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## CHAIRMAN'S STATEMENT

“ Given the complexity and volatility of the external environment, the property market remains tentative. To achieve long term sustainability, the URA must focus on two priorities: strengthening its foundation and driving innovation. ”

## Establish a Strong Foundation for Sustainable Urban Renewal

Last year, the Urban Renewal Authority (URA) remained agile under economic uncertainties. We continued to advance urban renewal initiatives in an orderly manner.

There are signs of gradual recovery in Hong Kong's property market. In 2025/26, the URA successfully awarded the Shantung Street/Thistle Street Development Scheme, generating an upfront payment of HK\$861 million. Together with other incomes, and after deducting operating expenses, the URA recorded an operating surplus of HK\$338 million. As the property market improved, the valuation of properties held by the URA and committed projects also increased, resulting in a net write-back of provision for impairment of HK\$138 million. Taking this into account, the net surplus for the year was HK\$476 million, with net assets amounting to HK\$44.1 billion.

After incurring net losses in the preceding three consecutive years, the URA returned to surplus in 2025/26. Nevertheless, given the complexity and volatility of the external environment, the property market remains tentative. To achieve long term sustainability, the URA must focus on two priorities: strengthening its foundation and driving innovation.

### Strengthening Resources to Sustain Momentum

Strengthening foundations begins with building a sound financial and resource base. Over the past year, the URA took a series of measures to strengthen its financial position. These included raising funds through bond issuances and syndicated loans, exploring ways to make our project tenders more attractive, adopting a dynamic approach to manage the timing of property acquisitions, and implementing measures to control operating expenses. The Government's grant of two sites at Bailey Street in Hung Hom and Tseung Kwan O Area 137 also strengthened our asset base and financing capacity. Together, these measures helped stabilise cash flow and improved URA's financial position, providing a stronger base for the continued advancement of urban renewal.

The challenge of urban decay in Hong Kong is ever increasing. This important mission of urban renewal cannot be accomplished by the URA alone; it requires broader participation from the commercial sector. Against this backdrop, the URA has not only strengthened its financial position, but also promoted institutional "renewal", working with the Government to fundamentally review its existing mode of operation. This includes revisiting an acquisition mechanism that has remained largely unchanged for more than two decades, with a view to developing new solutions that are better aligned with the original purpose of improving the living environment of residents in old districts. We are also reviewing our financing and operating model, as well as reassessing strategic priorities for future renewal projects. In building rehabilitation, we will roll out enhanced owners support services in collaboration with the Government to provide stronger assistance to property owners undertaking large-scale maintenance and rehabilitation works, while strengthening professional practice and raising standards across the sector.

The URA will continue to adopt forward-looking and innovative strategies to improve the efficiency, social value and long-term sustainability of urban renewal. We remain committed to maintaining strong financial resources and the agility needed to respond to changes in the external environment, as well as the dual challenges of an ageing urban fabric and building stock.

## CHAIRMAN'S STATEMENT

### Optimising Asset Portfolio and Leveraging Resources

Over the past year, the URA continued to deploy its financial resources prudently to advance targeted urban renewal initiatives that deliver greater social benefits.

In May 2025, the Government granted the URA two sites – Bailey Street in Hung Hom and Tseung Kwan O Area 137 – by private treaty at a nominal land premium. This additional support significantly expanded our usable resources and financing capacity, enabling us to continue progressing ongoing redevelopment projects. In August of the same year, the Government approved an increase in the URA's borrowing limit from HK\$25 billion to HK\$35 billion.



In early 2026, the URA further strengthened its cash flow through the issuance of HK\$8 billion dual-tranche bonds. This gave us greater flexibility in financial planning to support redevelopment initiatives at different stages, and enabled us to spend over HK\$10 billion in 2025/26 to progress acquisitions for all commenced renewal projects under our Corporate Plan.

The URA enhanced the attractiveness of its development projects to improve the chances of successful tenders and generate more resources for urban renewal. Before launching tendering process for redevelopment projects, we introduced Development Facilitation Services, under which commercial developers or consortia are briefed in advance on development parameters and technical assessments. This improves transparency and gives tenderers more time to conduct technical and financial assessments and prepare more competitive bids.

For the Shantung Street/Thistle Street Development Scheme, we applied the “interchangeability of domestic and non-domestic plot ratio” such that the maximum domestic plot ratio was released from 7.5 to 8.5, providing greater design flexibility. The project was successfully awarded in May 2025, generating more than HK\$860 million in revenue and replenishing resources for urban renewal.

In 2025, we also optimised our asset portfolio through the sale of the remaining 59 units at 3 Muk Chui Street of Kai Tak and two commercial properties, generating total proceeds of approximately HK\$700 million.

