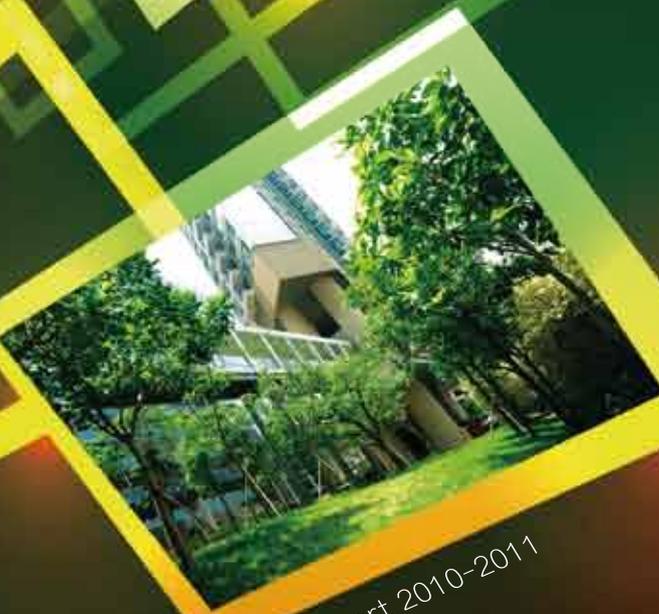


**New Strategy
New Focus
for Urban Renewal**



annual report 2010-2011

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Urban Renewal Authority



Establishment

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

Community-focused, balanced approach

In February 2011, a new Urban Renewal Strategy was promulgated by the Hong Kong Special Administrative Region Government. The new strategy places greater emphasis on community engagement and it broadens the URA's role in urban renewal.

The URA is committed to:

- Addressing Hong Kong's acute **urban decay** problem and improving the living conditions of residents in dilapidated urban areas.
- Adopting a **“people first, district-based, public participatory”** approach in its work.
- Adopting **‘Redevelopment and Rehabilitation’ as its core activities**, preserving buildings with heritage value, and revitalising areas which are within URA's project sites.
- Implementing best-practices with regard to **sustainable development; and building a quality city** through appropriate development density, land use planning, urban design, greening, local culture, heritage preservation and revitalisation.

Chairman's Statement



Mr Barry CHEUNG Chun-yuen, GBS, JP

“ The new URS has given us the means and the opportunity to take bold action to transform the city’s urban slums. My URA colleagues and I remain determined to live up to the community’s expectations.”

My review of the Urban Renewal Authority's work in 2010/11 is written under the shadow of the yet another case of deaths, injuries and heartbreaking disruption of families' lives that occurred in Ma Tau Wai in June 2011 after the very similar tragedy in 2010. These disasters are grim reminders of the continuing urgent priority to rid Hong Kong of its slums.

The URA was able to step in urgently with special measures to help the hundreds who were affected in last year's incident. But our success in responding to the initial emergency and relieving some measure of the distress of the victims should not distract Hong Kong from the painful truth. A large segment of our community has no choice but to live in housing conditions that are unsafe, unhealthy and often outright dangerous. Our people should not have to live in fear.

Swift Action Needed

Urban decay is a root cause of the most acute problems of city life almost everywhere in the modern world. Hong Kong is no exception. Despite our sustained economic success, our business resourcefulness and our highly productive labour force, urban decay remains one of the most urgent issues we face in Hong Kong today. More than 110,000 families in our community still live in homes that are neither healthy nor safe. The tragedies that have struck Ma Tau Wai in 2010 and 2011 could happen again in many parts of our city unless swift, effective and decisive action is taken.

Awareness of this urgent challenge to provide these families with decent homes is at the heart of the new Urban Renewal Strategy — or URS, — published in February 2011. This blueprint for ridding Hong Kong of its slums is based on the clear recognition that urban decay can only be overcome by a total community

commitment. We need the urgent and concerted efforts of the Government, owners, the URA, the private sector and social organisations. The new strategy highlights redevelopment and rehabilitation as the URA's core businesses.

Scale Matters

Slums create threats to lives and property in Hong Kong on a scale that cannot be ignored. Daily life for the 110,000 families who have no choice but to live in slums is made miserable by the dirt, decay and lack of amenities that the rest of the community takes for granted. These are the personal hardships that slums inflict. But the rest of the community is also at risk from the disease and dangers that dilapidated, over-crowded and neglected buildings themselves may create for the rest of society.

The URA has conducted an extensive building condition survey in its old target areas. The findings from this year-long survey are grim. The most alarming fact is the average age of our building stock. Over the last six decades, most buildings were constructed out of reinforced concrete and were not designed to last more than 50 years.

Already, some 4,000 buildings have reached this limit. By 2030, the total number of buildings erected for years or more is forecast to reach 16,000. What makes the situation even more alarming is that many of them have suffered from inadequate management and minimal repairs over the years. As dilapidation gets worse, the costs of maintenance increase and maintenance therefore does not take place. These buildings become so worn out that, in many cases, demolition and rebuilding are the only safe and sensible solution.

The URA investigated the levels of building dilapidation which this state of affairs is creating. Its comprehensive survey classified 2,600 buildings as already substandard. The alarming state of these structures is matched by the dreadful standards of accommodation that they provide. Typically, three or more families are packed into the average living unit of around 500 square feet. The common areas are filthy and prone to flooding, and there is a constant risk of fires caused by defective electrical wiring and fittings.

Getting Worse, Not Better

Without urgent intervention, grosser forms of urban decay emerge, and living conditions become even more degraded. In the search for increased rental yields from these buildings, owners have recently begun to subdivide the flats into even smaller units. These cubicles are now known as ‘coffin homes’, a term coined by a local magazine when it featured this latest abuse of slum dwellers as a cover story. In these conditions the dwellers are even more miserable than those in the already notorious ‘cage homes’. This state of affairs is all the more unacceptable in a city that is as rich and resourceful as Hong Kong.

In recent years, the URA’s initiatives have helped to cut the number of substandard buildings. We have directly helped more than 30,000 households to improve their living conditions, while our rehabilitation schemes have led to the upgrading of more than 520 buildings involving 40,000 households.

Despite the URA programmes, the stock of housing that is totally unfit for human habitation, and in which so many still live, remains shamefully large. We are determined to increase our rehabilitation and redevelopment efforts. But we cannot succeed in this endeavour without the community’s engagement and support.

New Urban Renewal Strategy: The Community Has Spoken

Because of our awareness of this dependence on the support of the entire community, we actively promoted and supported the Government’s review of its Urban Renewal Strategy (URS). The public consultation on the new strategy took more than two years and was one of

Hong Kong’s most comprehensive consultation exercises ever undertaken. It was ‘interactive’, being constantly reshaped and redesigned in response to the community’s own input about the problems and priorities. As a result, the new URS sets out clearly how the people of Hong Kong want urban decay to be tackled. It will strengthen the URA’s ability to end the shame of our slums and to free many more families from the misery of living in homes that are a disgrace to such a prosperous city.

We are determined to give utmost priority to improving the options for those most affected by the process. Compensation will always be a sensitive issue. In the past, we have tried to provide generous cash compensation, but this has not always been perceived as fair. In future, we will be able to offer more choices, including flat-for-flat compensation as an alternative option. These new flat-for-flat homes may be in the lower floors of the redevelopment itself. They may also be in Kai Tak, where the URA is taking over a 1.1 hectare site next year. This will provide about 1,000 units of between 400 and 600 square feet each. Under a pilot scheme, people who choose flat-for-flat compensation will receive our usual cash compensation. With this money, they will be able to buy new flats either in the redevelopment or at the Kai Tak site. We want to make sure that families have all the information they need to make the decision that best meets their needs and preferences. So we will provide full details of the prices of the new flats on the day we make our acquisition offer for their old flats, and this price will be locked in. In other words, the process will be as fair as possible.

Broader Mandate, New Approaches

Now that the new URS so clearly identifies redevelopment and rehabilitation as the URA’s core businesses, we have been given a broader mandate to engage in, or respond to, schemes to help people in need. Our new ‘facilitating’ and ‘demand-led’ redevelopment schemes welcome requests from owners who want the URA to step in and help redevelop their buildings.

We particularly want to preserve the freedom of owners to revitalise their properties by repairing and renovating the buildings for themselves. All too often, this is not happening both because of financial constraints and because most of these buildings have no proper

management committees. The new URS will allow the URA to be more flexible in its approach to this problem.

Where the owners cannot act together, it remains our duty to initiate and undertake projects ourselves. So, in some cases, owners may decide to ask the URA to step in and acquire their properties for redevelopment. But our hope is that, increasingly, we will be able to help the owners to manage the redevelopment on their own, and we would work with them to find suitable partners for the job.

The URA will also assist owners to halt the process of dilapidation through adequate repair and maintenance programmes. In April 2011, we launched a one-stop service that helps owners to revive their buildings through a comprehensive rehabilitation scheme. This service will be boosted when the Urban Renewal Resource Centre starts operations early next year.

District-based Improves Community Engagement

The new URS reaffirms the URA's strategy of organising its redevelopment programmes on a district-based approach. This strategy enables us to balance out the sometimes-competing demands of preservation, rehabilitation and redevelopment. It also allows us to engage with, and respond to, the community more effectively. In older districts, the Government's plan is to set up District Urban Renewal Forums (DURF). These will have a mix of Government, URA, NGO, and business and professional representatives, who can contribute to the planning process. We have pioneered this approach in tackling the revitalisation of the old Central Market, now the Central Oasis. This has been led by the Central Oasis Community Advisory Committee, whose team of academics, professionals, community leaders and others has produced some exciting preliminary designs. We are now proactively supporting the first DURF at Kowloon City.

Working together in this way, we can accomplish many things that might otherwise not be possible. For example, I learnt a lot personally from the project to relocate a 40-year old tree from our worksite in Kwun Tong to a park nearby. The operation was an impressive demonstration



Secretary for Development Mrs Carrie Lam and URA Chairman Mr Barry Cheung (5th and 6th from right) with the tree relocation team in Kwun Tong.

of how smoothly and efficiently a tree could be saved as a treasured community amenity through cooperation between the URA, our joint venture partner, tree experts, engineers and the area's residents. Tackling the problem of urban decay needs just this sort of common commitment and joint effort.

Bold Actions for a Better Hong Kong

The future therefore holds out serious challenges as well as genuine opportunities for ridding our city of slums. Too many Hong Kong people still live in entirely unacceptable conditions. The URS demonstrates that our community recognises that we cannot continue to allow any of our families to live in such danger and discomfort.

The new URS has given us the means and the opportunity to take bold action to transform the city's urban slums. My URA colleagues and I remain determined to live up to the community's expectations. In the current year, as well as the years to come, the URA team is pledged to do all that it can to meet the goals set for us by the Government and by the community.

Barry CHEUNG Chun-yuen
Chairman

31 July 2011

Managing Director's Statement



Mr Quinn LAW Yee-kwan, JP

“Our key mission is to improve the living conditions of residents in dilapidated old urban areas and the standard of housing and built environment of Hong Kong.”

Preparing for and Entering a New Era under a New Mandate

2010/11 was a year of planning and preparation for our transition to a new era of urban regeneration under the new Urban Renewal Strategy (URS) ultimately promulgated by the Government in February 2011, following a two-year review and public consultation process led by the Government's Development Bureau.

Having just completed our first decade, from the year of our establishment in 2001 to 2011, under the previous URS, we in URA are embracing our new mandate, as set out in the new URS, which is the catalyst for change governing our second decade of urban renewal for the benefit of the local community and designates redevelopment and rehabilitation as URA's two core businesses.

During the year, while continuing implementation of our extensive portfolio of ongoing redevelopment projects and rehabilitation, preservation and revitalisation work, we actively supported the URS Review. A detailed account of our activities in 2010/11 is provided in the sections on pages 12 to 49.

Our key mission is to improve the living conditions of residents in dilapidated old urban areas and the standard of housing and the built environment of Hong Kong. We are endeavoring to expedite our programme in a balanced, pragmatic and people-oriented manner within the resources and mandate available to us.

Building Redevelopment

Since February 2011, we have been focusing on putting in place detailed arrangements for implementation of the new policy initiatives contained in the new URS. Among others, it introduces a demand-led redevelopment mode and facilitation service, which are to be initiated by building owners to complement the redevelopment projects initiated by ourselves, in order to give people more choice, under the people first approach envisaged in the new URS.

In April and May 2011 respectively, we announced details of how the new mode of redevelopment and a facilitation service are expected to work. Shortly thereafter, in July 2011, we invited the owners of buildings falling into the relevant redevelopment eligibility criteria to apply to be considered by URA for either redevelopment by URA or facilitation of collective sale by the owners themselves. The challenge ahead will be for us to implement these new initiatives successfully. This will require careful selection, control and review as well as fine tuning and adjustments to our initial arrangements as or when good opportunities arise and based on the experience we gain as we proceed.

In line with the same people first approach, we have put in place a number of enhancements to our compensation and rehousing policies to help evicted domestic tenants and domestic owners in hardship. We are also

providing an additional choice, in the form of the new “Flat for Flat” Scheme, as an alternative for domestic owner-occupiers to the current cash compensation that is offered to them. Whilst these enhancements do not increase the levels of compensation paid out by URA, they do increase the costs and risks to, as well as the amount of administrative and legal work required of the URA. We are also looking at ways in which we might be able to assist shop operators affected by our projects to find new premises in which to continue their businesses.



Media briefing on the URA's five-year Corporate Plan of 2011-2016.

Building Sustainability

When implementing our projects, URA always aims to adopt the highest standards of environmental building sustainability. Attesting our success in doing so to date, are the Platinum BEAM awards made for six URA projects. In this spirit of pursuing continuing improvements to the sustainability of our projects, the URA is reviewing the already approved Master Layout Plans of several of our major projects to ascertain whether and if so how they need to be improved in order to comply fully with Building Department's new practice notes effective in April 2011.

Building Rehabilitation

We also strive to improve sustainability by increasing the useful lives of existing buildings. We believe that this is a very important means of urban renewal and this approach underpins our successful and expanding building rehabilitation programmes. Up until 31 March 2011, URA had already rehabilitated more than 520 buildings. During 2010/11, we made a quantum leap forward by rehabilitating almost 320 buildings, under both Operation Building Bright and our own rehabilitation schemes, representing a year on year growth of no less than 250%. In addition, we worked with Buildings Department and Hong Kong Housing Society (HKHS) to introduce a one-stop building rehabilitation hotline. We subsequently introduced the Integrated Building Maintenance Assistance Scheme (IBMAS) with HKHS with effect from 1 April 2011. We are preparing to help building owners to comply with the statutory requirements of the Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme, when they come into force in 2012. In addition, we are now working to further expand our rehabilitation work to cover more aging and dilapidated buildings over wider geographic areas of urban Hong Kong. We will progressively deploy additional staff and allocate additional funding to cover this expansion.

Financial Results

For the year ended 31 March 2011, the URA recorded a net operating surplus of \$2.2 billion. Compared to the \$7.0 billion net operating surplus for the year ended 31 March 2010, this represents a decrease of \$4.8 billion. The operating surplus for 2010/11 of \$2.2 billion was largely attributable to the upfront payments received for the Fuk Tsun Street/Pine Street and Third Street/Yu Lok Lane/Centre Street projects, with a total combined developable area of some 238,000 square feet. These projects were tendered out for redevelopment during the year in favourable property market conditions.

The accumulated surplus since URA's establishment amounted to \$9.2 billion as at 31 March 2011. However, this would have been reduced to \$3.8 billion but for the waiver of \$5.4 billion in land premium forgone by the Government in making land grants to URA at nominal premium for the 16 projects sites granted to date. We are indeed indebted to the Government for having rendered such continuous and essential financial and other supports to URA to facilitate implementation of its urban renewal programme.

While URA makes surpluses in some years, it makes deficits in others and, in any case, ploughs back all revenues into further urban renewal work, including rehabilitation, preservation and revitalisation, none of which are income generating. Moreover, our policies have been designed to pay amounts higher than the statutory levels of compensation to the occupiers of properties directly affected by our projects in order to enable them to improve their living conditions. We also commence financially non-viable but worthwhile urban renewal projects.

Property Risk Exposure and Management

The URA has an extensive redevelopment programme and is holding a substantial property portfolio at various stages of development costing \$15.9 billion as at 31 March 2011, which is almost 83% of URA's net asset value of \$19.2 billion on that date. Our modus operandi means that we are always exposed to the Hong Kong property market as both a purchaser and a seller. In recent years, we have been buying more than selling. This is both because of the growth in our urban renewal work programme and because the time taken for planning, acquisition, resumption, site clearing, demolition and tendering can be affected by a number of factors that are neither totally predictable nor under URA's control. When combined with the still rising property market, this has increased our property risk exposure significantly.

Organisation and Staffing

To cope with the increasing volumes and intricacies of our work, URA has increased its headcount by about 7% to 423 as at 31 March 2011. Since our aim is to maintain a lean and fit structure, we have continued to rely on out-sourcing and deployment of contract staff and external consultants to meet certain workloads, especially those of non-recurrent or time-limited nature.

At less than 9%, staff turnover during the year was relatively low. This is testimony in part to our efforts to make everyone feel part of our team and proud of their work and to provide a pleasant working environment. It also demonstrates the dedication of our multi-skilled and talented staff to helping to improve the living conditions of the underprivileged, while endeavouring to meet the demands and challenges of the wide range of increasingly vocal stakeholders, who are concerned about urban renewal in general as well as individual projects and issues.

Vote of Thanks to Board, Committees and Staff Members

My colleagues and I are, most grateful for the wise counsel and support provided by our Chairman and the Members of our Board, Committees and District Advisory Committees, which we have received from them throughout the year.

In closing, I would like to thank most sincerely all of the staff members, who have worked so hard positively and well during the past year, for their professionalism and efforts in implementing our multi-faceted and holistic urban renewal programme, which is always not only rewarding but also challenging to deliver. They make me proud to be their colleague.

Quinn LAW Yee-kwan
Managing Director

31 July 2011

URS Review and the New URS



After an extensive public engagement process that lasted two years, the new Urban Renewal Strategy (URS) was promulgated on 24 February 2011 to replace the old version dating back to almost 10 years or May 2001. The new URS is a government strategy to be implemented by the URA as well as relevant government departments and other stakeholders to tackle the problem of urban decay.

Supporting and Facilitating

The URA has been proactive in supporting the Government and facilitating the review process through:

- Establishing a dedicated **Board Sub-committee** that was supported by a special task force from URA management, so as to provide input to the review process.
- Conducting a comprehensive **building condition survey** involving the inspection of more than 3,000 buildings in old urban areas. The survey findings will be updated for the URA's planning process in the years ahead.
- Facilitating and funding a **“District Aspiration Study”** (DAS), which was driven by seven District Councils to seek views of the local community. The DAS focused on the vision, aspirations, challenges and needs of the districts in terms of urban renewal. The study's findings contributed to the URS review process, and have become useful reference for URA's longer-term planning for its urban renewal projects at the district level.



Inspection of a building's condition.



Urban Regeneration - DAS Forum for District Councils.

New Focus and New Initiatives

The new URS clearly defines **Redevelopment** and **Rehabilitation** as the URA's core businesses, and the URA has been given a broader mandate to engage in, and respond to, schemes to help people in need. The URA was able to, within months, announce fresh initiatives in support of the new URS.

We recognize that where the owners cannot act together, our duty should be to continue to undertake projects ourselves. In some cases, owners may decide to ask the URA to step in. Two new redevelopment models are therefore developed.

Demand-led Development

Under the new URS, URA may, at its discretion, respond to demand-led applications from building owners for URA to redevelop their buildings by first seeking the approval of the Financial Secretary to implement such projects and, subject to receiving this, applying the same planning, acquisition, compensation and rehousing policies as URA uses for its own initiated redevelopment projects.

Facilitating Services

Under the new URS, URA may also, at its discretion, provide assistance to owners to facilitate assembly by the owners of their titles for joint sale by themselves for redevelopment, but URA will not be involved in acquisition, compensation or rehousing of any of those affected by such projects.

“Flat-for-Flat”

The URA is taking major steps to improve the options for those affected domestic owner-occupiers. In future, we will be able to offer a ‘flat-for-flat’ compensation as an alternate option to cash. These new homes may be in the lower floors of the redevelopment itself. But they may also be in Kai Tak, where the URA will take over a 1.1 hectare site in 2012. This site should provide about 1,000 units of saleable areas between 400 and 600 square feet each.



Press conference on “demand-led” model.



Initial design concept for Kai Tak “flat-for-flat” site.



Expanding Rehabilitation

The URA will continue to assist owners in slowing down the dilapidation process, through a package of repair and maintenance programmes. In April 2011, we launched a one-stop service that helps owners repair their buildings through a comprehensive rehabilitation scheme called Integrated Building Maintenance Assistance Scheme (IBMAS). This service will be further boosted when a one-stop resource centre starts operations in early 2012. The URA also announced in June 2011 its plan to expand rehabilitation work five fold, aimed at benefiting 80,000 households, in the coming five years.

