



Urban Renewal Trust Fund
市區更新信託基金

Financial Statements
for the year ended 31 March 2021



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

Opinion

We have audited the financial statements of Urban Renewal Trust Fund (the "Fund") set out on pages 4 to 16, which comprise the statement of financial position as at 31 March 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2021 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the trustee for the financial statements

Urban Renewal Fund (the "Trustee") is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.



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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



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

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to be 'K/ML'.

Certified Public Accountants

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

29 July 2021

Statement of comprehensive income for the year ended 31 March 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 HK\$	2020 HK\$
Revenue			
Interest income on bank deposits		3,811,455	8,119,757
Expenses			
Administrative and support services expenses	10	(2,097,986)	(1,918,415)
Auditor's remuneration		(46,750)	(46,650)
Consultancy fee		(462,684)	-
Heritage Preservation & District Revitalisation Projects		(14,276,627)	(14,280,269)
Other operating expenses		(582,879)	(110,362)
Rent and rates		(319,920)	(303,316)
Staff costs	4	(4,418,835)	(4,033,756)
Trustee's reimbursable expenses	5	(16,283)	(16,477)
Urban Renewal Social Service Teams		(19,232,365)	(18,579,477)
		<u>(41,454,329)</u>	<u>(39,288,722)</u>
Operating deficit before income tax		(37,642,874)	(31,168,965)
Income tax expenses	6	-	-
Deficit and total comprehensive income for the year		<u>(37,642,874)</u>	<u>(31,168,965)</u>


The notes on pages 9 to 16 form part of these financial statements.

Statement of financial position at 31 March 2021


(Expressed in Hong Kong dollars)

	Note	2021 HK\$	2020 HK\$
Non-current asset			
Plant and equipment	7	-	-
Current assets			
Interest receivable		495,855	3,184,227
Prepayments		3,296,665	784,358
Bank balances	8	308,220,141	349,478,044
		<u>312,012,661</u>	<u>353,446,629</u>
Current liabilities			
Accruals		10,178,274	10,370,511
Accounts payable		611,467	4,210,324
		<u>10,789,741</u>	<u>14,580,835</u>
Net current assets		<u>301,222,920</u>	<u>338,865,794</u>
Net assets attributable to the Fund		<u>301,222,920</u>	<u>338,865,794</u>
Represented by:			
Endowment received	9	500,000,000	500,000,000
Accumulated deficits		(198,777,080)	(161,134,206)
		<u>301,222,920</u>	<u>338,865,794</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 29 July 2021.



Ngai Sek-yum, Steven
Director of Urban Renewal Fund



Ho Chiu-ping, Dennis
Director of Urban Renewal Fund

The notes on pages 9 to 16 form part of these financial statements.

**Statement of changes in equity
for the year ended 31 March 2021**
(Expressed in Hong Kong dollars)

	<i>Endowment received (Note 9) HK\$</i>	<i>Accumulated deficits HK\$</i>	<i>Total HK\$</i>
Balance at 1 April 2019	500,000,000	(129,965,241)	370,034,759
Deficit and total comprehensive income for the year	<u>-</u>	<u>(31,168,965)</u>	<u>(31,168,965)</u>
Balance at 31 March 2020 and 1 April 2020	500,000,000	(161,134,206)	338,865,794
Deficit and total comprehensive income for the year	<u>-</u>	<u>(37,642,874)</u>	<u>(37,642,874)</u>
Balance at 31 March 2021	<u>500,000,000</u>	<u>(198,777,080)</u>	<u>301,222,920</u>

The notes on pages 9 to 16 form part of these financial statements.