In a volatile economic environment, the URA has continued to maintain prudent financial discipline. We have managed ongoing redevelopment projects with flexibility, adjusting timelines across different stages where appropriate, and have also undertaken some new building projects ourselves. Meanwhile, we have continued to pursue an integrated approach to urban regeneration through holistic planning that improves the living environment of older districts, enhances residents' access to modern housing and community facilities, and, at the same time, preserves local character and culture. This approach has already been proven in Central and Sheung Wan on Hong Kong Island, providing a useful reference for projects such as those in the Lung Shing area in Kowloon City and the Flower Market in Mong Kok.

Subject to a more stable economic and property market outlook in Hong Kong, the URA will roll out tenders in phases for projects that have completed property acquisition and site formation. Aside from inviting developers or consortia to tender for the Bailey Street/Chi Kiang Street Project in Kowloon in July 2026, we expect another project in To Kwa Wan to be tendered within the year.

Adding to measures that enhanced revenue and strengthened cash flow, the URA implemented a range of cost control and operational efficiency improvement measures over the past year. These included adopting Modular Integrated Construction (MiC) to shorten construction periods, deploying innovative technologies to automate workflows, reducing manual processes, optimising manpower deployment and refining procurement arrangements to achieve greater cost efficiency.

Taken together, these procedures strengthened the URA's operational capacity, enabled us to achieve all of our targets, and resulted in an operating surplus of HK\$338 million for 2025/26.

## Giving Priority to the Redevelopment of Dilapidated Buildings

Keeping pace with urban decay by renewing dilapidated buildings is a race against time. Over the past decade, the number of buildings aged 50 years or above in Hong Kong has increased by around 510 a year, while the combined number of old buildings redeveloped by the URA and private developers over the same period has been only about 160 a year. It is projected that by 2043, the number of buildings aged 50 years or above will rise to 24,300. Many of these buildings are deteriorating and lack lifts and proper management, posing risks to residents and raising public safety concerns.

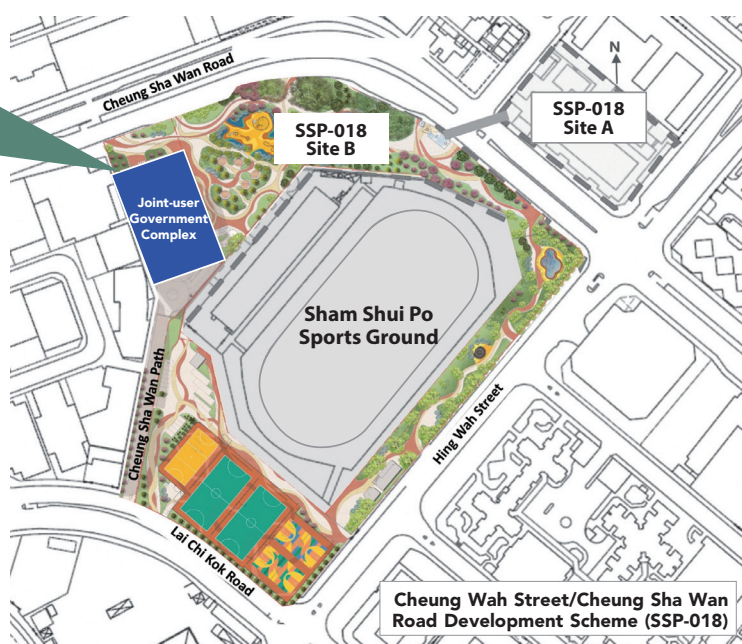
To focus resources more effectively, the URA has carried out a comprehensive review of its Five-year Corporate Plan. Going forward, we will direct resources towards clusters of old buildings with the most pressing redevelopment needs, particularly those that are very old and do not have passenger lift facilities. We will also make greater use of relevant Government data to assess more accurately the extent of ageing in old districts and buildings, so as to better prioritise redevelopment projects. The URA will continue to adopt a district-based and people-first approach to urban renewal, ensuring that resources are deployed in a timely and focused manner.

The URA will continue to integrate its projects with adjacent under-utilised Government land, as well as Government, Institution or Community (G/IC) sites with ageing or substandard facilities, to support comprehensive planning and development. This approach will optimise land use, create synergies, and enhance planning gains with social benefits. At the same time, forward-looking planning tools such as the "Single Site, Multiple Use" model and the local/cross-district transfer of plot ratio will be used to improve the financial viability of redevelopment projects.

The URA will adhere to financial discipline and advance these initiatives in an orderly manner under its Five-year Corporate Plan. By optimising the asset mix and leveraging cross-subsidisation mechanism among different projects, we will implement urban renewal work in a sustainable manner.



- Under the "Single site, Multiple Use" model, the URA is building a Joint-user Government Complex (above) to re-provision the Cheung Sha Wan Sports Centre (originally at Site A of SSP-018 Project), thereby freeing up Site A for residential development to increase flat supply.



