 2007 and approved by the FS in February 2008.

Redevelopment

In this Annual Report, the word "project" is used generically to cover all categories of 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 (DSPs) 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

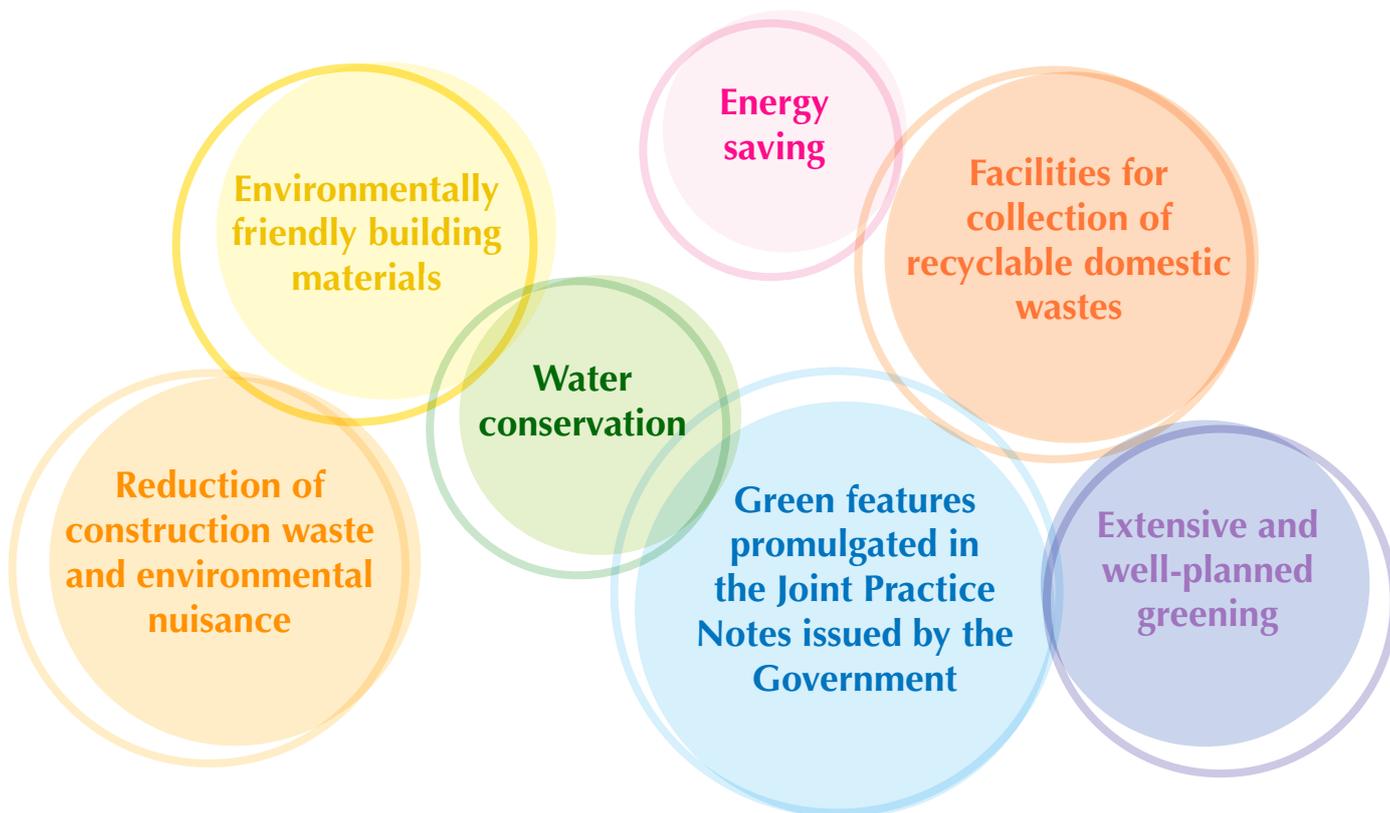
Operating Review

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, ten such projects have been launched by the URA under this process, with the most recent one, Anchor Street / Fuk Tsun Street, being launched in March 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 authorised by the Secretary for Development. To date, three projects have been launched by this means, with the most recent, the Chi Kiang Street / Ha Heung Road and Pak Tai Street / Mok Cheong Street projects, being launched in February 2008.

Environmentally Sustainable Development

The URA seeks to promote and implement 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 such as –



In addition, the URA actively looks for opportunities to include vertical greening in our developments where appropriate. Indeed, the first large scale vertical greening of a building in Hong Kong was the provision of about 8,000 square feet of such vertical greening in our Vision City project in Tsuen Wan Town Centre.

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 HK-BEAM Society in recognition of the environmental features of first our Mount Davis 33 project in Ka Wai Man Road in 2006/07 and second our Vision City project in Tsuen Wan Town Centre in 2007/08.

Commencement of New Projects

During the year, the URA focused its attention on commencing the last three of the 25 announced but not yet commenced projects inherited from our predecessor, the LDC, followed by three URAO projects. Taken together, these six projects are helping over 2,250 people to improve their current poor living conditions. On completion, they will provide over 1,300 residential flats, as well as commercial space, open space, and a multipurpose activity hall. Each of these six projects is described in brief in the following paragraphs.

Peel Street/Graham Street

This is the first of the three of ex-LDC projects commenced in 2007/08. This is a development scheme that was prepared under section 13 of the LDC Ordinance and approved by the TPB in 1999. After two years of public and stakeholders consultation, the Master Layout Plan (MLP) was submitted in early 2007 and 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 of the approved MLP are the preservation and adaptive re-use of pre-war shophouses on Graham Street and the façade of Wing Woo Grocery, 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 traders now operating within the project's boundaries, creation of an Old Shop Street and provision of a multipurpose activities hall and public open space. The MLP is being refined taking into consideration the views gathered from the public and stakeholders, as well as the advice of the H18 Conservation Advisory Panel which was set up under the Central and Western District Advisory Committee of the URA to recommend ways to promote and improve the heritage features of the project.



Artist's impressions of the two-storey block for accommodating wet market shops. Viewing from Graham Street (above) and Gage Street (below).

Operating Review

Nga Tsin Wai Village

This is the second of the three remaining LDCO development projects commenced in 2007/08. Under the joint venture development agreement with the major owner of properties within this project's boundaries, the URA has adopted an innovative conservation paramount approach which will retain three core heritage elements of the 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. The design will enable residential development to proceed in parallel, with the residential towers, which will be lifted up to provide a vertical clearance of about 15 metres above ground level, as well as being about 40 metres apart and being designed to avoid both encroachments into the Conservation Park and interference with sightlines towards the Lion Rock. The project commenced in October 2007 and acquisition offers were made to the affected owners in January 2008. Given the unique nature of this urban village, a special compensation package was introduced for the indigenous villagers.

Sai Yee Street

This is the last of the 25 ex-LDC projects to be commenced and, as such, its launch in December 2007, marked a significant milestone for the URA. The URA recognises that this project is located in the corner of a vibrant part of Mong Kok containing 67 sports shops, although only 19 or slightly less than a quarter of these lie within the project's boundaries and will be affected. Nevertheless, to help preserve and enhance this local character, the 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. Acquisition offers were made to all affected domestic and non-domestic owners in March 2008. 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 Indoor Stadium. This is to be redeveloped and upgraded by the URA on behalf of HKPA to provide a modern indoor stadium and youth centre as well as 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.



Professor Bernard Lim (right) explains the innovative design for the Sports Retail City project in Sai Yee Street. Next to him is Mr Stephen Lam, URA's District Development Director.

Chi Kiang Street/Ha Heung Road



Chi Kiang Street/Ha Heung Road project uses building set-back design to facilitate pedestrian flow.

This is one of two new URAO projects commenced by the URA in Ma Tau Kok on 29 February 2008. This modest sized project, of around 930 square metres, comprises buildings built in the 1950's and now in generally poor and dilapidated physical condition. When implementing this project, the URA intends to take the opportunity to make street improvements to the area beneath the adjacent Kowloon City flyover. No written objections were received during the two months publication period and the decision of the Secretary for Development to authorise the URA to proceed with the project was gazetted on 18 July 2008.

Pak Tai Street/Mok Cheong Street

This is the second of the new projects in Ma Tau Kok commenced on 29 February 2008. It is another modest sized project, of around 780 square metres, comprising buildings constructed in the 1950's and in deteriorating condition. It is located in a street block where several buildings have already been assisted by the URA's rehabilitation schemes. The opportunities to widen and beautify the existing footpaths of the street block in tandem with this redevelopment will be studied. Again no written objections were received during the two months publication period and the decision of the Secretary for Development to authorise the URA to proceed with the project was gazetted on 18 July 2008.

Anchor Street/Fuk Tsun Street

This is the sixth URA redevelopment project in Tai Kok Tsui and the first comprising a proposed hotel. Given the unfavourable location of this relatively small project, of around 730 square metres, which faces onto several major roads and the elevated West Kowloon corridor, and the market needs for a modest class of hotel in this vicinity, a hotel use, which is a non-noise sensitive use, was considered appropriate. This URAO project was commenced on 7 March 2008. The draft DSP for it was submitted to the TPB on 26 March 2008 and considered by the TPB on 13 June 2008. On 25 July 2008, it was gazetted under section 5 of the Town Planning Ordinance (TPO) for two months public consultation.

Implementation of Commenced Projects

Between early 2002 and March 2008, in addition to continuing implementation of the 10 projects commenced by and inherited from the LDC, the URA has launched a total of 29 new redevelopment projects, comprising 18 ex-LDC projects and 11 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 12 URAO projects. These 37 projects have helped or are helping over 18,000 people to improve their previously poor living conditions, as well as producing over 11,000 new homes plus various GIC and commercial facilities.

Of the 10 projects commenced by and inherited from the LDC, two were completed in earlier years and four of the eight which were still ongoing at the start of 2007/08 were completed during the year with all flats sold, while four still remain ongoing. These 10 inherited projects 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.

Out of the 18 ex-LDC projects that have been launched by the URA, the construction works on the J Residence at Johnston Road in Wan Chai and on MOD 595 in Reclamation Street in Mong Kok were completed and the certificates of compliance obtained during the year. The Johnston Road project is particularly noteworthy in that it involved both the development of a new residential building and the preservation and restoration of pre-war shophouses for adaptive commercial re-use.

Five of the 11 URAO projects launched directly by the URA are being processed as two combined larger projects, namely, the Lai Chi Kok Road / Kweilin Street / Yee Kuk Street project, which is now under resumption, and the Hai Tan Street / Kweilin Street / Pei Ho Street project, for which preparations are being made for acquisition. The remaining six commenced projects are at different stages, with three being under planning, one being under acquisition and two, namely, Mallory Street and Fuk Tsun Street, being under resumption.

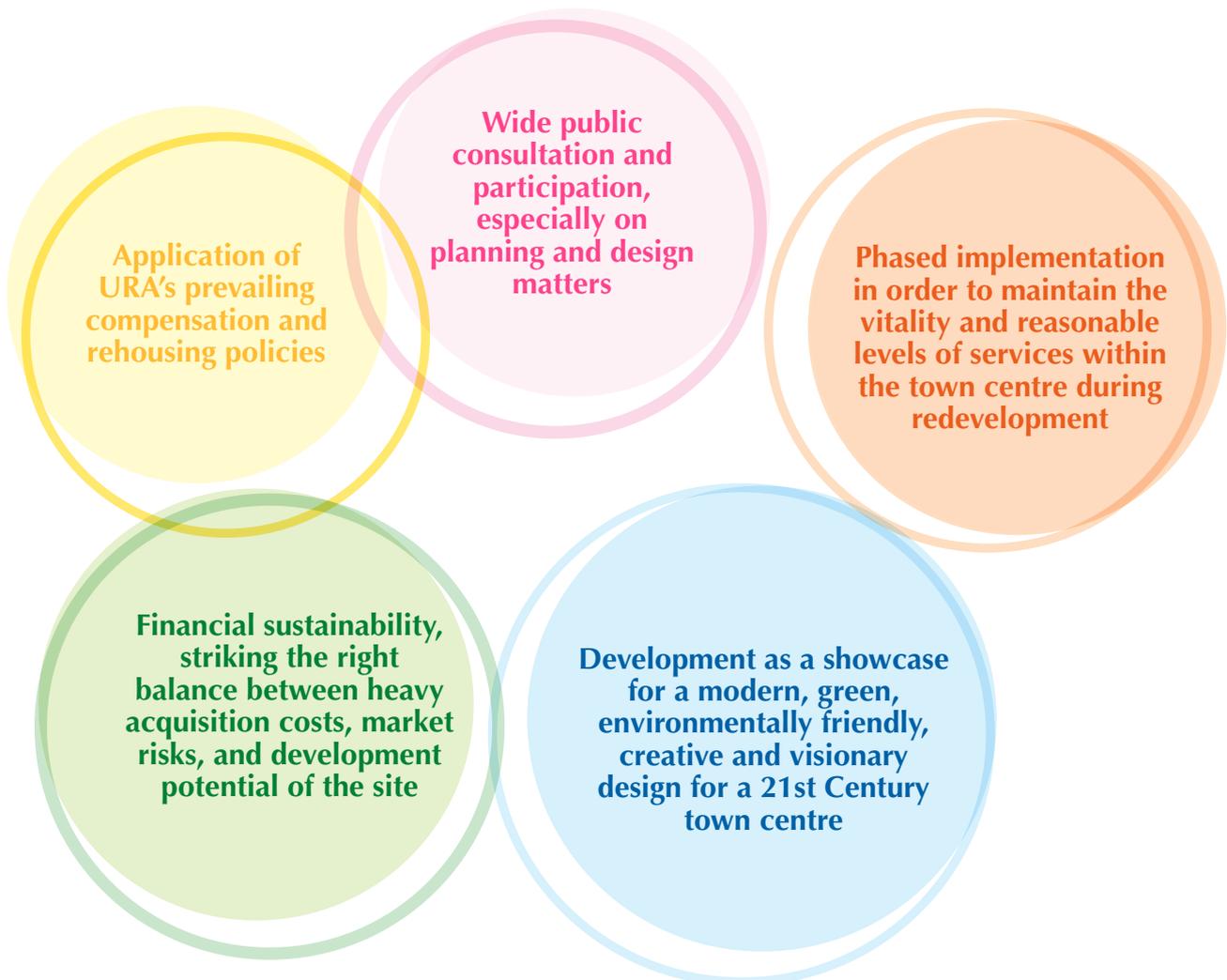
Individual details of all 41 still current projects and all six projects completed during 2007/08 and earlier years are given in the table entitled the URA Project Highlights on pages 56 to 59.

