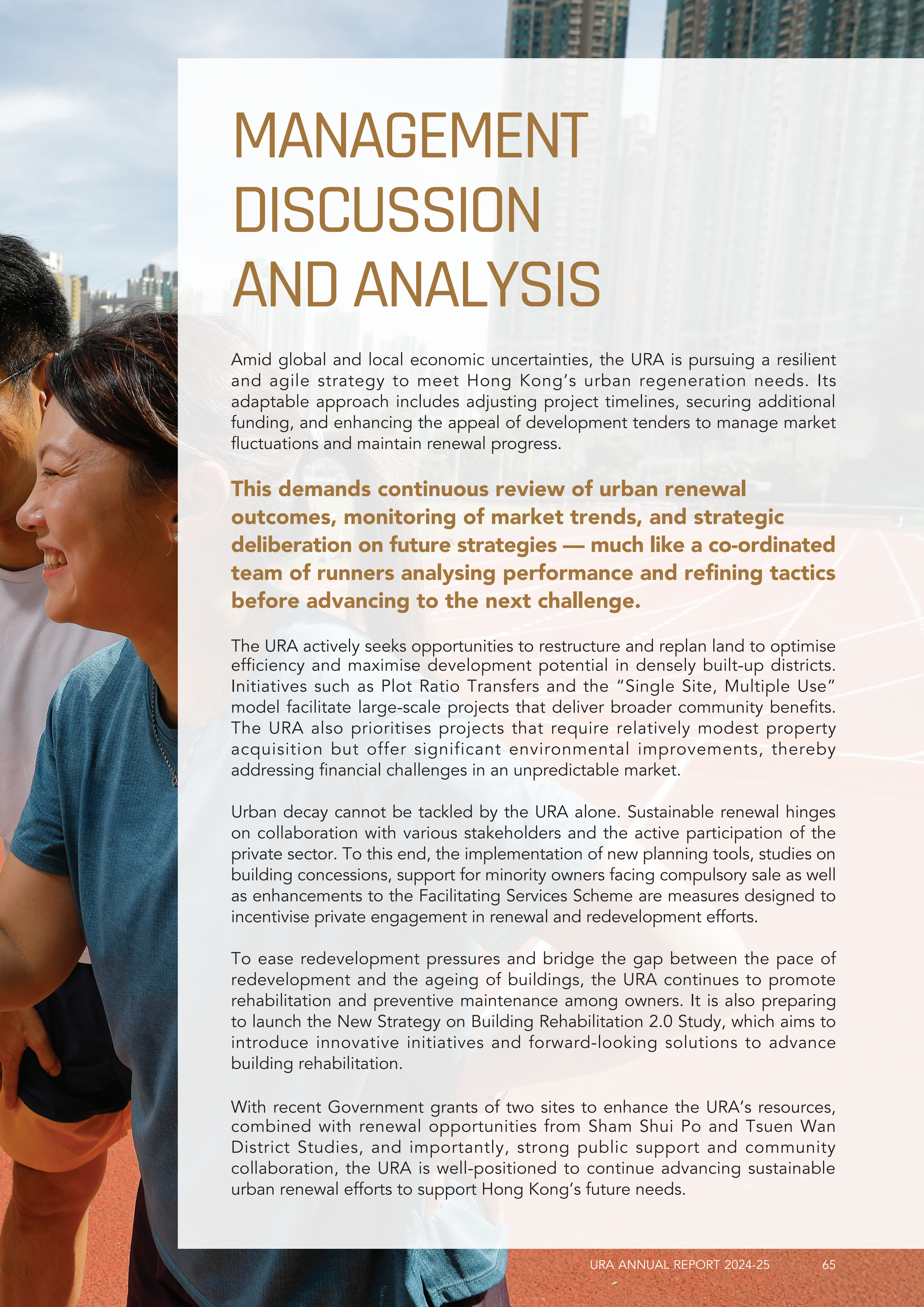

Distance 10.4km
Start point
End point
Route
3.8/10.4km
Congestion
Arrival time
10:10 PM
Progress



MANAGEMENT DISCUSSION AND ANALYSIS

Amid global and local economic uncertainties, the URA is pursuing a resilient and agile strategy to meet Hong Kong's urban regeneration needs. Its adaptable approach includes adjusting project timelines, securing additional funding, and enhancing the appeal of development tenders to manage market fluctuations and maintain renewal progress.

