



Urban Renewal Trust Fund
市區更新信託基金

Financial Statements
for the year ended 31 March 2016



Independent auditor's report to the trustee of Urban Renewal Trust Fund

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of the Urban Renewal Trust Fund (the "Fund") set out on pages 3 to 17, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Trustee's responsibility for the financial statements

Urban Renewal Fund (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 determines 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. This report is made 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 judgement, 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 the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.



Independent auditor's report to the trustee of
Urban Renewal Trust Fund (continued)
(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2016 and of the Fund's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

A handwritten signature in black ink, appearing to be 'APM', written over a faint, illegible stamp.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 July 2016

Statement of comprehensive income for the year ended 31 March 2016

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2016</i> HK\$	<i>2015</i> HK\$
Revenue			
Interest income on bank deposits		<u>3,828,264</u>	<u>6,493,730</u>
Expenses			
Administrative and support services expenses	9	(947,970)	-
Auditor's remuneration		(40,700)	(38,500)
Consultancy fee		(227,500)	(322,500)
Depreciation	7	(157,011)	(53,606)
District Urban Renewal Forum activities and programme expenses		-	192,881
Loss on disposal of plant and equipment		(34,127)	-
Heritage Preservation & District Revitalisation Projects		(6,260,913)	(5,337,320)
Other operating expenses		(67,498)	(87,271)
Rent and rates		(347,104)	(688,992)
Staff costs	6	(3,258,216)	(3,269,331)
Trustee's reimbursable expenses	4	(15,608)	(13,367)
Urban Renewal Social Service Teams		<u>(11,491,478)</u>	<u>(10,023,852)</u>
		<u>(22,848,125)</u>	<u>(19,641,858)</u>
Operating deficit before income tax		(19,019,861)	(13,148,128)
Income tax expenses	5	<u>-</u>	<u>-</u>
Deficit and total comprehensive income for the year		<u>(19,019,861)</u>	<u>(13,148,128)</u>

The notes on pages 8 to 17 form part of these financial statements.

Statement of financial position at 31 March 2016

(Expressed in Hong Kong dollars)

	Note	2016 HK\$	2015 HK\$
Non-current asset			
Plant and equipment	7	473,913	47,528
Current assets			
Interest receivable		1,404,106	2,212,816
Prepayments		23,117	23,668
Bank balances	8	451,348,274	471,013,242
		<u>452,775,497</u>	<u>473,249,726</u>
Current liabilities			
Accruals		3,857,290	3,872,421
Accounts payable		169,636	1,182,488
		<u>4,026,926</u>	<u>5,054,909</u>
Net current assets		<u>448,748,571</u>	<u>468,194,817</u>
Net assets attributable to the Fund		<u>449,222,484</u>	<u>468,242,345</u>
Represented by:			
Endowment received	10	500,000,000	500,000,000
Accumulated deficits		(50,777,516)	(31,757,655)
Surplus fund		<u>449,222,484</u>	<u>468,242,345</u>

The financial statements were approved by the Board of Directors of Urban Renewal Fund, in its capacity as the Trustee of the Fund on 14 July 2016.



Leung Cho-bun, Joe
Director of Urban Renewal Fund



Tsai Wing-chung, Philip
Director of Urban Renewal Fund

The notes on pages 8 to 17 form part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2016
(Expressed in Hong Kong dollars)

	<i>Endowment received (Note 10) HK\$</i>	<i>Accumulated deficits HK\$</i>	<i>Total HK\$</i>
Balance at 1 April 2014	500,000,000	(18,609,527)	481,390,473
Deficit and total comprehensive income for the year	-	<u>(13,148,128)</u>	<u>(13,148,128)</u>
Balance at 31 March 2015 and 1 April 2015	500,000,000	(31,757,655)	468,242,345
Deficit and total comprehensive income for the year	-	<u>(19,019,861)</u>	<u>(19,019,861)</u>
Balance at 31 March 2016	<u>500,000,000</u>	<u>(50,777,516)</u>	<u>449,222,484</u>

The notes on pages 8 to 17 form part of these financial statements.