Statement of cash flows for the year ended 31 March 2021 (Expressed in Hong Kong dollars)

	<i>Note</i>	2021 HK\$	2020 HK\$
Cash flows from operating activities			
Deficit for the year		(37,642,874)	(31,168,965)
Adjustments for:			
Interest income		(3,811,455)	(8,119,757)
Deficit before working capital changes		(41,454,329)	(39,288,722)
Increase in prepayments		(2,512,307)	(727,388)
(Decrease)/ increase in accounts payable and accruals		(3,791,094)	4,082,514
Net cash used in operating activities		(47,757,730)	(35,933,596)
Cash flows from investing activities			
Decrease in bank deposits with original maturities of more than 3 months		36,600,000	39,500,000
Interest received		6,499,827	8,742,689
Net cash generated from investing activities		43,099,827	48,242,689
Net (decrease)/ increase in cash and cash equivalents		(4,657,903)	12,309,093
Cash and cash equivalents at the beginning of the year		33,178,044	20,868,951
Cash and cash equivalents at the end of the year		28,520,141	33,178,044

Statement of cash flows
for the year ended 31 March 2021 (continued)
(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 HK\$	2020 HK\$
Analysis of bank balances			
Cash and cash equivalents		28,520,141	33,178,044
Bank deposits with original maturities of more than 3 months		<u>279,700,000</u>	<u>316,300,000</u>
Bank balances at 31 March	8	<u><u>308,220,141</u></u>	<u><u>349,478,044</u></u>

The notes on pages 9 to 16 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 General information

- (a) In accordance with the 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 organizations and other stakeholders involved in heritage preservation and district revitalization 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 individual 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)

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

The HKICPA has issued certain revised HKFRSs that are first effective for the current accounting period of the Fund. None of these impact on the financial statements of the Fund.

The HKICPA has issued a number of amendments which are not yet effective for the year ended 31 March 2021. The Fund has not early adopted these amendments that have been issued but are not yet effective. The Fund is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it is anticipated that the adoption of them is unlikely to have a significant impact on the financial statements.

(c) Revenue 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 accumulated 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 surplus or deficit during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated to write off their costs less residual values, if any, 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	– 5 years

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 net disposal proceeds with carrying amounts. These are included in surplus or deficit.

2 Significant accounting policies (continued)

(d) Plant and equipment (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

A receivable is recognised when the Fund has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Fund has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

The loss allowance is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Fund recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

2 Significant accounting policies (continued)

(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.

(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.

2 Significant accounting policies (continued)

(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.

(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.

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\$1,541,000 (2019/20: HK\$1,747,000) resulting from the change in interest income generated from the bank balances.

(ii) Credit risk

Credit risk mainly 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 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 2021 was approximately HK\$285,000 (2019/20: HK\$258,000), which has been charged to the Fund's statement of comprehensive income for the year.

5 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.

6 Income tax expenses

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

7 Plant and equipment

	<i>Leasehold improvements</i> HK\$	<i>Furniture and office equipment</i> HK\$	<i>Total</i> HK\$
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021			
Cost	587,118	28,515	615,633
Accumulated depreciation	(587,118)	(28,515)	(615,633)
Net book value	-	-	-

8 Bank balances

	2021 HK\$	2020 HK\$
Time deposits with banks		
- Original maturities of 3 months or less	27,900,000	32,600,000
- Original maturities of more than 3 months	279,700,000	316,300,000
	<u>307,600,000</u>	<u>348,900,000</u>
Cash at banks	620,141	578,044
	<u>308,220,141</u>	<u>349,478,044</u>
Maximum exposure to credit risk	<u>308,220,141</u>	<u>349,478,044</u>

The average effective interest rate of time deposits with banks was 1.16% per annum (31 March 2020: 2.23% per annum). These deposits have an average original maturity of 132 days (2019/20: 144 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 analyses as follows:

	2021 HK\$	2020 HK\$
Rating (Moody's)		
Aa1 - Aa3	27,900,000	39,900,000
A1 - A3	280,320,141	309,578,044
	<u>308,220,141</u>	<u>349,478,044</u>

9 Endowment received

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

10 Significant related party transactions

During the year, the URA charged the Fund for administrative and support services provided to the Fund valued at HK\$2,098,000 (2019/20: HK\$1,918,000).

During the year, the Fund paid HK\$328,000 (2019/20: HK\$333,000) to the URA for rental of an office premise.

11 Approval of financial statements

The financial statements were approved by the board of directors of the Trustee on 29 July 2021.