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

Kwun Tong Town Centre

The 5.3 hectare Kwun Tong Town Centre project, costing over \$30 billion to implement, is the most challenging development ever undertaken by the URA in terms of scale and complexity.

The URA is implementing this project according to five guiding principles –



The two DSPs and the preliminary designs in the MLPs have been formulated taking into account the public views collected during the two-year programme of engagement of the community and stakeholders. Major features of the project include visionary designs of a 21st Century town centre, well-spaced building blocks to facilitate ventilation, increased public at-grade open space and greening. There is also an integrated public transport interchange, grade-separated pedestrian footbridge connections to nearby estates, kaifong-style street shops and a covered bazaar. All facilities will be designed and built for convenient access by wheel-chair users.

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The submission to the TPB in April 2007 of the two DSPs for the Yuet Wah Street Bus Terminus and Main Sites of this redevelopment project began the statutory planning process, which was estimated to take approximately 18 months. Subsequently, a detailed social impact assessment was completed and submitted to the TPB in June 2007. Having consulted relevant Government Departments, the TPB considered the DSPs suitable for public inspection in September 2007.

A statutory two-month period for collecting public comments followed from October to December 2007. On 14 March 2008, the TPB considered all public representations received and decided not to propose any amendment to the DSPs. The DSPs were then submitted to the Chief Executive in Council and approved in July 2008 in accordance with section 9 of the Town Planning Ordinance, following which they are expected to be gazetted by September 2008. Meanwhile, the MLPs for the Yuet Wah Street and Main Sites are expected to be submitted to the TPB by September 2008.

Due to the huge size of the project, redevelopment will be in phases, with the first phase involving relocation and redevelopment of the Yuet Wah Street Bus Terminus. A wide range of comprehensive and technical studies pertaining to the project, including the traffic, drainage, sewage, air ventilation, visual and environmental impacts, have been undertaken. The results of these studies support the design and redevelopment scale.

In parallel with these studies, the URA has been in continuous dialogue with relevant Government Departments, the Kwun Tong District Council, residents, hawkers, transport operators, professional bodies and local concern groups in order to gauge and take account of their views and keep them informed of the progress of this project.

The Christian Family Service Centre Social Service Team commissioned by the URA, together with our frontline staff, continues to provide assistance to residents and families who are in need of help, before and during redevelopment, with the sustainability of social networks being an important objective.

In order to handle the increasing scale and complexity of the work involved in delivering this massive project, URA recruited additional staff to strengthen the transport planning, operations and the community engagement teams in our Kwun Tong Project Division. In addition, in July 2008, we moved our Kwun Tong Office to larger premises in Millennium City 6 to accommodate the enhanced and still expanding Division. We are now converting our Hip Wo Street Office into a Customer Service Centre to cater for the needs of



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



Members of the Kwun Tong District Council observe the wind-tunnel test of the Kwun Tong Town Centre model conducted by the Hong Kong University of Science & Technology.

owners, so that they can use it for making property rental and acquisition enquiries, seeking help from social service teams, checking and validating documentation prior to signing sales contracts, meetings with URA staff and so on.

As the first step towards starting acquisition of affected properties, we will appoint independent surveyors to work out the offer prices for these properties having due regard to market conditions and our established compensation policies. Because of the massive and unprecedented size of this project, the very large number of property interests in it, and the need to ensure that the offers made closely reflect market price trends, the tasks of full valuation, verification of titles and occupation status, and preparation of all offer documents will take four to five months to complete.

This work has already commenced, in July 2008, with the appointments of the independent surveyor firms, and we plan to begin acquisition of all properties within the project boundary from their owners in December 2008.

Looking ahead, we will continue to make our very best efforts to ensure that the project will bring about sustainable improvement in Kwun Tong's social fabric as well as substantial long-term economic benefits to Kwun Tong and East Kowloon.



URA Board Member and Chairman of the Kwun Tong District Advisory Committee, Professor David Lung (second from left), and Kwun Tong Project Director, Mr Ernest Lee (right) explain the design concept of Kwun Tong Town Centre project to the Macau Government delegates.

Macpherson Indoor Stadium

In April 2006, the URA and the Hong Kong Playground Association (HKPA) announced that they would jointly redevelop the HKPA's outdated stadium to provide both a modern stadium and a youth centre as well as residential and retail space. Since then, good progress has been made. Following detailed negotiations with the Buildings and Lands Departments respectively, the revised General Building Plans were approved in March 2008 and the land premium offer was agreed in May 2008. In the same month, the HKPA and URA invited tenders for the joint venture development of the project and in June 2008, they awarded the joint venture development contract. Looking ahead and given the proximity of this project to the URA's project in Sai Yee Street in the "Sneaker Street" neighbourhood, URA intends to link up these two areas by revitalising the streets between them. The opportunity will also be provided for sports shop operators affected by the Sai Yee Street project to relocate to the retail space in this project to maintain the continuity of their business as in this neighbourhood during redevelopment of the Sai Yee Street project.



The Macpherson Indoor Stadium project delivers modern stadium facilities and a youth centre.



A modern indoor stadium will be provided in the redevelopment project.

Staunton Street/Wing Lee Street

In 2007, the TPB proposed an amendment which reduced the extent of the original draft DSP for this project by excluding the parts owned by a single developer. This amendment was subsequently approved by the Chief Executive in Council in October 2007. The Planning Brief (PB) was then revised and approved by the TPB in November 2007. Thereafter, the MLP was prepared in accordance with the revised PB, the public views and aspirations expressed at a community workshop conducted in December 2007 and the advice of the Central and Western District Council.

The MLP comprises 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.

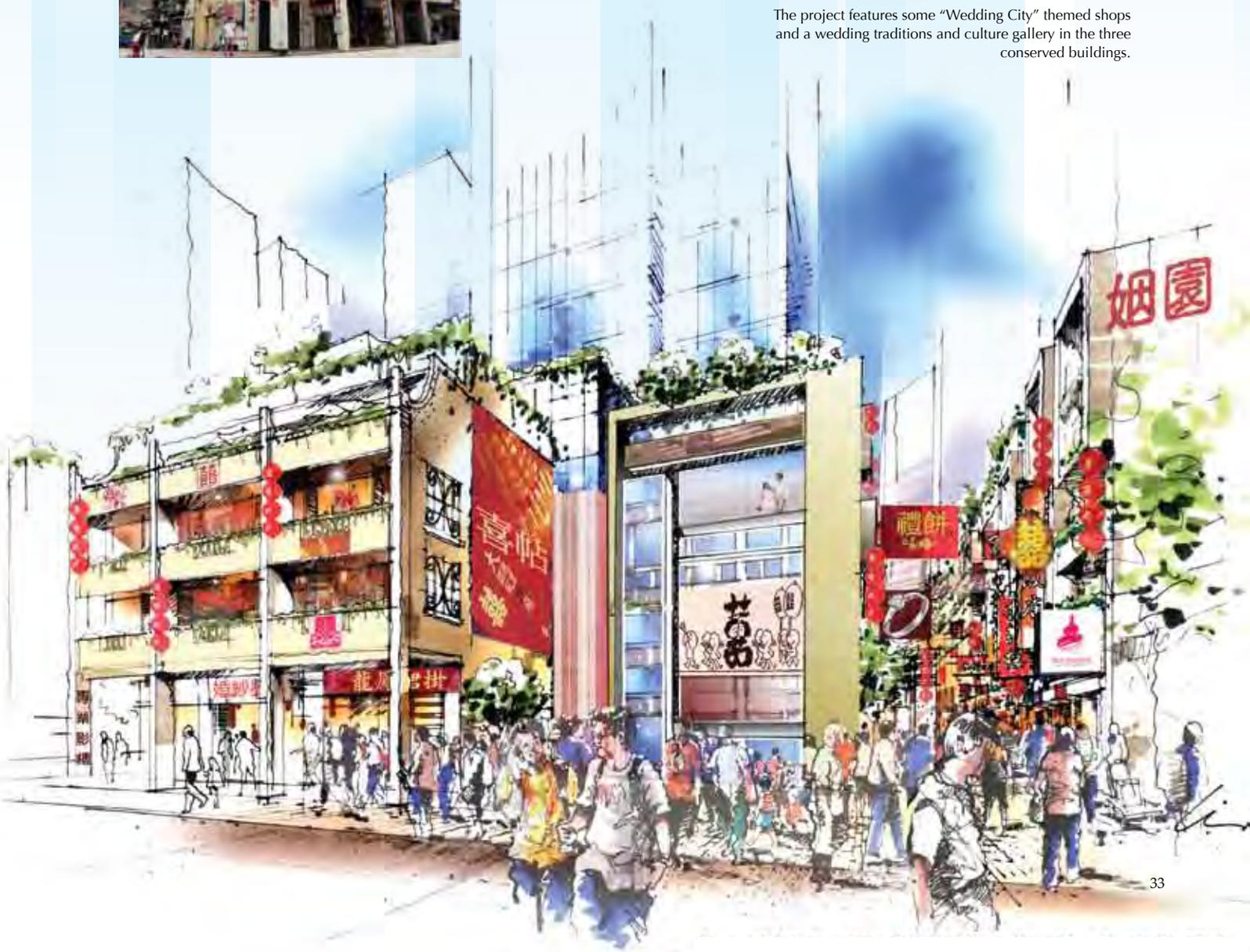
Lee Tung Street/McGregor Street

In May 2007, the MLP was approved by the TPB. Subsequently, in December 2007, the URA unveiled our plans to 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. In addition, there will be 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. During the year, demolition was also completed. In April 2008, the road proposals, including closure of Lee Tung Street, was gazetted. In due course, expressions of interest in joint venture development of the site will be invited.



Three Cantonese verandah shophouses will be conserved for adaptive re-use.

The project features some “Wedding City” themed shops and a wedding traditions and culture gallery in the three conserved buildings.



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, the URA took a fresh look at the way forward for redevelopment of this site. In due course, 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 at the end of April 2008, following which it was approved on 20 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 current community's 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.



The Wan Chai Market Building (present)



Core elements of the Wan Chai Market building will be preserved in-situ.

Sales of New Flats in Projects

During the year, the Authority and its joint venture partners have continued with the flat sales of joint venture developments launched earlier, including the sale of the remaining flats in Vision City, and the sales re-launches of The Zenith and The Merton in the first quarter of 2007. With the improvement of the residential market sentiment during the year, these flat sales achieved positive results. In total, over 1,350 flats, mainly in these developments, were sold during the year. The sale of all of the remaining 165 flats in The Merton was completed, while less than 60 flats were left unsold in the other two developments.

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 some 750 property interests and almost 1,240 households comprising almost 2,370 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 use. In addition, the HKHS has commenced 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 between the URA and HKHS in July 2003, the HKHS also continues to rehouse eligible tenants affected by the 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 June 2007, the Hong Kong Housing Authority continues to rehouse eligible tenants affected by the URA projects in public rental housing units at an agreed cost per unit.

Operating Review

pReservation

Rehabilitation

Revitalisation

Redevelopment



A row of four Cantonese verandah shophouses including the Wo Cheong Pawn Shop has been revitalised for adaptive re-use.



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

pReservation

This has been a productive year in terms of preservation. One highlight was the completion of the preservation, adaptation and re-opening as restaurants and retail outlets, in early 2008, of the five shophouses incorporated into the Johnston Road project, J Residence. In addition to these five, the URA is also in the process of preserving more than 20 other buildings, in consultation with the Antiquities & Monuments Office (AMO) on the plan for their respective adaptation and re-use. This is more than any other organisation in Hong Kong.

Building upon this and encouraged by the Chief Executive of the HKSAR's Policy Address in October 2007 to extend the conservation work of the URA to cover pre-war shophouses, the URA conducted a consultancy study of pre-war verandah-type shophouses. After taking into account, inter alia, the heritage value of different shophouses, the practical issues, and potential for adaptive re-use, the URA announced a conservation strategy comprising a range of approaches for application to shophouses depending on their different levels of heritage value in March 2008. Priority is being given to preparing and submitting to the TPB draft DSPs covering 20 shophouses of outstanding heritage value with a view to ensuring their long term protection. Action plans for the potential preservation of a further 28 shophouses of lower but, nevertheless, significant heritage value, are also being drawn up.

Operating Review



Current and former URA Chairmen, Board Members and Managing Directors as well as LDC's Board Members join Mrs Carrie Lam, Secretary for Development (centre) at the completion ceremony of the Johnston Road redevelopment cum preservation project.

In addition, an innovative conservation-paramount design has been adopted for the Nga Tsin Wai Village project in order to preserve as many authentic village structures and elements as possible within a conservation park. As part of the approved MLP for the Peel Street / Graham Street project, three pre-war shophouses along Graham Street will be preserved for adaptive re-use, as well as the façade of the Wing Woo Grocery. Elsewhere, as part of the approved MLP for the Yu Lok Lane / Centre Street project, the opportunities to retain many of the character defining elements of the old pre-war tenement buildings within the new open space along Yu Lok Lane are being studied in the preparation of the Landscape Master Plan which is now underway.

The Conservation Plan for the preservation and adaptive re-use of the six pre-war shophouses in our Mallory Street / Burrows Street project have been agreed with the AMO in principle. The Conservation Plan for the three pre-war shophouses in our Lee Tung Street/McGregor Street project is being finalised in consultation with the AMO. In preparing these two plans, the URA is drawing on the practical experience which URA gained in preserving and adapting the five shophouses in the Johnston Road project.

In Wan Chai, as reported earlier, in response to the wishes of the community, the URA negotiated a revised development plan for Site C of the Tai Yuen Street/Wan Chai Road project to enable the core elements of the Wan Chai Market building to be preserved.

Elsewhere, the MLP of the Staunton Street/ Wing Lee Street project is based on a heritage study, public views and aspirations expressed at a community workshop and the advice of the Central and Western District Council. Amongst its features, the MLP includes the conservation of the existing streets/lanes, as well as conservation of Bridges Street Market and some existing old tenement buildings.



The revitalised shophouses are put to adaptive re-use.

Operating Review



The shophouse at No.18 Ship Street has been restored and turned into a Chinese restaurant.



Operating Review

Rehabilitation

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Rehabilitated buildings with thematic colour designs in Tsuen Wan.



The URA provides technical advice to those buildings joining its rehabilitation schemes.



Rehabilitation

In 2007/08, the URA managed to help 115 buildings, comprising about 7,160 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 by Government departments and public bodies e.g. Home Affairs Department and Hong Kong Housing Society. We publicised the benefits of building rehabilitation and common issues related to it through seminars, articles to professional journals and media interviews.