Contributing to Urban Renewal Trust Fund

The URA also committed to contribute \$500 million to set up the Urban Renewal Trust Fund. The Fund will be managed by independent directors appointed by the Government and will provide financial resources to fund the operation of social services teams and the community's urban renewal initiatives.

Working with DURF

The new URS calls for a district-based and participatory approach. Community involvement is clearly the intention. A new advisory platform, District Urban Renewal Forum (DURF) is established to seek residents' aspirations on urban renewal. The first DURF has been established in Kowloon City and a senior URA representative has been appointed to the DURF to provide support and advice.

The URA is committed to working with stakeholders to eradicate the pressing problem of urban blight and to help improve the lives of some of the most unfortunate members of our society.

24 February 2011	The new URS is promulgated
21 March 2011	Announce details of the 'flat-for-flat' pilot scheme
1 April 2011	Launch the Integrated Building Maintenance Assistance Scheme
18 April 2011	Announce implementation framework for URA's 'facilitator' role in redevelopment
31 May 2011	Announce the implementation framework for a 'demand-led' redevelopment model
26 July 2011	Applications open for demand-led projects and facilitating services

Redevelopment: Tackling Urban Decay Effectively



Yeung Uk Road project (The Dynasty) in Tsuen Wan.

The starting point for urban renewal has to be the control of urban decay. Over the past decade, the URA has commenced 54 redevelopment projects that are aimed at helping more than 30,000 households improve their living conditions. These projects are also designed to bring long-term economic, planning and environmental benefits to the city.

We commenced work on two new redevelopment projects last year and continued to work on other commenced projects that were at different stages of development.

Commencement of New Redevelopment Projects

In March 2011, URA commenced two URAO redevelopment projects:



Fuk Wing Street, Sham Shui Po

This project in Sham Shui Po covers an area of about 650 square metres. Built in 1956, the project area's three buildings, with about 90 households and seven shops in them, are in poor condition, with unauthorised rooftop structures.

The URA plans to redevelop the site and to provide about 70 residential units with flat sizes of approximately 40 square metres to 60 square metres.

Progress

Since commencement, the URA has –

- conducted a freezing survey on 25 March 2011;
- conducted briefings for owners and tenants, and explained the acquisition, compensation and rehousing policies, including three enhancement policies introduced under the new URS;
- deliberated on 16 objections received against the project; and
- submitted the project, together with URA's deliberations, to the Secretary for Development, in August 2011, for consideration and authorisation to proceed.



URA staff conducts freezing survey to ascertain the occupancy status.



Pak Tai Street / San Shan Road, Ma Tau Kok

This project occupies a corner site abutting Pak Tai Street in Ma Tau Kok, and covers an area of about 1,280 square metres. Built in 1957, the six buildings within the project area, which contain about 140 households and 20 shops, are generally in poor condition. The buildings are of eight storeys, without lifts, and with unauthorised rooftop structures and unauthorised building works.



Planning, Development and Conservation Committee endorses the parameters for the project.

The URA plans to redevelop the site and to provide about 130 residential units with flat sizes of around 35 square metres to 65 square metres.

Progress

Since commencement, the URA has –

- conducted a freezing survey on 25 March 2011;
- conducted briefings for owners and tenants, and explained the acquisition, compensation and rehousing policies, including three enhancement policies introduced under the new URS;
- deliberated on one objection received against the project; and
- submitted the project, together with URA's deliberations, to the Secretary for Development, in August 2011, for consideration and authorisation to proceed.

Implementation of Commenced Projects

Among URA's 54 projects, 10 were inherited from the LDC, 25 were announced by the LDC but commenced by URA, while 19 were commenced directly by the URA. A progress update on these projects is as follows:

Project stage	Project total
Planning and Approval	2
Acquisition and Clearance	17
Demolition and Tendering	4
Construction	13
Sales and Leasing	5
Full Completion	13
	54

Brief details on all of URA's 54 projects, are provided in the table on pages 50 to 57.

Improvements aimed at benefitting families and the community

The 54 projects implemented by the URA are aimed at benefitting affected families and the community as a whole. The improvements and benefits are summarised in the table below:

Dilapidated buildings covered by the URA	825 buildings
Living conditions improved	34,000 households
New homes provided	18,000 flats
G/IC areas provided	74,000 square metres
Public open space provided	37,000 square metres



Ma Tau Wai Road / Chun Tin Street, To Kwa Wan

A building on Ma Tau Wai Road collapsed in January 2010 and killed four residents, leaving hundreds of residents living in panic. URA had to step in urgently because of the need to provide help and relief, to the people affected by the tragedy.

In February 2010, the URA commenced this project, which comprises two rows of 50-plus-year-old tenement buildings of four to six storeys, with about 320 households.

Because of the exceptional circumstances, the URA adopted special measures to help domestic owner-occupiers, tenants and business operators within the project to move out to alternative accommodation if they so wished – and this was done ahead of completion of planning approval and the issuance of formal acquisition offers. More than 220 applications were received.

The URA intends to redevelop this project without private-sector involvement, and plans to have more than 400 small flats for the mass housing market. The existing retail-street pattern along Ma Tau Wai Road will be retained, and will be complemented by a low-rise retail podium that will provide around 1,000 square metres of GFA for Government/Institution and Community (G/IC) facilities. Around 500 square metres



URA staff conducts resident briefing.

of at-grade open space would also be provided. This is meant to improve the streetscape and the area's ventilation.

Submissions, including objections to the project, were received during the two-month publication period, which ended in April 2010. Following deliberation by the URA, the outcomes were submitted in May 2010 to Secretary for Development for consideration, along with other information required under Section 24(3) URAO.

In December 2010, Secretary for Development authorised URA to proceed, but appeals against this were lodged. The Appeal Board however upheld the authorisation, and gazetted its decision in April 2011.

This allowed the URA to go full steam ahead and issue initial acquisition offers to the owners of the project within one month on 30 May 2011. In addition to these acquisition offers, eligible domestic owner-occupiers were each offered an Expression of Interest to Purchase Arrangement (EIPA) at prevailing market values. The arrangement also enables them to return to the site upon completion of the project. Non-domestic owner-occupiers and tenants of ground-floor units have been offered the opportunity to lease commercial spaces in the redeveloped project, at prevailing market rental rates.



The "Sports Retail City", a special feature of the project.



Sai Yee Street, Mong Kok

This redevelopment project incorporates a sports theme that helps preserve and enhance the local character of this part of Mong Kok. Under a special local sports-shop arrangement that is exclusive to this project, all current sports-shop operators will be offered priority lease space within the retail portion.

Resumption of the site was gazetted in February 2011, and the site reverted to the Government in May 2011. Clearance and phased demolition are now underway.



Nga Tsin Wai Village, Wong Tai Sin

The URA has adopted an innovative conservation-paramount approach for this special project. Three core heritage elements of this urban village, namely, the gatehouse, the embedded stone tablet and the Tin Hau Temple as well as the central axis and eight authentic village houses, will be retained within a new Conservation Park.

To accommodate this approach, the planned residential towers will be 'raised' so as to provide vertical clearance above ground. They will also be set well apart and designed with minimal encroachments on the Conservation Park.

Acquisition and phased demolition are now in progress. Resumption was gazetted on 15 July 2011.



Three preserved items at Nga Tsin Wai Village: gate house and stone tablet above the gate and Tin Hau Temple.



Kwun Tong Town Centre, Kwun Tong

The Kwun Tong Town Centre project is URA's largest redevelopment project to date. It covers a total site area of 5.3 hectares and affecting 1,657 interests. About 5,000 people living in the area will be able to improve their living condition.

When launched in March 2007, this project was then estimated to cost over \$30 billion.

The Master Layout Plans for the Project involve two Development Scheme Plans for two sites, namely, the Yuet Wah Street and Main Sites. The Plans were approved by the Town Planning Board, in December 2008 and January 2009 respectively. The Project will be developed in phases, in 5 Development Areas (DA).

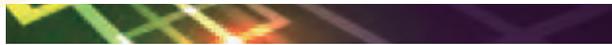
Since the start of 2010/11, the URA has made good progress by –

- achieving an overall acquisition rate of 88%, at the end of June 2011;
- continuing to discharge the planning conditions stipulated by the Town Planning Board;



Green coverage of almost 30 percent in the site area.

- continuing development of the Yuet Wah Street Site, which began in 2009 and upon completion in 2013/14, will comprise a residential tower and a health centre on the three lower levels;
- preparing for land resumption of DAs 2, 3 and 4 to facilitate the early development of four housing blocks above an integrated two-level public transport interchange and other Government/Institution and Community (G/IC) facilities;
- obtaining approval from the Government to re-provision the Kwun Tong Methadone Centre at the Hoi Yuen Road Roundabout Site, and starting preparatory works;
- obtaining approval from the Government to re-site their departments, from the Kwun Tong District Branch Office Building in DA 4 to other interim premises in the neighbourhood, to enable DA 4 to be used as an interim solution space for the GIC facilities currently in DAs 2 and 3; and
- submitting the application for a land grant for DAs 2 and 3, in February 2011.



Hai Tan Street / Kweilin Street and Pei Ho Street, Sham Shui Po

This group of three projects in Sham Shui Po is being implemented collectively as a Comprehensive Development Area (CDA). It covers a total area of over 7,400 square metres, with a gross floor area of over 25,300 square metres and a population of around 1,300 people. This is the third largest project to be launched by the URA.

750 domestic households, including 660 tenants and 90 occupiers of staircases, lanes and roof-tops, are benefitted.

The future development will provide almost 850 flats, about 5,000 square metres of commercial space, about 2,200 square metres of G/IC and about 1,500 square metres of open space.

The G/IC will include a special child-care centre cum early-education centre, a day-care centre for the elderly, a neighbourhood elderly centre, and space for a social enterprise.

URA commissioned a study to keep track of the residents and shop operators in terms of where they moved to and how well they may have adapted to the new environment.

The final report of the tracking study was completed in October 2010. It shows that:

- Most of the affected residents still reside in the district.
- Owners have chosen to purchase smaller but newer replacement units, while retaining over \$1 million of their cash compensation.
- The majority of the tenants and owner-occupiers were generally satisfied with the rehousing, compensation and acquisition payments that they received, as well as the adequate consultation and support from the social service team.
- The respondents also said that their living environment had improved, and that adaptation to their new environments had been easier than expected in terms of employment opportunities, education, medical support and social lives.

Resumption of the site was gazetted in November 2010. The site reverted to the Government in February 2011. Clearance is now underway.



Peel Street / Graham Street, Sheung Wan

This project is bounded by Peel Street, Graham Street, Gage Street, Wellington Street, Cochrane Street, Gutzlaff Street, Staveley Street and Kin Sau Lane, in Central and Western districts. The buildings in the redevelopment area were mainly constructed in the mid 1950s and early 60s.

The development will help improve the living conditions of some 320 households, involving around 820 people who, over the years, have repeatedly urged for early implementation of the project.

This project will also help preserving a century old market, which is indeed outside the project boundary. The URA decided to develop the project in phases so as to facilitate a smooth revitalisation of the market. This arrangement will postpone the completion of the project for 24 months and the URA will have to invest \$200 million more.

A comprehensive plan to address the needs and requirements of shops and stalls operating in the market



Promotional scheme for Graham Street market.

has been developed so as to minimise inconvenience to them.

Phased redevelopment allows for fresh-food operators who are currently operating in the first phase, and who wish to continue their businesses, to be moved to temporary shop premises that are URA-owned. These premises are within the remaining two sites. Upon completion of the project's low-rise retail block, the existing fresh-food operators would be able to operate from there if they so choose.

Balloting for alternative shop premises in the latter two phases of redevelopment that these fresh-food operators could eventually relocate to, took place in May 2010. Installation of purpose-built electricity meters for retained on-street hawkers commenced in June 2010, and was completed in early 2011. Resumption of Site B was gazetted in December 2010, and the site reverted to the Government in March 2011. Clearance and demolition are now underway.



Lee Tung Street / McGregor Street, Wan Chai

This residential and commercial redevelopment project in Wan Chai will –

- reflect a Wedding City theme that features Hong Kong's early wedding traditions, a culture gallery and a retail area for wedding-related trades such as wedding dresses, flowers, decorations, cakes, hair salons, jewellery, photo studios and wedding planners;
- offer space for social enterprises;
- preserve three pre-war shophouses;
- provide a pedestrianised Lee Tung Street; and
- provide a new east-west pedestrian link with open spaces.

This is also the first URA project that comes with a formalised comprehensive environmentally friendly policy. It has been planned to reduce greenhouse gas emission of the project by about 23%.

Lee Tung Street was physically closed on 25 February 2010. In due course, Amoy Street will be opened up. Construction is now underway and completion of construction is targeted for 2015.



The core elements of the market building have been preserved in-situ.



Tai Yuen Street / Wan Chai Road, Wan Chai

This residential and commercial redevelopment project in Wan Chai is on three sites. Sites A and B have already been redeveloped into the 'Zenith', and all flats built on these sites have been sold.

The design of Site C incorporates the preservation in-situ of the core elements of the Wan Chai Market building, with residential accommodation to be built above it. The preserved market building will form the commercial portion of the development. This provides a pragmatic solution whereby the URA can honour its contractual agreement with the developer whilst, at the same time, recognising the community's wish for preservation of the market building to the extent practicable, albeit at additional cost to the URA and with a longer development period.

The foundations have been completed. Pre-sale consent was obtained in June 2011. Construction is now underway and completion is targeted for 2013.



Excise of Site A including Wing Lee Street area is gazetted.



Staunton Street / Wing Lee Street, Sheung Wan

This residential and commercial project covers three sites. The URA, in its early years, was asked by the Government to implement this project as a matter of priority because the buildings were dilapidated and living conditions were appalling.

In November 2008, the URA decided to take a conservation-led redevelopment approach for the project and align it with the Government's conservation policy for the Former Police Married Quarters site on Hollywood Road.

In March 2010, URA proactively proposed an alternative implementation concept for conserving Wing Lee Street, one of the sites in the project, for the Town Planning Board's (TPB) discussion. The alternative concept was well received by the public.

At TPB's request, the URA on 7 May 2010 provided information regarding the structural conditions of the existing buildings at Wing Lee Street, and the costs involved in their rehabilitation. URA also explained the implications to all affected owners and tenants.

The URA has undertaken to continue to acquire the interests of the owners in Site A until the TPB decides on this particular Site.

URA has also made special arrangements for current Site A tenants who had registered for the freezing survey of March 2003. The arrangements include

- rehousing to URA's rehousing block at Shun Sing Mansion, 466 Des Voeux Road West, or
- assistance for tenants facing hardship. Such tenant cases arise when their landlords do not wish to sell their properties to the URA.
- URA is also rehabilitating acquired buildings in Wing Lee Street, and assisting those wishing to retain ownership and to upkeep their buildings.

In June 2011, the TPB announced that the Chief Executive in Council had referred the approved URA's Staunton Street/Wing Lee Street Development Scheme Plan (DSP) back to the TPB for amendment, in respect of Site A.

In July 2011, the TPB gazetted amendments to the approved DSP and the approved Sai Ying Pun and Sheung Wan Outline Zoning Plan (OZP) to –

- excise Site A, comprising the Wing Lee Street area and the Bridges Street Market site, from the DSP;
- incorporate the excised area into the OZP;
- zone 1-12 Wing Lee Street and 17 and 19 Shing Wong Street as a "Comprehensive Development Area" with a building height restriction of four storeys; and
- zone the Bridges Street Market site as "Other Specified Uses" annotated "Historical Site Preserved for Cultural and Recreational Uses" with a building height restriction of three storeys.

Rehabilitation: A Sensible Approach



Rehabilitated buildings with thematic colour designs in Kwun Tong.

Initiatives to encourage and promote better care by the owners of domestic premises in multiple ownership continue to be a major area of work for the URA.

The purposes of building rehabilitation are –

- To improve the environment;
- To improve living conditions in residential buildings;
- Improve building safety; and
- To extend the useful life of buildings.

Currently, URA focuses its rehabilitation work in a number of Rehabilitation Scheme Areas covering parts of Kowloon and Hong Kong Island, while Hong Kong Housing Society (HKHS) covers other areas throughout Hong Kong.

Materials Incentive and Loan Schemes

Since 2004, the URA has been providing various building rehabilitation assistance schemes in its Rehabilitation Scheme Areas in order to help address the problem of building dilapidation. Our 'Materials Incentive and Loan' schemes are aimed at improving not only the built environment but also the living conditions of the residents in these areas.

As at 31 March 2011, the URA had assisted owners in the rehabilitation of more than 520 buildings, comprising over 40,000 units. They include the 19 buildings, comprising almost 3,700 units, that were rehabilitated in 2010/11.

Comprehensive Schemes for Rehabilitation: IBMAS

During the year under review, the URA initiated a new approach through which the Government, URA and HKHS could consolidate the five financial assistance schemes provided by different organisations. Upon completion of this review, URA and HKHS modified, simplified and re-aligned the five rehabilitation-assistance schemes provided by these two organisations into one consolidated scheme, and with one set of application forms that also covers two Government-funded grant and loan schemes.

On 1 April 2011, the URA, together with HKHS and Buildings Department, launched an "Integrated Building Maintenance Assistance Scheme" (IBMAS). This scheme provides much more user-friendly advice and assistance to needy home-owners. It also enables all owners throughout Hong Kong, who meet the same set of eligibility criteria, to receive similar assistance.



Announcement of IBMAS details.



Balloting ceremony of OBB second round.

Operation Building Bright

The URA is assisting an unprecedentedly high number of building owners through its role in the Government's 'Operation Building Bright' (OBB).

By end March 2011, the URA had provided financial and technical assistance to owners of more than 980 buildings, comprising over 40,000 units, in order to facilitate the rehabilitation of these buildings. Rehabilitation of about 50 of these buildings was completed in 2009/10, with a further 300 buildings due for completion in 2010/11. About 630 buildings are still being assisted.

The OBB, with the URA as one of its implementation agents, has helped to generate heightened awareness of the need for building rehabilitation among owners, as well as create numerous employment opportunities.

The URA, HKHS, Buildings Department and ICAC have been working closely to devise and implement continual-improvement measures. These measures, which include guidelines and briefing sessions on proper tendering procedures, are conducive to good management and maintenance practices. Their implementation has resulted in a much healthier environment, one that benefits all stakeholders, and especially building owners.

On 24 June 2011, the Finance Committee of the Legislative Council approved further funding for OBB. Within its Rehabilitation Scheme Areas, the URA will now be able to increase the total number of buildings that it assists under OBB, to approximately 1,100 buildings and comprising about 55,000 units.

Mandatory Building and Window Inspection Schemes

In February 2010, the Building (Amendment) Bill 2010, which provides for the Mandatory Building Inspection Scheme (MBIS) and the Mandatory Window Inspection Scheme (MWIS), was introduced in the Legislative Council.

The URA welcomes this legislation and is collaborating with the Development Bureau, Buildings Department and HKHS in drawing up scheme details and the framework of subsidies and assistance. URA also participated in discussions by the Legislative Council's Bills Committee, regarding legislation and implementation under the established tripartite building rehabilitation partnership model – the three parties being the URA, Buildings Department and HKHS. The Building (Amendment) Bill 2010 was passed by the Legislative Council on 29 June 2011.

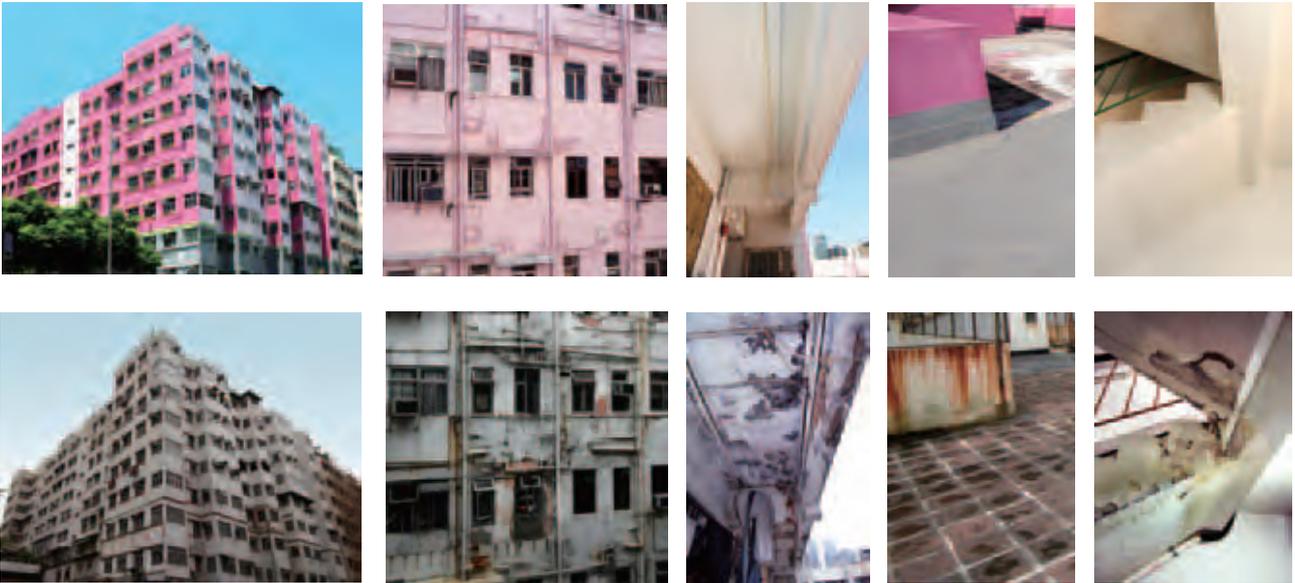
When the subsidiary legislation comes into force in 2012, the URA will provide assistance as well as advice to building owners regarding the formation of Owners' Corporations (OC), in the URA's Scheme Areas. URA would help such owners comply with statutory requirements and establish OCs.



