

URBAN RENEWAL TRUST FUND
市區更新信託基金

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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

We have audited the financial statements of the Urban Renewal Trust Fund (the "Fund") set out on pages 3 to 13, which comprise the statement of financial position as at 31 March 2015, and 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 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.

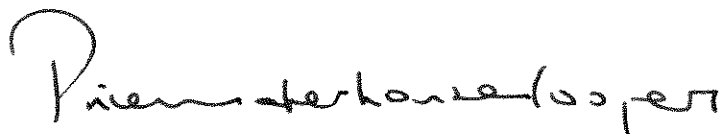
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2015, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 July 2015

**URBAN RENEWAL TRUST FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015**

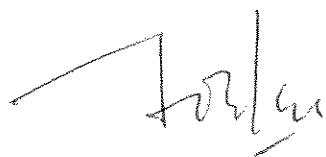
	Note	<u>2015</u> HK\$	<u>2014</u> HK\$
Income			
Interest income on bank deposits		6,493,730	5,407,059
		-----	-----
Expenses			
Auditor's remuneration		(38,500)	(37,440)
Consultancy fee		(322,500)	-
Depreciation	7	(53,606)	(53,605)
District Urban Renewal Forum activities and programme expenses		192,881	(1,663,085)
Heritage Preservation & District Revitalisation Projects		(5,337,320)	(875,589)
Other operating expenses		(87,271)	(83,610)
Rent and rates		(688,992)	(685,092)
Staff costs	6	(3,269,331)	(2,986,398)
Trustee's reimbursable expenses	4	(13,367)	(16,155)
Urban Renewal Social Service Teams		(10,023,852)	(9,428,283)
		-----	-----
		(19,641,858)	(15,829,257)
		-----	-----
Operating deficit before income tax		(13,148,128)	(10,422,198)
Income tax expenses	5	-	-
		-----	-----
Deficit and total comprehensive loss for the year attributable to the Fund		(13,148,128)	(10,422,198)
		=====	=====

The notes on pages 7 to 13 form part of these financial statements.

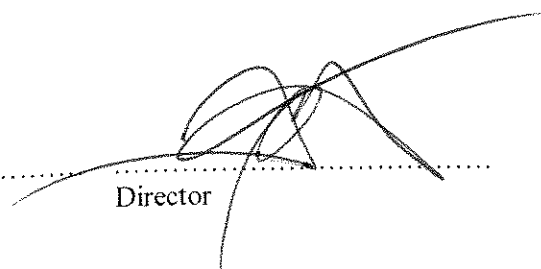
**URBAN RENEWAL TRUST FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015**

	Note	<u>2015</u> HK\$	<u>2014</u> HK\$
Non-current asset			
Plant and equipment	7	47,528	101,134
		<hr/>	<hr/>
Current assets			
Interest receivables		2,212,816	2,719,725
Account receivables		-	328,711
Prepayments		23,668	9,954
Bank balances	8	471,013,242	481,769,920
		<hr/>	<hr/>
		473,249,726	484,828,310
		<hr/>	<hr/>
Current liabilities			
Accruals		3,872,421	2,948,610
Account payables		1,182,488	590,361
		<hr/>	<hr/>
		5,054,909	3,538,971
		<hr/>	<hr/>
Net assets attributable to the Fund		468,242,345	481,390,473
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Endowment received	10	500,000,000	500,000,000
Accumulated deficits		(31,757,655)	(18,609,527)
		<hr/>	<hr/>
Fund employed		468,242,345	481,390,473
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 3 to 13 were approved by the Board of Directors of Urban Renewal Fund (in its capacity as the Trustee of the Fund) on 10 July 2015.



Director



Director

The notes on pages 7 to 13 form part of these financial statements.

**URBAN RENEWAL TRUST FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015**

	Endowment received HK\$	Accumulated deficits HK\$	Total HK\$
Balance at 31 March 2013	500,000,000	(8,187,329)	491,812,671
Total comprehensive loss for the year	-	(10,422,198)	(10,422,198)
Balance at 31 March 2014	500,000,000	(18,609,527)	481,390,473
Total comprehensive loss for the year	-	(13,148,128)	(13,148,128)
Balance at 31 March 2015	<u>500,000,000</u>	<u>(31,757,655)</u>	<u>(468,242,345)</u>

The notes on pages 7 to 13 form part of these financial statements.