Between 2004, when our rehabilitation schemes were rolled out and the end of March 2008, over 450 buildings, covering some 36,000 units, in our URA Building Rehabilitation Scheme Areas had joined

Operating Review



URA participates in the annual Building Safety Carnival jointly organised by the Buildings Department, Hong Kong Housing Society and the URA.

these schemes, with over \$152 million in loans and grants being approved to enable rehabilitation works to be carried out on the buildings concerned. Of this amount, about \$47 million was handed out by the URA in loans and grants during the 2007/08 year alone.

More fresh looking buildings with thematic colour designs are appearing in our Action Areas as a result of our rehabilitation work. In 2007/08, in addition to the technical advice offered to owners' corporations, we provided design services to over 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 Stone Nullah Lane in Wan Chai, Tam Kung Road in Ma Tau Kok and Mut Wah Street/ Shui Wo Street in Kwun Tong, in order to uplift the appearances of entire neighbourhoods by use of coordinated colour designs for their external appearances.

Looking ahead, the URA stands ready to assist the Government and the HKHS in implementation, within the URA's Action 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.





The Tsuen Fung Building in Tsuen Wan after rehabilitation work.



Cluster of coordinated colour designs in Tai Kok Tsui as a result of URA's rehabilitation efforts.



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Revitalisation

Rehabilitation

Redevelopment

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A new hub of community activities in Sheung Wan.



Street improvement works in Yeung Uk Road, Tsuen Wan (left) and Minden Road, Tsim Sha Tsui (right).

Revitalisation

In the past year, the URA has both built and continued with the design of several revitalisation initiatives at the same time as starting various new revitalisation studies and programmes which will widen and enhance the community benefits of redevelopment, rehabilitation and preservation. The success of this revitalisation programme is in no small way due to the support of the community which the URA has sought and been given through the District Councils combined with the close co-operation of key Government Departments such as Highways Department, Transport Department and the Leisure and Cultural Services Department.

In Tai Kok Tsui in Kowloon, where the URA has focussed much of its rehabilitation efforts, improvement works on new paving, street furniture, lighting and greening in Ivy Street, Fuk Tsun Street and Tai Kok Tsui Road were completed in late 2007.



At the same time, similar area-wide improvements were completed along a section of Hanoi Road around the URA Hanoi Road redevelopment project and along Minden Road which connects the project with the East Tsim Sha Tsui MTR station.

Following the completion last year of improvement works on Ho Pui Street near the Tsuen Wan Town Centre project, detailed designs are now being finalised for 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 redressing the carriageway, other improvements include widening 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 with works in Tai Kok Tsui due to commence shortly. 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.



Sheung Wan Fong revitalisation project near the Western Market brings new life to the district.

In Mong Kok, detailed designs are also being completed for the upgrading of Nelson Street between the Macpherson Indoor Stadium and Sai Yee Street projects.

On Hong Kong Island, improvement works began in November 2007 on Tung Street in Sheung Wan which links the earlier revitalisation of Sheung Wan Fong and the recently enhanced Hollywood Road. Notably, this initiative has been implemented with minimum disturbance to the business operations of the established market stalls along Tung Street.

In response to the Chief Executive's 2007/08 Policy Address and Initiatives in October 2008, we are working closely with the Development Bureau and the Wan Chai District Council and the Old Wan Chai Revitalisation Initiatives Special Committee in preparing a district-based approach to the development and revitalisation of Wan Chai. This new programme will build upon the work started in previous years in the URA's Wan Chai Master Thinking and Plan. Meanwhile, in Sheung Wan which is home to several URA projects, the URA has itself commenced a fresh area improvement plan with an emphasis on strengthening linkages, including designing and laying out a new heritage trail which will highlight the many historical features of the district.



Present view of Chung On Street.



Proposed design of street beautification work for Chung On Street.



Local leaders and residents of the Sham Shui Po community gather at a workshop on urban regeneration.

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 2007/08 include devising a 'Sports Retail City' theme for the Sai Yee Street project, a 'Conservation Paramount' theme for Nga Tsin Wai Village, an 'Old Shop Street' theme and on-street market preservation for Peel Street/Graham Street, a 'Wedding City' theme for Lee Tung Street/ McGregor Street, and a 'Core Elements Preservation' approach in regard to Wan Chai Market building. 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 revitalisation in Wan Chai.

In addition, a number of compensation policy enhancements were introduced in November 2007. To help to retain the social networks of residents, owner-occupiers of domestic units affected by redevelopment projects are being offered 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. 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. 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, the 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, the 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. In particular, space has 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.

The 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.



The first meeting of the newly established URA Kowloon City District Advisory Committee.



A social service team member visits a resident in Sai Yee Street project.

Community Engagement

Intensive community development efforts continue to be made 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 Authority reaches out to all residents groups, concern groups, local consultative bodies, 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.

The Authority is fully aware of the importance and benefits of effective community relations and reaches out to the communities in the Authority's action areas as an integral part of our people-oriented community participation strategy. During the year, the Authority 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. In addition, the URA's Board Chairman, Managing Director and other representatives of the Authority, participated in various community engagement activities including workshops, goodwill visits and residents' meetings.

Public Relations

During the year, a structured, message-driven media programme was developed to enhance the image of URA as an open, transparent and highly accountable organisation. Our Chairman now often meets the press after relevant Board meetings to announce broad 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 details of URA's policies, the reasons for URA's actions and decisions, the progress with respect to implementation of projects and other matters.

Our public hotline service, neighbourhood centres and Kwun Tong office handled some 8,200 enquiries and requests for assistance as well as five complaints. We fully met our performance pledge to provide same-day replies for 95 percent of all enquiries, five-day replies for 90 percent of all requests, and 14-day replies for 90 percent of all complaints. The one-stop hotline service between the URA, HKHS and Buildings Department also provided an effective means of handling public enquiries and requests for building rehabilitation and maintenance assistance.



URA Chairman Mr Barry Cheung talks to the media on URA's new preservation initiative.

To maximize the publicity of URA's rehabilitation schemes, we joined hands with the Buildings Department and HKHS, in October 2007, to organise the Building Safety Carnival in Victoria Park which attracted over 20,000 visitors.

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 18,200,000 hits, an increase of 17% compared to the previous year.

To enhance understanding of the URA's mission and vision, our Chairman and Managing Director have delivered various speeches and presentations on urban renewal to business, professional and academic groups. The Authority also participated in the three-month Hong Kong and Shenzhen Bi-city Biennale of Urbanism/Architecture 2007, exhibiting the URA's 4Rs work. In addition, URA's preservation work was featured in an exhibition as part of the Government's Public Awareness Campaign on Heritage Preservation.

Meanwhile, the URA has exchanged views with a number of delegations hailing from various regions, including Thailand, South Korea, Vietnam, Taiwan, Indonesia and Singapore as well as Mainland provinces and cities such as Jiangsu, Anhui, Gansu, Wuxi and Shenzhen.



Members of the URA Staff Club for 2007/08 together with URA senior management.

Human Resources

During 2007/08, many human resources programmes and activities of the Authority were updated to ensure that we are able to attract, retain and motivate our talents to perform their roles in an environment of ever changing demands and requests. This, together with the most robust employment market experienced in the last 10 years, presented us with challenges in ensuring the availability of sufficient and appropriate manpower resources to support the achievement of our corporate vision, mission and objectives. The Authority has met these challenges by continuing to work on the following areas to provide an environment that supports and facilitates individual staff members in performing their roles.



Performance and Remuneration

To uphold the performance-driven culture of the Authority, we continued to reward good performers by applying a wider range of pay adjustments to allow flexibility and higher awards where merited. Overall, URA adjusted its salaries by an average of about 4.5% with effect from 1 April 2008 in line with prevailing market conditions. In addition, the performance review system used to assess our junior staff was revised to make it more supportive. In the year to come, further efforts will be made to enhance the performance management system, the effectiveness of which is crucial for a performance-driven culture to function.



Activities organised by the Staff Club include Dragon Boat Racing (up) and Oxfam Trailwalker.

To ensure that they are up-to-date and in line with the Authority's strategic direction, a number of URA's human resources policies were reviewed and fine-tuned during the year. These included the medical and related benefit programmes, following review of which, an insurance-based programme was introduced to replace the previous panel doctor programme.

Operating Review

Organisation and Staffing

The organisation continued to grow in 2007/08 from 265 to 275 staff members to cope with increases in workloads and the complexity, scale and significance of the many projects underway and being planned. Most senior positions in the Authority were successfully filled during the year. Where appropriate, our permanent staff resources and expertise were complemented by the use of individual consultants, temporary staff, part-time use of ex-staff and appointment of experts to committees and/or task forces. To ensure continuity and to enhance staff commitment, all staff of the Authority, except for those at Director level and above, became employed on open-ended rather than fixed term contracts.



URA staff members participate in a training course on “effective team building”.

Training

The year 2007/08 witnessed the establishment of a more structured training and development plan where competency-based training programs were identified and rolled out. To cope with the growth of the organisation and recruitment of new staff, induction programmes were enhanced to ensure that all staff are equipped with the necessary job specific skills and knowledge to function within their new roles.

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, strategic thinking and business planning which are considered crucial to establishing and maintaining a forward looking and strategic work force. In total, 14 training courses were held. We also continued to utilise on the resources of the Civil Service Training and Development Institute, with our staff members attending 24 of their courses during the year.



Staff communication and sharing session is held on a regular basis.

Staff Communications

The Authority 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 continued to be held coupled with appropriate briefings on specific human resources and operational topics. Where reviews were conducted in areas of concern to staff, task force/working groups and focus groups were organised to ensure staff participation.

Regular updates and information sharing sessions on topics such as wellness of employees, coupled with the introduction of an Employee Assistance Programme, were organised to help staff to maintain their physical and mental wellness to face the challenges and stresses of work. This also strengthened our image as a caring employer.

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 utilise their leisure in a worthwhile manner. A total of 22 well received activities were arranged. A significant number of awards were won by URA staff in various sports activities, including the Corporate Games and the Standard Chartered Hong Kong Marathon.

Staff turnover continued to be relatively low compared to the market but inevitably increased during the year in view of the generally positive changes in the macro environment. The overall staff turnover rate increased from 10.61% in 2006/07 to 13.7% in 2007/08. Over the same period, the turnover rate for senior staff also increased, from a modest 10.39% in 2006/07 to 14.29% in 2007/08, although this was still lower than the 17.8% in 2005/06.

Operating Review

Financial Resources

Capital Injection

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.

Financial Position and Funding Requirements

The Authority's net assets value as at 31 March 2008 was \$14.4 billion. This comprised a capital injection totalling \$10 billion from the Government and an accumulated surplus from operations of \$4.4 billion. The surplus was achieved mainly because of the improved condition of the property market, and our ability to seize the opportunity to invite joint venture partners for most of our redevelopment projects during the market upturn, interest income earned from bank balances and the URA's prudent financial management.

As at 31 March 2008, the URA's cash and bank balances totalled \$10.9 billion. At the same date, URA's estimated outstanding commitments in respect of projects under acquisition stood at \$7.2 billion. The surplus cash was placed as term deposits ranging from 1 to 12 months and invested in structured deposits for a range of maturity periods with a number of financial institutions after taking into account market conditions, interest rate trends and the Authority's approved investment guidelines. URA had no borrowings in the 2007/08 financial year. An investment manager was selected by the end of 2007/08 through a tender exercise to manage a portion of the URA's surplus funds after the year-end with a view to improving interest yield.

The URA estimates in its 2008 to 2013 Corporate Plan that a total expenditure of about \$30 billion, excluding operational overheads, will be required by 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 2008. This expenditure covers the full range of URA's 4Rs work in redevelopment, preservation, rehabilitation and revitalisation. Among the redevelopment projects are several major ex-LDC projects which are described under the Redevelopment Section above and which include the Kwun Tong Town Centre project, which is the largest project ever undertaken by the URA. It, therefore, requires an exceedingly large outlay for acquisition. In addition, URA has recently launched an extensive new programme of preservation of pre-war shophouses. Therefore, URA envisages in its Corporate Plan that URA will have to seek external financing, such as bank borrowings, in order to implement its 4Rs Plans over the next five years.

Moreover, when implementing its urban renewal programme, the Authority is necessarily exposed to risks arising from property market fluctuations. Its financial position is also affected by the outcome of individual projects launched at different times of property cycles. In recent years, acquisition costs have increased significantly, bringing with them increased development risks for URA. 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.

The financial highlights of the past few years are summarized on page 83 of this Annual Report.

Operating Surplus for the Year

In 2007/08, we recorded a net operating surplus of \$2.1 billion against \$0.8 billion in the previous year. This surplus was mainly contributed by additional revenue being realised from certain projects as a result of the upturn of the property market and their respective deal structures. Moreover, the URA has had to write down \$1 billion for the Sai Yee Street project in 2007/08 and currently anticipates having to write down about \$2 billion in 2008/09 for the Kwun Tong Town Centre project.

Cost Control

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 during 2007/08, the URA's annual administrative expenses increased by about \$33 million to \$238 million during the 2007/08 financial year, owing to the needs to upgrade equipment, capacity, expertise and office space accordingly, to meet the full year costs of improvements made during 2006/07, and to make increased provision for depreciation. With the implementation of the Kwun Tong Town Centre project, the staffing level increased from 265 as at 31 March 2007 to 275 as at 31 March 2008.

The URA keeps its financial and administrative systems and procedures under review and updates and improves them whenever appropriate. Apart from statutory audit, the URA's Internal Audit Department conducts regular reviews. During 2007/08, the URA conducted a comprehensive internal control and risk management review covering operational risks pertaining to the functional areas of its 14 divisions and departments. Subsequently, treatment plans were formulated and implemented to enhance the URA's existing internal control and risk management framework. In addition, the URA seeks the advice of the ICAC's Corruption Prevention Department whenever necessary with respect to its policies and procedures in order to minimise the risks of abuse or misinterpretation.