Owners briefing for OBB.

Building Rehabilitation Hotline

2010/11 saw the launch of a one-stop building rehabilitation hotline (3188 1188), which is jointly operated by the URA and HKHS for the convenience of building owners. It also allows for easier public access to all the rehabilitation schemes that are currently offered by not only the URA, but also the Buildings Department and the Hong Kong Housing Society.



Wan Hong Building in Kwun Tong: before and after rehabilitation.

Expansion of Rehabilitation Role

During 2010/11, the URA successfully rehabilitated almost 320 buildings. They comprised 19 buildings that were under the URA's two incentive schemes, plus 300 more under OBB. These efforts helped to improve the living conditions of thousands of residents. In sum, the number represents an increase of 230 buildings or 250% above the 90 buildings that were rehabilitated by the URA in 2009/10.

Looking ahead, and in line with the new URS, the URA is planning to expand its rehabilitation role and progressively take over all rehabilitation work throughout Hong Kong.

The URA earmarks to invest more than \$1.3 billion to carry out different schemes to help owners rehabilitate their homes -- numbering 89,000 units in about 2,600 buildings.

The geographical coverage of the URA's building rehabilitation would be expanded in two phases. In 2013/14, URA's work will cover all districts in urban Kowloon, and it will then be extended to urban Hong Kong by 2015/16.



Tak Po Building in Tsuen Wan after rehabilitation.

Building Colour Design

In addition to its efforts at encouraging proper building maintenance, the URA also provides colour designs for buildings and groups of buildings – so as to enhance the visual appearance of the buildings and their neighbourhoods.



Wa Fung Mansion in Kwun Tong after rehabilitation.

Colour clusters of rehabilitated buildings in Tai Kok Tsui.



Preservation and Revitalisation: Growing Momentum



The tenement houses at No.9-12 Yu Lok Lane will be preserved and revitalised.

The URA is firmly committed to preserving and revitalising buildings, sites, and structures that are of historical, cultural or architectural interest, and that are within the scope of the URA's redevelopment projects, or outside its project site, but are supported by the Government. The intention is also to pursue preservation and revitalisation in a comprehensive, holistic and practical manner.

At present, URA's preservation and revitalisation efforts and plans cover 60 pre-war buildings as well as streets in Hong Kong's urban areas – and the momentum is expected to grow in the year ahead.

Preserving and revitalising tenement houses on Mallyory Street/Burrows Street

Of the small number of remaining tenement houses in Hong Kong, the ten pre-war buildings that sit on Mallyory Street and Burrows Street, have been classified as Grade 2 historical buildings.

When this project is completed in end 2012/early 2013, it should justifiably take pride of place amongst Hong Kong's preservation projects.

This first pure-preservation and revitalisation project of the URA will not involve any redevelopment elements. It will also be the first URA project that is designed to promote cultural and creative industries.

It is therefore befitting that the Hong Kong Arts Centre (HKAC), in April 2011, was awarded the project's contract as the Main Operator. The HKAC intends to create a 'Comix Home Base' for art exchange and interaction, both locally and overseas.

In the coming year, and based on the HKAC's innovative proposal, the URA will work closely with the Centre to design and create a custom-built environment for Hong Kong's cultural and creative industries.



Mallyory Street tenement houses become a Comic Home Base.

Central Oasis takes shape

In October 2009, the Government tasked the URA with its largest and most ambitious revitalisation project - to turn the Central Market building into a 'Central Oasis' for green, recreation and leisure use.

A dedicated advisory committee chaired by Professor David Lung, a recognised conservation expert, has been established. In addition to other responsibilities, the committee will advise the URA on the community-engagement process.

The URA has conducted a structural survey to determine, in detail, the condition of the building. We have also, with professional assistance, identified the defining architectural elements of the building. An opinion survey was conducted to find out the public's aspirations for the future 'Central Oasis'. Further reinforcing the engagement process was the staging of a series of roving exhibitions that featured four designs, and conducting a supplementary opinion survey in order to obtain the community's views of the four designs.



The Central Market building turns into the Central Oasis.



Community engagement process to seek the public's views of the four conceptual designs.

URA Preservation Initiatives



The Central Axis along with eight village houses, plus the village gatehouse, temple and stone tablet, that fall within the **Nga Tsin Wai Village** project, are to be preserved in a new Conservation Park.



Two clusters of shophouses on **Shanghai Street** and **Prince Edward Road West**, where acquisition is in progress.



Three shophouses that, together with the façade of Wing Woo grocery within the **Peel Street/ Graham Street** project will be preserved.



Five shophouses, which form part of the **Johnston Road** redevelopment project, have been preserved and revitalised, and turned into specialty restaurants.

URA Revitalisation Initiatives

Progress in Mong Kok

Five themed streets in Mong Kok have been included in the URA's revitalisation programme.

Refurbishment of the refuse collection point at Flower Market Road commenced in March 2011, while detailed designs for Phase 1 – Flower Market Road and Tung Choi Street – have been submitted to various Government departments for approval.

Improvement works are scheduled to commence towards the end of 2011.



Tai Kok Tsui street beautification work begins

Construction work for the Tai Kok Tsui roundabout is under way, and scheduled for completion before the end of 2011.

Other works on Beech Street have been completed.

Detailed designs for Phase 3, covering eight streets in Tai Kok Tsui, have been completed and submitted to relevant Government departments for comments. Endorsement from the Yau Tsim Mong District Council was obtained in June 2011.

Continued vibrancy in Central and Western

Peel Street / Graham Street

In order to retain the wet market and its vibrancy – albeit outside the project's boundary, URA decided to carry out works in the site in phases. Wet trade operators have been moved from Site B to the other two sites nearby. A six-week shoppers' reward scheme was organised in December 2010 to promote the market. It resulted in a 10 percent increase in the street market's patronage.



Pak Tsz Lane Project

Pak Tsz Lane was associated with revolutionary activities in early twentieth century in China. URA decided to revitalise the area and build a theme park to commemorate the history of the area. Construction continued in order to ensure completion of the first phase of the Pak Tsz Lane project, by end of 2011. That year also marks the centenary year of the 1911 Revolution.

Contributing to Sustainable Development



Urban Renewal Exploration Centre displays URA's work in environmental sustainability in its projects.

The URA has played an important role in incorporating environmental sustainability in all aspects of our work in urban renewal. We believe that with proper planning and design, new buildings can achieve much better ventilation and more efficient energy use.

Our policy on environmental sustainability was formalised in 2009. It is now at the core of our work. The policy draws on the experience of many cities overseas, and is based on the latest environmental technology as well as the advice of experts in the field.

These guidelines are not slogans; they are incorporated in the requirements of our tender documents.

Our current project in Lee Tung Street is the first to incorporate all our environmental provisions in a comprehensive way. We estimate that by applying all our green features, this project's greenhouse gas emission will be cut by about 23%.

URA has scored six HK-BEAM platinum ratings so far:

- Ka Wai Man Road project, Kennedy Town
- Tsuen Wan Town Centre project, Tsuen Wan
- Bedford Road / Larch Street project, Tai Kok Tsui
- First Street / Second Street project, Sai Ying Pun
- Queen's Road East project, Wan Chai
- Cherry Street project, Tai Kok Tsui



Ka Wai Man Road project



Tsuen Wan Town Centre project



Cherry Street project



Bedford Road / Larch Street project

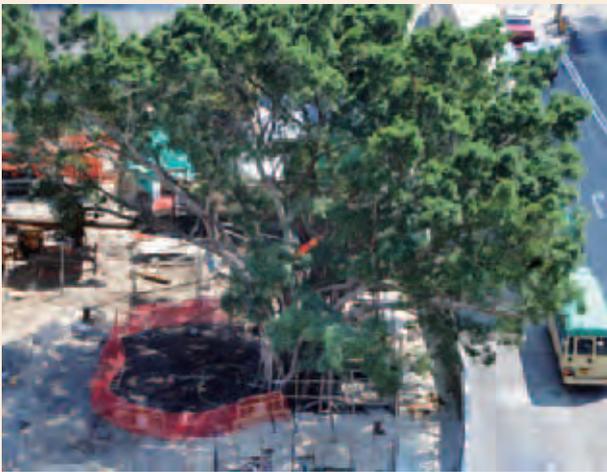


First Street / Second Street project



Queen's Road East project

On 1 May 2011, the URA completed its most difficult tree relocation project in Kwun Tong, in cooperation with its joint venture partner, tree experts, engineers and workers. A 40-year-old tree that weighs over 300 tonnes, or the equivalent of two jumbo jets, was smoothly relocated from the URA's work site at Yuet Wah Street to a nearby park.



The tree at the work site in Yuet Wah Street before relocation.



Working around the clock to move the tree to its new home nearby.



The tree at the Yuet Wah Street Playground.

Education is crucial in raising our next generation's awareness of the need to contribute to a sustainable Hong Kong. The URA promotes sustainable development by supporting international events, such as last year's C40 Conference, and we promote the green concept at our Urban Renewal Exploration Centre, where students are able to explore up-to-date green technology.



URA Chairman Mr Barry Cheung at C40 conference.

URA has been using environmentally friendly ink and recycled paper in the production of its corporate publications, including annual reports, corporate brochures and leaflets.



Community Services

URA and its colleagues care a great deal about the community. After all, we are just as much a part of it. Volunteerism and community service are therefore actively encouraged by and through our staff club.

We received Caring Organisation award from the Hong Kong Council of Social Service.



February 2011

URA establishes its Voluntary Services Team. Our volunteers brought entertainment and laughter to children at the Hong Chi Pinehill Village, a non-profit organisation providing services to children with intellectual disabilities.



February 2011

We fielded a strong team of runners for the Standard Chartered Marathon.



June 2011

We care for those who suffer as a result of disasters, including those that take place outside of Hong Kong. Our staff club donates to the Red Cross Japan Earthquake and Tsunami Relief Fund.

We relocated our Head Office to a nearby building and donate used furniture and equipment to those in need.

We make available the Central Oasis as a free venue for community groups and NGOs to promote their work. One of the events held at Central Oasis is the World Refugee Day Photo Exhibition supported by the URA.

We supported the Amazing City Orienteering Programme, an annual student event involving over 60 school teams to explore heritage preservation and revitalisation initiatives in Hong Kong.



March 2011

We organised the Green Living School Campaign including an inter-school drama competition and green blog to promote a greener Hong Kong among the youngsters.



March 2011

Highlights of the Year

April 2010

- Issue purchase offers to owners of Shun Ning Road and San Shan Road / Pau Chung Street projects.
- Government re-appoints Mr Barry Cheung as the URA Chairman and appoints/ re-appoints 11 non-executive directors.
- Ground breaking ceremony of the Pak Tsz Lane revitalisation project.



- Award presentation ceremony of the Comic Drawing Competition, which promotes building rehabilitation.

May 2010

- Steering Committee on Urban Renewal Strategy (URS) Review publishes the Paper for the Consensus Building Stage for public response.
- Implement package of additional measures to control sales of flats in redevelopment projects.
- Launch Building Assistance Schemes Hotline jointly operated by URA and Hong Kong Housing Society (HKHS)



- Central Oasis Community Advisory Committee (COCAC) endorses the results of the opinion poll for the way forward of the ex-Central Market building.

June 2010

- Report to Legislative Council's Panel on Development on URA's work during 2009/10 and disclose financial results of 8 completed development projects.



- Stage 3 of URS Review "Consensus Building" commences.

July 2010

- Finance Committee of the Legislative Council approves a further \$500 million in Government funding of Operation Building Bright (OBB).
- Invite Expressions of Interest (EOI) in becoming Main Operator of the Mallory Street/Burrows Street "Art Community" revitalisation project".
- Invite EOI in joint development of Third Street / Yu Lok Lane / Centre Street project.

August 2010

- Invite tenders for Third Street/ Yu Lok Lane/ Centre Street project.

September 2010

- Award contract for the joint development project at Third Street/ Yu Lok Lane/ Centre Street to a wholly-owned subsidiary of China Overseas Land and Investment Ltd.
- Invite EOI in joint development of Fuk Tsun Street / Pine Street project.



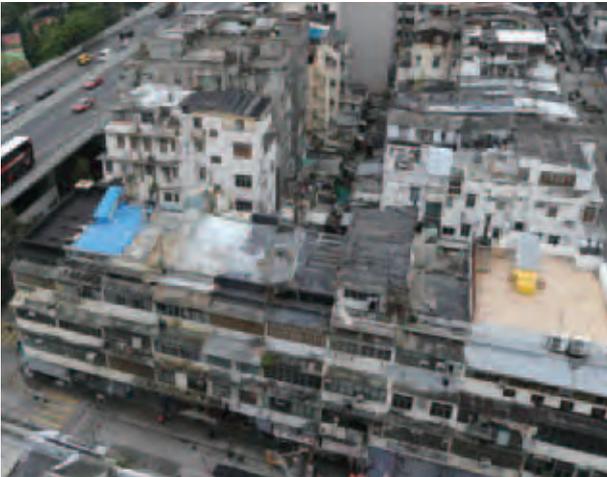
- Announce special measures to assist tenants/owners of Wing Lee Street.

October 2010

- Invite tender for joint development of Fuk Tsun Street/Pine Street project.
- Government publishes draft of new URS.
- Round 2 of OBB Commences.

November 2010

- Award contract for the joint development project at Fuk Tsun Street / Pine Street to a wholly-owned subsidiary of Sino Land Company Ltd.



- Resumption of Hai Tan Street/Kweilin Street/Pei Ho Street project gazetted.

December 2010

- Government gives authorization to Ma Tau Wai Road/Chun Tin Street project.
- Resumption of Peel Street/Graham Street project (Site B) gazetted.
- URA's long-term corporate rating upgraded to AAA by Standard & Poor's Ratings Services, same rating as the HKSAR government.



- Kick off a six-week promotional scheme for patrons of the Graham Street Market to enhance vibrancy.

January 2011



- Organise the International Forum on Conservation and Adaptive Reuse of Reinforced Concrete Buildings.

February 2011

- Government re-appoints Mr Quinn Law as Managing Director of the URA.
- Government releases the new Urban Renewal Strategy.
- Resumption of Sai Yee Street project gazetted.

March 2011

- Announce implementation arrangements for the “flat-for-flat” pilot scheme.



- Commence the statutory planning procedures for Pak Tai Street/San Shan Road and Fuk Wing Street projects to be implemented under the new URS.

April 2011

- Hong Kong Arts Centre awarded the Main Operator of Mallory Street/Burrows Street “Art Community” revitalisation project.
- Announce the framework for URA taking up the role of a facilitator in redevelopment.
- Launch the Integrated Building Maintenance Assistance Scheme, jointly operated by the URA and HKHS.
- Decision by Appeal Board to uphold decision of Secretary for Development to authorize Ma Tau Wai Road/Chun Tin Street project gazetted.



- Launch a series of roving exhibitions throughout the territory on four conceptual designs of the Central Oasis revitalisation project.

May 2011

- Issue offer letters to owners of the Ma Tau Wai Road/Chun Tin Street project.



- Announce the framework for a “demand-led” redevelopment model.

June 2011

- Finance Committee of the Legislative Council approves a further \$1 billion in Government funding of OBB.
- Kowloon City District Urban Renewal Forum holds its inaugural meeting.
- The Legislative Council passes the Bill for the implementation of the Mandatory Building Inspection Scheme.



- Report to Legislative Council's Panel on Development on URA's work during 2010/11 and disclose financial results of 5 completed development projects.

July 2011

- Resumption of Nga Tsin Wai Village project gazetted.



- Invite applications from owners of residential buildings for demand-led redevelopment and facilitating services.

Project Highlights

Project Name	Development Name	Project Site Information				Project Development Information					
		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	Public Open Space ⁽¹⁾ m ²
1 to 32 - 32 Ongoing projects commenced up to 31 March 2011 by URA											
1	Fuk Wing Street, Sham Shui Po	649	2456	3	195	5038	72	560	0	0	0
2	Pak Tai Street / San Shan Road, Ma Tau Kok	1277	6389	6	380	9782	138	1630	0	0	0
3 ⁽²⁾	Ma Tau Wai Road / Chun Tin Street, Ma Tau Kok	3377	10393	17	1080	22640	420	1900	0	1000	500
4 ⁽²⁾	Shun Ning Road, Sham Shui Po	827	3820	5	159	6977	110	775	0	0	0
5 ⁽²⁾	San Shan Road / Pau Chung St, Ma Tau Kok	1170	6046	7	344	10530	144	1755	0	0	0
6 ^(2, 3)	Shanghai Street / Argyle Street, Mong Kok	1128	3944	14	170	3944	0	3944	0	0	0
7 ^(2, 3)	Prince Edward Road West / Yuen Ngai Street, Mong Kok	1440	4334	10	31	6126	0	6126	0	0	0
8 ⁽²⁾	Anchor Street / Fuk Tsun Street, Tai Kok Tsui	726	3348	6	257	6534	0	6534	0	0	0
9 ⁽²⁾	Chi Kiang Street / Ha Heung Road, Ma Tau Kok	931	5226	5	298	8379	116	1396	0	0	0
10 ⁽²⁾	Pak Tai Street / Mok Cheong Street, Ma Tau Kok	771	3772	5	239	6939	92	1157	0	0	0
11 ⁽²⁾	Sai Yee Street, Mong Kok	2465	14434	14	498	22185	290	4930	0	0	0
12 ^(2, 3)	Nga Tsin Wai Village, Wong Tai Sin	4637	2051	36	109	37097	750	2319	0	0	0
13 ^(2, 3)	Peel Street / Graham Street, Sheung Wan	5320	20219	37	823	68300	293	44650	0	1290	2060
14 ⁽²⁾	Kwun Tong Town Centre, Kwun Tong	53500	96104	24	4440	401250	1980	111780	97860	31000	13400

Remarks	Status
Small sized flats of 40 to 60 square metres Eligible domestic owners-occupiers can join Flat for Flat scheme	Project commencement gazetted on 25/03/11
Small sized flats of 35 to 65 square metres Eligible domestic owners-occupiers can join Flat for Flat scheme	Project commencement gazetted on 25/03/11
Project commenced at request of Government following collapse of one building and demolition of damaged adjacent one	Project commencement gazetted on 24/02/10 SDEV authorized URA to proceed on 10/12/10 Decision of Appeal Board to uphold authorization gazetted on 29/04/11 Initial acquisition offers issued on 30/05/11
	SDEV authorized URA to proceed on 29/01/10 Initial acquisition offers issued on 28/04/10 Resumption application submitted on 25/01/11
	SDEV authorized URA to proceed on 29/01/10 Initial acquisition offers issued on 28/04/10 Resumption application submitted on 25/01/11
Zoned 'Other specified uses: shophouses for commercial and / or cultural uses'	DSP approved by CE in C on 02/02/10 Initial acquisition offers issued on 31/03/10 Resumption application submitted on 27/01/11
Zoned 'Other specified uses: shophouses for commercial and / or cultural uses'	DSP approved by CE in C on 02/02/10 Initial acquisition offers issued on 31/03/10 Resumption application submitted on 27/01/11
Ancillary commercial space is for hotel with about 184 rooms	Property acquisition in progress Resumption gazetted on 12/08/11
	Clearance in progress Provisional basic terms offer of land grant issued by LandsD on 14/09/10
	Clearance in progress Provisional basic terms offer of land grant issued by LandsD on 14/09/10
	Resumption gazetted on 18/02/11 Site reverted to Government on 18/05/11 Clearance in progress Demolition of vacant buildings underway
At-grade conservation park accessible to public will be provided. Commercial space includes preserved buildings / elements, temple office, village committee's office, reprovisioning of public toilet and other covered areas but actual area still subject to detailed design	Property acquisition in progress Demolition of vacated properties in progress Land grant application submitted on 07/01/10 Resumption gazetted on 15/07/11
G/IC is a 1,290m ² multi-purpose activity hall Commercial space includes retail space for relocating wet trade market shops, some space for social enterprises and 8,950m ² for 182 room hotel	Property acquisition in progress Resumption of Site B gazetted on 10/12/10 Site B reverted to Government on 10/03/11 Demolition of Site B underway
Other uses include 65,860m ² for offices and 32,000m ² for hotel G/IC includes 6,200m ² for Kwun Tong Jockey Club Health Centre in Yuet Wa Street Site and 8,100m ² for Government uses in Main Site and 16,700m ² for Public Transport Interchange in Main Site Commercial Space includes some space for social enterprises Actual residential flat production is 1,980 units, but the approved MLP stated not more than 2,000 units to allow flexibility Public space includes min 8,700m ² at-grade public open space and min 4,700m ² public streetscape area / pedestrian deck	Resumption and phased reversion application for Main Site submitted on 13/07/09 LandsD consulted Kwun Tong District Council about resumption of DAs 2, 3 and 4 on 03/05/11 Class B amendment to YWS MLP approved on 09/03/11 Construction on YWS site in progress GBP's approved on 23/03/11