This demands continuous review of urban renewal outcomes, monitoring of market trends, and strategic deliberation on future strategies — much like a co-ordinated team of runners analysing performance and refining tactics before advancing to the next challenge.

The URA actively seeks opportunities to restructure and replan land to optimise efficiency and maximise development potential in densely built-up districts. Initiatives such as Plot Ratio Transfers and the "Single Site, Multiple Use" model facilitate large-scale projects that deliver broader community benefits. The URA also prioritises projects that require relatively modest property acquisition but offer significant environmental improvements, thereby addressing financial challenges in an unpredictable market.

Urban decay cannot be tackled by the URA alone. Sustainable renewal hinges on collaboration with various stakeholders and the active participation of the private sector. To this end, the implementation of new planning tools, studies on building concessions, support for minority owners facing compulsory sale as well as enhancements to the Facilitating Services Scheme are measures designed to incentivise private engagement in renewal and redevelopment efforts.

To ease redevelopment pressures and bridge the gap between the pace of redevelopment and the ageing of buildings, the URA continues to promote rehabilitation and preventive maintenance among owners. It is also preparing to launch the New Strategy on Building Rehabilitation 2.0 Study, which aims to introduce innovative initiatives and forward-looking solutions to advance building rehabilitation.

With recent Government grants of two sites to enhance the URA's resources, combined with renewal opportunities from Sham Shui Po and Tsuen Wan District Studies, and importantly, strong public support and community collaboration, the URA is well-positioned to continue advancing sustainable urban renewal efforts to support Hong Kong's future needs.

Challenges

Global and Local Economy Clouded by Immense Uncertainties

Hong Kong's economy and property market experienced continued consolidation amid prevailing economic uncertainties, manifesting fluctuating trends throughout 2024/25. The cancellation of all demand-side management measures in February 2024, which aimed at removing cooling initiatives, and the Hong Kong Monetary Authority's announcement to relax the maximum loan-to-value ratio were efforts to stimulate the market. However, the residential property sector continued its decline, burdened by a high-interest-rate environment. A modest rebound was observed when the U.S. began cutting interest rates in September 2024.

As of June 2025, the supply of private flats for sale in the next three to four years, including unsold completed units and units under construction, stood at a high level of 91,000 units. Developers, confronted with high financial costs, have been compelled to adopt aggressive pricing strategies to manage excessive inventory. As a result, flat prices witnessed further declines despite an increase in property transactions over the past year, reflecting the challenging landscape within the property market. According to the Rating and Valuation Department, the private residential property price index weakened by 5.9 percent in 2024, marking the third consecutive annual decline. Prices have declined by nearly 28 percent from their peak in 2021.

Looking ahead, we must remain cautious about the downside risks in the global economy, exacerbated by escalating trade protectionism and geopolitical conflicts. The increased tariffs imposed by the United States, combined with the new administration's inclination towards expansionary fiscal policies, are anticipated to heighten local inflationary pressure, potentially slowing the pace of interest rate cuts. Prolonged international trade disputes could lead to increased volatility, reduced trade volumes, and dampened investment and economic activities among major international economies. Continued global market volatility may slow down the global economy. If the high-interest environment persists, capital flows could be affected, causing financial market volatility and undermining confidence in the global economic outlook, ultimately impacting Hong Kong's economy.

The Challenge of Maintaining Financial Sustainability

With a weakened residential sales market, excessive inventory and high investment costs, private developers have adopted a more conservative approach in bidding and pricing for new development sites. The anticipated abundant land supply in the Northern Metropolis, alongside land sales with sites in other districts from sources such as the Government, MTR Corporation, and the West Kowloon Cultural District Authority, is expected to lead to resource competition and may affect developers' interest in bidding for the URA's joint venture (JV) projects.

Amid an uncertain market outlook, the URA's tendering projects have also felt the impact. In October 2024, the URA decided not to award the tender for the Kai Tak Road/Sa Po Road Project (KC-015) as the only tender submission received was non-conforming, while the tendering plan for Development Areas 4 and 5 of the Kwun Tong Town Centre Project (K7) will be suitably arranged once market sentiment improves.

Meanwhile, the decline in property prices has resulted in a significant drop in land value. The less-than-expected revenue return from the tendering of development projects has adversely affected the URA's cash flow and financial position, putting its financial sustainability under pressure.