Operating Review - URA Project Highlights

		Project Site Information				Project Development Information					
Project Name	Development Name	Area m ²	Existing GFA m ²	Buildings	Population	Total GFA m ²	Residential Flats	Commercial Space m ²	Other Uses m ²	G/IC GFA m ²	Open Space m ²
(a) URA projects launched up to 31 March 2008 by URA											
1	Anchor Street / Fuk Tsun Street, Tai Kok Tsui	726	5226	6	257	6534	0	6534			
2	Chi Kiang Street / Ha Heung Road, To Kwa Wan	928	3772	5	270	8352	116	1392			
3	Pak Tai Street / Mok Cheong Street, Ma Tau Kok	776	3348	5	253	6984	92	1164			
4	Sai Yee Street, Mong Kok	2465	14434	14	498	22185	196	8241			
5	Nga Tsin Wai Village, Wong Tai Sin	4637	2051	36	154	37097	580	2319			1400
6	Peel Street / Graham Street, Sheung Wan	5320	20219	37	823	68620	293	46260			1000
7	Kwun Tong Town Centre, Kwun Tong	53500	105124	24	4763	401250	2000	209640	15700	16300	8700
8	MacPherson Stadium, Mong Kok	2399	2788	1	0	24768	254	2443		5620	
9-11	Hai Tan Street / Kweilin Street & Pei Ho Street, Sham Shui Po	7440	25344	37	1233	66960	784	9930		2200	1500
12	Fuk Tsun Street / Pine Street, Tai Kok Tsui	536	4071	3	272	4824	72	804			
13	Yu Lok Lane / Centre Street, Sai Ying Pun	2156	4140	14	270	17320	270	245			1100
14	Mallory Street / Burrows Street, Wan Chai	780	2687	5	122	2140			2140		300
15-16	Lai Chi Kok Road / Kweilin Street & Yee Kuk Street, Sham Shui Po	3345	13197	17	540	30106	384	4923			580
17	Pine Street / Anchor Street, Tai Kok Tsui	2328	11802	12	520	20952	304	3492			450
18	Larch Street / Fir Street, Tai Kok Tsui	2195	10332	12	594	19753	368	3292			
19	Lee Tung Street / McGregor Street, Wan Chai	8220	36534	52	1611	79697	1313	9637		2112	3000
20	Baker Court, Hung Hom	277	834	2	9	2164	24	246			
21	Bedford Road/ Larch Street, Tai Kok Tsui	1229	6313	7	280	10370	187	1154			
22	Staunton Street / Wing Lee Street, Sheung Wan	3563	5265	24	288	20930	216	3809			625
23	Queen's Road East, Wan Chai	378	1806	5	25	3985	96	445			
24	First Street / Second Street, Sai Ying Pun	3536	15690	30	777	38030	496	1717		2199	700
25	Po On Road / Shun Ning Road, Sham Shui Po	1394	4898	8	327	12534	166	2083			250
26	Reclamation Street, Mong Kok	535	2411	4	122	4921	85	802			
27	Cherry Street, Tai Kok Tsui	4510	14416	33	1020	43231	522	4916		1849	
28	Fuk Wing Street / Fuk Wa Street, Sham Shui Po	1384	5129	8	246	12453	173	2075			255
29	Johnston Road, Wan Chai	1970	7640	21	333	20567	381	2600			
Sub-Total (A)		116527	329471	422	15607	986727	9372	330163	17840	30280	19860

Operating Review - URA Project Highlights

Remarks	Status
Commercial space is for 200 room hotel	Project commencement gazetted on 07/03/2008 Draft DSP gazetted on 25/07/2008 for public consultation
	SDEV authorized URA to proceed on 18/07/2008
	SDEV authorized URA to proceed on 18/07/2008
	Project commencement announced on 21/12/2007 Property acquisition in progress
	Project commencement announced on 02/10/2007 Property acquisition in progress
Commercial space includes 1,260m ² for multi-purpose activity hall, 300m ² for social enterprises and 8,950m ² for 182 room hotel	MLP approved by TPB in 05/2007 Property acquisition in progress
Other use is 15,700m ² for Public Transport Interchange Area	Project commencement gazetted on 30/03/2007 2 DSPs approved by CE in Council on 15/07/2008 2MLPs under preparation for submission to TPB Property acquisition scheduled to start in 12/2008
G/IC is for Indoor Stadium and Youth Centre	Development agreement executed with HKPA Joint venture development contract awarded
Three projects taken forward as one G/IC is for unspecified reserve	DSP approved by CE in Council on 03/06/2008
	Clearance in progress
Commercial space includes 76m ² for community use	MLP approved by TPB in 09/2007 Property acquisition in progress
Other use is 2,140m ² for cultural and creative industries	Resumption in progress
Two projects taken forward as one Commercial space includes 390m ² for social enterprises	Resumption in progress MLP approved by TPB in 01/2008
	Joint venture development contract awarded
Commercial space includes 1,000m ² for social enterprises	Estimated completion of construction in late 2011
Commercial space includes 968m ² 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 22/05/2007 Demolition completed Road closure gazetted on 25/04/2008
	Joint venture development tender awarded
	Estimated completion of construction in early 2009
	MLP submitted to TPB on 25/03/2008 Property acquisition in progress
	Estimated completion of construction in mid 2010
G/IC is for Residential Home for Elderly	Estimated completion of construction in late 2009
	Construction completed in April 2008
	Sales of flats under way
G/IC is for Residential Home for Elderly	Estimated completion of construction in late 2008
	Estimated completion of construction in late 2008
	Sales and leasing nearing completion

Operating Review - URA Project Highlights

			Project Site Information				Project Development Information					
Project Name		Development Name	Area m ²	Existing GFA m ²	Buildings	Population	Total GFA m ²	Residential Flats	Commercial Space m ²	Other Uses m ²	G/IC GFA m ²	Open Space m ²
(b) Projects launched up to 31 March 2008 by HKHS												
30	Stone Nullah Lane / Hing Wan Street, Wan Chai	Blue House	930	1796	9	57	1796			1796		230
31	Sai Wan Ho Street, Shau Kei Wan		712	3796	2	21	5791	88	631			
32	Shau Kei Wan Road, Shau Kei Wan		1870	9834	17	400	19756	291	3168			
33	Po On Street / Wai Wai Road, Sham Shui Po		2592	9923	19	528	21219	326	891		2648	
34	Castle Peak Road / Cheung Wah Street, Sham Shui Po		1000	5935	10	158	9000	149	1500			
35	Castle Peak Road / Un Chau Street, Sham Shui Po		2609	14193	22	496	23482	356	3914			150
36	Un Chau Street / Fuk Wing Street, Sham Shui Po		2222	10114	22	362	19998	312	1133		2200	150
37	Castle Peak Road / Hing Wah Street, Sham Shui Po		1382	8286	11	344	12438	180	2073			
Sub-Total (B)			13317	63877	112	2366	113480	1702	13310	1796	4848	530
(c) Ongoing projects taken over from ex-LDC												
38	Yeung Uk Road, Tsuen Wan		7230	NA	0	0	43854	256	17373			
39	Hanoi Road, Tsim Sha Tsui		8299	27309	20	220	102626	345	31209	25764		1219
40	Tsuen Wan Town Centre, Tsuen Wan	Vision City	20300	56851	22	7119	130199	1466	23221		3080	3700
41	Tai Yuen Street / Wan Chai Road, Wan Chai	The Zenith	6781	12555	31	975	62310	904	3441		6330	
42	Ka Wai Man Road, Kennedy Town	Mount Davis 33	728	NA	0	0	7280	89				
43	Queen Street, Sheung Wan	Queen's Terrace	7964	25792	50	648	66271	1148	400		5254	1200
44	Kennedy Town New Praya, Kennedy Town	The Merton	6075	24808	15	1683	62904	1182				2300
45	Waterloo Road / Yunnan Lane, Yau Ma Tei	8 Waterloo Road	3869	6610	19	444	35007	576				1650
46	Argyle Street / Shanghai Street, Mong Kok	Langham Place	11976	40810	58	2603	167419	0	160870		6548	1100
47	Kwong Yung Street, Mong Kok	Paradise Square	1607	4190	10	272	15160	272	2414			
Sub-Total (C)			74829	198925	225	13964	693030	6238	238928	25764	21212	11169
Grand Total (A) + (B) + (C)			204673	592273	759	31937	1793237	17312	582401	45400	56340	31559
Note * : In this table, a project is deemed to be completed once all accommodation has been sold, leased out or distributed between joint venture partners												

Operating Review - URA Project Highlights

Remarks	Status
Part of revitalising historic buildings through partnership scheme	Property acquisition in progress
	Property acquisition in progress
	Demolition in progress
G/IC is for Residential Home for Elderly	Construction in progress
	Clearance and phased demolition in progress
	Clearance and phased demolition in progress
G/IC is for Residential Home for Elderly	Clearance and phased demolition in progress
	Application for demolition in progress
	Estimated completion of construction in early 2009
Other use is for 384 room hotel	Estimated completion of construction in late 2008
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 June 2008 Construction at Site C expected to commence in late 2008 for completion in late 2012
	Project completed in 2007/2008 *
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 2007/2008 *
	Project completed in 2007/2008 *
	Project completed in 2007/2008 *
Commercial space includes 41,467m ² for 686-room hotel, 65,542m ² for offices and 53,861m ² for retail G/IC includes Cooked Food Centre and transport and community facilities	Project completed in 2005/2006 *
	Project completed in 2005/2006 *

Corporate Governance

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.

The Board

The URA Board consists of the Chairman and 24 other members from diverse backgrounds - academia, business, government (Directors of Buildings, Home Affairs, Lands and Planning), legal, political (three Legislative Council members), property, architecture, surveying and social work. The Board includes the URA's Managing Director, who is by law the Deputy Chairman, and two Executive Directors. The Board met on 9 occasions between April 2007 and March 2008.

Committees

The Board has established six Committees to pursue the purposes of the Authority. Each operates within its specific terms of reference. The Committees comprise both Board members and co-opted members. Details of the Committees are 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 on land and property matters, 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

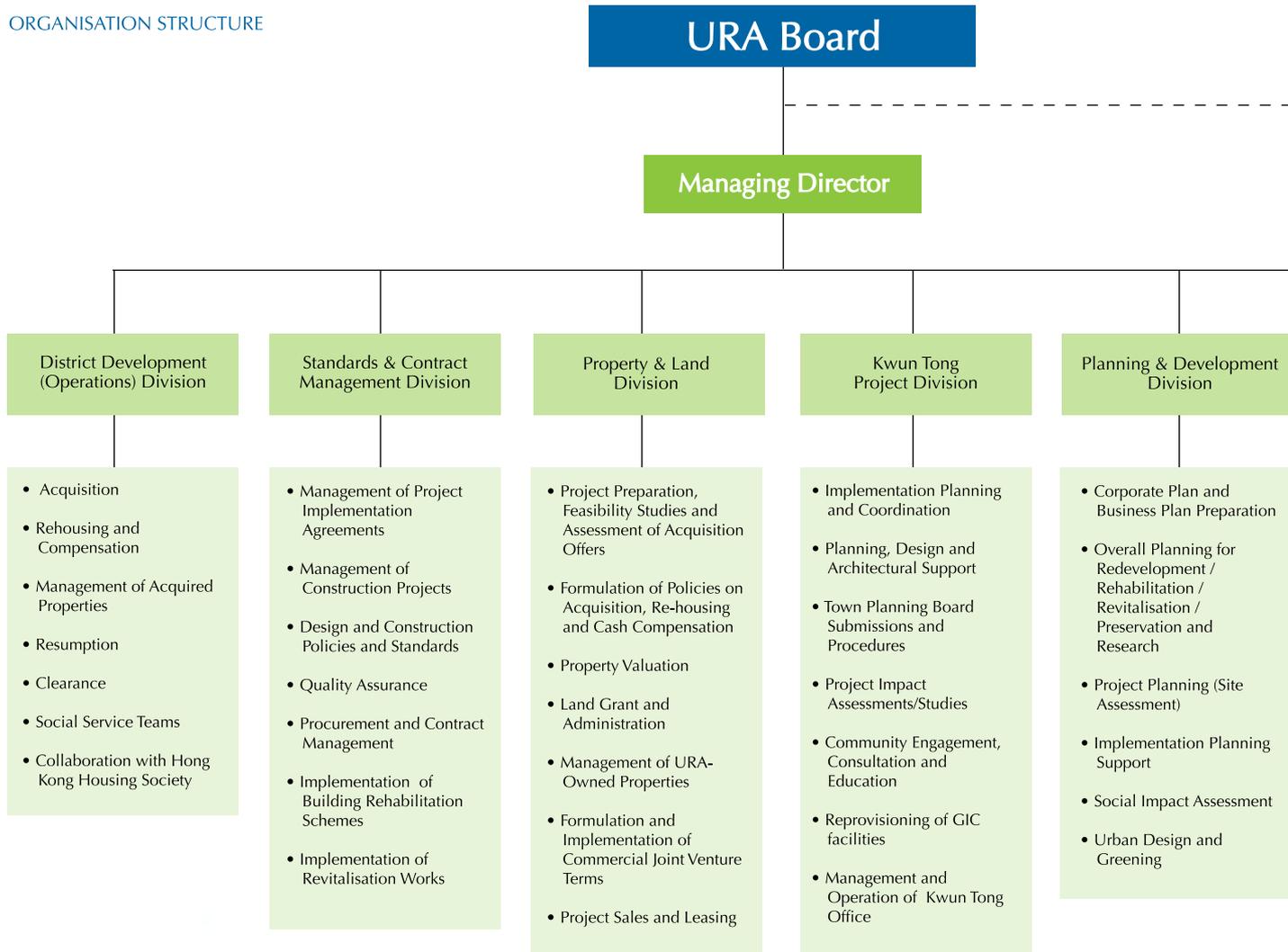
- Selection of projects in the Five-year Corporate Plan and Annual Business Plan
- Endorse Development Scheme Plans and Development Projects
- Recommend submission of Development Scheme Plan to the Town Planning Board
- Planning development parameters and design issues
- Conservation proposals
- Revitalisation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

Review Committee

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

Remuneration Committee

- Principles and guidance for the remuneration packages of senior and general staff
- Organisation effectiveness
- Human resources policies



Stephen LAM Wai Nang
District Development Director
(Standards & Contract Management)

Joseph LEE King Chi
District Development Director (Operations)

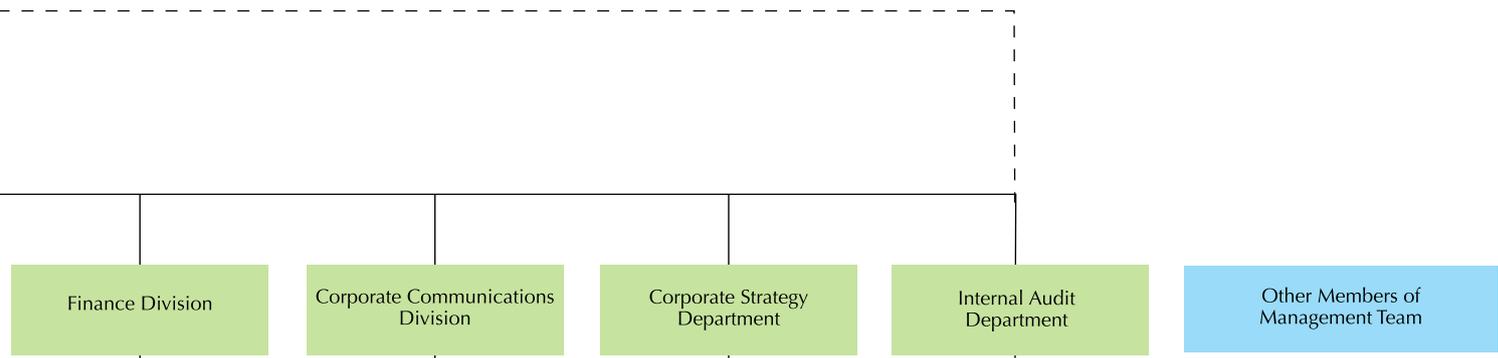
William WAN Shiu Wah
Director, Property and Land