Project Name		Development Name	Project Site Information				Project Development Information					
			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	Public Open Space ⁽¹⁾ m ²
15 ^(2,3)	Stone Nullah Lane / Hing Wan Street, Wan Chai	Blue House	906	1765	9	70	-	0	0	-	0	0
16	MacPherson Stadium, Mong Kok		2400	2788	1	0	24767	297	2443	0	5619	0
17 ⁽²⁾ 18 ⁽²⁾ 19 ⁽²⁾	Hai Tan Street / Kweilin Street & Pei Ho Street, Sham Shui Po		7440	25344	37	1277	56840	845	4990	0	2200	1500
20 ⁽²⁾	Fuk Tsun Street / Pine Street, Tai Kok Tsui		560	4071	3	273	4947	109	840	0	0	0
21 ^(2,3)	Third Street / Yu Lok Lane / Centre Street, Sai Ying Pun		2150	4140	14	213	16395	255	85	0	0	1320
22 ^(2,3)	Mallory Street / Burrows Street, Wan Chai		780	2687	5	122	2402	0	0	2402	0	309
23 24	Lai Chi Kok Road / Kweilin Street & Yee Kuk Street, Sham Shui Po		3339	13197	17	551	29960	402	5411	0	0	580
25	Pine Street / Anchor Street, Tai Kok Tsui		2328	11802	12	518	20952	464	3492	0	0	450
26	Larch Street / Fir Street, Tai Kok Tsui	Lime Stardom	2195	10332	12	594	19735	377	3310	0	0	0
27 ⁽³⁾	Lee Tung Street / McGregor Street, Wan Chai		8236	36534	52	1613	79825	1299	9251	0	2690	3967
28	Baker Court, Hung Hom		277	834	2	9	2338	68	261	0	0	0
29 ^(2,3)	Staunton Street / Wing Lee Street, Sheung Wan		2175	3049	16	98	6117	92	870	0	0	474
30	Queen's Road East, Wan Chai	Queen's Cube	378	1806	5	25	3984	96	441	0	0	0
31	First Street / Second Street, Sai Ying Pun	Island Crest	3536	15690	30	777	38178	488	1722	0	2197	700
32	Cherry Street, Tai Kok Tsui	Florient Rise	4510	14416	33	1020	43231	522	4916	0	1849	0
1 to 32 Commenced Sub-Total (A)			119428	330991	446	16183	965392	9719	227488	100262	47845	25260

Remarks	Status
Part of revitalising historic buildings through partnership scheme Other uses include education, recreation, welfare or visitor uses	Project returned by HKHS to URA with effect from 01/02/10 Being held by URA pending handover to NGO appointed by DEVB
Land grantee is Hong Kong Playground Association G/IC is for Indoor Stadium and Youth Centre	Construction in progress Estimated completion of construction in mid 2012
Three projects taken forward as one G/IC includes 1,940m ² for Special Child Care Centre cum Early Education Centre, Day Care Centre for Elderly and Sub-base for a Neighbourhood Elderly Centre; 260m ² for either social enterprise or non-domestic use	Resumption gazetted on 19/11/10 Site reverted to Government on 19/02/11 Clearance in progress
	Clearance completed in 07/10 Joint-venture development tender awarded on 22/11/10 Land grant executed on 25/01/11 Demolition completed GBP approved on 01/04/11
Commercial space includes 76m ² for commercial / community use	Joint-venture development tender awarded on 27/09/10 Land grant executed on 07/01/11 GBP approved on 22/03/11 Foundation works in progress
Zoned 'Other specified uses: open space and historical buildings preserved for cultural and commercial uses' GFA includes retained façade at Burrows Street and two elevated walkways	Provisional basic terms offer of land grant accepted by URA on 28/06/10 Structural / foundation strengthening work completed Tender for Main Operator awarded on 15/04/11
Two projects taken forward as one Commercial space includes some space for social enterprises	Joint-venture development tender awarded on 22/01/10 Land grant executed on 16/03/10 Site investigation works completed Construction in progress
	Construction in progress Estimated completion of construction in early 2012
Commercial space includes some space for non-income generating activities	Estimated completion of construction in late 2011 Sales of remaining flats in progress
Commercial space includes some space for social enterprises and three historical buildings G/IC includes Residential Care Home for Elderly / Community Service Support Centre, Refuse Collection Point and Public Toilet	Land grant executed on 25/02/10 Piling works and utility diversion works in progress Binding Basic Terms Offer of lease modification for additional commercial GFA on Site A issued on 21/06/2011
	Construction in progress
Updated development parameters assume that Site A is excised from DSP	Resumption application submitted on 30/09/08 Revised MLP rejected by TPB on 19/03/10 URA announced special measures on 27/09/10 to assist Site A owners and tenants Approved DSP referred back to TPB by CE in C on 10/06/11 Decision by TPB on zoning intention of Site A now awaited Property acquisition in progress
	Occupation Permit obtained in 04/10 Certificate of Compliance obtained in 07/10 Distribution of unsold flats under Development Agreement in progress
Commercial space excludes G/IC area G/IC is for Residential Care Home for Elderly	Certificate of Compliance obtained in 06/10 Sales of remaining flats in progress
Commercial space excludes G/IC area G/IC is for Residential Care Home for Elderly	Sales of remaining flats in progress

		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	Public Open Space ⁽¹⁾ m ²	
33 to 39 - 7 Ongoing projects commenced up to 31 March 2011 by HKHS												
33 ⁽²⁾	Sai Wan Ho Street, Shau Kei Wan	712	3796	2	21	5791	88	631	0	0	0	
34 ⁽²⁾	Castle Peak Road / Cheung Wah Street, Sham Shui Po	1003	5935	10	158	9030	130	1505	0	0	0	
35 ⁽²⁾	Castle Peak Road / Un Chau Street, Sham Shui Po	2610	14193	24	496	23490	350	3915	0	0	150	
36 ⁽²⁾	Un Chau Street / Fuk Wing Street, Sham Shui Po	2134	10114	22	362	19206	275	1001	0	2200	150	
37 ⁽²⁾	Castle Peak Road / Hing Wah Street, Sham Shui Po	1398	8286	11	344	12586	168	2098	0	0	0	
38	Shau Kei Wan Road, Shau Kei Wan	1872	9834	17	400	19555	274	3217	0	0	0	
39	Po On Street / Wai Wai Road, Sham Shui Po	2592	9923	19	528	21183	327	956	0	2582	0	
33 to 39 Commenced Sub-Total (B)		12321	62081	105	2309	110841	1612	13323	0	4782	300	
40 to 41 - 2 Ongoing projects taken over from ex-LDC												
40	Hanoi Road, Tsim Sha Tsui	The Masterpiece	8299	27309	20	220	102625	345	31209	25816	0	1219
41 ⁽³⁾	Tai Yuen Street / Wan Chai Road, Wan Chai	The Zenith	6793	12555	31	975	62310	889	3453	0	6318	0
40 to 41 Commenced Sub-Total (C)		15092	39864	51	1195	164935	1234	34662	25816	6318	1219	
Commenced Total (A) + (B) + (C)		146841	432936	602	19687	1241168	12565	275473	126078	58945	26779	
42 to 46 - 5 Completed projects commenced by URA⁽⁴⁾												
42	Po On Road / Shun Ning Road, Sham Shui Po	Beacon Lodge	1394	4898	8	327	12534	166	2083	0	0	251
43	Bedford Road / Larch Street, Tai Kok Tsui	i-home	1229	6313	7	280	10363	182	1148	0	0	0
44	Fuk Wing Street / Fuk Wa Street, Sham Shui Po	Vista	1384	5129	8	246	12453	173	2075	0	0	255
45 ⁽⁴⁾	Reclamation Street, Mong Kok	MOD 595	535	2411	4	122	4921	85	802	0	0	0
46 ^(3,4)	Johnston Road, Wan Chai	J Residence	1970	7640	21	333	20567	381	2600	0	0	0
42 to 46 Completed Sub-Total⁽⁴⁾ (D)		6512	26391	48	1308	60838	987	8708	0	0	506	
0 Completed project commenced by HKHS⁽⁴⁾												
Nil Completed Sub-Total⁽⁴⁾ (E)		0	0	0	0	0	0	0	0	0	0	

Remarks	Status
	Acquisition, clearance and demolition of residential building completed Acquisition approach for industrial building under review
	Demolition completed Land grant executed on 8/03/11
	Demolition completed Basic Binding Terms Offer accepted on 31/03/11
G/IC is for Residential Care Home for the Elderly	Demolition completed Basic Binding Term Offer accepted on 31/03/11
	Demolition completed Land grant in progress
	Construction in progress
G/IC is for Residential Care Home for the Elderly	Construction in progress
Other use is for 381 room hotel	Leasing of commercial space in progress Hotel in operation Memorandum in respect of Newco Arrangement executed in 02/2011
G/IC includes Market, Day Nursery, Refuse Collection Point and Public Toilet	Sales and leasing of Sites A and B completed Partial demolition of Old Wan Chai Market at Site C completed Construction at Site C in progress for completion in early 2013
	Project completed in 2010/11
	Project completed in 2010/11 Leasing of shops in progress Sales of parking spaces in progress
	Project completed in 2010/11 Leasing of shops in progress
	Project completed in 2009/10 Sales of remaining parking spaces in progress
	Project completed in 2008/09

			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	Public Open Space ⁽¹⁾ m ²													
47 to 54 - 8 Completed projects commenced by ex-LDC⁽⁴⁾																								
47	Yeung Uk Road, Tsuen Wan	The Dynasty	7230	NA	0	0	44404	256	17373	0	0	0												
48	Tsuen Wan Town Centre, Tsuen Wan	Vision City	20300	56851	22	7119	134185	1466	23221	0	3080	3700												
49 ⁽⁴⁾	Kennedy Town New Praya, Kennedy Town	The Merton	6075	24808	15	1683	62904	1182	0	0	110	2300												
50 ⁽⁴⁾	Ka Wai Man Road, Kennedy Town	Mount Davis 33	728	4000	1	0	7280	89	0	0	0	0												
51 ⁽⁴⁾	Waterloo Road / Yunnan Lane, Yau Ma Tei	8 Waterloo Road	3869	6610	19	444	32012	576	0	0	0	1650												
52 ⁽⁴⁾	Queen Street, Sheung Wan	Queen's Terrace	7964	25792	50	648	66233	1148	400	0	5254	1200												
53 ⁽⁴⁾	Argyle Street / Shanghai Street, Mong Kok	Langham Place	11976	40810	58	2603	167414	0	160866	0	6548	1100												
54 ⁽⁴⁾	Kwong Yung Street, Mong Kok	Paradise Square	1607	4190	10	178	15160	272	2414	0	0	0												
47 to 54 Completed Sub-Total⁽⁴⁾ (F)			59749	163061	175	12675	529592	4989	204274	0	14992	9950												
Completed Total⁽⁴⁾ (D) + (E) + (F)			66261	189452	223	13983	590430	5976	212982	0	14992	10456												
Commenced + Completed			213102	622388	825	33670	1831598	18541	488455	126078	73937	37235												
<p>Note (1) This table includes only Public Open Space and not any private open space.</p> <p>(2) The details of projects 1 to 15, 17 to 19 and 33 to 37 have yet to be finalised and are still subject to change during the statutory, planning and land grant approval processes.</p>																								
<p>Glossary of Terms</p> <table> <tr> <td>CE in C = Chief Executive in Council</td> <td>GFA = Gross Floor Area</td> <td>LDC = Land Development Corporation</td> </tr> <tr> <td>C/R = Commercial / Residential</td> <td>G/IC = Government / Institution and Community</td> <td>MLP = Master Layout Plan</td> </tr> <tr> <td>DA = Development Area</td> <td>HKHS = Hong Kong Housing Society</td> <td>OU = Other Specified Use</td> </tr> <tr> <td>DSP = Development Scheme Plan</td> <td>LandsD = Lands Department</td> <td>OZP = Outline Zoning Plan</td> </tr> </table>													CE in C = Chief Executive in Council	GFA = Gross Floor Area	LDC = Land Development Corporation	C/R = Commercial / Residential	G/IC = Government / Institution and Community	MLP = Master Layout Plan	DA = Development Area	HKHS = Hong Kong Housing Society	OU = Other Specified Use	DSP = Development Scheme Plan	LandsD = Lands Department	OZP = Outline Zoning Plan
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DSP = Development Scheme Plan	LandsD = Lands Department	OZP = Outline Zoning Plan																						

Remarks	Status
	Project completed in 2010/11
G/IC is for transport and community facilities	Project completed in 2010/11
G/IC is for public toilet	Project completed in 2007/08
	Project completed in 2007/08
	Project completed in 2007/08
G/IC includes Single-person Hostel, Care & Attention Home, Day Nursery, Social Centre for the Elderly, Hostel for Moderately Mentally Handicapped and Cooked Food Centre	Project completed in 2007/08
Commercial space includes 41,933m ² for 686 room hotel, 65,793m ² for offices and 53,140m ² for retail G/IC includes Cooked Food Centre and transport and community facilities	Project completed in 2005/06
	Project completed in 2005/06
<p>Note (3) Projects 6, 7, 15 and 22 are purely preservation projects. All other 54 projects are redevelopment projects, with redevelopment projects 12, 13, 21, 27, 29, 41 and 46 containing some preservation elements.</p> <p>(4) In this table, a project is deemed to be fully completed once all residential units have been sold and all commercial and other accommodation, apart from car and motor cycle parking spaces, have been sold or substantially leased out.</p>	
<p>Glossary of Terms SDEV = Secretary for Development TPB = Toen Planning Board URA = Urban Renewal Authority YWS = Yuet Wah Street</p>	

Management Discussion and Analysis

(I) Review of 2010/11 Results

(a) Revenues

Revenues for the year ended 31 March 2011, comprising mainly upfront payments from tendered projects and share of surpluses from jointly controlled development projects, amounted to \$3.6 billion. Compared to the last financial year's revenue of \$9.7 billion, this represents a decline of \$6.1 billion or 63%. The aggregate value of upfront amounts concluded by the URA in 2010/11 was much lower than 2009/10 as the two redevelopment project sites tendered and awarded during the year, namely Yu Lok Lane / Centre Street and Fuk Tsun Street / Pine Street, with 2,710 m² in total area, were fewer in number and smaller in size than the three sites tendered and awarded in 2009/10 with total area of 15,892 m². The upfront amounts concluded in 2009/10 also represented the highest aggregate value recorded in any financial year since the establishment of URA in 2001. Also included in the revenues were shares of sales proceeds totalling \$1.5 billion (2009/10: \$0.2 billion) from certain jointly controlled development projects with the proceeds exceeding certain thresholds stipulated in the development agreements which were set years ago when property market values were relatively much lower. The development agreements of Island Crest in Sai Ying Pun, Florient Rise in Tai Kok Tsui and Vision City in Tsuen Wan were executed in 2005, 2004 and 2002 respectively.

(b) Other net income

Of the \$72 million included as other net income for the year (2009/10: \$80 million), \$49 million (2009/10: \$25

million) was interest income earned from bank deposits, with an average yield of 0.90% p.a. (2009/10: 0.45% p.a.). There were also gains of \$12 million (2009/10: \$29 million), principally achieved from funds managed by the investment manager with a gross yield of 1.61% p.a. against the reported one-year benchmark return of 1.58% for 2010/11.

(c) Administrative expenses

Administrative expenses mainly covered staff costs, accommodation costs and depreciation charges. Administrative expenses before depreciation for the financial year increased to \$269 million (2009/10: \$246 million) largely due to the headcount growth required to meet the workload of the URA's planned projects and new initiatives. The depreciation charge for office capital expenditure was \$20 million for the financial year 2010/11 (2009/10: \$20 million).

To cope with the expansion of urban renewal activities, including the increased levels of rehabilitation works arising from Operation Building Bright which will be implemented over a number of years, the staffing level as at 31 March 2011 increased by 28 to 423 (31 March 2010: 395), of which 97 staff (31 March 2010: 55) were employed on contracts of less than three years in duration.

(d) Provision for Urban Renewal Trust Fund (URTF)

Under the new Urban Renewal Strategy (URS), the URA is committed to providing \$0.5 billion funding as an

endowment for the establishment of the URTE. This was recorded as a liability consequent to the promulgation of the new URS on 24 February 2011 and charged as a provision in the current year's account. The new URS also requires the URA to provide additional funding in the future to the URTE.

(e) Write back of / provision for impairment on properties and committed projects

The URA's properties and committed projects are valued by in-house professionals at the end of each financial year. Based on its accounting policy detailed in Notes 2(g) and 2(n) to its financial statements, a net write back of the provision for loss aggregating \$0.3 billion was made in this financial year. The said amount reflected the reduction in the provision for loss for various projects resulting from the increases in their respective assessed development values as compared with those at 31 March 2010, offset against the additional provision required for some projects due to changes in development plans and approaches to them.

As a note of interest, acquisition offers were issued to owners of interests in the Ma Tau Wai Road project in May 2011. URA intends to develop this project directly by itself to provide small flats to the housing market. It is currently anticipated that a provision for loss would be made for this project in 2011/12.

(f) Operating surplus for the year

For the year ended 31 March 2011, the URA recorded a

net operating surplus of \$2.2 billion mainly attributable to the surplus from the two tendered projects and the share of surplus sales proceeds from various joint venture projects. This represents a decline of \$4.8 billion or 69% compared to the \$7.0 billion net operating surplus reported in 2009/10. This significant reduction mainly resulted from the smaller sizes of the projects awarded in 2010/11 by comparison with 2009/10 as mentioned in paragraph (l)(a) above.

The Masterpiece and K11 Mall is the only URA project under the Owner Participation Scheme. Sale of its residential units and operation of its hotel and retail mall all commenced in 2009/10. Subject to the finalisation of the account and fulfilment of certain conditions, it is envisaged that the URA will likely share a certain surplus from this project which will be accounted for in the ensuing 2011/12 financial year.

(II) Financial Position at 31 March 2011

(a) Properties under development

The value of "Properties under development" as at 31 March 2011 was at a historically high level of \$15.9 billion (2009/10: \$14.1 billion), representing the acquisition costs for projects for redevelopment or preservation purposes at various stages of implementation, comprising two projects under acquisition; six projects pending completion of resumption process; one project with over 90% ownership of interests acquired

pending reversion to the Government; and five projects with ownership reverted to the Government pending final clearance. The aforesaid cost was set off against the cumulative provision for loss on nine projects of \$5.2 billion (2009/10: \$4.7 billion for 10 projects) giving rise to a net cost of \$10.7 billion (2009/10: \$9.5 billion). The increase in the net cost reflects mainly the higher number of projects now being implemented and the generally higher levels of acceptance of offers for acquisition of properties in these projects. During 2010/11, the URA commenced acquisition of two redevelopment projects, one located in Sham Shui Po and the other in Ma Tau Kok.

(b) Cash and bank balances

As at 31 March 2011, the URA's cash and bank balances and the fair value of the funds managed by the investment manager totalled \$7.1 billion (2009/10: \$5.7 billion). The improvement in bank balances of \$1.4 billion from last year was substantially due to the receipts, in 2010/11, of the balances of the upfront payments of the projects tendered in 2009/10, coupled with the lower acquisition acceptances to its revised offers.

The URA placed its surplus cash on short-term deposits with a number of financial institutions and invested in HK\$ bonds of the required credit rating in accordance with the URA's investment guidelines, which have been approved by the Financial Secretary with capital conservation as the priority. The investment manager who manages a portion of the surplus funds also follows the same guidelines.

Off-set by the borrowings of \$1.5 billion mentioned in paragraph (II)(c) below, the net cash position including

the fair value of the financial assets at 31 March 2011 was \$5.6 billion (31 March 2010: \$4.2 billion).

(c) Debt securities issued

In December 2010, in conjunction with the upgrading of the Government's rating, the URA's rating was also adjusted by Standard & Poor's (S&P) from its previous rating of AA+ to AAA. The ratings were reassessed and reaffirmed in February 2011, with URA's standalone credit rating reconfirmed at AA+.

As at 31 March 2011, the debt securities issued by the URA was \$1.5 billion. In May 2011, the URA issued three-year fixed rate notes with an annual coupon of 1.45% for a total principal amount of HK\$0.2 billion under its US\$1 billion Medium Term Note (MTN) Programme.