Subject to the availability of funding, in the financial year 2025/26 and the subsequent year, the URA will commence acquisition offers for five commenced projects. Combined with other ongoing projects initiated in previous years and the redevelopment of Tai Hang Sai Estate, the total expenditure over the next five years for the implementation of all projects included in the latest Corporate Plan is projected to reach around HK$46 billion. While cash flow has been strengthened through the issuance of HK$12 billion in public bonds and securing HK$13 billion in bank loan facilities, the URA cautiously manages its existing funds and financing exercises to ensure financial prudence and stability. Project acquisitions must be carefully managed to avoid potentially costly investments and over-commitment, as such decisions could significantly impact the returns on future projects and the URA's financial position.

On the other hand, the "Seven-Year-Rule" continues to impose a significant financial burden on the URA's redevelopment projects. This rule dictates substantial acquisition costs for owner-occupied domestic properties, calculated based on the value of a notional seven-year-old replacement flat situated in the same locality. The combined forces of a downward market trend and the "Seven-Year-Rule" inevitably put the sustainability of urban renewal work under pressure, as the revenue generated from projects is insufficient to cover the acquisition costs.

The Struggle Between Adapting to Market Fluctuations and Fulfilling Its Operational Mandate

In recent years, the URA has been transitioning from a "project-based" to a "district-based" and "planning-led" approach for redevelopment in order to scale up projects and keep pace with urban decay. This transition has resulted in a larger volume of cash outlay for acquisitions, given the greater number of property interests and residents involved. The increased complexity of the projects has also lengthened the time required for acquisition, rehousing and decanting, while increasing the risks associated with property market fluctuations.

The URA undertakes redevelopment projects primarily to fulfil its statutory purposes of improving the standard of housing, the built environment of Hong Kong and the layout of built-up areas, rather than seeking investment returns like private developers. The URA's redevelopment projects consistently include non-profit generating elements, such as public car parks, public open spaces, and Government, Institution or Community (G/IC) facilities, to meet societal needs and enhance the urban environment. These non-profit generating elements may impact the financial viability of the projects due to additional construction costs and time. Furthermore, once planning approval for a redevelopment project is obtained, it becomes considerably difficult for the URA to reduce or adjust the non-profit generating features of the project.

The URA's implementation of redevelopment projects is governed by the Urban Renewal Authority Ordinance (URAO) and the Urban Renewal Strategy (URS). It lacks the flexibility available to private developers, who can more easily adjust their strategies in response to property market changes. Unlike private developers, who can autonomously decide whether to commence, continue, or halt the acquisition of property interests during the site assembly process based on market conditions, the URA, as a statutory body charged with arresting urban decay, is obligated to commence acquisition promptly after the authorisation of a development project by the Secretary for Development or the approval of a development scheme plan by the Chief Executive in Council, subject to the availability of funding.

Additionally, the URA must conduct acquisitions in a transparent manner to eliminate any perceived differential treatments or inequalities. Consequently, the URA is required to make acquisition offers for all interests in a redevelopment project simultaneously on the same date, which entails substantial financial commitments. Furthermore, the URA must complete the initiated acquisition in a timely manner regardless of market conditions, in order to maintain the momentum of urban renewal.

Difficulties in Catching Up with the Pace of Urban Decay

Presently, Hong Kong is home to approximately 13,000 residential and composite buildings aged 50 years or more, representing around 30 percent of the overall number in Hong Kong territory. This figure is anticipated to soar to around 65 percent, reaching 26,000 buildings by 2046. Although buildings in Hong Kong are predominantly constructed from reinforced concrete, designed to last 50 years or more, many structures under 50 years old are rapidly falling into disrepair, particularly those with poor management. These deteriorating conditions pose serious safety risks to both the residents and the general public.

The root causes of this accelerated building decay include a lack of awareness and commitment to building management and maintenance among property owners. This is often due to their insufficient knowledge, financial resources, and capabilities, as identified in the survey of the New Strategy on Building Rehabilitation. The situation is further exacerbated by the widespread presence of sub-divided units in several old districts, imposing a heavy burden on building structures and drainage systems. This further degrades the overall condition of buildings and the living environment for their residents. In response, the Chief Executive articulated in the 2024 Policy Address a plan to enact legislation establishing the Basic Housing Unit (BHU) regulatory regime, designed to enhance the standards of sub-divided units and potentially mitigate their impact. The BHUs Bill was gazetted on 20 June 2025 and will be introduced into the Legislative Council for first and second readings in July 2025.