## CHAIRMAN'S STATEMENT

### Strengthening Rehabilitation Support

Redevelopment is a lengthy process that consumes significant social resources, and by itself it is not enough to fully address the challenges of ageing buildings. Proper maintenance, which extends the service life of buildings, remains the most direct and effective way to slow urban decay.

Supporting building rehabilitation has been an important part of URA's work. In line with our statutory roles and functions under the Urban Renewal Authority Ordinance, the URA promotes building rehabilitation through advocacy and facilitation. By providing financial assistance and professional technical support, we encourage and assist property owners to carry out timely maintenance and repair works. A key initiative in this regard is the Smart Tender Building Rehabilitation Facilitating Services Scheme (Smart Tender), launched in 2016.

Ten years ago, in the course of assisting owners to organise maintenance works, the URA identified cases of tender manipulation by unscrupulous operators. These included situations where tender documents were sent only to selected contractors, interested bidders were deterred through improper means, tender submissions were deliberately misplaced after the closing deadline, tender results were tampered with, and lower-priced bids were intentionally disregarded during tender opening. To address these irregularities, the URA introduced Smart Tender to provide an open and transparent tendering platform, foster a fair and impartial environment, and reduce the risks of collusion and manipulation.

However, the tragic fire at Wang Fuk Court in Tai Po in November 2025 revealed even deeper systemic risks associated with certain building maintenance works, highlighting the potential for collusion and corruption in the process. While the URA cannot by itself eliminate unlawful intent or conduct, we have worked closely with the Government to carry out a comprehensive review of the Smart Tender service and strengthen related measures to provide better support for property owners.

In February 2026, the Government announced funding of HK\$300 million for the URA to introduce enhanced owners support services with the aim of providing property owners with more comprehensive assistance in appointing works consultants and contractors, along with subsidies to encourage uptake of the enhanced services and better safeguard their interests. The URA is now working with the Development Bureau to finalise the implementation details. These include working with relevant Government departments and law enforcement agencies to establish more stringent pre-qualification criteria for consultancy firms and contractors, and to update the relevant register on an ongoing basis. The URA will also assist Owners' Corporations and property owners with a range of tendering processes, including tender preparation, submission and evaluation.

For the more than 30 housing estates that had engaged Will Power Architects Company Limited (the consultant involved in the Wang Fuk Court fire), and are now facing suspension of maintenance works because of the firm's inability to discharge its duties, the URA has taken proactive steps to provide support. This includes appointing Independent Reviewers to conduct third-party professional assessments and prepare tender documentation. This will allow the aforementioned estates to restart the tendering process for new works consultants as soon as the enhanced owners support services are launched, so that their maintenance work can get back on track.

The enhanced owners support services will focus primarily on providing comprehensive, targeted tendering and related support to property owners and Owners' Corporations, with a view to minimising collusive tendering practices when procuring consultancy and contractor services. However, building maintenance involves complex procedures and a wide range of stakeholders. Relying solely on enhanced support measures will not fully resolve all associated issues. All parties involved in building rehabilitation, including Owners' Corporations, individual owners, property management companies, industry practitioners, and the relevant law enforcement and regulatory agencies, must step up their participation and oversight at every stage of the process. Any suspected irregularities should be promptly reported to the relevant authorities. Ultimately, strengthening professional practices and eliminating industry shortcomings are essential to addressing the root causes.

Looking ahead, the URA will continue to use a variety of channels to raise property owners' awareness of building maintenance and strengthen their capacity to organise such works.

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## Moving Forward with a Sustainable Compensation Framework

For severely dilapidated buildings that can no longer be rehabilitated, redevelopment may be the only solution. However, redevelopment requires substantial resources in terms of acquisition costs, manpower and time. This has long placed a heavy financial burden on the URA and directly affected the long-term sustainability of urban renewal.

Since the establishment of the URA, we have adopted the “Seven-year-old” principle in determining the acquisition price per square foot for owner-occupied domestic properties. In addition to prevailing market value, this approach provides a substantial ex-gratia allowance so that affected owners may purchase relatively newer replacement flats with better facilities. During economic downturns or property market declines, however, this generous compensation mechanism means that the proceeds from redevelopment tenders may fall short of the earlier acquisition costs, creating a “buy high, sell low” risk for developers. At the same time, the mechanism makes the commercial sector’s participation in urban redevelopment unattractive. If this situation continues, it will place increasing pressure on resources for urban renewal and slow the overall pace of redevelopment.

As buildings in need of redevelopment continue to age, their market value also declines. If buildings of different ages and maintenance conditions are treated under the same acquisition price per square foot based on the “Seven-year-old” principle, this raises concerns about the appropriate use of public resources. Moreover, offering generous compensation to owners of poorly maintained buildings for redevelopment may inadvertently encourage them to neglect their maintenance and repair responsibilities, resulting in an undesirable situation where the interests of a small group of owners are placed above public safety.