Michael MA
Director, Planning and Design

Ernest LEE Shu Wing
Project Director, Kwun Tong

Iris TAM Siu Ying
Executive Director, Planning and Development



- Finance Division**
- Human Resources & Administration
 - Financial Planning & Management
 - General Accounting
 - Treasury and Funding
 - Corporate Secretarial
 - Legal Advisory
 - Information Technology

- Corporate Communications Division**
- Communication with Stakeholders
 - Community Engagement Strategy, Programmes and Projects
 - District Advisory Committees
 - Corporate and Operational Information Dissemination
 - Press Relations
 - Publicity and Promotions
 - Public Enquiries, Requests for Assistance and Complaints
 - Local and Overseas Visitors

- Corporate Strategy Department**
- Formulation and Review of Corporate Strategies, Policies, Plan and Procedures

- Internal Audit Department**
- Operational & Value-for-Money Audits

Other Members of Management Team

- Ghulam Rasul BUTT**
General Manager, Property and Land
- Freda CHAN Yin Hing**
General Manager, Internal Audit
- Eric CHOI Yan Sang**
Head of Community Development
- John Stanley CORRIGALL**
Consultant, Lands Matters
- Jeannie Ching Yee FONG**
General Manager, Human Resources & Administration
- Hiroshi IKEGAYA**
General Manager, Planning and Development
- Daniel HO Chi Wai**
General Manager, Standards and Contract Management
- 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, Standards and Contract Management
- Lawrence TANG Kwan Lam**
General Manager, Standards and Contract Management
- Roger TANG Man Hung**
General Manager, Kwun Tong
- Angela TANG Sin Yu**
General Manager, External Relations
- Ellen WONG Lai Kuen**
General Manager, District Development
- Ian WONG Wai Kuen**
Head of Acquisition
- YEUNG Hung Hay**
Engineering Advisor



Lawrence YAU Chung Hok
Director, Corporate Communications

Quinn LAW Yee Kwan
Managing Director

Pius CHENG Kai Wah
Director, Legal Services

Vision & Mission

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

To realise 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 revitalise through enhancing and strengthening the socio-economic and environmental fabric for the benefit of our urban communities.

Members of the Board and Profiles

Chairman : Mr Edward CHENG Wai-sun, SBS, JP
(up to 30 April 2007)
Mr Barry CHEUNG Chun-yuen, JP
(from 1 May 2007)

Managing Director : Mr Billy LAM Chung-lun, GBS, SBS, JP
(up to 31 December 2007)
Mr Quinn LAW Yee-kwan
(from 1 March 2008)

Executive Directors : Mr Quinn LAW Yee-kwan
(up to 29 February 2008)
Ms Iris TAM Siu-ying, JP

Non-Executive Directors (non-official) : Mr Victor CHAN Hin-fu
(from 1 May 2007)
The Honourable CHAN Kam-lam, SBS, JP
Mr Walter CHAN Kar-lok, SBS, BBS, JP
Professor Cecilia CHAN Lai-wan, JP
(up to 30 April 2007)
Mr Francis CHAU Yin-ming, MH
Mr Barry CHEUNG Chun-yuen, JP
(up to 30 April 2007)
Professor HO Pui-yin
(from 1 May 2007)
Mr IP Kwok-him, GBS, JP
(from 1 May 2007)
Mrs Peggy LAM PEI Yu-dja, GBS, SBS, OBE, JP
(up to 30 April 2007)
Mr Maurice LEE Wai-man, JP
The Honourable Alan LEONG Kah-kit, sc
(up to 30 April 2007)
The Honourable Fred LI Wah-ming, JP
Mr LO Chung-hing, SBS
Professor David LUNG Ping-yee, SBS, JP
Dr Isaac NG Ka-chui
Ms Agnes NG Ka-yin
(from 1 May 2007)
Mr NG Shui-lai, BBS, MBE, JP
(from 1 May 2007)
Miss Maria TAM Wai-chu, GBS, LLD, JP
(up to 30 April 2007)
Mr Peter TO
(from 1 May 2007)
Mr Aaron WAN Chi-keung, BBS, JP
Mr Stephen YIP Moon-wah, JP
The Honourable Howard YOUNG, SBS, JP
Dr Allan ZEMAN, GBS, JP

Non-Executive Directors (official) : Mr CHEUNG Hau-wai, JP Director of Buildings
Mrs Pamela TAN KAM Mi-wah, JP Director of Home Affairs
Mr Patrick LAU Lai-chiu, SBS Director of Lands
(up to 30 June 2007)
Ms Annie TAM Kam-lan, JP Director of Lands
(from 1 July 2007)
Mrs Ava NG TSE Suk-ying, JP Director of Planning

Members of the Board and Profiles



MEMBERS OF THE BOARD

FROM LEFT

Front row : The Honourable Fred LI Wah-ming, Mr Maurice LEE Wai-man, Mr Billy LAM Chung-lun (Managing Director, up to 31 December 2007), Mr Barry CHEUNG Chun-yuen (Chairman), Professor David LUNG Ping-ye, Mr LO Chung-hing, The Honourable CHAN Kam-lam

Back row : Mr Victor CHAN Hin-fu, Mrs Ava SY NG, Mrs Pamela TAN, Ms Agnes NG Ka-yin, Mr CHEUNG Hau-wai, Mr Peter TO, Mr IP Kwok-him, The Honourable Howard YOUNG, Mr NG Shui-lai, Mr Francis CHAU Yin-ming, Mr Stephen YIP Moon-wah, Ms Iris TAM Siu-ying, Mr Quinn LAW Yee-kwan

Members not in the group photo: Dr Allan ZEMAN, Mr Walter CHAN Kar-lok, Dr Isaac NG Ka-chui, Mr Aaron WAN Chi-keung, Professor HO Pui-yin, Ms Annie TAM Kam-lan

Members of the Board and Profiles



MEMBERS OF THE BOARD

FROM LEFT

Front row : Mr Walter CHAN Kar-lok, Honourable CHAN Kam-lam, Mr Quinn LAW Yee-kwan (Managing Director, from 1 March 2008), 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 SY NG, Mr CHEUNG Hau-wai, Mr Victor CHAN Hin-fu, Mr Stephen YIP Moon-wah, Mr IP Kwok-him, Mrs Pamela TAN, 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

Member 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

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 ICAC Subcommittee 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 Standing Commission on Civil Service Salaries and Conditions of Service, and a member of the Independent Police Complaints Council.

Mr Cheung was formerly Deputy Chairman of Titan Petrochemicals Group Limited. He was a former Chairman of the Corruption Prevention Advisory Committee of the ICAC and a former member of the Energy Advisory Committee. 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 Billy LAM Chung-lun, GBS, SBS, JP (up to 31 December 2007)

Mr Lam was appointed Managing Director of the Urban Renewal Authority in January 2002. Mr Lam is a graduate of the University of Hong Kong with a Master's Degree in Management Sciences from the Graduate School of Business at Stanford University, USA. A former civil servant, Mr Lam has worked in various areas, including housing, environment, land administration, financial services, procurement and major infrastructure projects. He had served as the Director of the Hong Kong Economic and Trade Office in San Francisco, Deputy Secretary for Monetary Affairs, Director of Government Supplies and Director of the New Airport Projects Co-ordination Office. He was seconded to the Airport Authority from 1998 to 2000 as its Chief Executive Officer.

Mr Quinn LAW Yee-kwan (from 1 March 2008)

Mr Law was appointed Managing Director of the Urban Renewal Authority effective 1 March 2008. 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 number of committees in the Hong Kong Institute of Certified Public Accountants and is

Members of the Board and Profiles

a member of the Advisory Board of Accounting Studies of the Chinese University of Hong Kong. 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.

In his previous employments, Mr Law had overseen different areas of operation: corporate and operation management, strategic and business planning, finance and administration, corporate services, investor relation, statutory and internal audit. His experience also covered a variety of industries including property investment and development.

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.

The Honourable CHAN Kam-lam, SBS, JP

The Hon Chan Kam-lam, who is Member of the Legislative Council (LegCo) (Kowloon East) and Member of the Chinese People's Political Consultative Congress (CPPCC), has been involved enthusiastically in community work with particular interests in the development of public housing. He is also Member of Hong Kong Housing Authority and Member of the Panel on Housing of LegCo at present.

The Hon Chan is incumbent Chairman of the Panel on Financial Affairs of LegCo as well as Member of the Hong Kong Mortgage Corporation Limited (HKMC) and Non-executive

Members of the Board and Profiles

Director of Securities and Futures Commission (SFC). He was a director of the Exchange Fund Investment Limited (EFIL).

Besides, the Hon Chan was commissioned as a member of the Advisory Committee on Corruption under the Independent Commission Against Corruption (ICAC). He was a former member of Kwun Tong District Council and former Council Member of the Chinese University of Hong Kong respectively.

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, Guardianship Board and Solicitors Disciplinary Tribunal Panel.

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 organisations.

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.

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

Members of the Board and Profiles

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.

Mr IP Kwok-him, GBS, JP

Mr Ip Kwok-him is the Executive Secretary of Hon Wah Education Organisation. He is presently a Hong Kong Deputy to the 11th National People's Congress and a Deputy Chairman of the Democratic Alliance for the Betterment and Progress of Hong Kong, member of Central & Western District Council (Kwun Lung). 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 Transport Advisory Committee.

Mr Ip had been a member of the 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 Maurice LEE Wai-man, JP

Mr Maurice Lee is the principal of Maurice W M Lee Solicitors in Hong Kong. Mr Lee is a practising lawyer in Hong Kong, a registered lawyer in UK, Singapore and Australia, a Foreign Law Consultant of Hawaii and China-appointed Attesting Officer in Hong Kong. He is also an appointed Civil Celebrant of Marriages for the Hong Kong SAR Government.

Mr Lee is a member of the Chartered Institute of Arbitrators, Hong Kong Securities Institute, Association for Conflict Resolution in USA, Panel of Mediators of the Law Society of Hong Kong, Hong Kong Mediation Council and the ADR Committee of the Law Society of Hong Kong. He was also a Council Member of Hong Kong Institute of Arbitrators and the ex-President of the Hong Kong Mediation Centre. Mr Lee is an Arbitrator of the Guangzhou, Dalian, Weihai, Suzhou, Shenyang, Huizhou, Liuzhou, Nanjing & Zhuhai Arbitration Commission in PRC and the Honorary Advisor of the China Chamber of International Commerce Harbin Conciliation Center in PRC. Mr Lee is the Legal Advisor to the Government of Jiang Su Province.

In 1998 and 2000, Mr Lee was elected by lawyers in Hong Kong as one of the members of Chief Executive Election Committee (Legal Subsector) representing the legal profession. In 2002, Mr Lee was appointed as a member of Election Committee for Deputies to the

Members of the Board and Profiles

National People's Congress of the People's Republic of China. Mr Lee is now a member of the Social Workers Registration Board and the non-official member of Town Planning Board. He is also a Registered Investment Advisor with the Securities and Futures Commission. He is the Vice Chairman of the Arts Development Council and member of the Funding Committee for The Performing Arts of Hong Kong. He was a part-time Member of the Central Policy Unit of Hong Kong during 2007.

Apart from the above, Mr Lee also serves as the legal advisor of a number of organisations related to the creative and media industries, such as Hong Kong Interior Design Association, Hong Kong Screen Writers' Guild, Hong Kong Performing Artistes Guild, Hong Kong Film Directors' Guild, Hong Kong Televisioners Association, the Federation of Hong Kong Filmmakers, Hong Kong Association of Theatre Technicians & Scenographers and he is now the Director of Hong Kong Design Centre. He is also the legal advisor of the Hong Kong Exporters' Association.

The Honourable Fred LI Wah-ming, JP

The Hon Li is a member of the Legislative Council, the Deputy Chairman of the Legislative Council's House Committee and the Deputy Chairman of the Legislative Council's Panel on Food Safety and Environmental Hygiene. His public commitments include serving as a member of the Hong Kong Housing Authority, the Consumer Council, the Action Committee Against Narcotics, and the Committee on Sustainable Fisheries.

Mr LO Chung-hing, SBS

Mr Lo is currently General Manager of Bank of China (Hong Kong) Limited. He began his banking career in 1969. Mr Lo was appointed as a board member of the Provisional Airport Authority in 1994 and served as vice chairman of the Airport Authority from April 1996 to May 1999. He was a board member of the Hospital Authority from December 1997 to November 2005. Mr Lo was also a board member of MTR since September 1995. After MTR's privatization in October 2000, he continued his service as independent non-executive director until May 2008.

Professor David LUNG Ping-yee, SBS, JP

Professor Lung, an architect by profession, is Professor of Architecture and the United Nations Educational, Scientific and Cultural Organization (UNESCO) Chair in Cultural Heritage Resources Management at the University of Hong Kong, Chairman of Land and Building Advisory Committee, Chairman of Environment and Conservation Fund Committee and member of the Commission on Strategic Development of HKSAR.

Members of the Board and Profiles

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, Member 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.

Ms Agnes NG Ka-yin

Ms Agnes Ng Ka-yin is an architect with 25 years' experience in HK and PRC. She was the former managing director of Aedas Limited. She is now consultant to property developers.

Agnes has been actively involved in the Hong Kong Institute of Architecture (HKIA) as a Fellow member. She is the founding chairman of Hong Kong Architecture Centre, which is a charitable organization aimed at providing a platform to bridge the general public and architecture.

Her interest in sustainability of the built environment led to her election as the vice-chairman of HK-BEAM Society, which is responsible for green building labelling in Hong Kong. She was also appointed as an Authorized Person by the Buildings Department, as well as a member of the Structural Engineers Registration Committee and the Authorized Persons Registration Committee.

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, 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 Legal Aid Services Council, 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.

Members of the Board and Profiles

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.