(d) Net assets value

The URA's net assets value as at 31 March 2011 was \$19.2 billion, representing the Government's capital injection of \$10 billion and an accumulated surplus from operations of \$9.2 billion.

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

(III) Capital Injection, and Tax Exemption

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

(IV) Waiver of Land Premia by the Government

Under the Urban Renewal Strategy (URS), the Government waives the land premia for redevelopment sites granted to the URA. For 2010/11, the land premia waived by the Government on two land grants amounted to \$0.9 billion. Since May 2001, a total of 16 land grants, including the two made in 2010/11 have been waived in respect of all the tendered projects with aggregate land premia totalling \$5.4 billion.

Without this waiver, the URA's net operating surplus for 2010/11 of \$2.2 billion for the year would have been lowered by \$0.9 billion to \$1.3 billion; its accumulated surplus since May 2001 would have been lowered by \$5.4 billion to \$3.8 billion; and its net assets value as at 31 March 2011 would have been decreased to \$13.8 billion.

(V) Financial Resources, Liquidity and Commitments

As at 31 March 2011, the URA's net cash position including the fair value of the funds managed by the investment manager totalled \$5.6 billion as mentioned in paragraph (II)(b) above. At the same date, the URA's accruals and estimated outstanding commitments to the commenced projects based on the valuation carried out by the URA's in-house professionals stood at \$12.8 billion.

In addition to the US\$1 billion MTN Programme mentioned in paragraph (II)(c) above, the URA maintained a total of \$2.0 billion and \$0.8 billion in committed and uncommitted bank facilities as at

31 March 2011. Securing some external funding in advance and certain credit facilities has ensured that the URA will have sufficient financial resources to carry out its urban renewal programme as planned.

When implementing its urban renewal programme, the URA is necessarily exposed to financial risks arising from property market fluctuations. Individual projects with various development potentials are launched for tendering process at different times during property cycles after their site clearance. Subject to the market conditions prevailing at their respective times of tender submission, their upfront payment receivables may be higher or lower than the URA's acquisition costs. As at 31 March 2011, the total costs of properties under development was \$15.9 billion. Taken together with its outstanding commitments, the URA's exposure to the property market was at a historically high level.

The URA estimates in its latest Corporate Plan that in the five years from 1 April 2011, a total cash outlay of about \$20 billion, excluding operational overheads, will be required to meet the costs of both its currently outstanding commitments and its forthcoming expenditure on implementation of the projects contained in the Plan. This expenditure covers the full range of the URA's work principally in redevelopment and preservation, but excludes any demand-led redevelopment projects, of which the cash flow requirement cannot be estimated before their inclusion into the Plan.

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

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.

Board and Committees

The URA is governed by a Board appointed by the Chief Executive under Section 4 of the URAO, currently comprising a Chairman and 24 other members. There are three executive Board members who are not public officers, namely the Managing Director, who is by law also the Deputy Chairman, and the two Executive Directors. The Director of Lands, the Director of Planning, the Director of Buildings and the Director of Home Affairs are Board members who are non-executive directors and public officers. In addition, the current Board includes four legislative councilors plus professionals and academics from various fields, including property, planning, surveying, architecture and social work who are non-executive directors and not public officers. The Board met on nine occasions between April 2010 and March 2011.

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

Committees	Function Areas
Audit Committee	<ul style="list-style-type: none"> • 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 and Compensation Committee	<ul style="list-style-type: none"> • Policies and matters relating to land grants, property acquisition, compensation and rehousing • Acquisition strategies, approaches and offers for individual projects • Policy and criteria for loans under Section 12 of the URA Ordinance • Policies on the selection and operation of Social Service Teams
Finance Committee	<ul style="list-style-type: none"> • URA's funding requirements • Financial and treasury policies • Investment of surplus funds • Financial aspects of the Annual Business Plan and Five-year Corporate Plan • Annual budgets • Market selling prices and target rents of development projects
Planning, Development and Conservation Committee	<ul style="list-style-type: none"> • Selection of projects in the Five-year Corporate Plan and Annual Business Plan • Submission of Development Scheme Plan to the Town Planning Board • Commencement of Development Project • Planning and development parameters and design issues • Conservation proposals • Revitalisation proposals
Review Committee	<ul style="list-style-type: none"> • Review of the Management's decisions on application of relevant URA's policies as requested by affected owners or occupiers
Remuneration Committee	<ul style="list-style-type: none"> • Remuneration policies (level and mix) of senior and general staff • Proposals for adjustments to salary and variable pay

Decision Making System

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

Internal Audit

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

The Department also advises on the adequacy and effectiveness of the URA's annual internal control and risk management review. This annual organisation-wide review exercise includes reviews of risks at the corporate level by all in-house directors and reviews of operational risks and the effectiveness of the systems of internal controls in managing identified significant risks by all functional units. Treatment plans are then implemented wherever appropriate to mitigate the identified significant risks in key business processes to the extents possible. The overall results of the annual review are reported to the Audit Committee. In addition, the Department coordinates with other assurance functions, such as the URA's External Auditors and the Independent Commission Against Corruption's Corruption Prevention Department, to achieve optimal audit coverage of the URA.

Measures to Promote Transparency of Work

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

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

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

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

As a further measure to publicise our work and decisions, the Board has since February 2009 adopted the practice of uploading bilingual summaries of confirmed minutes of Board meetings to the URA's website. These summaries cover the numbers of Board Members and management representatives in attendance, the agenda items discussed and the Board's resolutions.

In May 2010, URA announced a package of control measures to promote openness, fairness and transparency of sales of first hand units in URA's joint venture developments.

More recently, to increase the transparency of our redevelopment work, URA has, with effect from June 2010, begun the practice of disclosing annually to the Legislative Council's Panel on Development the financial results of the redevelopment projects completed in previous years.

Members of the Board and Profiles



MEMBERS OF THE BOARD

FROM LEFT

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

Middle row : Mr Victor CHAN Hin-fu, Dr John WONG Yee-him, Mr Daniel LAM Chun, Ms Annie TAM Kam-lan, The Honourable Tanya CHAN, Professor HO Pui-yin, Ms Iris TAM Siu-ying (Executive Director), Mr AU Choi-kai, Dr Isaac NG Ka-chui

Back row : Mr Douglas YOUNG Chi-chiu, Mr Almon POON Chin-hung, Mr Philip KAN Siu-lun, The Honourable WONG Kwok-kin, The Honourable James TO Kun-sun, Professor Desmond HUI Cheuk-kuen, Mr Jimmy LEUNG Cheuk-fai, Mr Calvin LAM Che-leung (Executive Director), Mr Philip LIAO Yi-kang

Members not in the group photo : Mrs Pamela TAN Kam Mi-wah, Mr Peter TO

Chairman : Mr Barry CHEUNG Chun-yuen, GBS, JP

Managing Director : Mr Quinn LAW Yee-kwan, JP

Executive Directors : Ir Calvin LAM Che-leung
Ms Iris TAM Siu-ying, JP

Non-Executive Directors : Mr Victor CHAN Hin-fu
(**non-official**) Mr Walter CHAN Kar-lok, SBS, JP
The Honourable Tanya CHAN
Mr Francis CHAU Yin-ming, MH (up to 30 April 2010)
Professor HO Pui-yin
Professor Desmond HUI Cheuk-kuen
The Honourable IP Kwok-him, GBS, JP
Mr Philip KAN Siu-lun
Mr Daniel LAM Chun, BBS, JP
Mr Philip LIAO Yi-kang (from 1 May 2010)
Dr Isaac NG Ka-chui
Ms Agnes NG Ka-yin (up to 30 April 2010)
Mr NG Shui-lai, BBS, MBE, JP
Mr Almon POON Chin-hung, JP
The Honourable James TO Kun-sun
Mr Peter TO
The Honourable WONG Kwok-kin, BBS
Dr John WONG Yee-him
Mr Douglas YOUNG Chi-chiu (from 1 May 2010)

Non-Executive Directors : Mr AU Choi-kai, JP Director of Buildings
(**official**) Mrs Pamela TAN Kam Mi-wah, JP Director of Home Affairs
Ms Annie TAM Kam-lan, JP Director of Lands
Mrs Ava NG Tse Suk-ying, JP Director of Planning (up to 27 June 2010)
Mr Jimmy LEUNG Cheuk-fai, JP Director of Planning (from 28 June 2010)

Chairman

Mr Barry CHEUNG Chun-yuen, GBS, JP

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

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

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

Managing Director

Mr Quinn LAW Yee-kwan, JP

Since 1 March 2008, Mr Law has been holding the position of Managing Director of the Urban Renewal Authority. He is also the Deputy Chairman of the Board. He served as an Executive Director of the Authority from November 2005 to February 2008.

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

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

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

Non-Executive Directors (non-official)

Mr Victor CHAN Hin-fu

Mr Chan joined the MTR Corporation in 1992 as the General Manager – Property Development. He was responsible for the development of properties above and adjacent to railway stations and depots. He led a multi-disciplinary team of managers involved in the planning and tendering of large-scale joint venture property developments. Mr Chan was also involved in the marketing, sales and letting of completed units in these developments. Since 2011, Mr Chan has been appointed as the General Manager – Guangdong & Shenzhen Property of the Corporation. Prior to joining the MTR, he held a directorate post in the Lands Department. Mr Chan qualified in 1976 as a chartered surveyor in Hong Kong and since 2004 also qualified as a member of the China Institute of Real Estate Appraisers. Mr Chan is currently a Supervisory Board Member of the Hong Kong Housing Society as well as the Property Advisory Committee Member of the Salvation Army.

Mr Walter CHAN Kar-lok, SBS, JP

Mr Chan has been a practising lawyer for nearly 30 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 (Buildings) and Education Commission.

For social service, Mr Chan is a Council Member of the Hong Kong Federation of Youth Groups, Director of Oxfam Hong Kong and also a member of the Executive Committee of Hong Kong Housing Society. He is also an honorary legal advisor of a number of organisations.

The Honourable Tanya CHAN

The Hon Tanya Chan is a member of the Legislative Council (Hong Kong Island) and an elected District Councillor of the Central and Western District (the Peak). She is also a Non-Executive Director of the Urban Renewal Authority, a director of the Hong Kong Mortgage Corporation Limited and a member of the Advisory Committee on Travel Agents.

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 is professor of the Department of History 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 the urbanisation of modern-day Hong Kong.

Concurrently, she is Director of Lee Woo Sing Hong Kong History Resource Centre of Shaw College of the Chinese University of Hong Kong and Member of the Board of Trustees of the same College; Member of the Antiquities Advisory Board; Member of the Hong Kong War Memorial Pensions Advisory Committee of the Labour and Welfare Bureau; Museum Expert Adviser and Member of the History Museum Advisory Panel of the Leisure and Cultural Services Department; Expert Adviser of the Legislative Council Library; and Visiting Professor Chaire Dupront of Université Paris-Sorbonne.

Professor Desmond HUI Cheuk-kuen

Desmond Hui is Associate Dean of Arts Faculty, Professor and Head of Cultural Studies in the Department of Cultural and Religious Studies, Director of the Centre for Culture and Development, Fellow and Warden of SH Ho College, Associate Director of the Research Institute of Humanities at the Chinese University of Hong Kong; Honorary Chair Professor at the China University of Technology, Taiwan. He obtained Bachelor of Architecture from Cornell University; Master and Doctor of Philosophy from University of Cambridge and was Director of the Centre for Cultural Policy Research at the University of Hong Kong.

Professor Hui is a member of the Old Wan Chai Revitalisation Initiatives Special Committee, Museum Expert Advisor of the Leisure and Cultural Services Department, and assessor for CreateSmart Initiative under the Commerce and Economic Development Bureau. He was formerly a member of the Antiquities Advisory Board and the Commission on Strategic Development, co-opted member of the Advisory Committee on Revitalization of Historic Buildings and advisor for the HK Arts Development Council.

The Honourable IP Kwok-him, GBS, JP

The Honourable Ip Kwok-him is a member of the Legislative Council (LegCo) representing the district council functional constituency. He is presently a deputy to the 11th National People's Congress of the PRC for Hong Kong SAR, Chairman of LegCo Panel on Home Affairs, Convenor of the Legislative Council Caucus of the Democratic Alliance for the Betterment and Progress of Hong Kong, member of Central & Western District Council (Kwun Lung) and Deputy Chairman of Hon Wah Education Organisation. He is also a member of the Hong Kong Housing Authority, the Governing Committee of the Beat Drugs Fund Association and the Court of the University of Hong Kong, and a non-executive director of the Management Board of the Mandatory Provident Fund Schemes Authority.

The Honourable Ip had been a member of the Hong Kong Legislative Council between 1995 and 1997, a member of the Provisional Legislative Council between 1997 and 1998, a member of the Legislative Council of the Hong

Kong SAR representing the district council functional constituency between 2000 and 2004 and an elected member of the Central and Western District Council between 1992 and 2003.

Mr Philip KAN Siu-lun

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

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

Mr Kan holds a Diploma in Business Management (Dist) from HK Baptist University, a MBA degree from Henley Management College, UK and Fellow Membership of Chartered Management Institute (FCMI), UK. He is also a Registered Investment Advisor of the Securities and Futures Commission in HK.

Mr Daniel LAM Chun, BBS, JP

Mr Lam is the Honorary Advisor of DCL Consultants Limited. He is a Chartered Building Surveyor and an Authorized Person under the Buildings Ordinance of Hong Kong. He is a Fellow of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors. Mr Lam was the President of the Hong Kong Institute of Surveyors (1986-1987).

Mr Lam has been elected as a Chartered Arbitrator and listed on the London Panel of Arbitrators of the Chartered Institute of Arbitrators. He is also listed on similar panels in Hong Kong and Vancouver, and is appointed as Arbitrator to the China International Economic Trade Arbitration Commission and the Beijing Arbitration Commission. He is a council member of the Hong Kong International

Arbitration Centre and Fellow and Past Chairman of the Hong Kong Institute of Arbitrators (1997-2000).

Since 2006, Mr Lam has been appointed as Honourary Professor to the Real Estate and Construction Department of the University of Hong Kong.

Mr Philip LIAO Yi-kang

Mr Philip Liao graduated from Cornell University (USA) and Eton College (UK) and has more than 20 years of experience in the field of architecture, planning and interiors design. Mr Liao has participated in award winning commercial, residential, hotel, heritage and community projects and has practiced in North America, Europe and Asia. Mr Liao worked with SOM, Moffat Kinoshita (where he was Vice President) and Wong Tung International (where he was Associate Director - Design) prior to establishing Philip Liao and Partners in 2002.

Mr Liao regularly lectures at international events/tertiary institutions. He serves as Alumni Interviewer for Cornell University's School of Architecture, and has served as guest critic and external examiner for the CUHK's Department of Architecture, and the University of Hong Kong's Department of Architecture.

Mr Liao has served as the architectural expert for the South China Morning Post and often serves as expert, as Juror and as professional advisor for architectural and planning competitions, including the Tsim Sha Tsui Piazza Competition, the Hong Kong Institute of Architects' Annual Awards, and other competitions in Hong Kong and the PRC.

Mr Liao is an honorary trustee of Nanjing University. He also serves on the Buildings Committee of the Hong Kong Golf Club.

Dr Isaac NG Ka-chui

Dr Ng obtained his PhD in Land Economy at the University of Aberdeen (Scotland) and is currently 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 the Vice-chairperson of the Education and Training Committee of the Chartered

Institute of Logistics and Transport (Hong Kong Branch). Dr Ng is also a Corporate Member of the Chartered Institute of Housing of UK, 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 of UK.

Mr NG Shui-lai, BBS, MBE, JP

Mr Ng is a part-time lecturer of the Chinese University of Hong Kong. He was the Vice President (President for Asia Pacific) of the International Federation of Social Workers and President of the Hong Kong Social Workers Association.

He was a member of the Housing Authority for 10 years and served as the Chairman of the Subsidised Housing Committee. He was also a member of the Town Planning Board, Transport Advisory Committee, Social Welfare Advisory Committee, and Hospital Authority, and a part-time consultant of the Central Policy Unit.

Mr Ng is also actively involved in the development of social welfare and social work in the Mainland.

Mr Almon POON Chin-hung, JP

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

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

The Honourable James TO Kun-sun

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

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

Mr Peter TO

Mr To has worked in the property development and investment sector for more than 30 years. He was a former President of the Hong Kong Institute of Housing and has previously served as a member of the Commercial Properties Committee of the Hong Kong Housing Authority and a member of the Vetting Committee of the Professional Services Development Assistance Scheme. He is currently an independent non-executive director of Kosmopolito Hotels International Limited.

The Honourable WONG Kwok-kin, BBS

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

Mr. Wong was previously the employee representative of Labour Advisory Board. He was a member of the Panel on Social Cohesion of Central Policy Unit and a Committee member of the Maritime Services Training Board of Vocational Training Council.

Dr John WONG Yee-him

Dr Wong Yee Him is a psychiatrist by profession and is

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

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

Mr Douglas YOUNG Chi-chiu

Mr Douglas Young was trained as an Architect in Sheffield University and the Architectural Association in the UK. Since 1991, Mr Young has worked in Hong Kong on projects ranging from residential to retail interiors.

In 1996, Mr Young co-founded GOD which retails contemporary furniture, homeware and lifestyle accessories with a contemporary Chinese twist. Most of the merchandise is designed in-house by a multi-disciplinary design team led by Mr Young.

Mr Young was Member of the Advisory Committee (2001 – 2002) and Member of the design task force (2002) of the School of Design of Hong Kong Polytechnic University. He was Art Advisor to the Hong Kong Arts Development Council (HKADC) and Examiner of applications for HKADC grants in 2003. Presently, he is Director of Hong Kong Fringe Club, Member of Hong Kong Ambassadors of Design, Member of RTHK Programme Advisory Panel, Director of Zuni Icosahedron Limited, Member of Business Facilitation Advisory Committee and Member of the Art Museum Advisory Panel.

Non-Executive Directors (official)

Mr AU Choi-kai, JP Director of Buildings

Mr C K Au is a professional building surveyor. He is a Fellow of the Hong Kong Institute of Surveyors, Fellow

of the Royal Institution of Chartered Surveyors of U.K. and Member of the Society of Fire Protection Engineers of USA. After completing his education in the Hong Kong Polytechnic, he joined the Hong Kong Government in 1974. He has held a number of positions in the then Buildings Ordinance Office, Building Development Department, Buildings and Lands Department and Buildings Department. He is now the Director of the Buildings Department. He has over thirty years of experience in building control, especially in the review and formulation of statutory standards in the design and construction of buildings. He was the chief drafter of a number of Codes of Practice which are still in force. These include the Codes of Practice for “Means of Access for Fire Fighting and Rescue 2004”, “Means of Escape 1996”, “Fire Resisting Construction 1996”, “Overall Thermal Transfer Value in Buildings 1995” and “Building Works for Lifts and Escalators 1993”.

Mrs Pamela TAN Kam Mi-wah, JP Director of Home Affairs

Since 30 June 2003, Mrs Tan has assumed the post of Director of Home Affairs. Mrs Tan 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.

Ms Annie TAM Kam-lan, JP Director of Lands

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

Mr Jimmy LEUNG Cheuk-fai, JP Director of Planning

Mr Jimmy C F Leung is the Director of the Planning Department of the Hong Kong Special Administrative Region Government. Mr Leung is a Registered Professional Planner in Hong Kong, a Fellow of the Hong Kong Institute of Planners and a Member of the Royal

Town Planning Institute in the United Kingdom. He also holds the PRC Registered Urban Planner qualification.