Compounding these issues is the low or non-existent redevelopment potential of most older building clusters, rendering them unattractive to private developers. Moreover, substantial pressure exists in finding adequate rehousing resources given the high population density, particularly in older urban areas, and the generally long waiting times for public housing.

Considering the urgent and escalating problem of urban decay, along with the complexity of the situation, it is clear that the URA cannot undertake the formidable task of urban renewal alone. It necessitates collaborative efforts from all relevant stakeholders, including the Government, private developers, property owners and the public, to progress urban renewal sustainably.

Solutions and Opportunities

Advancing Urban Renewal with an Agile Mindset and Dynamic Strategies

Given that urban renewal demands extensive resources, it is imperative for the URA to adopt an agile mindset and formulate strategies to ensure stable financial backing. This will enable the advancement of urban renewal efforts sustainably and effectively.

To this end, the URA has adopted a dynamic management approach for project acquisition that considers various factors, including the availability of funding from all income sources and/or Government support, the scale and cost of project acquisitions, and the complexity of those acquisitions and the associated works. This approach allows the URA to adjust the pace of acquisitions, prioritising simpler projects with lower acquisition costs that can be swiftly cleared and receive land grant documents for tendering. Consequently, this approach aids in the replenishment of cash flow for larger project expenditures.

In addition, the URA has launched a new initiative called Development Facilitation Services (DFS) since January 2025, with trial implementation in the Shantung Street/Thistle Street Project (YTM-012). This service provides developers with pertinent information on redevelopment projects at an earlier stage before commencing the tendering process. By enhancing communication with developers, DFS enables them to gain a comprehensive understanding of the projects, provide their non-committal feedback, prepare their bids, and form consortia well in advance. It also offers the URA an opportunity to review the tender terms based on developers' feedback. Ultimately, this proactive approach is intended to improve the attractiveness of tenders, encourage competitive bids, and better support the URA's cash flow.

To further enhance the success of Joint Venture (JV) tenders, the strategic use of various planning tools is essential in improving the attractiveness and viability of projects. To provide greater design flexibility and enhance the financial returns for the YTM-012 Project, the URA has utilised the approved planning tool of "interchangeability of domestic and non-domestic plot ratio" under the Mong Kok Outline Zoning Plan. While adhering to the permitted maximum Gross Floor Area (GFA), the maximum domestic plot ratio has been relaxed from 7.5 to 8.5. This adjustment results in a GFA of 14,118 square metres for private residential purposes, ultimately providing approximately 380 residential units. As a result of these efforts, six tender submissions were received for the JV tender of YTM-012, which was successfully awarded in May 2025.

Apart from the above, other measures are being explored to increase the appeal of projects, such as facilitating staged payments for tender amounts, removing inapplicable sales restrictions and unfavourable provisions, and considering the sub-division of larger sites into more marketable land parcels.

Due to the strategic location of the Kai Tak Road/Sa Po Road Project (KC-015) within the regeneration plan of Kowloon City, and to ensure that commitments contingent on its timely completion are not jeopardised, the URA has begun exploring a self-initiated approach for the project following the decision to withdraw the tender. This includes an assessment of the associated development costs and risks. The construction costs account for less than 40 percent of the total expenses, and since these costs will be incurred progressively over time, the cash flow pressure is deemed manageable.

Instead of waiting for a significant improvement in property market conditions to retender the project, the self-initiated approach is considered more feasible for ensuring the timely completion of commitments. When market sentiment improves in the future, the URA retains the option to retender the entire project or portions of it, providing flexibility in implementation. During this process, the URA was actively exploring the feasibility of lowering the provisions of Public Vehicle Parking (PVPs). By updating the traffic demand survey with close co-ordination with Government officials, the URA aims to effectively reduce both the time and costs associated with basement construction. The support of the Government and local stakeholders was successfully garnered in the first half of 2025 for this measure, which is expected to enhance project value and provide higher flexibility in its implementation. Meanwhile, the URA has also appointed consultants to study any critical diversion works, and will carry out any necessary diversion as appropriate to facilitate early commencement of works. In addition, it has launched DFS to provide project information to developers in advance for gathering non-committal feedback for implementation so as to improve the attractiveness and competitiveness of the JV tenders.