Mr Aaron WAN Chi-keung, BBS, JP

Mr Wan is an associate of the Institution of Business Agents, the Land Institute (London), the Chartered Institute of Arbitrators and a fellow of The Institute of Administrative Accounting. He is engaged in the business of property valuation and property auction and has over 25 years' related experience. Mr Wan, a Justice of the Peace, was awarded the Bronze Bauhinia Star in 2004 for outstanding service over a long period of time. Currently, Mr Wan is an independent non-executive director of Lee & Man Holdings Limited and Emperor International Holdings Limited, companies listed on the Main Board of the Stock Exchange.

Mr Stephen YIP Moon-wah, JP

Mr Yip is a practising surveyor. He is currently a non-official member of the Housing Authority, a member of the Land and Building Advisory Committee and a member of the Transport Advisory Committee. He is also Vice-president of the Hong Kong Institute of Surveyors and a co-opted councillor of the Heung Yee Kuk, New Territories. He was formerly Chairman of the Hong Kong Surveyors Registration Board, Chairman of the General Practice Division of the Hong Kong Institute of Surveyors and also Chairman of Commission on Valuation and Real Estate Management of the International Federation of Surveyors.

The Honourable Howard YOUNG, SBS, JP

The Hon Young joined the Swire Group in 1968 after studying in UK. He has held positions in Shipping, Travel, China Trade and Aviation within the Group including being stationed in Beijing from 1986 to 1989. He was appointed by the Swire Group to Cathay Pacific Airways Ltd as General Manager, Hong Kong in 1989 and then General Manager, Industry & Hong Kong Affairs in 1992.

From 1978 to 1986, Mr Young was appointed as a Urban Council Member, also a District Council Member of Eastern and Sham Shui Po. In 1999 and 2003, he was elected as Southern District Council Member. He was a member of Basic Law Consultative

Members of the Board and Profiles

Committee, the Preparatory Committee and Selection Committee for the SAR of Hong Kong. He had been appointed as a committee member of Chinese Overseas Friendship Association since 2003 and appointed in 2008 as a committee member of the Chinese People's Political Consultative Conference (CPPCC).

The Hon Young was elected as a Legislative Councillor representing the Tourism Functional Constituency in September 1991 and remains the incumbent Legislative Councillor for that constituency.

The Hon Young was named one of the Outstanding Young Persons of Hong Kong in 1978, and was the Chairman of the Outstanding Young Persons Association from 1982 to 1986. He was appointed Justice of the Peace in 1993 and was awarded the Silver Bauhinia Star in 2003.

He is a member of the Tourism Strategy Group and Vocational Training Council.

Dr Allan ZEMAN, GBS, JP

Dr Zeman is the founder of the Lan Kwai Fong Group and is the Chairman of Lan Kwai Fong Holdings Ltd, a major property developer in Lan Kwai Fong. He is also the Chairman of Lan Kwai Fong Concepts Holdings Ltd which owns 28 restaurants in Lan Kwai Fong, Shanghai and Phuket.

Dr Zeman is the Chairman of various other well-established companies. Apart from involving in movie production, he also sits on the Board of Wynn (Las Vegas), a gaming company in Las Vegas and is also involved in the building of Wynn (Macau), a new casino in Macau, China. He is also Director of Wynn Resorts Ltd, The "Star" Ferry Company, Ltd and a non-executive director of Pacific Century Premium Development Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Ltd. He is the Chairman of Ocean Park Hong Kong.

Dr Zeman has been a member of various government boards ranging from tourism, culture and the arts to housing and health for many years. He is currently a member of the Committee on Economic Development and Economic Cooperation with the Mainland of the Commission on Strategic Development, Tourism Strategy Group for the HK Tourism Commission, Town Planning Task Force for Economic Analysis and Business Facilitation Unit and Vocational Training Council. Dr Zeman was appointed as a J.P. by the Chief Executive SAR on 1st July, 2001 and was awarded the Gold Bauhinia Star in 2004.

He is also a long-standing member of the Board of Governors of the Canadian Chamber of Commerce and the Hong Kong General Chamber of Commerce.

Members of the Board and Profiles

Non-Executive Directors (official)

Mr CHEUNG Hau-wai, JP

Director of Buildings

Mr Cheung is a professional building surveyor. He is a Fellow of the Hong Kong Institute of Surveyors and a member of the Royal Institute of Chartered Surveyors. After completing his training at the Hong Kong Technical College, he joined the Hong Kong Government in 1968. He has held a number of positions in the then Buildings Ordinance Office, Building Development Department, Buildings and Lands Department and Buildings Department. He now holds the post of Director of Buildings Department. He has thirty-five years experience in building control and has a keen interest in building rejuvenation.

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.

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, Director of Lands, has been with the Civil Service for 28 years. Ms Tam is currently a member of the Hong Kong Housing Authority, a member of the Supervisory Board of the Hong Kong Housing Society, a member of the Town Planning Board and a member of the Land and Building Advisory Committee.

Members of the Board and Profiles

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 Director

Ms Iris TAM Siu-ying, JP

Ms Tam was appointed Executive Director (Planning & Development) 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 serves as Chairperson and Member of various Statutory and Advisory Tribunals/ Committees, including the Committee on Social Development and Quality of Life of the Commission on Strategic Development.

Members of the URA Committees

Finance Committee

Chairperson

Mr Barry CHEUNG Chun-yuen, JP

Members

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

Mr LO Chung-hing, SBS

Mr Peter TO

Mr Stephen YIP Moon-wah, JP

Mr Billy LAM Chung-lun, GBS, SBS, JP
(up to 31 December 2007)

Mr Quinn LAW Yee-kwan

Co-opted Members

Mr Pius CHENG
(up to 1 October 2007)

Mr Chester KWOK

Mr Josiah KWOK

Remuneration Committee

Chairperson

Mr Barry CHEUNG Chun-yuen, JP

Members

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

Mr Maurice LEE Wai-man, JP

Mr LO Chung-hing, SBS

Mr Peter TO

Mr Billy LAM Chung-lun, GBS, SBS, JP
(up to 31 December 2007)

Mr Quinn LAW Yee-kwan

Planning, Development and Conservation Committee

Chairperson

Professor David LUNG Ping-ye, SBS, JP
(up to 31 August 2007)

Mr Peter TO
(from 1 September 2007)

Members

Mr Victor CHAN Hin-fu

Professor HO Pui-yin

Mr IP Kwok-him, GBS, JP

The Honourable Fred LI Wah-ming, JP

Ms Agnes NG Ka-yin

Mr NG Shui-lai, BBS, MBE, JP

Mr Stephen YIP Moon-wah, JP

Dr Allan ZEMAN, GBS, JP

Director of Lands

(Ms Annie TAM Kam-lam, JP)

Director of Planning

(Mrs Ava NG TSE Suk-ying, JP)

Mr Billy LAM Chung-lun, GBS, SBS, JP
(up to 31 December 2007)

Mr Quinn LAW Yee-kwan
(from 1 March 2008)

Ms Iris TAM Siu-ying, JP

Co-opted Members

Dr NG Mee-kam

Mr Barry WILL

Assistant Director (2), Home Affairs Department
(Ms Margaret HSIA, JP)

Members of the URA Committees

Review Committee

Chairperson

Mr Maurice LEE Wai-man, JP

Members

Mr Francis CHAU Yin-ming, MH

Mr Ip Kwok-him, GBS, JP

Dr Isaac NG Ka-chui

Mr Aaron WAN Chi-keung, BBS, JP

The Honourable Howard YOUNG, SBS, JP

Co-opted Members

Ir Dr Alex S K CHAN

Mr Andrew CHAN Ping-chiu

Mr Henry CHAN Kai-wing

Mr William CHAU Chun-wing
(up to 15 May 2008)

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

Dr LEE Yok-shiu

Mr Tony LUK Ka-luen

Mr MOK Hing-luen

Rev Donovan S H NG

(up to 17 June 2008)

Rev Dr Paul C C NG

Mr Dickson PANG Kam-fai

Dr Louis SHIH

Mr TSE Siu-kwong

Dr Patrick L T WONG, JP

Mr YUNG Ching-tat, BBS, JP

Land, Rehousing & Compensation Committee

Chairperson

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

Members

The Honourable CHAN Kam-lam, SBS, JP

Mr Victor CHAN Hin-fu

Mr Francis CHAU Yin-ming, MH

The Honourable Fred LI Wah-ming, JP

Dr Isaac NG Ka-chui

Mr NG Shui-lai, BBS, MBE, JP

Mr Billy LAM Chung-lun, GBS, SBS, JP
(up to 31 December 2007)

Mr Quinn LAW Yee-Kwan
(from 1 March 2008)

Ms Iris TAM Siu-ying, JP

Co-opted Members

Dr LAU Kwok-yu, JP

Ms WONG Lai-chun, BBS

Assistant Director, Lands Department
(Mr Richard Calvert BARAM, JP)

Audit Committee

Chairperson

Mr Lo Chung-hing, SBS

Members

Mr Maurice LEE Wai-man, JP

The Honourable Howard YOUNG, SBS, JP

Co-opted Member

Mr Patrick Chan

Members of the URA District Advisory Committee

Central & Western District Advisory Committee

Chairperson

Mr Aaron WAN Chi-keung, BBS, JP

Members

Mr Stephen CHAN Chit-kwai, JP
Mr CHENG Po-hung
Mr Jackie CHEUNG Yick-hung (from 1 April 2008)
Mr CHU Bun-sang (up to 16 November 2007)
Dr Ernest CHUI Wing-tak
Mr CHUNG Man-chai, MH (from 1 April 2008)
Ms Betty HO Siu-fong
Ms Angel HON Suk-yee (up to 31 March 2008)
Mr KAM Nai-wai, MH
Mr KAN Kei
Mr LAM Kin-lai, JP
Mr Sidney LEE Chi-hang (from 1 April 2008)
Mrs LEE LUI Siu-ling
Mr Tommy LI Ying-sang, MH, JP
Mr Samson WONG San
Mr WU Chor-nam, JP
Mr YAM Wai-sang (up to 31 March 2008)
Mr Raymond YEUNG Wai-foon, MH (up to 31 March 2008)
Mr YUEN Bun-keung
Central & Western District Officer

Wan Chai District Advisory Committee

Chairperson

Mr Stephen YIP Moon-wah, JP

Members

Mr Michael CHIANG Hong-man
Mrs Fanny LAI IP Po-ping, JP
Mr Michael LAI Kam-cheung, JP
Mr LAM Kwok-ming
Mr Kennedy LEE Kai-hung
Ms Kenny LEE Kwun-yee (from 1 April 2008)
Ms Peggy LEE Pik-yee (from 1 April 2008)
Mr Louis LOR Hing-hung
Mr Peter MAK Chi-cheung
Mr Stephen NG Kam-chun, MH
Dr Paul SIU Che-hung
Mr SUEN Kai-cheung, MH, JP (Up to 31 March 2008)
Mrs Anna TANG King-yung, MH
Dr John TSE Wing-ling, MH
Mr WONG Wang-tai (from 1 April 2008)
Mr Stephen YAU How-boa, BBS, MH, JP
Wan Chai District Officer

Members of the URA District Advisory Committee

Sham Shui Po District Advisory Committee

Chairperson

Mr NG Shui-lai, BBS, MBE, JP

Members

Mr Clarence CHAN Ka-yan

Dr CHAN Tung, SBS, JP (up to 31 March 2008)

Mr CHAN Wai-ming (from 1 April 2008)

Dr CHAN Yan-chong, MH (up to 31 March 2008)

Mr Vincent CHENG Wing-shun (from 1 April 2008)

Dr CHUNG Kim-wah

Mr Nelson HO Siu-leung

Mr Aaron LAM Ka-fai

Mr LEUNG Lai

Mr LEUNG Yau-fong

Mr Allan LI Hon-hung, MH

Mr SUEN Kwok-lam, MH

Mr Kenneth TO Lap-kee (up to 31 March 2008)

Mr TSE Fuk-por (up to 31 March 2008)

Mr WAI Woon-nam

Mr WONG Kam-kuen, MH, JP

Mr Brandon YOUNG Kwok-kin (up to 31 March 2008)

Sham Shui Po District Officer

Yau Tsim Mong District Advisory Committee

Chairperson

Dr Isaac NG Ka-chui

Members

Mr Benjamin CHOI Siu-fung (from 1 April 2008)

Mr CHOW Chun-fai, BBS, JP

Mr HUI Tak-leung

Mr IP Chi-hoi

Mr IP Kwok-chung, SBS, JP

Mr IP Shu-on (up to 31 March 2008)

Mr LAM Ho-yeung

Mr Edward LEUNG Wai-kuen, JP

Ms Austen NG Po-shan (up to 31 March 2008)

Mr POON Kit-man

Dr Michael SIU Kin-wai (up to 31 March 2008)

Mr SIU Yin-wai

Mr TONG Chun-wan

Mr TSUNG Po-shan

Mr WONG Cheuk-chuen (from 1 April 2008)

Yau Tsim Mong District Officer

Members of the URA District Advisory Committee

Kwun Tong District Advisory Committee

Chairperson

Professor David LUNG Ping-ye, SBS, MBE, JP

Members

Mr Paul CHAN Kam-cheung, JP (Up to 31 January 2008)
The Honourable CHAN Kam-lam, SBS, JP
Mr Nelson CHAN Wah-yu
Mr Francis CHAU Yin-ming, MH
Mr Danny CHIN Ching-man (Up to 31 January 2008)
Mr CHONG Yam-ming
Mr CHUI Wai
Mr FAN Wai-kong
Mr Daniel HEUNG Cheuk-kei, SBS, JP (Up to 31 January 2008)
Mr HIEW Moo-siew
Mr HSU Hoi-shan
Mr KWOK Lit-tung
Ms KO Po-ling, MH, JP (Up to 31 January 2008)
Mr Albert LAI Wing-lin (Up to 31 January 2008)
Mr Lam Hang-fai, JP
Dr LAM Kin-wah, MH
Mr LAU Ting-on
Mr LAU Wai-chung
The Honourable Alan LEONG Kah-kit, SC (Up to 31 January 2008)
Ms LEUNG CHAN Siu-hing
Ms LEUNG Fu-wing, BBS, MH
Mr LEUNG Hung
The Honourable Fred LI Wah-ming, JP
Mr Henry LIM
Mr LO Chung-hing, SBS (Up to 31 January 2008)
Ms WONG Yat-man
Mr WONG Kai-ming
Ms Anita WONG Siu-lan
Ms Ann SO Lai-chun
Dr Jose YU Sunsay, GBS, SBS, JP (Up to 31 January 2008)
Kwun Tong District Officer

Kowloon City District Advisory Committee

Chairperson

Professor HO Pui-yin

Members

Mr Wylie CHAN Kwok-pui
Mr CHAN Lo-kin
Ms CHEUNG Ling
Mr Paul CHU Hoi-shan
Mr KAM Kwai-ki
Ms Starry LEE Wai-king
Ms Rosanda MOK Ka-han
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 seven years are summarised in the table below.

