

URBAN RENEWAL TRUST FUND

REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**



**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF URBAN RENEWAL FUND LIMITED**

We have audited the financial statements of the Urban Renewal Trust Fund (the "Fund") set out on pages 3 to 12, which comprise the statement of financial position as at 31 March 2012, and the statement of comprehensive income, the statement of change of equity and the statement of cash flows for the period from 15 August 2011 (date of establishment) to 31 March 2012, and a summary of significant accounting policies and other explanatory information.

Trustee's responsibility for the financial statements

Urban Renewal Fund Limited (the "Trustee") is responsible for the preparation of 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 for such internal control as the Trustee determine is necessary to enable the preparation of 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 financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF URBAN RENEWAL FUND LIMITED
(CONTINUED)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Fund as at 31 March 2012 and of its surplus and cash flows for the period from 15 August 2011 (date of establishment) to 31 March 2012 in accordance with Hong Kong Financial Reporting Standards.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 May 2012

**URBAN RENEWAL TRUST FUND
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
 TO 31 MARCH 2012**

	Note	HK\$
Income		
Interest income on bank deposits		2,938,468
		<hr/>
Expenses		
Urban Renewal Social Service Teams		1,480,288
Staff costs		959,723
Other operating expenses		81,868
Auditor's remuneration		16,000
Trustee's reimbursable expenses	4	10,000
		<hr/>
		2,547,879
		<hr/>
Surplus and total comprehensive income for the period attributable to the Fund		390,589
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The notes on pages 7 to 12 form part of these financial statements.

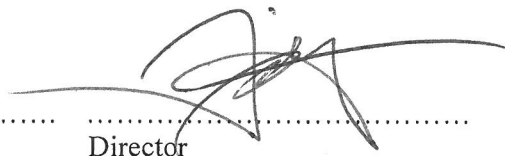
**URBAN RENEWAL TRUST FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012**

	Note	HK\$
Current assets		
Interest receivables		139,816
Prepayments		625,010
Bank balances	7	499,824,912
		<u>500,589,738</u>
Current liabilities		
Account payables		745
Accruals		198,404
		<u>199,149</u>
Net assets attributable to the Fund		<u>500,390,589</u>
Represented by:		
Endowment received	9	500,000,000
Accumulated surplus		390,589
		<u>500,390,589</u>
Fund employed		<u>500,390,589</u>

The financial statements on pages 3 to 12 were approved by the Board of Directors of Urban Renewal Fund Limited (in its capacity as the Trustee of the Fund) on 29 May 2012.



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Director



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Director

The notes on pages 7 to 12 form part of these financial statements.

**URBAN RENEWAL TRUST FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

	Endowment received HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 15 August 2011 (date of establishment)	-	-	-
Contribution from Urban Renewal Authority	500,000,000	-	500,000,000
Surplus for the period	-	390,589	390,589
Balance at 31 March 2012	<u>500,000,000</u>	<u>390,589</u>	<u>500,390,589</u>

The notes on pages 7 to 12 form part of these financial statements.

**URBAN RENEWAL TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

	Note	HK\$
Cash flows from operating activities		
Surplus for the period		390,589
Adjustment for:		
Interest income		(2,938,468)
Deficit before working capital changes		<u>(2,547,879)</u>
Increase in prepayments		(625,010)
Increase in account payables and accruals		199,149
Net cash used in operating activities		<u>(2,973,740)</u>
Cash flows from investing activity		
Interest received		<u>2,798,652</u>
Cash flows from financing activity		
Contribution from Urban Renewal Authority	9	<u>500,000,000</u>
Net increase in cash and cash equivalents		499,824,912
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	7	<u><u>499,824,912</u></u>

The notes on pages 7 to 12 form part of these financial statements.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

1 General information

- (a) In accordance with the new Urban Renewal Strategy (“URS”) promulgated by the Development Bureau of the HKSAR Government on 24 February 2011, Urban Renewal Trust Fund (the “Fund”) with endowment from the Urban Renewal Authority (the “URA”) has been set up on 15 August 2011 to fund various activities to be conducted by the District Urban Renewal Forum, the social service teams who are providing assistance and advice to residents affected by URA-implemented redevelopment projects, and applications from non-governmental organisations and other stakeholders involved in heritage preservation and district revitalisation initiatives in the overall urban renewal context to be considered on a case-by-case basis.
- (b) The Urban Renewal Fund Limited (the “Trustee”) is the trustee and settlor of the Fund.
- (c) The registered address of the Trustee is 26/F, Cosco Tower, 183 Queen’s Road Central, Hong Kong.
- (d) These financial statements are presented in Hong Kong dollars (“HK\$”), which is the Fund’s functional currency.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below.