**URBAN RENEWAL TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015**

	Note	<u>2015</u> HK\$	<u>2014</u> HK\$
Cash flows from operating activities			
Deficit for the year		(13,148,128)	(10,422,198)
Adjustments for:			
Interest income		(6,493,730)	(5,407,059)
Depreciation	7	53,606	53,605
		<hr/>	<hr/>
Deficit before working capital changes		(19,588,252)	(15,775,652)
Decrease/(increase) in account receivables and prepayments		314,997	(321,307)
Increase in account payables and accruals		1,515,938	1,700,425
		<hr/>	<hr/>
Net cash used in operating activities		(17,757,317)	(14,396,534)
		<hr/>	<hr/>
Cash flows from investing activities			
Interest received		7,000,639	5,155,512
		<hr/>	<hr/>
Net cash generated from investing activities		7,000,639	5,155,512
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(10,756,678)	(9,241,022)
Cash and cash equivalents at the beginning of the year		481,769,920	491,010,942
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	8	470,013,242	481,769,920
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 7 to 13 form part of these financial statements.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

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”) 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 Room 2508, 25/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. 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 (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 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.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

2 Significant accounting policies (Continued)

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

In current year, the Fund has applied the new standards, amendments to standards and interpretations issued by the HKICPA that have become effective for the year ended 31 March 2015. The adoption of these new standards, amendments to standards and interpretations in the current year does not have a material impact on the results and financial position of the Fund.

The HKICPA has issued certain new standards, amendments to standards and interpretations which are not yet effective as at 31 March 2015. The Fund has not early adopted these new standards, amendments to standards and interpretations in the financial statements for the year ended 31 March 2015. The Trustee anticipates that the application of these new standards, amendments to standards and interpretations will have no material impact on the results and financial position of the Fund.

- (c) Income recognition

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

- (d) Plant and equipment

All plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated to write off their costs less residual values over their anticipated useful lives on a straight line basis as follows:

Leasehold improvements	- Over 10 years or the life of the respective lease, whichever is the shorter
Furniture and office equipment	- 20% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

2 Significant accounting policies (Continued)

(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 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 profit or loss.

(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 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.

(g) Account payables

Account payables 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.

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

2 Significant accounting policies (Continued)

(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 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 profit or loss.

(k) 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 a 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 the reporting period, if interest rates had been 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 \$2,355,000 (2013/14: \$2,409,000) 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 YEAR ENDED 31 MARCH 2015**

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

Credit risk arises from bank balances, interest receivables and account receivables. The exposure of credit risk to the Fund is minimal as the Trustee 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 fund balance is fully utilised.

The contractual undiscounted cash flows of the financial liabilities of the Fund which are due within one year of 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 deficit. 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 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.

5 Income tax expenses

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

URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

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.

The total amount contributed by the Fund into the Schemes for the year ended 31 March 2015 was approximately \$212,000 (2013/14: \$194,000), which has been charged to the Fund's statement of comprehensive income for the year.

7 Plant and equipment

	Leasehold improvements HK\$	Furniture and office equipment HK\$	Total HK\$
At 31 March 2013			
Cost	139,841	28,300	168,141
Accumulated depreciation	(11,987)	(1,415)	(13,402)
Net book amount	127,854	26,885	154,739
Year ended 31 March 2014			
Opening net book amount	127,854	26,885	154,739
Depreciation	(47,945)	(5,660)	(53,605)
Closing net book amount	79,909	21,225	101,134
At 31 March 2014			
Cost	139,841	28,300	168,141
Accumulated depreciation	(59,932)	(7,075)	(67,007)
Net book amount	79,909	21,225	101,134
Year ended 31 March 2015			
Opening net book amount	79,909	21,225	101,134
Depreciation	(47,945)	(5,661)	(53,606)
Closing net book amount	31,964	15,564	47,528
At 31 March 2015			
Cost	139,841	28,300	168,141
Accumulated depreciation	(107,877)	(12,736)	(120,613)
Net book amount	31,964	15,564	47,528

**URBAN RENEWAL TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

8 Bank balances

	<u>2015</u> HK\$	<u>2014</u> HK\$
Cash at banks	113,242	819,920
Time deposits with banks with maturities of 3 months or less	470,900,000	480,950,000
	<u>471,013,242</u>	<u>481,769,920</u>
Maximum exposure to credit risk	<u>471,013,242</u>	<u>481,769,920</u>

The average effective interest rate of time deposits with banks was 1.36% per annum (31 March 2014: 1.11% per annum). These deposits have an average original maturity of 28 days (2013/14: 25 days).

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

	<u>2015</u> HK\$	<u>2014</u> HK\$
<u>Rating (Moody's)</u>		
Aa1 – Aa3	173,013,242	351,769,920
A1 – A3	298,000,000	130,000,000
	<u>471,013,242</u>	<u>481,769,920</u>

9 Significant related party transactions

During the year, administrative and support services expenses valued at \$1,011,000 (2013/14: \$515,000) was borne directly by the URA. The Fund paid \$739,000 (2013/14: \$737,000) to the URA for rental and accommodation expenses at Room 2508, 25/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

10 Contribution from Urban Renewal Authority

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

11 Approval of financial statements

The financial statements were approved by the board of directors of the Trustee on 10 July 2015.