	In HK\$'million						
	01/02	02/03	03/04	04/05	05/06	06/07	07/08
Turnover for the period / year	128	57	201	4,936	2,766	536	5,266
(Deficit)/surplus for the period / year (before interest income)	(559)	(228)	(89)	2,990	1,394	416	1,701
(Deficit)/surplus for the period / year	(558)	(227)	(80)	3,002	1,576	759	2,078
Properties under development*	870	1,292	2,025	2,525	3,136	4,289	4,502
Net (liabilities)/assets	(2,719)	(946)	974	5,976	9,552	12,311	14,389
Accumulated (deficit) / surplus	(2,719)	(2,946)	(3,026)	(24)	1,552	2,311	4,389
Capital		2,000	4,000	6,000	8,000	10,000	10,000

* Properties under development includes properties under development, 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 2008.

Board members

Members of the Board for the year and up to the date of this report are set out on page 65.

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 2008 and the state of affairs of the Group and of the Authority at that date are set out in the financial statements on pages 88 to 121.

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 2008, the working capital of the Group was mainly financed by the Government’s equity injection and accumulated surplus.

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, 16 June 2008

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 88 to 121, which comprise the balance sheets of the Group and the Authority as at 31 March 2008, 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 2008 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, 16 June 2008

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2008
(expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
Revenues	5(a)	5,266,017	536,094
Direct costs		<u>(2,301,022)</u>	<u>(134,765)</u>
Gross surplus		2,964,995	401,329
Other income, net	5(b)	403,600	363,017
Administrative expenses		(197,730)	(172,997)
Other operating expenses		(58,864)	(45,238)
(Provision for) / write back of impairment on properties and committed projects		<u>(1,034,400)</u>	<u>212,600</u>
Operating surplus before income tax	6	2,077,601	758,711
Income tax expenses	7(a)	<u>-</u>	<u>-</u>
Surplus for the year	8	<u>2,077,601</u>	<u>758,711</u>

The notes on pages 93 to 121 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 March 2008

(expressed in Hong Kong Dollars)

	Note	<u>2008</u> \$'000	<u>2007</u> \$'000
Non-current assets			
Leasehold land	9	269,322	76,186
Property, plant and equipment	10	102,789	61,150
Properties acquired pending redevelopment	11	7,532	10,526
Properties under development	12	4,487,632	3,564,366
Jointly controlled development projects	14	-	479,806
Building rehabilitation loans	15	66,855	43,383
		<u>4,934,130</u>	<u>4,235,417</u>
Current assets			
Properties held for sale	16	14,429	271,534
Jointly controlled development projects	14	7,190	234,043
Building rehabilitation loans	15	21,008	12,553
Trade and other receivables	17	104,320	71,922
Cash and bank balances	18	10,871,029	7,932,467
		<u>11,017,976</u>	<u>8,522,519</u>
Total assets		<u>15,952,106</u>	<u>12,757,936</u>
Capital and reserves			
Capital	19	10,000,000	10,000,000
Accumulated surplus		4,389,058	2,311,457
		<u>14,389,058</u>	<u>12,311,457</u>
Current liabilities			
Trade and other payables		474,048	446,479
Provision for committed projects	20	1,089,000	-
		<u>1,563,048</u>	<u>446,479</u>
Total capital, reserves and liabilities		<u>15,952,106</u>	<u>12,757,936</u>

Approved by the Board

on 16 June 2008



Barry CHEUNG Chun-yuen
Chairman



Quinn LAW Yee-kwan
Managing Director

The notes on pages 93 to 121 form part of these financial statements.

AUTHORITY BALANCE SHEET

at 31 March 2008

(expressed in Hong Kong Dollars)

	Note	<u>2008</u> \$'000	<u>2007</u> \$'000
Non-current assets			
Leasehold land	9	269,322	76,186
Property, plant and equipment	10	94,333	50,410
Properties acquired pending redevelopment	11	7,532	10,526
Properties under development	12	4,487,632	3,564,366
Subsidiaries	13	8,131	21,720
Jointly controlled development projects	14	-	479,806
Building rehabilitation loans	15	66,855	43,383
		<u>4,933,805</u>	<u>4,246,397</u>
Current assets			
Properties held for sale	16	14,429	271,534
Jointly controlled development projects	14	7,190	234,043
Building rehabilitation loans	15	21,008	12,553
Trade and other receivables	17	104,198	71,818
Cash and bank balances	18	<u>10,871,029</u>	<u>7,932,456</u>
		<u>11,017,854</u>	<u>8,522,404</u>
Total assets		<u>15,951,659</u>	<u>12,768,801</u>
Capital and reserves			
Capital	19	10,000,000	10,000,000
Accumulated surplus		<u>4,389,058</u>	<u>2,322,771</u>
		<u>14,389,058</u>	<u>12,322,771</u>
Current liabilities			
Trade and other payables		473,601	446,030
Provision for committed projects	20	<u>1,089,000</u>	<u>-</u>
		<u>1,562,601</u>	<u>446,030</u>
Total capital, reserves and liabilities		<u>15,951,659</u>	<u>12,768,801</u>

Approved by the Board

on 16 June 2008



Barry CHEUNG Chun-yuen
Chairman



Quinn LAW Yee-kwan
Managing Director

The notes on pages 93 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2008
(expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2008</u> \$'000	\$'000	<u>2007</u> \$'000	\$'000
Cash flows from operating activities					
Operating surplus before income tax		2,077,601		758,711	
Adjustments for:					
Interest income		(376,592)		(343,482)	
Depreciation and amortisation		45,463		39,202	
Loss / (gain) on disposal of property, plant and equipment		160		(2)	
Provision for / (write back of) impairment on properties and committed projects		<u>1,034,400</u>		<u>(212,600)</u>	
Operating surplus before working capital changes		2,781,032		241,829	
Decrease / (increase) in jointly controlled development projects		706,659		(227,042)	
Increase in properties under development		(895,501)		(737,843)	
Increase in building rehabilitation loans		(31,927)		(33,614)	
Increase in trade and other receivables		(6,827)		(1,193)	
Decrease / (increase) in properties held for sale		12,203		(7,321)	
Increase in trade and other payables		<u>27,569</u>		<u>199,677</u>	
Cash generated from / (used in) operations		2,593,208		(565,507)	
Interest received		<u>351,021</u>		<u>315,022</u>	
Net cash generated from / (used in) operating activities			2,944,229		(250,485)
Cash flows from investing activities					
Increase in bank deposits		(4,373,000)		(115,000)	
Purchase of leasehold land and property, plant and equipment		(5,667)		(12,083)	
Proceeds from sale of property, plant and equipment		<u>-</u>		<u>2</u>	
Net cash used in investing activities			(4,378,667)		(127,081)
Cash flows from financing activities					
Increase in capital		<u>-</u>		<u>2,000,000</u>	
Net cash generated from financing activities			<u>-</u>		<u>2,000,000</u>
Net (decrease)/increase in cash and cash equivalents			(1,434,438)		1,622,434
Cash and cash equivalents at 1 April			<u>3,926,467</u>		<u>2,304,033</u>
Cash and cash equivalents at 31 March			<u><u>2,492,029</u></u>		<u><u>3,926,467</u></u>
Analysis of cash and bank balances					
Cash and cash equivalents			2,492,029		3,926,467
Other bank deposits			<u>8,379,000</u>		<u>4,006,000</u>
Cash and bank balances at 31 March	18		<u><u>10,871,029</u></u>		<u><u>7,932,467</u></u>

The notes on pages 93 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008
(expressed in Hong Kong Dollars)

	<u>Capital</u>	<u>Accumulated</u> <u>surplus</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Balance at 1 April 2006	8,000,000	1,552,746	9,552,746
Surplus for the year	-	758,711	758,711
Capital injection for the year	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Balance at 31 March 2007	<u>10,000,000</u>	<u>2,311,457</u>	<u>12,311,457</u>
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>

The notes on pages 93 to 121 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 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 effective in current year

The following standards and amendments to existing standards have been published that are effective for the accounting period of the Group beginning on 1 April 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements : Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures

The adoption of these new standards does not have any significant effect on the results and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

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

The HKICPA has issued certain new standards and amendments which are not yet effective as at 31 March 2008. Those which are relevant to the Group's operations are as follows:

		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

The Group has not early adopted the above standards and amendment in the financial statements for the year ended 31 March 2008. 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.

(d) 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)

(e) 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) Income from the sale of interest in a development project is recognised upon signing of the agreement.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) Interest income is recognised on a time-proportion basis using the effective interest method.
- (vii) Rental income net of any incentives given to the lessee is recognised on a straight line basis over the periods of the respective leases.
- (viii) 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)

(f) Property, plant and equipment

Buildings comprise rehousing blocks. 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(k), 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(g)).

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)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation and amortisation 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) 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.

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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(j) 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.

(k) 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(l)), other costs incurred in connection with the development and the additional amounts written off against rehousing properties referred to in Note 2(f), 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.

(l) 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(k), or jointly controlled development projects for projects undertaken in joint ventures (Note 2(q)).

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(m) 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.

(n) 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.

(o) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(p) Translation of foreign currencies (Continued)

(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.

(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(e) (iii), (iv) and (v).

(r) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and deposits held at call with banks which are readily convertible into known amounts of cash without notice.

(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: credit risk and liquidity 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.

(expressed in Hong Kong Dollars)

3. Financial risk management (Continued)

(a) Financial risk factors (Continued)

(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.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's fair value interest-rate risk relates primarily to its building rehabilitation loans, which are interest-free.

Interest rate sensitivity

At the balance sheet dates, if interest rates had been increased/ decreased by 10 (2007: 10) basis-point and all other variables were held constant, the surplus of the Group would increase/ decrease by approximately \$108,710,000 (2007: \$79,325,000) resulting from the change in the interest income generated from the cash and bank balances.

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and bank balances, building rehabilitation loans, 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 Aaa to Baa2 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.

The Group has no significant concentrations of credit risk with respect to trade and other receivables as the Group has a large number of property development projects jointly developed with various developers. All transactions with developers are settled through fund transfer with banks.

(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 18) on the basis of expected cash flow.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

3. Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Less than 1 year				
Trade and other payables	<u>474,048</u>	<u>446,479</u>	<u>473,601</u>	<u>446,030</u>

(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 and accumulated surplus. 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.

(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(g).

(expressed in Hong Kong Dollars)

4. Critical accounting estimates and judgements (Continued)

(a) Estimated impairment of properties (Continued)

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. The Group’s management reassess 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 similar 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.

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(m). 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 Hong Kong Institute of Surveyors (“HKIS”). The valuation is performed annually by internal valuers. The Group’s management reassess 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 similar 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.

The ultimate loss 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>2008</u>	<u>2007</u>
	\$'000	\$'000
Share of property development surplus on jointly controlled development projects	3,231,214	287,115
Sale of properties	14,803	10,462
Upfront payments received from property developers	<u>2,020,000</u>	<u>238,517</u>
	<u>5,266,017</u>	<u>536,094</u>

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

5. Revenues and other income (Continued)

(b) Other income

Other income recognised during the year represents:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Interest income	376,592	343,482
Rental income	27,008	19,533
Sundry income	<u>-</u>	<u>2</u>
	<u>403,600</u>	<u>363,017</u>

6. Operating surplus before income tax

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

(a) Other items

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Cost of properties under jointly controlled development projects charged	2,242,631	85,278
Cost of properties held for sale disposed	12,583	5,417
Depreciation and amortisation	45,463	39,202
Write back of provision for impairment on properties held for sale	(977)	-
Provision for / (write back of) impairment on properties under development and committed projects	1,035,600	(212,600)
Write back of impairment provision for properties acquired pending redevelopment	(223)	-
Operating lease charges in respect of rental of office premises	9,604	9,591
Outgoings in respect of properties	14,141	11,901
Loss / (gain) on disposal of property, plant and equipment	160	(2)
Staff costs (excluding directors' remuneration and including termination costs* of \$614,000 (2007: \$564,000))	141,098	129,323
Auditor's remuneration	<u>494</u>	<u>489</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 surplus before income tax (Continued)

(b) Board and directors' remuneration during the year

	2008				2007	
	Salaries	Provident fund scheme contributions	Sub-total	Variable Pay	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Managing Director [†]						
- Billy Lam Chung-lun	2,625	10	2,635	1,041	3,676	4,543
- Quinn Law Yee-kwan	311	1	312	-	312	-
Executive Director (Commercial & Corporate) ^Δ						
- Quinn Law Yee-kwan	2,383	286	2,669	861	3,530	3,555
Executive Director (Planning & Development)						
- Iris Tam Siu-ying	2,600	12	2,612	639	3,251	1,523
Eight (2007: six) Directors and One (2007: one) Ex-Director	<u>13,142</u>	<u>74</u>	<u>13,216</u>	<u>3,032</u>	<u>16,248</u>	<u>13,591</u>
	<u>21,061</u>	<u>383</u>	<u>21,444</u>	<u>5,573</u>	<u>27,017*</u>	<u>23,212*</u>

† The position of Managing Director was vacated from 1 January 2008 to 29 February 2008 and the successor assumed his role w.e.f. 1 March 2008.

Δ The position of Executive Director (Commercial & Corporate) was vacated from 1 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

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

	<u>2008</u>	<u>2007</u>
Their remuneration fell within the following bands:		
	<u>No. of individuals</u>	<u>No. of individuals</u>
\$1 to \$500,000	2	1
\$500,001 to \$1,000,000	1	-
\$1,000,001 to \$1,500,000	1	-
\$1,500,001 to \$2,000,000	-	3
\$2,000,001 to \$2,500,000	1	2
\$2,500,001 to \$3,000,000	2	2
\$3,000,001 to \$3,500,000	3	-
\$3,500,001 to \$4,000,000	2	1
\$4,500,001 to \$5,000,000	-	1
Total	<u>12*</u>	<u>10*</u>

* Including emoluments for ex-directors and excluding compensation in lieu of leave in the aggregate sum of \$1,324,000 (2007: \$401,000).