Statement of cash flows
for the year ended 31 March 2016
(Expressed in Hong Kong dollars)

	<i>Note</i>	2016 HK\$	2015 HK\$
Cash flows from operating activities			
Deficit for the year		(19,019,861)	(13,148,128)
Adjustments for:			
Interest income		(3,828,264)	(6,493,730)
Depreciation	7	157,011	53,606
Loss on disposal of plant and equipment		34,127	-
		<hr/>	<hr/>
Deficit before working capital changes		(22,656,987)	(19,588,252)
Decrease in accounts receivable and prepayments		551	314,997
(Decrease)/increase in accounts payable and accruals		(1,027,983)	1,515,938
		<hr/>	<hr/>
Net cash used in operating activities		(23,684,419)	(17,757,317)
Cash flows from investing activities			
Decrease in bank deposits with original maturities of more than 3 months		17,600,000	3,350,000
Interest received		4,636,974	7,000,639
Payment for purchase of plant and equipment		(617,523)	-
		<hr/>	<hr/>
Net cash generated from investing activities		21,619,451	10,350,639
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(2,064,968)	(7,406,678)
Cash and cash equivalents at the beginning of the year		11,413,242	18,819,920
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		9,348,274	11,413,242
		<hr/>	<hr/>

Statement of cash flows
for the year ended 31 March 2016 (continued)
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2016</i> HK\$	<i>2015</i> HK\$
Analysis of bank balances			
Cash and cash equivalents		9,348,274	11,413,242
Bank deposits with original maturities of more than 3 months		<u>442,000,000</u>	<u>459,600,000</u>
Bank balances at 31 March	8	<u><u>451,348,274</u></u>	<u><u>471,013,242</u></u>

The notes on pages 8 to 17 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 General information

- (a) In accordance with the new Urban Renewal Strategy (“URS”) promulgated by the Development Bureau of the Government of Hong Kong Special Administrative Region on 24 February 2011, Urban Renewal Trust Fund (the “Fund”) with endowment from the Urban Renewal Authority (the “URA”) was 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 (the “Trustee”) is the trustee and settlor of the Fund.
- (c) The registered address of the Trustee is Unit 1012, 10/F, Tower 2, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon (the “Office”).
- (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. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) *Basis of preparation of the financial statements*

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

2 Significant accounting policies (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The carrying amounts of plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in surplus or deficit if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(e) *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 the 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 of 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The amount of the provision is recognised in surplus or deficit.

(f) *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 economic benefits will be required to settle the obligation; and the amount can be 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 of economic benefits with respect to any one item included in the same class of obligations may be small.

2 Significant accounting policies (continued)

(g) *Accounts payable*

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

(h) *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.

(i) *Endowment*

Endowment is recognised as capital injection when it is received.

(j) *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 dollars, 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 surplus or deficit.

(k) *Employee benefits*

Salaries and annual leave are accrued and recognised as an expense in the year 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.

2 Significant accounting policies (continued)

(l) Related parties

- (i) A person, or a close member of that person's family, is related to the Fund if that person:
 - (1) has control or joint control over the Fund;
 - (2) has significant influence over the Fund; or
 - (3) is a member of the key management personnel of the Fund.
- (ii) An entity is related to the Fund if any of the following conditions applies:
 - (1) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund.
 - (3) The entity is controlled or jointly controlled by a person identified in (i).
 - (4) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Financial risk management and fair value of financial instruments

The Fund's activities expose it to a variety of financial risks: cash flow 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 are carried at prevailing market interest rate.

3 Financial risk management and fair value of financial instruments (continued)

Interest rate sensitivity

At the end of the reporting period, if interest rates had increased/decreased by 50 basis points and all other variables were held constant, the deficit of the Fund for the year would decrease/increase by approximately HK\$2,257,000 (2014/15: HK\$2,355,000) resulting from the change in interest income generated from the cash and cash equivalents.

(ii) Credit risk

Credit risk arises from bank balances and interest receivable. The exposure of credit risk to the Fund is minimal as the Fund places bank balances with financial institutions with credit ratings 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 contribution to the Fund 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 the reporting period based on the remaining period from the end of the reporting period to the 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 deficit. The Fund's objectives when managing capital are to ensure effective use of funds.

(c) Fair value measurement

The fair value of financial assets and liabilities of the Fund 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 incurred by the Trustee in carrying out its duties as the Trustee are reimbursed and settled by the Fund in accordance with the Trust Deed executed by the Trustee on 10 November 2011.