Optimising Land Efficiency and Development Potential

To harness the full potential of urban renewal projects for the wider community, the URA has adopted a comprehensive and holistic "planning-led" and "district-based" approach tailored to meet Hong Kong's redevelopment needs. This approach not only explores opportunities for restructuring and replanning within project areas but also employs innovative planning tools and concepts to optimise land use efficiency and unlock the full redevelopment potential of older urban districts. This strategy significantly enhances the financial viability and planning benefits of the urban renewal projects.

A prime example of maximising land resource utilisation is the Sai Yee Street/Flower Market Road Project (YTM-013). By applying the Transfer of Plot Ratio, which shifts development potential from four smaller sites along Flower Market Road and Yuen Ngai Street to a major site at Sai Yee Street, the project enables larger-scale development. Additionally, the "Single Site, Multiple Use" model supports the construction of a multipurpose complex. This building complex features upgraded facilities for Government and community use, alongside mixed residential and commercial purposes such as hotels, offices, and retail spaces, thereby amplifying planning benefits for the local community.

In addressing the financial challenges associated with property acquisition amidst an unpredictable market outlook, the URA has strategically focused on projects that minimise the need for acquiring numerous property rights while still bringing substantial environmental improvements to older districts. A key strategy involves the integration of under-utilised Government land with substandard G/IC facilities into the URA projects. This approach enhances the utilisation of land resources and maximises planning and social benefits, thereby improving the financial outcomes of our redevelopment efforts.

Successful implementations of this strategy are exemplified in projects such as the YTM-013 and the Cheung Wah Street/Cheung Sha Wan Road Project (SSP-018). These initiatives demonstrate how the thoughtful integration of Government land and facilities can lead to significant advances in community development and financial sustainability.

Facilitating Urban Renewal by Private Sectors

Recognising the challenging nature of urban renewal, the URA acknowledges that it cannot single-handedly undertake this significant task. Therefore, it has focused on fostering collaboration with various stakeholders to drive sustainable urban renewal.

Similar to the completed Yau Ma Tei and Mong Kok District Study (YMDS), the URA is developing Master Renewal Plans under the ongoing Sham Shui Po District Study (SSPDS) and the Tsuen Wan District Study (TWDS). These studies aim to outline comprehensive urban renewal strategies and implementation mechanisms for the two districts. By incorporating new and innovative planning tools, the URA intends to enhance land use efficiency, guide long-term urban development of the two districts, and facilitate private market participation in urban renewal initiatives.

In alignment with our mission to facilitate urban renewal, the URA continues to foster collaboration with private sector stakeholders in redeveloping old and dilapidated buildings. Riding on the recommendations from the YMDS, the Government has tasked the URA with exploring opportunities to extend the scope of building concessions, thereby incentivising the private sector to undertake redevelopment efforts that align with specific public and planning objectives.

To this end, the URA initiated the Building Concession Study, which aims to identify incentives within the existing regulatory framework to encourage and promote superior design standards that elevate the built environment and achieve planning gains within the urban renewal context. The study addresses four key investigation areas, namely open space provision, building interface area with public streets, covered walkway and public passageway, and communal areas in domestic buildings. The findings of the study were submitted to the Government for review in early 2025.

As a concerted effort to support minority property owners, the URA has played a pivotal role in establishing the Support Service Centre for Minority Owners under Compulsory Sale (SMOCS). Commissioned by the Dedicated Office of Support Services for Minority Owners under Compulsory Sale, SMOCS is specifically designed to assist minority owners facing compulsory sale applications, with the aim of streamlining the negotiation process between owners and private developers.

SMOCS offers a range of services, including educational programmes, subsidised mediation, and the provision of independent property valuation at a subsidised cost. SMOCS also provides referrals to professional services, assisting the minority owners in compulsory sale litigation, counselling, and relocation.