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Compensation in lieu of leave		
Managing Director	585	-
Executive Director & Directors	<u>739</u>	<u>401</u>
Total	<u>1,324</u>	<u>401</u>

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

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

Fees for 19 (2007: 18) non-executive members of the Board (excluding the government public officers who are not entitled to receive any fees) are as follows:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
<u>Chairman</u>		
Mr Edward Cheng Wai-sun (up to 30 Apr 2007)	8	100
Mr Barry Cheung Chun-yuen (from 1 May 2007)	92	-
<u>Non-Executive Directors (non-public officers)</u>		
The Honourable Chan Kam-lam	65	65
Mr Francis Chau Yin-ming	65	65
Mr Maurice Lee Wai-man	65	65
The Honourable Fred Li Wah-ming	65	65
Mr Lo Chung-hing	65	65
Professor David Lung Ping-yee	65	65
The Honourable Howard Young	65	65
Dr Allan Zeman	65	65
(from 1 Nov 2006)		
Mr Walter Chan Kar-lok	65	27
Dr Isaac Ng Ka-chui	65	27
Mr Aaron Wan Chi-keung	65	27
Mr Stephen Yip Moon-wah	65	27
(from 1 May 2007)		
Mr Victor Chan Hin-fu	60	-
Professor Ho Pui-yin	60	-
Mr Ip Kwok-him	60	-
Ms Agnes Ng Ka-yin	60	-
Mr Ng Shui-lai	60	-
Mr Peter To	60	-
(up to 30 Apr 2007)		
Professor Cecilia Chan Lai-wan	5	65
Mr Barry Cheung Chun-yuen	5	65
Mrs Peggy Lam Pei Yu-dja	5	65
The Honourable Alan Leong Kah-kit	5	65
Miss Maria Tam Wai-chu	5	65
	<u>1,265</u>	<u>1,053</u>

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

(c) Five highest paid individuals

<u>2008</u>	<u>2007</u>
\$'000	\$'000

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2008 include 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). (2007: the Managing Director, one Executive Director, two Directors and one General Manager).

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

Fixed - Salaries	12,782	12,512
- Provident fund scheme contributions	<u>333</u>	<u>568</u>
Sub-total	13,115	13,080
Variable pay	<u>3,771</u>	<u>3,269</u>
Total	<u>16,886##</u>	<u>16,349##</u>

Their remuneration fell within the following bands:

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

For the year ended 31 March 2008, compensation in lieu of leave of \$927,000 (2007: Nil) 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 (2007: Nil).

(b) As at 31 March 2008, a subsidiary of the Group has unrecognised deductible temporary differences arising from capital allowance and tax losses of \$7,521,000 and \$3,629,000 respectively (2007: \$6,457,000 and \$3,505,000 respectively) to carry forward against future taxable income. These temporary differences and tax losses have no expiry date.

8. Surplus for the year

The consolidated surplus for the year includes a surplus of \$2,066,287,000 (2007: \$760,585,000) which has been dealt with in the financial statements of the Authority.

9. Leasehold land

	Group and Authority	
	2008 \$'000	2007 \$'000
Balance at 1 April	76,186	76,783
Additions	-	702
Transfer from properties held for sale	199,389	-
Amortisation	(6,253)	(1,299)
Balance at 31 March	<u>269,322</u>	<u>76,186</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 :

	Group and Authority	
	2008 \$'000	2007 \$'000
Leases of over 50 years	28,206	28,315
Leases of between 10 to 50 years	<u>241,116</u>	<u>47,871</u>
	<u>269,322</u>	<u>76,186</u>

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

10. Property, plant and equipment

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, equipments and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2006					
Cost	93,486	63,303	52,132	20,440	229,361
Accumulated depreciation	(65,346)	(41,302)	(49,676)	(15,581)	(171,905)
Net book amount	28,140	22,001	2,456	4,859	57,456
Year ended 31 March 2007					
Opening net book amount	28,140	22,001	2,456	4,859	57,456
Additions	298	5,882	2,489	2,712	11,381
Depreciation	(777)	(3,401)	(957)	(2,552)	(7,687)
Closing net book amount	27,661	24,482	3,988	5,019	61,150
At 31 March 2007					
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
Year ended 31 March 2008					
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 sales	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
At 31 March 2008					
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

(expressed in Hong Kong Dollars)

10. Property, plant and equipment (Continued)

Authority

	Buildings	Leasehold improvements	Plant and machinery	Furniture, equipments and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2006					
Cost	93,486	21,133	31,674	20,366	166,659
Accumulated depreciation	(65,346)	(11,905)	(29,568)	(15,518)	(122,337)
Net book amount	28,140	9,228	2,106	4,848	44,322
Year ended 31 March 2007					
Opening net book amount	28,140	9,228	2,106	4,848	44,322
Additions	298	5,882	2,489	2,712	11,381
Depreciation	(777)	(1,242)	(729)	(2,545)	(5,293)
Closing net book amount	27,661	13,868	3,866	5,015	50,410
At 31 March 2007					
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
Year ended 31 March 2008					
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 sales	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
At 31 March 2008					
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

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>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Leasehold land	7,464	10,560
Building cost	68	189
Provision for impairment	<u>-</u>	<u>(223)</u>
	<u>7,532</u>	<u>10,526</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>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	6,622	9,697
Leases of between 10 to 50 years	<u>842</u>	<u>863</u>
	<u>7,464</u>	<u>10,560</u>

(expressed in Hong Kong Dollars)

12. Properties under development

	<u>Group and Authority</u>	
	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost of properties acquired for redevelopment (Note (a))		
- leasehold land	4,245,965	3,451,379
- other cost	378,119	350,943
Development expenditure	<u>111,594</u>	<u>63,490</u>
Total cost (includes accumulated interest and other borrowing costs capitalised of \$286,000 (2007: \$286,000))	4,735,678	3,865,812
Provision for impairment	<u>(248,046)</u>	<u>(301,446)</u>
	<u>4,487,632</u>	<u>3,564,366</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>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	3,219,434	2,706,593
Leases of between 10 to 50 years	<u>1,026,531</u>	<u>744,786</u>
	<u>4,245,965</u>	<u>3,451,379</u>

Note (a):

In March 2001, the Finance Committee of the Legislative Council approved, inter alia, the revised basis for calculating the Home Purchase Allowance ("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>2008</u>	<u>2007</u>
	\$'000	\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note (a))	21,024	21,719
Less: Provision	<u>(12,894)</u>	<u>-</u>
	<u>8,131</u>	<u>21,720</u>

Note (a):

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
Jonava 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.

14. Jointly controlled development projects

	<u>Group and Authority</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Amounts due from jointly controlled development projects	65,685	739,425
Amounts due to jointly controlled development projects	<u>(58,495)</u>	<u>(25,576)</u>
	7,190	713,849
Less : Current portion	<u>(7,190)</u>	<u>(234,043)</u>
Non-current portion	<u>-</u>	<u>479,806</u>

(expressed in Hong Kong Dollars)

14. Jointly controlled development projects (Continued)

The Group and the Authority have the following jointly controlled development projects as at 31 March 2008.

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m²)</u>	<u>Actual / Expected completion date (calendar year)</u>
Queen's Terrace (Sheung Wan)	Commercial / Residential	67,433	2003 (Site A) 2002 (Site B)
The Merton (Kennedy Town)	Residential	65,204	2005
The Zenith (Wan Chai)	Commercial / Residential	62,307	2006 (Site A & B) 2012 (Site C)
8 Waterloo Road (Yau Ma Tei)	Residential	33,662	2004
Hanoi Road (Tsim Sha Tsui)	Commercial / Hotel / Service Apartment	103,840	2008
Mount Davis 33 (Kennedy Town)	Residential	7,281	2006
Vision City / Citywalk (Tsuen Wan)	Commercial / Residential	137,885	2007
Yeung Uk Road (Tsuen Wan)	Commercial / Residential	44,404	2008
J Residence / J Senses (Wan Chai)	Commercial / Residential	20,567	2007
Cherry Street (Tai Kok Tsui)	Commercial / Residential	43,231	2008
Fuk Wing Street / Fuk Wa Street (Sham Shui Po)	Commercial / Residential	12,703	2008
Beacon Lodge (Sham Shui Po)	Commercial / Residential	12,784	2008
MOD 595 (Mong Kok)	Commercial / Residential	4,921	2007

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

14. Jointly controlled development projects (Continued)

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m²)</u>	<u>Actual / Expected completion date (calendar year)</u>
First Street / Second Street (Sai Ying Pun)	Commercial / Residential	38,707	2009
Larch Street / Bedford Road (Tai Kok Tsui)	Commercial / Residential	10,363	2009
Queen's Road East (Wan Chai)	Commercial / Residential	3,977	2010
Larch Street / Fir Street (Tai Kok Tsui)	Commercial / Residential	19,753	2011

The Authority is entitled to returns which are predetermined in accordance with the provisions of the joint venture contracts.

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 a percentage of any net proceeds derived from the operation of the commercial portions before the sale and would also share the future sales proceeds at the same ratio. As at 31 March 2008, 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 \$2,481,380,000 in aggregate and the Authority would account for its share of sales proceeds as surplus from the joint development projects when the commercial portions are sold in future.

15. Building rehabilitation loans

At 31 March 2008, the building rehabilitation loans are analysed as follows:

	<u>Group and Authority</u>	
	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Current portion	21,008	12,553
Non-current portion	<u>66,855</u>	<u>43,383</u>
	<u>87,863</u>	<u>55,936</u>

(expressed in Hong Kong Dollars)

15. Building rehabilitation loans (Continued)

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. Loans of amounts between \$25,001 and \$100,000 are subject to legal charges over the properties in favour of the Authority.

As of 31 March 2008, building rehabilitation loans of \$62,000 (2007: \$44,000) were past due but not impaired. These relate to a number of borrowers for whom there are no recent history of default. The aging analysis of these building rehabilitation loans is as follows:

	Group and Authority	
	2008	2007
	\$'000	\$'000
Less than 3 months	31	41
3 to 6 months	31	3
Balance at 31 March	<u>62</u>	<u>44</u>

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

16. Properties held for sale

	Group and Authority	
	2008	2007
	\$'000	\$'000
Leasehold land	11,473	218,238
Building cost	3,397	54,714
Provision for impairment	(441)	(1,418)
	<u>14,429</u>	<u>271,534</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:

	Group and Authority	
	2008	2007
	\$'000	\$'000
Leases of over 50 years	6,428	6,435
Leases of between 10 to 50 years	<u>5,045</u>	<u>211,803</u>
	<u>11,473</u>	<u>218,238</u>

The carrying amounts of properties held for sale which are carried at net realisable value amounted to \$6,780,000 (2007:\$5,927,000).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

17. Trade and other receivables

At 31 March 2008, the trade and other receivables are analysed as follows:

	<u>Group</u>		<u>Authority</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Balance at 31 March	<u>104,320</u>	<u>71,922</u>	<u>104,198</u>	<u>71,818</u>

As of 31 March 2008, trade receivables of \$302,000 (2007: \$151,000) were past due but not impaired. These relate to a number of tenants for whom there are no recent history of default. The aging analysis of these trade receivables is as follows:

	<u>Group and Authority</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
3 months or less	221	125
3 to 6 months	49	10
6 to 12 months	20	10
Over 1 year	<u>12</u>	<u>6</u>
Balance at 31 March	<u>302</u>	<u>151</u>

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

18. Cash and bank balances

	<u>Group</u>		<u>Authority</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Time deposits with banks				
Maturities of 3 months or less	2,490,135	3,925,410	2,486,617	3,922,000
Maturities more than 3 months	8,379,000	4,006,000	8,379,000	4,006,000
Sub-total	10,869,135	7,931,410	10,865,617	7,928,000
Less: Amounts held in trust for jointly controlled development projects	(3,518)	(3,410)	-	-
	10,865,617	7,928,000	10,865,617	7,928,000
Cash at banks and in hand	5,413	4,468	5,412	4,456
Less: Amounts held in trust for jointly controlled development projects	(1)	(1)	-	-
	<u>5,412</u>	<u>4,467</u>	<u>5,412</u>	<u>4,456</u>
	<u>10,871,029</u>	<u>7,932,467</u>	<u>10,871,029</u>	<u>7,932,456</u>
Maximum exposure to credit risk	<u>10,871,014</u>	<u>7,932,452</u>	<u>10,871,014</u>	<u>7,932,441</u>

(expressed in Hong Kong Dollars)

18. Cash and bank balances (Continued)

The average effective interest rate of time deposits with banks was 4.11% per annum (2007: 4.36% per annum). These deposits have an average maturity of 192 days (2007: 154 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>Group</u>		<u>Authority</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Rating (Moody's)</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Aaa	-	395,000	-	395,000
Aa1	1,620,626	-	1,620,626	-
Aa2	929,000	1,399,007	929,000	1,399,007
Aa3	3,144,025	800,000	3,144,025	800,000
A1	1,236,002	482,000	1,236,002	482,000
A2	2,921,132	2,989,193	2,921,132	2,989,193
A3	800,229	1,795,252	800,229	1,795,241
Baa1	220,000	-	220,000	-
Baa2	-	72,000	-	72,000
	<u>10,871,014</u>	<u>7,932,452</u>	<u>10,871,014</u>	<u>7,932,441</u>

19. 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 2008, the Authority had received all five tranches of capital injection of \$2 billion each.

20. Provision for committed projects

	<u>Group and Authority</u>
	<u>2008</u>
	<u>\$'000</u>
Balance at 1 April	-
Charged to the income and expenditure account	<u>1,089,000</u>
Balance at 31 March	<u>1,089,000</u>

The amount represents the provision for committed projects where offers have been issued to owners before financial year end. The provision charge is recognised in the income and expenditure account. The balance at 31 March 2008 is current in nature.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

21. 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 2008 was \$8,925,000 (2007: \$7,976,000), net of forfeitures of \$622,000 (2007: \$888,000), which has been charged to the Group's income and expenditure account for the year.

22. Commitments

(a) Capital commitments

Capital commitments in respect of property, plant and equipment at 31 March 2008 were as follows:

	<u>Group and Authority</u>	
	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Contracted but not provided for	123	978
Authorised but not contracted for	-	263
	<u>123</u>	<u>1,241</u>

(b) Operating lease commitments

At 31 March 2008, 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>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	15,554	9,438
After 1 year but within 5 years	<u>32,568</u>	<u>330</u>
	<u>48,122</u>	<u>9,768</u>

(expressed in Hong Kong Dollars)

22. Commitments (Continued)

(c) Operating lease rental receivable

At 31 March 2008, 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	22,304	11,366	22,182	9,982
After 1 year but within 5 years	<u>20,915</u>	<u>8,979</u>	<u>20,908</u>	<u>8,864</u>
	<u>43,219</u>	<u>20,345</u>	<u>43,090</u>	<u>18,846</u>

23. 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 \$24,606,000 (2007: \$23,198,000) 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 2008, there is an amount of \$1,930,000 (2007: \$1,949,000) 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).

24. Approval of financial statements

The financial statements were approved by the Board on 16 June 2008.