Executive Directors

Ir Calvin LAM Che-leung

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

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

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

Ms Iris TAM Siu-ying, JP

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

Members of Committees

Audit Committee

Chairperson

Mr NG Shui-lai, BBS, MBE, JP

Members

Professor HO Pui-yin

Mr Philip KAN Siu-lun

Co-opted Member

Mr TAI Hay-yuen

Finance Committee

Chairperson

Mr Barry CHEUNG Chun-yuen, GBS, JP

Members

Mr Walter CHAN Kar-lok, SBS, JP

The Honourable Tanya CHAN

Mr Philip KAN Siu-lun

Mr Almon POON Chin-hung, JP

Mr Peter TO

Mr Quinn LAW Yee-kwan, JP

Co-opted Members

Dr Billy MAK

Land, Rehousing and Compensation Committee

Chairperson

Mr Walter CHAN Kar-lok, SBS, JP

Members

Mr Victor CHAN Hin-fu

Mr Daniel LAM Chun, BBS, JP

Dr Isaac NG Ka-chui

Mr NG Shui-lai, BBS, MBE, JP

The Honourable James TO Kun-sun

Dr John WONG Yee-him

Mr Quinn LAW Yee-kwan, JP

Ir Calvin LAM Che-leung

Ms Iris TAM Siu-ying, JP

Co-opted Members

Mr CHEUNG Hau-wai, SBS

Mr Patrick LAU, SBS

Mr Eddie SO

Mr WONG Kit-loong

Assistant Director, Lands Department
(Mr LAW Hin-wing, JP)

Remuneration Committee

Chairperson

Mr Barry CHEUNG Chun-yuen, GBS, JP

Members

Mr Walter CHAN Kar-lok, SBS, JP

The Honourable IP Kwok-him, GBS, JP

Mr NG Shui-lai, BBS, MBE, JP

Mr Peter TO

Mr Quinn LAW Yee-kwan, JP

Planning, Development and Conservation Committee

Chairperson

Mr Peter TO

Members

Mr Victor CHAN Hin-fu

The Honourable Tanya CHAN

Professor HO Pui-yin

Professor Desmond HUI Cheuk-kuen

The Honourable IP Kwok-him, GBS, JP

Mr Philip LIAO Yi-kang

Mr NG Shui-lai, BBS, MBE, JP

Mr Almon POON Chin-hung, JP

The Honourable James TO Kun-sun

The Honourable WONG Kwok-kin, BBS

Mr Douglas YOUNG Chi-chiu

Director of Lands

(Ms Annie TAM Kam-lam, JP)

Director of Planning

(Mr Jimmy LEUNG Cheuk-fai, JP)

Mr Quinn LAW Yee-kwan, JP

Ir Calvin LAM Che-leung

Ms Iris TAM Siu-ying, JP

Co-opted Members

Ms Betty HO

Mr Andy LEUNG

Assistant Director / New Buildings 1

Buildings Department

(Mr HO Kwok-hung)

Review Committee

Chairperson

The Honourable IP Kwok-him, GBS, JP

Members

Mr Daniel LAM Chun, BBS, JP

Mr Philip LIAO Yi-kang

Dr Isaac NG Ka-chui

The Honourable James TO Kun-sun

Dr John WONG Yee-him

Mr Douglas YOUNG Chi-chiu

Co-opted Members

Mr Andrew CHAN Ping-chiu

Mr Henry CHAN Kai-wing

Mr CHUA Hoi-wai

Dr Ernest CHUI Wing-tak

Dr Amy HO Po-ying

Ms LAM Tze-yan

Dr LAU Kwok-yu, JP

Ir Kenneth T K LAU

Ms Elizabeth LAW, MH, JP

Dr LEE Yok-shiu

Mr Tony LUK Ka-luen

Mr MOK Hing-luen

Rev Dr Paul C C NG

Mr Dickson PANG Kam-fai

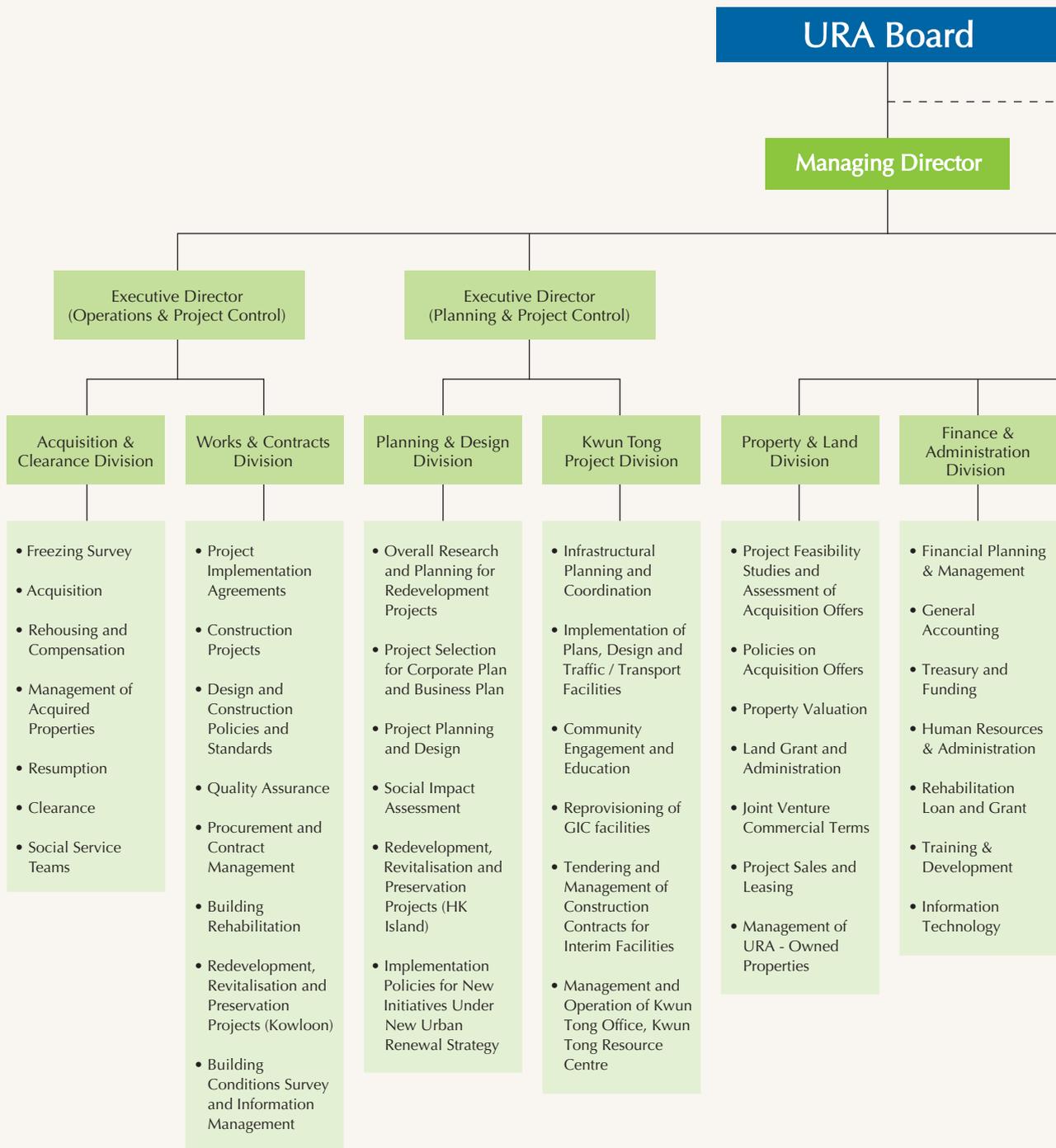
Dr Louis SHIH, JP

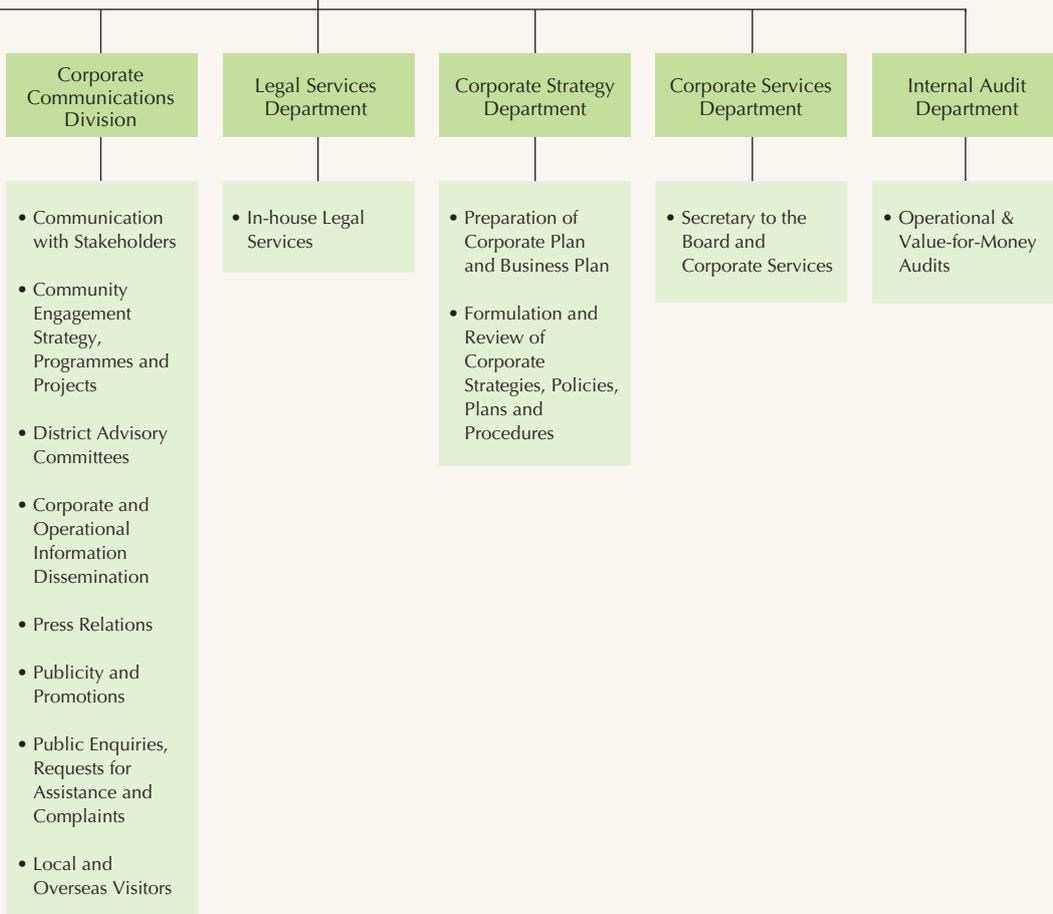
Mr TSE Siu-kwong

Dr Patrick L T WONG, BBS, JP

Mr YUNG Ching-tat, BBS, JP

Organisation Structure







From left

Front row :

Felicia WAI Sik-yin (Director, Finance and Administration), Calvin LAM Che-leung (Executive Director, Operations and Project Control),
Quinn LAW Yee-kwan (Managing Director), Iris TAM Siu-ying (Executive Director, Planning and Project Control)
Stephen LAM Wai-nang (Director, Works and Contracts), Joseph LEE King-chi (Director, Acquisition and Clearance)

Back row :

Ernest LEE Shu-wing (Director, Kwun Tong Project), Lawrence YAU Chung-hok (Director, Corporate Communications),
Michael MA (Director, Planning and Design), William WAN Shiu-wah (Director, Property and Land),
Pius CHENG Kai-wah (Director, Legal Services)

Other Members of Management Team

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

Members of the URA Staff Club 2010/11 together with URA senior management



From left

Front row :

Christine Liu, Quincy Hui, Peter Wong, Quinn LAW (Managing Director), Joseph Lee (Director, Acquisition and Clearance)
Karman Lai, Natalie Chan

Back row :

Annie Wong, Jeffrey Wong, Kenneth Yuen, Alan Wong, Andy Lau, Candy Tung, Charles Li
Jeannie Fong (General Manager, Human Resources & Administration)

Members of District Advisory Committee

Central & Western District Advisory Committee

Chairperson

Professor Desmond HUI Cheuk-kuen

Members

Mr Stephen CHAN Chit-kwai, JP

Mr CHAN Hok-fung

Mr CHENG Po-hung

Mr Daniel CHEUNG Pak-fun

Mr Jackie CHEUNG Yick-hung

Dr Ernest CHUI Wing-tak

Mr CHUNG Man-chai, MH

Mr LAM Kin-lai, JP

Mr LAM Yiu-man

Mr Sidney LEE Chi-hang

Mr LEE Ping-kuen, JP

Mr Tommy LI Ying-sang, BBS, MH, JP

Mr Samson WONG San

Mr David YIP Wing-shing, BBS, MH, JP

Mr Albert YOUNG Siu-chuen, MH

Mr YUEN Bun-keung

Central & Western District Officer

(in alphabetical order)

Wan Chai District Advisory Committee

Chairperson

Mr. Daniel LAM Chun, BBS, JP

Members

Mr CHEUNG Tat-tong

Mrs Fanny LAI IP Po-ping, BBS, JP

Mr Michael LAI Kam-cheung, JP

Mr Albert LAM Kwok-ming

Mr LAM Sek-kong, MH

Ms Kenny LEE Kwun-yee

Ms Peggy LEE Pik-yee

Mr Dan LEE Yuen-kay

Mr Stephen NG Kam-chun, MH, JP

Dr Paul SIU Che-hung

Ms Anna TANG King-yung, BBS, MH

Mr Wong Wang-tai, MH

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

Wan Chai District Officer

(in alphabetical order)

Sham Shui Po District Advisory Committee

Chairperson

Dr John Wong Yee-him

Members

Mr Chan Wai-ming

Mr Vincent Cheng Wing-shun

Mr Nelson Ho Siu-leung

Mr Lam Ka-fai, JP

Ms Lau Pui-yuk

Dr Leung Kai-chi

Mr Leung Yau-fong

Professor Siu Kwok-kin

Mr Wai Woon-nam

Mr Wong Kam-kuen, MH, JP

Sham Shui Po District Officer

(in alphabetical order)

Yau Tsim Mong District Advisory Committee

Chairperson

Dr Isaac NG Ka-chui

Members

Mr CHAN Siu-tong, MH

Mr Benjamin CHOI Siu-fung

Mr CHOW Chun-fai, BBS, JP

Mr HUI Tak-leung

Mr IP Kwok-chung, SBS, JP

Mr LAM Ho-yeung

Mr Edward LEUNG Wai-kuen, JP

Mr Allan LI Hon-hung, MH, JP

Mr POON Kit-man

Mr SIU Yin-wai

Mr SUEN Leung-kwong

Mr TONG Chun-wan

Mr TSUNG Po-shan

Yau Tsim Mong District Officer

(in alphabetical order)

Kwun Tong District Advisory Committee

Chairperson

Mr NG Shui Lai, BBS, MBE, JP

Members

Mr Nelson CHAN Wah-yu, MH

Mr CHONG Yam-ming

Mr FAN Wai-kong

Mr HSU Hoi-shan

Mr KAI Ming Wah

Mr KAN Ming Tung

Mr KWOK Lit-tung

Dr LAM Kin-wah, MH

Mr LAU Ting-on

Ms LEUNG Fu-wing, BBS, MH

Mrs LEUNG CHAN Siu-hing

Mr LI Hung

Mr LING Chi Keung

Mr LIU Chung-ming

Ms SO Lai-chun, MH

Mr WONG Chung-tan

Mr WONG Kai-ming

Mr Thomas YU Kwun Wai

Mr YUEN Lun-shan

Mr YUEN Yan-fai

Kwun Tong District Officer

(in alphabetical order)

Kowloon City District Advisory Committee

Chairperson

Professor HO Pui-yin

Members

Mr CHAN Lo-kin

Ms CHEUNG Ling

Mr Paul CHU Hoi-shan

Ir KAM Kwai-ki

Ms Rosanda MOK Ka-han

Mr NG Po-keung

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

(in alphabetical order)

Tsuen Wan District Advisory Committee

Chairperson

Mr. Almon POON Chin-hung, JP

Members

Mr CHAN Han-pan

Mr Richard CHAN Kam-lam, MH

Mr CHAN Lu-seng, SBS, JP

Mr CHAN Wai-ming, MH, JP

Ms Ronnie CHAN Yam-ling

Mr CHOW Ping-tim

Mr CHUNG Wai-ping, BBS, MH

Mr Eric LEE Chung-ming

Mr LO Siu-kit

Mr MAN Yu-ming

Ms TO Kwai-ying, JP

Mr WONG Ka-wa

Mr Louis WONG Yui-tak, MH

Tsuen Wan District Officer

(in alphabetical order)

FINANCIAL HIGHLIGHTS

The financial results of the Authority for the past ten years (Note 1) are summarised in the table below.

Year ended 31 March	In HK\$'million									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues for the year	128	57	201	4,936	2,766	536	5,266	1,413	9,663	3,647
Surplus / (deficit) for the year (before interest income)	(559)	(228)	(89)	2,992	1,397	423	1,718	(4,685)	6,993	2,159
Surplus / (deficit) for the year	(558)	(227)	(80)	3,004	1,579	766	2,095	(4,459)	7,018	2,209
Accumulated surplus / (deficit)	(2,719)	(2,946)	(3,026)	(22)	1,557	2,323	4,418	(41)	6,977	9,186
Capital	-	2,000	4,000	6,000	8,000	10,000	10,000	10,000	10,000	10,000
Net assets / (liabilities)	(2,719)	(946)	974	5,978	9,557	12,323	14,418	9,959	16,977	19,186
Debt securities issued less unamortised finance charges	-	-	-	-	-	-	-	-	1,497	1,498
Properties under development (Note 2)	5,826	1,306	2,504	2,565	3,674	4,602	4,779	8,289	14,114	15,956
Land premia waived by the Government during the year	-	-	-	(414)	(605)	-	(90)	(216)	(3,177)	(922)
Surplus / (deficit) for the year if no land premium waiver	(558)	(227)	(80)	2,590	974	766	2,005	(4,675)	3,841	1,287
Accumulated surplus / (deficit) if no land premium waiver	(2,719)	(2,946)	(3,026)	(436)	538	1,304	3,309	(1,366)	2,475	3,762

Notes:

1. Certain figures for the years from 2005 to 2010 have been restated due to an amendment to HKAS 17 "Leases".
2. Properties under development include properties under development before provision for impairment, jointly controlled development projects and properties acquired pending redevelopment.

REPORT OF THE MEMBERS OF THE BOARD

The members of the Board submit their report together with the audited financial statements for the year ended 31 March 2011.

Board members

Members of the Board for the year and up to the date of this report are set out on page 67.

Principal activities

The principal activities of the Urban Renewal Authority (the "Authority") and its subsidiaries (together, the "Group") have been to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation. As a result of the new Urban Renewal Strategy promulgated on 24 February 2011, the Group is to focus on redevelopment and rehabilitation as its core business.

Financial statements

The results of the Group for the year ended 31 March 2011 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 131.

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 2011, the working capital of the Group was mainly financed by the Government's equity injection, accumulated surplus and debt securities issued.

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, 31 May 2011

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 131, which comprise the balance sheets of the Group and the Authority as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Authority's responsibility for the financial statements

The Authority is responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011 and of the Group's surplus 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, 31 May 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011
(expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2011</u> \$'000	<u>Restated</u> <u>2010</u> \$'000
Revenues	5(a)	3,646,761	9,662,614
Direct costs		<u>(980,675)</u>	<u>(2,727,876)</u>
Gross surplus		2,666,086	6,934,738
Other income, net	5(b)	71,653	79,687
Administrative expenses		(288,427)	(265,889)
Other operating expenses		(90,135)	(228,804)
Provision for Urban Renewal Trust Fund	23	(500,000)	-
Write back of impairment on properties and committed projects		<u>349,610</u>	<u>498,579</u>
Operating surplus before income tax	6	2,208,787	7,018,311
Income tax expenses	7(a)	<u>-</u>	<u>-</u>
Surplus and total comprehensive income for the year	8	<u><u>2,208,787</u></u>	<u><u>7,018,311</u></u>

The notes on pages 93 to 131 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

at 31 March 2011

(expressed in Hong Kong Dollars)

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Non-current assets				
Property, plant and equipment	10	353,395	349,967	364,412
Properties acquired pending redevelopment	11	7,733	7,733	7,733
Properties under development	12	10,701,259	9,454,492	5,203,307
Receivables from property developers	13	-	3,333,150	-
Building rehabilitation loans	15	53,690	64,929	81,031
		<u>11,116,077</u>	<u>13,210,271</u>	<u>5,656,483</u>
Current assets				
Properties held for sale	16	15,065	14,455	14,719
Receivables from property developers	13	4,285,650	1,363,000	-
Jointly controlled development projects	17	3,267	-	35,630
Building rehabilitation loans	15	28,582	30,304	29,404
Trade and other receivables	18	141,690	80,883	589,542
Financial assets at fair value through profit or loss	19	1,250,380	1,188,675	809,522
Cash and bank balances	20	5,831,820	4,523,842	6,858,771
		<u>11,556,454</u>	<u>7,201,159</u>	<u>8,337,588</u>
Total assets		<u>22,672,531</u>	<u>20,411,430</u>	<u>13,994,071</u>
Capital and reserves				
Capital	21	10,000,000	10,000,000	10,000,000
Accumulated surplus / (deficit)		9,186,316	6,977,529	(40,782)
		<u>19,186,316</u>	<u>16,977,529</u>	<u>9,959,218</u>
Non-current liabilities				
Debt securities issued	22	1,498,217	1,496,869	-
Current liabilities				
Jointly controlled development projects	17	-	17,123	-
Trade and other payables		1,250,998	676,909	417,853
Provision for Urban Renewal Trust Fund	23	500,000	-	-
Provision for committed projects	24	237,000	1,243,000	3,617,000
		<u>1,987,998</u>	<u>1,937,032</u>	<u>4,034,853</u>
Total capital, reserves and liabilities		<u>22,672,531</u>	<u>20,411,430</u>	<u>13,994,071</u>

Approved by the Board
on 31 May 2011



Barry CHEUNG Chun-yuen
Chairman



Quinn LAW Yee-kwan
Managing Director

The notes on pages 93 to 131 form part of these consolidated financial statements.