In response to the amendment of the Land (Compulsory Sale for Redevelopment) Ordinance, the URA introduced enhanced measures in December 2024 to improve the Facilitating Services Scheme (the Scheme) of Joint Sale offered by the Urban Redevelopment Facilitating Services Company Limited (URFSL). As part of these enhancements, the application threshold for the Scheme, originally requiring no less than 50 percent ownership of undivided shares in a building or lot, has been lowered to 40 percent. Furthermore, joint sale thresholds have been revised to align with the updated compulsory sale application thresholds under the amended ordinance. These measures aim to accelerate the redevelopment of aged and dilapidated buildings by private developers, ultimately contributing to a more efficient urban renewal process.

Fostering Preventive Maintenance with New Initiatives

Amidst the ongoing challenges posed by a shortage of dedicated land and financial reserves for large-scale urban redevelopments, Hong Kong faces an accelerating pace of urban decay. In light of this situation, there is an urgent need to extend the lifespans of existing aged buildings that remain in acceptable condition. By doing so, resources can be concentrated on the redevelopment of severely deteriorated buildings that are beyond repair. This approach allows for a more strategic allocation of resources, ensuring that redevelopment efforts are focused on the most needed aspects, while preserving the structural integrity and usability of other buildings for as long as feasible.

The URA diligently monitors the condition of residential buildings by taking stock of various attributes, including building age, the presence of outstanding repair orders and the mode of property management. This comprehensive assessment is further enhanced by the use of a self-developed Urban Renewal Information System, through which buildings are broadly classified into distinct categories based on their specific needs, providing a more targeted and efficient approach to urban renewal.

Meanwhile, the URA has adopted a proactive approach to encourage property owners of buildings that are in acceptable condition to undertake preventive maintenance. Since April 2024, the URA has introduced holistic initiatives, beginning with the launch of the Preventive Maintenance Subsidy Scheme in April, which offers incentives for owners to formulate periodic maintenance plans and financial reserves for future maintenance needs. This scheme has garnered 13 valid applications covering over 7,500 residential units, including participation from large housing estates such as Chi Fu Fa Yuen. In January 2025, the URA further offered owners technical assistance in drawing up their maintenance actions through the publication of *Guidelines and Templates for Preparing Maintenance Manual for Residential and Composite Buildings* (GTMM), with Residence Bel-Air leading the adoption for a maintenance strategy. For new developments, such as eResidence Tower 3, the Deed of Mutual Covenant (DMC) now includes clauses for periodic maintenance plans, owners' meetings for fund contributions, as well as clauses addressing water seepage issues, reflecting the URA's contribution to thorough preventive maintenance planning.

Since 2016, the URA has provided building owners with various lists of registered service providers to assist them in selecting consultants and contractors for rehabilitation works. A review will be conducted to enhance checks on service providers' integrity and competence. The revised lists will be released in the third quarter of 2026.

From a broader perspective, comprehensive strategies are needed to alleviate the pressure caused by the disparity between the pace of redevelopment and the ageing of buildings. To this end, after completing the first New Strategy on Building Rehabilitation (NSBR) Study in 2020, the URA has begun preparations for the launch of NSBR 2.0 Study later this year. This initiative will delve into regulatory requirements, institutional arrangements and the utilisation of innovative technology, with the aim of developing concrete recommendations to enhance the promotion of building rehabilitation and prolong buildings' lifespan.

The study will also explore legislation mandating periodic maintenance plans and budgets, as well as owners' contributions to sinking funds to encourage proactive building maintenance. It will also look into the feasibility of establishing a dedicated statutory body to co-ordinate, promote and oversee the rehabilitation of ageing structures. Additionally, it will focus on new technologies, such as through improved structural design and building materials, to extend buildings' lifespan, drawing insights from eResidence Tower 3 to reduce redevelopment needs. Detailed recommendations will be formulated by 2026 and submitted to the Government for consideration.

Looking Ahead

Amidst economic volatility, the URA sees both challenges and opportunities to critically evaluate its business model and fortify its resources and reserves for long-term strategic planning. The SSPDS and the TWDS exemplify the potential to identify urban land suitable for restructuring and replanning, thereby reinforcing our planning and project reserves.

