

Managing Director's Statement



Mr Quinn LAW Yee-kwan

Managing Director's Statement

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

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

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

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

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

Kwun Tong Town Centre

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

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

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

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

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

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



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

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

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

Manpower and Organisation

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

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

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

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

Quality and Sustainability

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

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



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

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

Communication and Understanding

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

Financing Urban Renewal

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

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

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

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

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

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

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

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

Quinn LAW Yee-kwan

Managing Director

31 July 2009