AUTHORITY BALANCE SHEET

at 31 March 2011

(expressed in Hong Kong Dollars)

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Non-current assets				
Property, plant and equipment	10	351,514	345,829	358,115
Properties acquired pending redevelopment	11	7,733	7,733	7,733
Properties under development	12	10,701,259	9,454,492	5,203,307
Receivables from property developers	13	-	3,333,150	-
Subsidiaries	14	1,616	3,878	6,027
Building rehabilitation loans	15	53,690	64,929	81,031
		<u>11,115,812</u>	<u>13,210,011</u>	<u>5,656,213</u>
Current assets				
Properties held for sale	16	15,065	14,455	14,719
Receivables from property developers	13	4,285,650	1,363,000	-
Jointly controlled development projects	17	3,267	-	35,630
Building rehabilitation loans	15	28,582	30,304	29,404
Trade and other receivables	18	141,513	80,701	589,386
Financial assets at fair value through profit or loss	19	1,250,380	1,188,675	809,522
Cash and bank balances	20	5,831,820	4,523,842	6,858,771
		<u>11,556,277</u>	<u>7,200,977</u>	<u>8,337,432</u>
Total assets		<u>22,672,089</u>	<u>20,410,988</u>	<u>13,993,645</u>
Capital and reserves				
Capital	21	10,000,000	10,000,000	10,000,000
Accumulated surplus / (deficit)		9,186,315	6,977,528	(40,783)
		<u>19,186,315</u>	<u>16,977,528</u>	<u>9,959,217</u>
Non-current liabilities				
Debt securities issued	22	1,498,217	1,496,869	-
Current liabilities				
Jointly controlled development projects	17	-	17,123	-
Trade and other payables		1,250,557	676,468	417,428
Provision for Urban Renewal Trust Fund	23	500,000	-	-
Provision for committed projects	24	237,000	1,243,000	3,617,000
		<u>1,987,557</u>	<u>1,936,591</u>	<u>4,034,428</u>
Total capital, reserves and liabilities		<u>22,672,089</u>	<u>20,410,988</u>	<u>13,993,645</u>

Approved by the Board
on 31 May 2011



Barry CHEUNG Chun-yuen
Chairman



Quinn LAW Yee-kwan
Managing Director

The notes on pages 93 to 131 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 March 2011
(expressed in Hong Kong Dollars)

	Note	2011 \$'000	\$'000	2010 \$'000	\$'000
Cash flows from operating activities					
Operating surplus before income tax		2,208,787		7,018,311	
Adjustments for:					
Interest income		(49,474)		(25,319)	
Depreciation and amortisation		19,840		20,092	
Loss on disposal of property, plant and equipment		2,695		1,142	
Gain on financial assets at fair value through profit or loss		(11,705)		(29,240)	
Provision for Urban Renewal Trust Fund		500,000		-	
Write back of impairment on properties and committed projects		(349,610)		(498,579)	
Operating surplus before working capital changes		<u>2,320,533</u>		<u>6,486,407</u>	
Decrease / (increase) in receivables from property developers		410,500		(4,696,150)	
(Increase) / decrease in jointly controlled development projects		(20,390)		52,753	
Increase in properties under development		(1,872,566)		(6,106,176)	
Decrease in building rehabilitation loans		12,961		15,202	
(Increase) / decrease in trade and other receivables		(58,570)		509,814	
Decrease in properties held for sale		-		1,032	
Increase in trade and other payables		575,435		250,455	
Increase in financial assets at fair value through profit or loss		(50,000)		(349,913)	
Cash generated from / (used in) operations		<u>1,317,903</u>		<u>(3,836,576)</u>	
Interest received		47,238		24,164	
Interest paid		<u>(31,200)</u>		<u>(15,728)</u>	
Net cash generated from / (used in) operating activities			1,333,941		(3,828,140)
Cash flows from investing activities					
Decrease / (increase) in bank deposits with maturities more than 3 months		69,000		(1,798,000)	
Purchase of property, plant and equipment		(25,976)		(6,798)	
Proceeds from sale of property, plant and equipment		<u>13</u>		<u>9</u>	
Net cash generated from / (used in) investing activities			43,037		(1,804,789)
Cash flows from financing activity					
Proceeds from issuance of debt securities		<u>-</u>		<u>1,500,000</u>	
Net cash generated from financing activity			-		<u>1,500,000</u>
Net increase / (decrease) in cash and cash equivalents			1,376,978		(4,132,929)
Cash and cash equivalents at 1 April			<u>2,622,842</u>		<u>6,755,771</u>
Cash and cash equivalents at 31 March			<u>3,999,820</u>		<u>2,622,842</u>
Analysis of cash and bank balances					
Cash and cash equivalents			3,999,820		2,622,842
Other bank deposits with maturities more than 3 months			1,832,000		1,901,000
Cash and bank balances at 31 March	20		<u>5,831,820</u>		<u>4,523,842</u>

The notes on pages 93 to 131 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011
(expressed in Hong Kong Dollars)

	<u>Note</u>	<u>Capital</u> \$'000	<u>Accumulated</u> <u>(deficit) / surplus</u> \$'000	<u>Total</u> \$'000
Balance at 1 April 2009, as previously reported		10,000,000	(135,207)	9,864,793
Adjustment for adoption of amendment to HKAS 17	2(b)	<u>-</u>	<u>94,425</u>	<u>94,425</u>
Balance at 1 April 2009, as restated		10,000,000	(40,782)	9,959,218
Total comprehensive income for the year		<u>-</u>	<u>7,018,311</u>	<u>7,018,311</u>
Balance at 31 March 2010		<u>10,000,000</u>	<u>6,977,529</u>	<u>16,977,529</u>
Balance at 1 April 2010, as previously reported		10,000,000	6,727,620	16,727,620
Adjustment for adoption of amendment to HKAS 17	2(b)	<u>-</u>	<u>249,909</u>	<u>249,909</u>
Balance at 1 April 2010, as restated		10,000,000	6,977,529	16,977,529
Total comprehensive income for the year		<u>-</u>	<u>2,208,787</u>	<u>2,208,787</u>
Balance at 31 March 2011		<u>10,000,000</u>	<u>9,186,316</u>	<u>19,186,316</u>

The notes on pages 93 to 131 form part of these consolidated 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”) have been to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation. As a result of the new Urban Renewal Strategy promulgated on 24 February 2011, the Group is to focus on redevelopment and rehabilitation as its core business.

The address of the Authority is 26/F, Cosco Tower, 183 Queen’s Road Central, Hong Kong.

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

2. Significant accounting policies

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

(a) Basis of preparation of the financial statements

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

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

(b) Standards, amendment to standard and interpretations effective in current year

The following standards, amendment to existing standard and interpretations have been published that are effective for the accounting period of the Group beginning on 1 April 2010 and are relevant to the Group’s operation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(b) Standards, amendment to standard and interpretations effective in current year (Continued)

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combination
HKAS 17 (Amendment)	Leases
HK(IFRIC) - Interpretation 17	Distribution of Non-cash Assets to Owners
Improvements to HKFRS 2008 and 2009	

Except for HKAS 17 (Amendment), the adoption of the above standards, amendment to standard and interpretations does not have a material impact on the Group's accounting policies.

HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land" if the land is held for own use or under "Properties under development", "Properties acquired pending redevelopment" and "Properties held for sale" if the land is held for redevelopment or sale respectively, and amortised over the lease term.

HKAS 17 (Amendment), "Leases" has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified leasehold land from operating lease to finance lease.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(b) Standards, amendment to standard and interpretations effective in current year (Continued)

The effect on adoption of this amendment as follows:

Consolidated statement of comprehensive income

	For the year end 31 March 2010
	\$'000
Decrease in amortisation	155,472
Increase in write back of impairment on properties and committed projects	<u>12</u>
Increase in surplus and total comprehensive income for the year	<u>155,484</u>

Consolidated balance sheet

	As at 31 March 2010	As at 1 April 2009
	\$'000	\$'000
Decrease in leasehold land	(256,117)	(262,369)
Increase in property, plant and equipment	256,117	262,369
Increase in properties under development	247,441	87,131
Increase in properties held for sale	209	64
Increase in properties acquired pending redevelopment	259	230
Decrease in provision for committed projects	<u>2,000</u>	<u>7,000</u>
Increase in accumulated surplus	<u>249,909</u>	<u>94,425</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(c) Standards that are not yet effective

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective as at 31 March 2011. Those which are relevant to the Group's operations are as follows:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1 January 2013
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HK(IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Group has not early adopted the above standards in the financial statements for the year ended 31 March 2011. The Group will apply the above standards and amendment from 1 April 2011, but it is not expected to have a significant impact on the Group's consolidated 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 statement of comprehensive income.

(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 statement of comprehensive income as follows:

- (i) Income from sale of properties is recognised upon the risks and rewards of ownership have been passed. For instalment sales, under which the consideration is receivable in instalments, revenue attributable to the sales price, exclusive of interest, is recognised at the date of sale. The sales price is the present value of the consideration, determined by discounting the instalments receivable at the effective rate of interest. The interest element is recognised as other income as it is earned, on a time proportion basis using the effective interest method.
- (ii) Where the Authority receives its share of surplus from property development projects undertaken in joint ventures, sharing of such surplus is recognised in accordance with the terms of the joint development agreements.
- (iii) Where the Authority receives a distribution of the assets of a joint venture, surplus is recognised based on the fair value of such assets at the time when agreement to distribute the assets has been reached.
- (iv) When the upfront payments from developers becomes payable to the Authority 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 / non-cancellable.
- (v) Interest income is recognised on a time-proportion basis using the effective interest method.
- (vi) Rental income net of any incentives given to the lessee is recognised on a straight line basis over the periods of the respective leases.
- (vii) Property management income is recognised when the services are provided.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(f) Property, plant and equipment

Buildings comprise rehousing blocks and commercial premises held for self-use. Rehousing blocks represent properties held by the Authority for the intended purpose of providing interim accommodation for affected tenants of development projects who are normally charged a rent which is substantially below the market value, with a view to assisting the dispossessed tenants who are yet to obtain public housing units.

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 statement of comprehensive income during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use.

Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated to write off their costs less residual values over their anticipated useful lives on a straight line basis as follows:

Leasehold land classified as finance lease	-	Over the period of the unexpired lease if less than 50 years
Buildings	-	2% per annum
Leasehold improvements	-	Office : 10 years or the life of the respective lease, whichever is the shorter Non-office : Over the period of the unexpired terms of the leases if less than 50 years
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 statement of comprehensive income.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

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

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

(h) Financial assets and liabilities

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

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

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

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

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

(ii) Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(ii) Loans and receivables (Continued)

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

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

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

(i) Leases

Leases are classified as finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

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 statement of comprehensive income on a straight-line basis over the period of the lease.

(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.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(k) Properties under development

Properties under development represent all costs incurred by the Authority in connection with property redevelopment, and include acquisition costs, the cost of properties being reclassified from properties acquired pending redevelopment, borrowing costs, costs of rehousing units (see Note 2(m)) and other costs incurred in connection with the development, 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.

The relevant cost for the part to be sold will be charged to direct cost of the statement of comprehensive income at the inception of joint development agreement.

(l) Properties held for sale

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

(m) 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(s)).

(n) Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(o) Current and deferred income tax

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further exclude income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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.

(p) 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 statement of comprehensive income in the period in which they are incurred.

(q) Trade and other payables

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

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(r) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(s) 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 statement of comprehensive income in accordance with the bases set out in Notes 2(e) (ii), (iii) and (iv).

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.

(t) Cash and cash equivalents

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

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

3. Financial risk management

(a) Financial risk factors

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

(i) Cash flow and fair value interest rate risk

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

Interest rate sensitivity

At the balance sheet dates, if interest rates had been increased / decreased by 1% and all other variables were held constant, the surplus / deficit of the Group would increase / decrease by approximately \$58,318,000 (2010: \$45,238,000) resulting from the change in the interest income generated from the cash and bank balances.

The Group's fair value interest rate risk for "financial assets at fair value through profit or loss" is set out in Note 3 (a)(iv).

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and bank balances, building rehabilitation loans, receivables from property developers, and trade and other receivables.

The credit risk on cash and bank balances is limited because all the funds are placed in banks with credit rankings, ranging from Aa1 to A3 and there is no concentration in any particular bank.

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

The credit risk on receivables from property developers is limited as all the property developers are guaranteed by their respective holding companies.

The credit risk on trade receivables is limited as rental deposit in the form of cash are usually received from tenants.

(expressed in Hong Kong Dollars)

3. Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

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

Management monitors rolling forecasts of the Group's cash and bank balances (Note 20) on the basis of expected cash flow.

The table below analyses the Group's and the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is insignificant.

	<u>Group</u>		<u>Authority</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Less than 1 year				
Trade and other payables	<u>1,250,998</u>	<u>676,909</u>	<u>1,250,557</u>	<u>676,468</u>
Between 1 to 2 years				
Debt securities issued	<u>1,546,757</u>	<u>-</u>	<u>1,546,757</u>	<u>-</u>
Between 2 to 5 years				
Debt securities issued	<u>-</u>	<u>1,577,957</u>	<u>-</u>	<u>1,577,957</u>

(iv) Price risk

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

As at 31 March 2011, investment held by the Group has distinct underlying financial instruments. The market price risks of the investment is affected by market price of these instruments.

Price risk sensitivity

As at 31 March 2011, if the respective market price of the quoted financial instruments had been increased / decreased by 5% and all other variables held constant, the surplus / deficit of the Group would increase / decrease by approximately \$62,519,000 (2010: \$59,434,000) resulting from the change in fair value of the financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

3. Financial risk management (Continued)

(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, accumulated surplus and debt securities issued. The Group also maintains 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 receivables from property developers, cash and bank balances and trade and other receivables; and financial liabilities including trade and other payables, approximate their fair values due to their short maturities.

The carrying amounts of the Group's building rehabilitation loans and debt securities issued approximate their fair value as the impact of discounting is insignificant.

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.

(expressed in Hong Kong Dollars)

4. Critical accounting estimates and judgements (Continued)

Estimated impairment of properties under development and provision for committed projects

Properties under development 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).

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

Estimated impairment of properties under development and provision for committed projects sensitivity

As at 31 March 2011, if the respective estimated upfront payments to be received on the projects had been increased / decreased by 5% and all other variables held constant, the surplus / deficit of the Group would increase by approximately \$273,000,000 (2010: \$317,000,000) / decrease by approximately \$277,000,000 (2010: \$317,000,000) resulting from the change in provision written back / charge for impairment on properties under development and provision for committed projects.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

5. Revenues and other income

(a) Revenues

Turnover recognised during the year represents:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Share of property development surplus on jointly controlled development projects	1,476,761	231,214
Sale of properties	-	38,450
Upfront payments from property developers	<u>2,170,000</u>	<u>9,392,950</u>
	<u>3,646,761</u>	<u>9,662,614</u>

(b) Other income, net

Other income, net recognised during the year represents:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Interest income	49,474	25,319
Rental income	13,169	26,270
Gain on financial assets at fair value through profit or loss	11,705	29,240
Loss on disposal of property, plant and equipment	<u>(2,695)</u>	<u>(1,142)</u>
	<u>71,653</u>	<u>79,687</u>

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax

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

(a) Other items

	<u>2011</u> \$'000	<u>2010</u> \$'000
Cost of properties under jointly controlled development projects charged	946,964	2,699,277
Cost of properties held for sale disposed	-	1,459
Depreciation and amortisation	19,840	20,092
Write back of impairment on properties held for sale	(610)	(770)
Write back of impairment on properties under development	(364,500)	(1,740,809)
Provision for impairment on committed projects	15,500	1,243,000
Operating lease charges in respect of rental of office premises	21,717	21,209
Outgoings in respect of properties	15,257	11,673
Loss on disposal of property, plant and equipment	2,695	1,142
Staff costs (excluding directors' remuneration)	207,367	188,637
Contribution to Operation Building Bright Fund	-	150,000
Auditor's remuneration	<u>468</u>	<u>448</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

(b) Board and directors' remuneration during the year

	2011				2010	
	Salaries	Provident fund scheme contributions	Sub-total	Variable Pay	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Managing Director - Quinn Law Yee-kwan	3,746	12	3,758	1,217	4,975	4,861
Executive Director (Planning & Project Control) - Iris Tam Siu-ying	2,720	12	2,732	680	3,412	3,726
Executive Director (Operations & Project Control) - Calvin Lam Che-leung	2,720	12	2,732	680	3,412	3,409
2011: eight Directors (2010: eight Directors)	<u>18,294</u>	<u>96</u>	<u>18,390</u>	<u>4,700</u>	<u>23,090</u>	<u>22,736</u>
Total*	<u>27,480</u>	<u>132</u>	<u>27,612</u>	<u>7,277</u>	<u>34,889</u>	<u>34,732</u>

	2011	2010
Their remuneration fell within the following bands:	No. of individuals	No. of individuals
\$2,000,001 to \$2,500,000	-	2
\$2,500,001 to \$3,000,000	5	3
\$3,000,001 to \$3,500,000	5	4
\$3,500,001 to \$4,000,000	-	1
\$4,500,001 to \$5,000,000	<u>1</u>	<u>1</u>
Total	<u>11</u>	<u>11</u>

* Excluding compensation in lieu of leave and other benefit in the aggregate sum of \$1,033,000 (2010: \$537,000).

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

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

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

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
<u>Chairman</u>		
Mr Barry Cheung Chun-yuen, GBS, JP	100	100
<u>Non-Executive Directors (non-public officers)</u>		
Mr Victor Chan Hin-fu	65	65
Mr Walter Chan Kar-lok, SBS, JP	65	65
The Honourable Tanya Chan	65	65
Mr Francis Chau Yin-ming, MH (up to 30 April 2010)	5	65
Mr Dane Cheng Ting-yat (up to 31 July 2009)	-	22
Professor Ho Pui-yin	65	65
Professor Desmond Hui Cheuk-kuen	65	65
The Honourable Ip Kwok-him, GBS, JP	65	65
Mr Philip Kan Siu-lun	65	65
Mr Daniel Lam Chun, BBS, JP	65	65
Mr Philip Liao Yi-kang (from 1 May 2010)	60	-
Dr Isaac Ng Ka-chui	65	65
Ms Agnes Ng Ka-yin (up to 30 April 2010)	5	65
Mr Ng Shui-lai, BBS, MBE, JP	65	65
Mr Almon Poon Chin-hung, JP	65	65
The Honourable James To Kun-sun	65	65
Mr Peter To	65	65
The Honourable Wong Kwok-kin, BBS	65	65
Dr John Wong Yee-him	65	65
Mr Douglas Young Chi-chiu (from 1 May 2010)	<u>60</u>	<u>-</u>
	<u>1,205</u>	<u>1,227</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

(c) Five highest paid individuals

<u>2011</u>	<u>2010</u>
\$'000	\$'000

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2011 include the Managing Director, two Executive Directors and two Directors (2010: the Managing Director, two Executive Directors and two Directors).

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

Fixed - Salaries	14,460	14,280
- Provident fund scheme contributions	<u>60</u>	<u>60</u>
Sub-total	14,520	14,340
Variable pay	<u>3,925</u>	<u>4,167</u>
Total##	<u>18,445</u>	<u>18,507</u>

Their remuneration fell within the following bands:

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

For the year ended 31 March 2011, compensation in lieu of leave and other benefit of \$727,000 (2010: \$537,000) were 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 (2010: Nil).

- (b) As at 31 March 2011, a subsidiary of the Group has unrecognised deductible temporary differences arising from capital allowance and tax losses of \$10,463,000 and \$3,086,000 respectively (2010: \$9,413,000 and \$3,341,000 respectively) to carry forward against future taxable income. These tax losses have no expiry date.

8. Surplus for the year

The consolidated surplus for the year includes a surplus of \$2,208,787,000 (Restated 2010: \$7,018,311,000) which has been dealt with in the financial statements of the Authority.