On the other hand, the continuous financial support from the Government to the URA, through measures such as tax exemptions, land premium waivers, and provision of land resources on top of the HK$10 billion capital injection, remains vital to tackle the problem of urban degeneration. In June 2025, the Chief Executive in Council has approved the granting of two sites — Bailey Street in Hung Hom and the other in Tseung Kwan O Area 137, to the URA by private treaty at nominal land premium. The decision marked the Government's strong support for the URA in enhancing its financial capability to maintain the sustainability of urban renewal by way of, among others, providing suitable land to the URA to increase its usable resources. It enriches the URA's asset mix and enhances its borrowing capacity to address liquidity needs in the coming years for taking forward urban renewal projects, in particular in advancing the acquisition programme for six commenced redevelopment projects with estimated expenses totalling about HK$23.5 billion. The URA will act in accordance with the requirements for this land grant and work with the Government to review and refine its operating and financing model, thereby enhancing its ability to undertake urban renewal across varying market conditions.

Despite the challenging macroeconomic environment, the URA remains committed to its mission of urban renewal in Hong Kong. The URA will continue to advance urban renewal with an innovative mindset and a dynamic approach while ensuring financial sustainability to achieve sustainable development through strong partnerships with community stakeholders. These collaborative efforts and commitments will enhance the necessary synergies for revitalising urban areas to meet Hong Kong's evolving economic, societal and environmental needs.

Financial Review

(I) Review of 2024/25 Results

(a) Revenue

The revenue for the year ended 31 March 2025 was HK$254 million, which comprised share of surplus from joint development projects and proceeds from sale of properties. The amount was lower than the revenue of HK$3,024 million in 2023/24 by HK$2,770 million.

The failure to award the tender for the joint venture development of Project Kai Tak Road/Sa Po Road in Kowloon City in 2024/25, primarily due to the sustained weak property market, resulted in no upfront payment received in the year. Comparatively, there was a project tender awarded in 2023/24 with an upfront payment of HK$1,940 million.

The share of surplus from joint development projects of HK$195 million in 2024/25 (2023/24: HK$449 million), was revenue from the projects where the sales proceeds exceeded the thresholds stipulated in their respective development agreements.

The revenue from sale of properties of HK$59 million in 2024/25 (2023/24: HK$635 million) mainly related to the sale of residential units at Kai Tak, L · Living 23 in Tai Kok Tsui and The Harmonie in Sham Shui Po.

(b) Other Income

Of the HK$1,145 million (2023/24: HK$1,024 million) in other income for 2024/25, HK$934 million (2023/24: HK$890 million) were interest income from bank deposits and fixed income investments, with an overall yield of 4.23% p.a. (2023/24: 4.54% p.a.). Despite lower market interest rates leading to a decreased yield, the URA secured proceeds from bond issuance, resulting in increased bank balances. Consequently, the interest income for 2024/25 exceeded that of the prior year.

Other income also included rental income of HK$206 million (2023/24: HK$181 million, net of rental relief) from certain properties retained by the URA, and exchange gain of HK$2 million (2023/24: exchange loss HK$54 million) relating to Renminbi and USD deposits due to the fluctuation of exchange rates. All RMB deposits matured during 2024/25 and were subsequently converted to HK Dollars.

(c) Administrative Expenses

Administrative expenses for 2024/25 of HK$736 million (2023/24: HK$676 million) mainly covered staff costs, outsourcing service charges, accommodation costs and office expenses. Cost control measures were implemented whenever possible to minimise administrative expenses.

(d) Provision for Impairment on Properties and Committed Projects

Based on the accounting policy detailed in Notes 2(h) and 2(n) to the financial statements, provision for impairment on properties and committed projects of HK$2,679 million was made in 2024/25, mainly arose from the declining assessed land value of the committed projects, reflecting the sustained weak property market.

(e) Result for the Year

For the year 2024/25, the URA recorded an operating deficit of HK$41 million. After inclusion of the provision for impairment on properties and committed projects, the net deficit was HK$2,720 million, compared to the net deficit of HK$3,920 million for 2023/24. The unfavourable performance for 2024/25 was mainly attributable to the sustained weak property market, which led to a substantial provision for impairment made for committed projects.

(II) Financial Position at 31 March 2025

(a) Properties under Development

Properties under development before provision for impairment was HK$38,812 million as at 31 March 2025 (31 March 2024: HK$28,684 million). This sum represented the acquisition and development costs of the URA's commenced projects under various states of implementation, out of which Kowloon City Projects, Kwun Tong Town Centre Project and Kim Shin Lane/Fuk Wa Street Project accounted for 88 percent of the total value.