5 Income tax expenses

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

6 Staff costs

Staff costs are incurred for employees employed by the Trustee.

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 employer has also made voluntary contributions to the Mandatory Provident Fund Scheme (the "Schemes"). 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 depending on the years of service of the employees.

The total amount contributed by the Fund into the Schemes for the year ended 31 March 2016 was approximately \$216,000 (2014/15: \$212,000), which has been charged to the Fund's statement of comprehensive income for the year.

7 Plant and equipment

	<i>Leasehold improvements</i> HK\$	<i>Furniture and office equipment</i> HK\$	<i>Total</i> HK\$
At 1 April 2014			
Cost	139,841	28,300	168,141
Accumulated depreciation	(59,932)	(7,075)	(67,007)
Net book value	<u>79,909</u>	<u>21,225</u>	<u>101,134</u>
Year ended 31 March 2015			
Opening net book value	79,909	21,225	101,134
Depreciation	(47,945)	(5,661)	(53,606)
Closing net book value	<u>31,964</u>	<u>15,564</u>	<u>47,528</u>
At 31 March 2015			
Cost	139,841	28,300	168,141
Accumulated depreciation	(107,877)	(12,736)	(120,613)
Net book value	<u>31,964</u>	<u>15,564</u>	<u>47,528</u>
Year ended 31 March 2016			
Opening net book value	31,964	15,564	47,528
Additions	589,008	28,515	617,523
Disposals	(19,977)	(14,150)	(34,127)
Depreciation	(148,965)	(8,046)	(157,011)
Closing net book value	<u>452,030</u>	<u>21,883</u>	<u>473,913</u>
At 31 March 2016			
Cost	589,008	28,515	617,523
Accumulated depreciation	(136,978)	(6,632)	(143,610)
Net book value	<u>452,030</u>	<u>21,883</u>	<u>473,913</u>

8 Bank balances

	2016 HK\$	2015 HK\$
Time deposits with banks		
– Original maturities of 3 months or less	8,700,000	11,300,000
– Original maturities of more than 3 months	442,000,000	459,600,000
	450,700,000	470,900,000
Cash at banks	648,274	113,242
	451,348,274	471,013,242
Maximum exposure to credit risk	451,348,274	471,013,242

The average effective interest rate of time deposits with banks was 0.82% per annum (31 March 2015: 1.36% per annum). These deposits have an average original maturity of 152 days (2014/15: 200 days).

The credit quality of the bank balances, deposited with financial institutions which are in Hong Kong dollars can be assessed by reference to external credit ratings and are analysed as follows:

	2016 HK\$	2015 HK\$
Rating (Moody's)		
Aa1 - Aa3	191,348,274	173,013,242
A1 - A3	260,000,000	298,000,000
	451,348,274	471,013,242

9 Significant related party transactions

During the year, the URA charged the Fund for administrative and support services to the Fund valued at HK\$948,000. The amount for 2014/15 was valued at HK\$1,011,000 but the URA had not charged the Fund for the services provided.

The Fund paid HK\$993,000 (2014/15: HK\$739,000) to the URA for fitting out cost of the Office and rental of an office premise during the year.

10 Endowment received

The amount represents the HK\$500,000,000 endowment received by the Fund from the URA.

11 Comparative figures

In prior years, time deposits with maturity over three months at acquisition but within three months from the end of the reporting period were included under “cash and cash equivalents” in the statement of cash flows. In the current year, the Trustee reassessed the classification of these time deposits and has excluded these amounts from “cash and cash equivalents”. The comparative figures have been reclassified accordingly:

	<i>As previously presented</i> HK\$	<i>Reclassification adjustments</i> HK\$	<i>As reclassified</i> HK\$
Statement of cash flows for the year ended 31 March 2015			
Net cash generated from investing activities	<u>7,000,639</u>	<u>3,350,000</u>	<u>10,350,639</u>
Cash and cash equivalents at 1 April 2014	<u>481,769,920</u>	<u>(462,950,000)</u>	<u>18,819,920</u>
Cash and cash equivalents at 31 March 2015	<u>471,013,242</u>	<u>(459,600,000)</u>	<u>11,413,242</u>

12 Approval of financial statements

The financial statements were approved by the board of directors of the Trustee on 14 July 2016.