9. Leasehold land

	<u>Group and Authority</u>	
	<u>2011</u>	<u>Restated</u>
	<u>\$'000</u>	<u>2010</u>
		<u>\$'000</u>
Balance at 1 April, as previously reported	256,117	262,369
Adjustment for adoption of amendment to HKAS 17	<u>(256,117)</u>	<u>(262,369)</u>
Balance at 1 April and 31 March, as restated	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

10. Property, plant and equipment

Group

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture and equipments and motor vehicle	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2009					
Cost, as previously reported	139,340	73,702	56,498	27,001	296,541
Adjustment for adoption of amendment to HKAS 17	430,202	-	-	-	430,202
Cost, as restated	569,542	73,702	56,498	27,001	726,743
Accumulated depreciation and amortisation, as previously reported	(69,949)	(52,598)	(52,749)	(19,202)	(194,498)
Adjustment for adoption of amendment to HKAS 17	(167,833)	-	-	-	(167,833)
Accumulated depreciation and amortisation, as restated	(237,782)	(52,598)	(52,749)	(19,202)	(362,331)
Net book amount, as restated	331,760	21,104	3,749	7,799	364,412
Year ended 31 March 2010					
Opening net book amount, as previously reported	69,391	21,104	3,749	7,799	102,043
Adjustment for adoption of amendment to HKAS 17	262,369	-	-	-	262,369
Opening net book amount, as restated	331,760	21,104	3,749	7,799	364,412
Additions	-	4,143	97	2,558	6,798
Disposals	-	-	-	(1,151)	(1,151)
Depreciation and amortisation	(8,167)	(6,896)	(1,597)	(3,432)	(20,092)
Closing net book amount	323,593	18,351	2,249	5,774	349,967

(expressed in Hong Kong Dollars)

10. Property, plant and equipment (Continued)

Group (Continued)

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture and equipments and motor vehicle	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 March 2010					
Cost, as previously reported	139,340	77,845	56,595	21,969	295,749
Adjustment for adoption of amendment to HKAS 17	430,202	-	-	-	430,202
Cost, as restated	569,542	77,845	56,595	21,969	725,951
Accumulated depreciation and amortisation, as previously reported	(71,864)	(59,494)	(54,346)	(16,195)	(201,899)
Adjustment for adoption of amendment to HKAS 17	(174,085)	-	-	-	(174,085)
Accumulated depreciation and amortisation, as restated	(245,949)	(59,494)	(54,346)	(16,195)	(375,984)
Net book amount, as restated	323,593	18,351	2,249	5,774	349,967
Year ended 31 March 2011					
Opening net book amount	67,476	18,351	2,249	5,774	93,850
Adjustment for adoption of amendment to HKAS 17	256,117	-	-	-	256,117
Opening net book amount, as restated	323,593	18,351	2,249	5,774	349,967
Additions	-	14,999	6,372	4,605	25,976
Disposals	-	(2,013)	(483)	(212)	(2,708)
Depreciation and amortisation	(8,167)	(7,181)	(1,380)	(3,112)	(19,840)
Closing net book amount	315,426	24,156	6,758	7,055	353,395
At 31 March 2011					
Cost	569,542	83,307	59,250	20,336	732,435
Accumulated depreciation and amortisation	(254,116)	(59,151)	(52,492)	(13,281)	(379,040)
Net book amount	315,426	24,156	6,758	7,055	353,395

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

10. Property, plant and equipment (Continued)

Authority

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture and equipments and motor vehicle	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2009					
Cost, as previously reported	139,340	31,532	36,040	26,927	233,839
Adjustment for adoption of amendment to HKAS 17	430,202	-	-	-	430,202
Cost, as restated	569,542	31,532	36,040	26,927	664,041
Accumulated depreciation and amortisation, as previously reported	(69,949)	(16,725)	(32,291)	(19,128)	(138,093)
Adjustment for adoption of amendment to HKAS 17	(167,833)	-	-	-	(167,833)
Accumulated depreciation and amortisation, as restated	(237,782)	(16,725)	(32,291)	(19,128)	(305,926)
Net book amount, as restated	331,760	14,807	3,749	7,799	358,115
Year ended 31 March 2010					
Opening net book amount, as previously reported	69,391	14,807	3,749	7,799	95,746
Adjustment for adoption of amendment to HKAS 17	262,369	-	-	-	262,369
Opening net book amount, as restated	331,760	14,807	3,749	7,799	358,115
Additions	-	4,143	97	2,558	6,798
Disposals	-	-	-	(1,151)	(1,151)
Depreciation and amortisation	(8,167)	(4,737)	(1,597)	(3,432)	(17,933)
Closing net book amount	323,593	14,213	2,249	5,774	345,829

(expressed in Hong Kong Dollars)

10. Property, plant and equipment (Continued)

Authority (Continued)

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture and equipments and motor vehicle	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 March 2010					
Cost, as previously reported	139,340	35,675	36,137	21,895	233,047
Adjustment for adoption of amendment to HKAS 17	430,202	-	-	-	430,202
Cost, as restated	569,542	35,675	36,137	21,895	663,249
Accumulated depreciation and amortisation, as previously reported	(71,864)	(21,462)	(33,888)	(16,121)	(143,335)
Adjustment for adoption of amendment to HKAS 17	(174,085)	-	-	-	(174,085)
Accumulated depreciation and amortisation, as restated	(245,949)	(21,462)	(33,888)	(16,121)	(317,420)
Net book amount, as restated	323,593	14,213	2,249	5,774	345,829
Year ended 31 March 2011					
Opening net book amount	67,476	14,213	2,249	5,774	89,712
Adjustment for adoption of amendment to HKAS 17	256,117	-	-	-	256,117
Opening net book amount, as restated	323,593	14,213	2,249	5,774	345,829
Additions	-	14,999	6,372	4,605	25,976
Disposals	-	(2,013)	(483)	(212)	(2,708)
Depreciation and amortisation	(8,167)	(4,924)	(1,380)	(3,112)	(17,583)
Closing net book amount	315,426	22,275	6,758	7,055	351,514
At 31 March 2011					
Cost	569,542	41,137	38,792	20,262	669,733
Accumulated depreciation and amortisation	(254,116)	(18,862)	(32,034)	(13,207)	(318,219)
Net book amount	315,426	22,275	6,758	7,055	351,514

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

10. Property, plant and equipment (Continued)

An analysis of net book value of land and buildings, which are located in Hong Kong, is as follows :

	<u>Group and Authority</u>	
	<u>2011</u>	<u>Restated</u>
	<u>\$'000</u>	<u>2010</u>
		<u>\$'000</u>
Leases of over 50 years	39,019	39,537
Leases of between 10 to 50 years	<u>276,407</u>	<u>284,056</u>
	<u>315,426</u>	<u>323,593</u>

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

11. Properties acquired pending redevelopment

	<u>Group and Authority</u>	
	<u>2011</u>	<u>Restated</u>
	<u>\$'000</u>	<u>2010</u>
		<u>\$'000</u>
At 1 April, as previously reported	7,474	7,503
Adjustment for adoption of amendment to HKAS 17	<u>259</u>	<u>230</u>
At 1 April and 31 March, as restated	<u>7,733</u>	<u>7,733</u>

(expressed in Hong Kong Dollars)

12. Properties under development

	<u>Group and Authority</u>	
	<u>2011</u>	<u>Restated</u> <u>2010</u>
	\$'000	\$'000
Cost of properties acquired for redevelopment, including Home Purchase Allowance ("HPA") (Note)		
As at 31 March, as previously reported	15,758,869	13,752,781
Adjustment for adoption of amendment to HKAS 17	<u>-</u>	<u>249,441</u>
As at 31 March, as restated	15,758,869	14,002,222
Development expenditure	<u>186,390</u>	<u>121,270</u>
Total cost (includes accumulated interest and other borrowing costs capitalised of \$60,837,000 (2010: \$26,446,000))	<u>15,945,259</u>	<u>14,123,492</u>
Provision for impairment		
As at 31 March, as previously reported	(5,244,000)	(4,667,000)
Adjustment for adoption of amendment to HKAS 17	<u>-</u>	<u>(2,000)</u>
As at 31 March, as restated	<u>(5,244,000)</u>	<u>(4,669,000)</u>
Balance carried forward	<u>10,701,259</u>	<u>9,454,492</u>

Note:

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

In respect of domestic properties, the assessment of HPA is based on a notional replacement flat of 7 years old which is assumed to be in a comparable quality building, situated in a similar locality in terms of characteristics and accessibility, being at the middle floor with average orientation not facing south or west, and without seaview. The HPA paid to the owner-occupiers represents the difference between the assessed value of the notional 7-year-old flat and estimated market value of the acquired property at the offer date. The owner will also receive the estimated market value of his flat in addition to the HPA.

As at 31 March 2011, the Authority's accruals and estimated outstanding commitments in respect of project under acquisition and resumption stood at \$12.8 billion, without accounting for any future inflow for the projects.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

13. Receivables from property developers

At 31 March 2011, the upfront payments receivable from property developers are analysed as follows:

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Current portion	4,285,650	1,363,000
Non-current portion	-	3,333,150
	<u>4,285,650</u>	<u>4,696,150</u>

As of 31 March 2011, no receivables from property developers were past due.

14. Subsidiaries

	<u>Authority</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note)	18,083	19,159
Less: Provision	(16,468)	(15,282)
	<u>1,616</u>	<u>3,878</u>

Note:

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

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

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

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

(expressed in Hong Kong Dollars)

15. Building rehabilitation loans

At 31 March 2011, the building rehabilitation loans are analysed as follows:

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Current portion	28,582	30,304
Non-current portion	<u>53,690</u>	<u>64,929</u>
	<u>82,272</u>	<u>95,233</u>

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

As of 31 March 2011, instalments of building rehabilitation loans of \$201,000 (2010: \$211,000) were past due but not impaired. These relate to a number of borrowers for whom there are no recent history of bad debt. The aging analysis of these building rehabilitation loans is as follows:

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Less than 3 months	94	104
3 to 6 months	38	45
6 to 12 months	44	39
Over 1 year	<u>25</u>	<u>23</u>
Balance at 31 March	<u>201</u>	<u>211</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

16. Properties held for sale

	<u>Group and Authority</u>	
	<u>2011</u> \$'000	Restated <u>2010</u> \$'000
Cost		
At 1 April, as previously reported	14,246	15,413
Adjustment for adoption of amendment to HKAS 17	<u>1,174</u>	<u>1,041</u>
At 1 April, as restated	15,420	16,454
Less: Disposal	<u>-</u>	<u>(1,034)</u>
At 31 March	<u>15,420</u>	<u>15,420</u>
Provision for impairment		
At 1 April, as previously reported	-	(758)
Adjustment for adoption of amendment to HKAS 17	<u>(965)</u>	<u>(977)</u>
At 1 April, as restated	(965)	(1,735)
Less: Write back of impairment	<u>610</u>	<u>770</u>
At 31 March	<u>(355)</u>	<u>(965)</u>
Balance at 31 March	<u>15,065</u>	<u>14,455</u>

(expressed in Hong Kong Dollars)

17. Jointly controlled development projects

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Amounts due from jointly controlled development projects	20,683	15,053
Amounts due to jointly controlled development projects	<u>(17,416)</u>	<u>(32,176)</u>
	<u>3,267</u>	<u>(17,123)</u>

All amounts due from / (to) jointly controlled development projects are expected to be recovered / settled within one year.

The Group and the Authority have the following active jointly controlled development projects as at 31 March 2011.

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m²)</u>	<u>Actual completion date (calendar year)</u>	<u>Expected completion date (calendar year)</u>
The Zenith (Wan Chai)	Commercial / Residential	62,310	2006 (Site A & B)	2013 (Site C)
* Vision City / Citywalk (Tsuen Wan)	Commercial / Residential	137,885	2007	-
* J Residence / J Senses (Wan Chai)	Commercial / Residential	20,567	2007	-
# The Masterpiece / K11 (Tsim Sha Tsui)	Commercial / Hotel / Service Apartment	103,844	2008	-
* The Dynasty / Citywalk 2 (Tsuen Wan)	Commercial / Residential	44,404	2008	-
Floriant Rise (Tai Kok Tsui)	Commercial / Residential	43,231	2008	-
* Vista (Sham Shui Po)	Commercial / Residential	12,703	2008	-
Beacon Lodge (Sham Shui Po)	Commercial / Residential	12,784	2008	-
Island Crest (Sai Ying Pun)	Commercial / Residential	38,878	2009	-
Queen's Cube (Wan Chai)	Commercial / Residential	3,984	2010	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

17. Jointly controlled development projects (Continued)

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m²)</u>	<u>Actual completion date (calendar year)</u>	<u>Expected completion date (calendar year)</u>
Lime Stardom (Tai Kok Tsui)	Commercial / Residential	19,735	-	2011
Baker Court (Hung Hom)	Commercial / Residential	2,338	-	2011
Pine Street / Anchor Street (Tai Kok Tsui)	Commercial / Residential	21,301	-	2012
Macpherson Indoor Stadium (Mong Kok)	Commercial / Stadium and Youth Centre / Residential	24,768	-	2012
Yuet Wah Street Site (Kwun Tong)	Residential	27,830	-	2014
Lai Chi Kok Road / Kweilin Street / Yee Kuk Street (Sham Shui Po)	Commercial / Residential	30,540	-	2014
Yu Lok Lane / Centre Street (Sai Ying Pun)	Commercial / Residential	17,622	-	2014
Fuk Tsun Street / Pine Street (Tai Kok Tsui)	Commercial / Residential	4,947	-	2014
Lee Tung Street / McGregor Street (Wan Chai)	Commercial / Residential	83,818	-	2015

* Projects with commercial portions jointly held by the Developer and the Authority for letting pending sale

Owner participation project

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

In respect of the commercial portions of certain projects, the Authority has reached supplemental agreements with the respective developers to extend the sale of the commercial portions to a few years after the issue of the occupation permits. The Authority shares percentage of any net proceeds derived from the operation of the commercial portions before the sale and includes it as surplus for the year and would also share the future sales proceeds at the same ratio. As at 31 March 2011, 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 \$4,539,640,000 (2010: \$2,780,340,000) in aggregate and the Authority would account for its share of sales proceeds as surplus from the jointly controlled development projects when the commercial portions are sold in future.

(expressed in Hong Kong Dollars)

18. Trade and other receivables

At 31 March 2011, the trade and other receivables are analysed as follows:

	<u>Group</u>		<u>Authority</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	33,279	28,284	33,102	28,102
Prepayments and deposits	<u>108,411</u>	<u>52,599</u>	<u>108,411</u>	<u>52,599</u>
Balance at 31 March	<u>141,690</u>	<u>80,883</u>	<u>141,513</u>	<u>80,701</u>

As of 31 March 2011, trade receivables of \$3,765,000 (2010: \$3,261,000) were past due but not impaired. These relate to a number of tenants for whom there are no recent history of bad debt. The aging analysis of these trade receivables is as follows:

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
3 months or less	1,959	2,231
3 to 6 months	670	711
6 to 12 months	738	271
Over 1 year	<u>398</u>	<u>48</u>
Balance at 31 March	<u>3,765</u>	<u>3,261</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

19. Financial assets at fair value through profit or loss

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Debt securities, listed		
- Overseas	186,177	142,015
- Hong Kong	355,263	392,849
Debt securities, unlisted	599,952	629,485
Structured deposit	101,553	-
Cash and bank deposits	<u>7,435</u>	<u>24,326</u>
	<u>1,250,380</u>	<u>1,188,675</u>

All the financial assets are denominated in Hong Kong Dollars.

Effective 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets that are measured at fair value at 31 March 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Debt securities	1,141,392	-	1,141,392
Structured deposit	<u>-</u>	<u>101,553</u>	<u>101,553</u>
Total assets	<u>1,141,392</u>	<u>101,553</u>	<u>1,242,945</u>

(expressed in Hong Kong Dollars)

20. Cash and bank balances

	<u>Group</u>		<u>Authority</u>	
	<u>2011</u> \$'000	<u>2010</u> \$'000	<u>2011</u> \$'000	<u>2010</u> \$'000
Time deposits with banks				
Maturities of 3 months or less	3,978,976	2,611,528	3,975,453	2,607,994
Maturities more than 3 months	1,832,000	1,901,000	1,832,000	1,901,000
Sub-total	5,810,976	4,512,528	5,807,453	4,508,994
Less: Amounts held in trust for jointly controlled development projects	(3,523)	(3,534)	-	-
	5,807,453	4,508,994	5,807,453	4,508,994
Cash at banks and in hand	24,368	14,849	24,367	14,848
Less: Amounts held in trust for jointly controlled development projects	(1)	(1)	-	-
	24,367	14,848	24,367	14,848
	<u>5,831,820</u>	<u>4,523,842</u>	<u>5,831,820</u>	<u>4,523,842</u>
Maximum exposure to credit risk	<u>5,831,805</u>	<u>4,523,827</u>	<u>5,831,805</u>	<u>4,523,827</u>

The average effective interest rate of time deposits with banks was 0.90% per annum (2010: 0.45% per annum). These deposits have an average maturity of 72 days (2010: 71 days).

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

<u>Rating (Moody's)</u>	<u>Group and Authority</u>	
	<u>2011</u> \$'000	<u>2010</u> \$'000
Aa1 – Aa3	1,028,141	2,314,964
A1 – A3	4,803,664	2,023,863
Baa1	-	185,000
	<u>5,831,805</u>	<u>4,523,827</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

21. 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 2011, the Authority had received all five tranches of capital injection of \$2 billion each.

22. Debt securities issued

In September 2009, the Authority issued three-year fixed rate notes with a coupon of 2.08% for a total principal amount of \$1.5 billion under a Medium Term Note programme.

	Group and Authority	
	2011 \$'000	2010 \$'000
HK dollar Fixed rate notes due 2012	1,500,000	1,500,000
Less: Unamortised finance charges	<u>(1,783)</u>	<u>(3,131)</u>
	<u>1,498,217</u>	<u>1,496,869</u>

23. Provision for Urban Renewal Trust Fund

	Group and Authority	
	2011 \$'000	2010 \$'000
Balance at 1 April	-	-
Charged to the statement of comprehensive income	<u>500,000</u>	<u>-</u>
Balance at 31 March	<u>500,000</u>	<u>-</u>

The balance represents the amount set aside by the Authority to contribute to the Urban Renewal Trust Fund upon the promulgation of the Urban Renewal Strategy on 24 February 2011. The provision charge is recognised in the statement of comprehensive income. The balance at 31 March 2011 is current in nature. The Authority has committed to making further contribution to the said Fund in future in the event that its fund balance is fully utilised.

(expressed in Hong Kong Dollars)

24. Provision for committed projects

	<u>Group and Authority</u>	
	<u>2011</u>	<u>Restated 2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at 1 April, as previously reported	1,245,000	3,624,000
Adjustment for adoption of amendment to HKAS 17	<u>(2,000)</u>	<u>(7,000)</u>
Balance at 1 April, as restated	1,243,000	3,617,000
Utilised for the year	(1,021,500)	(3,617,000)
Charged to the statement of comprehensive income	<u>15,500</u>	<u>1,243,000</u>
Balance at 31 March	<u>237,000</u>	<u>1,243,000</u>

The amount represents the provision for committed projects where acquisition was commenced before financial year end. The provision charge is recognised in the statement of comprehensive income. The balance at 31 March 2011 is current in nature.

As at 31 March 2011, the total provision for impairment on projects are analysed as follows:

	<u>Group and Authority</u>	
	<u>2011</u>	<u>Restated 2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Provision for impairment classified under properties under development as set out in Note 12	5,244,000	4,669,000
Provision for committed projects as set out above	<u>237,000</u>	<u>1,243,000</u>
Total provision for projects	<u>5,481,000</u>	<u>5,912,000</u>

25. 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 makes voluntary contributions ranging from 5% to 10% 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 2011 was \$13,532,000 (2010: \$12,310,000), net of forfeitures of \$481,000 (2010: \$299,000), which has been charged to the Group's statement of comprehensive income for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(expressed in Hong Kong Dollars)

26. Commitments

(a) Capital commitments

Capital commitments in respect of property, plant and equipment at 31 March 2011 are as follows:

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Contracted but not provided for	<u>1,718</u>	<u>1,204</u>

(b) Operating lease commitments

At 31 March 2011, the total future minimum lease payments under non-cancellable operating leases in respect of office premises, in which \$76,271,000 is related to costs to be incurred for accommodating certain Government offices in a project site pursuant to a re-provision arrangement with the Government, are payable as follows:

	<u>Group and Authority</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Within 1 year	18,924	20,576
After 1 year but within 5 years	66,231	2,666
After 5 years	<u>14,353</u>	<u>-</u>
	<u>99,508</u>	<u>23,242</u>

(c) Operating lease rental receivable

At 31 March 2011, 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Within 1 year	4,320	7,298	3,339	5,624
After 1 year but within 5 years	<u>2,403</u>	<u>4,199</u>	<u>2,403</u>	<u>3,222</u>
	<u>6,723</u>	<u>11,497</u>	<u>5,742</u>	<u>8,846</u>

(expressed in Hong Kong Dollars)

27. 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 parties 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 \$34,547,000 (2010: \$32,812,000) for actual costs incurred by the Lands Department of the Government (the "Lands Department") in connection with statutory resumption and site clearance work conducted for the redevelopment projects of the Authority. As at 31 March 2011, there is an amount of \$2,743,000 (2010: \$2,791,000) 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).

28. Commitments for revitalisation projects

In August 2009, the Authority announced its proposal to implement a major revitalisation plan to uphold and enhance the local characters of a number of themed streets in Mong Kok at a cost of about \$100 million. The initial phase of the plan was commenced in March 2011.

In October 2009, the Authority announced preliminary revitalisation plans for the Central Market ("Central Oasis"). Total cost for the project is estimated to be about \$500 million. Preparation works for planning and design submission have been taking place. The whole project will be carried out in phases and is expected to take about five years to complete.

The financial impact of these revitalisation projects will be accounted for in subsequent financial years.

29. Approval of financial statements

The financial statements were approved by the Board on 31 May 2011.