The aforesaid value was off-set against the cumulative provision for impairment totalling HK$9,168 million (31 March 2024: HK$6,514 million), resulting in a net value of HK$29,644 million (31 March 2024: HK$22,170 million). The increase in the net value was mainly due to the costs incurred for property acquisitions for the Nga Tsin Wai Road/Carpenter Road Project at Kowloon City.

(b) Total Liquidity

As at 31 March 2025, the URA's total liquidity, including cash, bank deposits and debt securities investments, was HK$21.2 billion (31 March 2024: HK$18.2 billion).

The URA placed the surplus cash on deposits with a number of financial institutions, and also invested in fixed income products of the required credit rating in accordance with the investment guidelines as approved by the Financial Secretary with capital preservation as the priority.

The net liquidity position, after off-setting the borrowings of HK$14 billion (31 March 2024: HK$0.5 billion) mentioned in paragraph II (c) below, was HK$7.2 billion (31 March 2024: HK$17.7 billion).

(c) Bonds Issued

The URA is rated AA+ by Standard & Poor's Rating Services. As at 31 March 2025, the outstanding bonds issued by the URA under the Medium Term Note (MTN) Programme was HK$14 billion (31 March 2024: HK$0.5 billion).

(d) Net Asset Value

The URA's net asset value as at 31 March 2025 was HK$43,640 million (31 March 2024: HK$46,360 million), representing the Government's capital injection of HK$10,000 million (31 March 2024: HK$10,000 million) and an accumulated surplus of HK$33,640 million (31 March 2024: HK$36,360 million).

The financial summary of the past 10 years is described on page 110 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 HK$10,000 million of equity capital into the URA in five tranches of HK$2,000 million each over a five-year period from 2002/03 to 2006/07. The Government continues to exempt the URA from taxation.

(IV) Waiver of Land Premia by the Government

The Government waives the land premia for redevelopment sites granted to the URA. A total of 56 land grants have been waived in respect of all the tendered projects with aggregate land premia totalling HK$25,304 million up to 31 March 2025.

Without this waiver, the URA's accumulated surplus as at 31 March 2025 would have been lowered by HK$25,304 million to HK$8,336 million; and its net asset value as at 31 March 2025 would have been decreased to HK$18,336 million.

(V) Financial Outlook and Management

The local property market and global financial markets continue to exhibit volatility, shaped by external factors including geopolitical tensions, ongoing trade disputes, escalated tariff wars, interest rate fluctuations and slower-than-expected economic growth. Amid these uncertainties, many developers, who currently hold a significant inventory and are heavily indebted, will exercise increased caution for land acquisition. Consequently, the outcome of the URA's future project tenders and related revenue streams remain unpredictable.

On the expenditure side, it is estimated that a total cash outlay of about HK$46 billion, excluding operational overheads, will be required to meet both of the URA's currently outstanding commitments and its forthcoming cash outlay in the coming five years for the implementation of all projects included in the latest Corporate Plan. This amount covers the URA's works in redevelopment, rehabilitation, preservation, revitalisation and retrofitting.

The URA intends to meet its future funding requirements through a combination of cash on hand, cash flow from operations, and external financing.

In July 2023, the Financial Secretary approved the URA's request to raise its borrowing limit to HK$25 billion. On 27 April 2025, Standard & Poor (S&P) Global Ratings affirmed the URA's long-term issuer credit rating and senior unsecured notes rating at "AA+" with "Stable" outlook, same as the HKSAR Government. At the same time, S&P also affirmed the "Likelihood of Extraordinary Government Support" for the URA from the HKSAR Government at "Almost Certain".

On 6 June 2025, the Government announced the decision to grant a site at Bailey Street, Hung Hom and another in Tseung Kwan O Area 137 at a nominal premium. The provision of these land resources further demonstrated the Government's ongoing support for the URA, thereby boosting its net asset position and enhancing its borrowing capacity.

Subsequently, on 23 June 2025, the URA updated its MTN Programme to facilitate bond issuance for 2025/26. As a public sector entity with a credit rating on par with the HKSAR Government, the URA is in a strong position to raise sufficient funds from the financial markets to meet liquidity needs in the coming years for taking forward urban renewal projects.

Facing the financial uncertainties and challenges ahead, the URA will continue to adopt a dynamic approach to managing its projects and businesses and monitor its financial position closely, with an aim to accomplish its urban renewal missions while maintaining long-term sustainability.