In view of this, the URA and the Government are reviewing the existing acquisition mechanism. One of the directions is to revamp and improve the current Flat-for-Flat (FFF) Scheme by offering it as an option other than the cash offer.

The new FFF arrangement carries two important benefits. It enables the affected owners to move from poor living conditions to newly built homes with better planning, design and facilities, thereby improving their overall quality of life. At the same time, replacing cash acquisition of old properties with newly built replacement flats will help ease the URA’s cost pressures and reduce exposure to market fluctuations during the period between acquisition and redevelopment. As a result, redevelopment projects can proceed in a more sustainable and effective manner across different market cycles.

The URA is currently advancing planning for residential development and supporting facilities on the Tseung Kwan O Area 137 site granted by the Government, in preparation for the enhanced FFF arrangement. In the meantime, we are carrying out preliminary feasibility studies for the three reserved sites in the Northern Metropolis, namely those in the Kwu Tung North and Fanling North New Development Areas.

## CHAIRMAN'S STATEMENT

### Revitalising Old Districts – “People First”

In advancing urban renewal, the URA upholds the people-first principle and places great importance on the needs of residents affected by redevelopment projects. Timely and appropriate support is provided throughout the rehousing process.

In Kowloon City, the URA launched the Lung Shing Thai Community Support Programme to address the needs of the Thai community affected by redevelopment. The programme is designed to support Thai households, businesses and employees who are not proficient in Chinese, helping them overcome language and cultural barriers and settle more readily into their new environments. We also provided comprehensive support to Thai businesses that needed to relocate, including tenancy referrals and assistance in liaising with estate agents, enabling them to secure suitable premises and continue operating in the same district. The URA team also provided hands-on relocation assistance and prepared bilingual Chinese-Thai posters to support the reopening of their businesses.



Under the Lung Shing Thai Community Support Programme, the Lams, owners of “Cheong Thai” grocery store in Kowloon City (left), successfully relocated to a new shop in the same neighbourhood, seizing the redevelopment opportunity to expand their business. Volunteers under the programme (right) provided assistance during relocation.

For the Sai Yee Street/Flower Market Road Development Scheme in Mong Kok, the URA worked with florists, local organisations and residents to organise a series of activities at the Flower Market. These included festive installations, lighting displays, workshops and promotional campaigns, helping to sustain the area’s vibrancy.

Interim settlement and relocation arrangements were put in place for more than 20 flower shop operators within the project area, enabling them to continue operating in the Flower Market both during and after redevelopment. A centrally located Flower Market 2.0 Pilot Space (the Pilot Space) was reserved as an interim arrangement. To facilitate the design of the Pilot Space, the URA engaged directly with individual operators to understand their plans and operational needs. Each shop in the Pilot Space will be equipped with water and electricity supply for refrigerators to keep flowers fresh, and with designated areas for display. The URA also commissioned a consultant to engage with merchants, residents and community partners to help co-create a sustainable and vibrant Flower Market community and support the long-term development of the area.

Beyond redevelopment and building rehabilitation, the URA adopts a holistic approach by integrating various urban renewal strategies to improve the overall environment of old districts. Our development projects are closely aligned with place-making principles to showcase the unique historical heritage and character of different neighbourhoods. The URA’s Peel Street/Graham Street Development Scheme in Central is a showcase of how old and new elements can be successfully integrated while enhancing the value of an old district. Alongside new developments, the URA has continued to enhance the surrounding streets and community facilities while preserving the distinctive character and atmosphere of the century-old Graham Market. In collaboration with local stakeholders, regular events such as the Graham Festival and other promotional activities have been organised to attract visitors, stimulate economic activity and inject renewed vitality into the district.

## Moving Forward Together

The past year was full of challenges. We thank the HKSAR Government for its policy support, for granting new land resources, and for working with us to review and improve various policies and measures, thereby laying a solid foundation for the long-term strategic development of urban renewal in Hong Kong.

I would also like to take this opportunity to express my appreciation to members of the Board for their guidance, the management team for their teamwork, and all URA colleagues for their dedication and tireless efforts. It is through this collective commitment that we are able to continue our work in urban renewal under a rapidly changing world.



- Presenting the Chairman's Award 2026 to recognise employees who demonstrate exceptional work performance alongside a strong commitment to serving the community.

As the URA marks the milestone of its 25th anniversary in 2026, we remain fully aware of the responsibilities entrusted to us as Hong Kong's statutory body for regenerating the city's older districts. Looking ahead, we will continue to uphold professionalism and rigour, working closely with the Government and all sectors of the community to drive continuous improvement. We are committed to responding proactively to the community's needs for urban renewal, striving for excellence, and contributing to a better Hong Kong.

**CHOW Chung Kong**, GBM, GBS, JP  
**Chairman**  
 31 August 2026