- (a) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with all applicable Hong Kong Financial Reporting Standards (which include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (“HKFRSs”)) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. There are no area involving a higher degree of judgement or complexity, or area where assumptions and estimates have a significant effect on the carrying amounts of assets and liabilities within the next financial year.

- (b) Standards, amendments and interpretations issued by the HKICPA

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective as at 31 March 2012. The Fund has not early adopted these new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Trustee anticipates that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Fund.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

2 Significant accounting policies (Continued)

(c) Revenue recognition

Provided it is probable that the economic benefit will flow to the Fund and the income can be measured reliably, income is recognised in the statement of comprehensive income as follows:

- (i) Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund 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 end of reporting period, which are classified as non-current assets.

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 for receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' 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.

(e) Provisions

Provisions are recognised when: the Fund 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 Fund has a present obligation as a result of committed events.

When 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.

(f) Account payables

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

(g) 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.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

2 Significant accounting policies (Continued)

(h) Endowment

Endowment is recognised when it is received.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Fund.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement to 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.

(j) Employee benefits

Salaries and annual leave are accrued and recognised as an expense in the period in which the associated services are rendered by the employees of the Trustee.

The Trustee operates defined contribution schemes and pays contributions to scheme administrators on a mandatory or voluntary basis. The contributions are recognised as an expense when they are due.

3 Financial risk management

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

(a) Financial risk factors

(i) Cash flow interest rate risk

The Fund 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.

Interest rate sensitivity

At the end of reporting period, if interest rates had been increased / decreased by 1% and all other variables were held constant, the surplus of the Fund would increase/decrease by approximately \$4,998,000 resulting from the change in interest income generated from the cash and cash equivalents.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

Credit risk arises from bank balances and interest receivables. The exposure of credit risk to the Fund is minimal as the Trustee places bank balances with credit rankings, ranging from Aa1 to A3 and there is no concentration in any particular bank.

(iii) Liquidity risk

The Fund aims to maintain sufficient cash and cash equivalents to meet its operating requirements. The URA has committed to make further contribution to the Fund in future in the event that its fund balance is fully utilised.

The contractual undiscounted cash flows of the financial liabilities of the Fund which are due within one year from the end of reporting period based on the remaining periods at the end of reporting period to contractual maturity date, are as shown in the statement of financial position.

(b) Capital risk management

The fund employed comprises mainly the endowment received and the accumulated surplus. Its objectives when managing capital are to ensure effective use of funds.

(c) Fair value estimation

The fair value of financial assets and liabilities of the Fund are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

4 Trustee's reimbursable expenses

All reasonable and proper administrative and other operating expenses properly incurred by the Trustee in its carrying out its duties for the proper functioning of the Trustee are reimbursed and settled by the Fund in accordance with the Trust Deed.

5 Income tax expenses

The Fund is exempted from Hong Kong tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

6 Provident fund scheme

The Fund 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. The Mandatory Provident Fund Scheme (the "Schemes") under which employer's voluntary contributions has been made. The assets of the Schemes are held separately from those of the Fund and managed by independent administrators. The Fund normally makes voluntary contributions ranging from 5% to 10% of the employees' monthly salaries.

The total amount contributed by the Fund into the Schemes for the period from 15 August 2011 to 31 March 2012 was \$60,156, which has been charged to the Fund's statement of comprehensive income for the period.

7 Bank balances

	HK\$
Cash at banks	592,141
Time deposits with banks with maturities of 3 months or less	499,232,771
	<u>499,824,912</u>
Maximum exposure to credit risk	<u>499,824,912</u>

The average effective interest rate of time deposits with bank was 1.31% per annum. These deposits have an average original maturity of 32 days.

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

	HK\$
<u>Rating (Moody's)</u>	369,824,912
Aa1 – Aa3	130,000,000
A1 – A3	<u>499,824,912</u>

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 15 AUGUST 2011 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2012**

8 Significant related party transactions

During the period, administrative and support services expenses valued at \$625,057 was borne directly by the URA.

9 Contribution from Urban Renewal Authority

During the period, the Fund received endowment of \$500,000,000 from the URA.

10 Approval of financial statements

The financial statements were approved by the board of directors of the Trustee on 29 May 2012.