NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

1. General information

The Urban Renewal Authority (the "Authority") is a statutory body established by the Government of the Hong Kong Special Administrative Region ("Government") under the Urban Renewal Authority Ordinance (Chapter 563). The principal activities of the Authority and its subsidiaries (the "Group") have been to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation. As a result of the Urban Renewal Strategy promulgated on 24 February 2011, the Group is to focus on redevelopment and rehabilitation as its core business.

The address of the Authority is 26/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

As part of the financial support for the Authority, the Government has agreed that all urban renewal sites for new projects set out in the Corporate Plans and Business Plans of the Authority, approved by the Financial Secretary ("FS") from time to time, may in principle be granted to the Authority at nominal premium, subject to satisfying FS of the need therefor.

2. Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated 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 consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss 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 ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(b) Relevant standards, amendments to standards and interpretations effective in the current year

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(c) Standards, amendments to standards and interpretations that are not yet effective for the current year

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements and further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date, and which transitional approach to take where there are alternative approaches allowed under the new standards. The Group does not intend to early adopt any of these amendments or new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(i) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The classification for debt instruments is determined based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the asset.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(c) Standards, amendments to standards and interpretations that are not yet effective for the current year (Continued)

HKFRS 9, Financial instruments (Continued)

(i) Classification and measurement (Continued)

Based on the preliminary assessment, the Group expects that its investments currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

(ii) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Group is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

Under HKFRS 15, revenue from sale of goods or provision of services will be recognised when the customer obtains control of the promised goods or service in the contract. The Group is assessing the impact of the adoption of HKFRS 15 and is not yet in a position to state whether this would have a significant impact on its results of operations and financial position.

HKFRS 16, Leases

As disclosed in note 2(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

Once HKFRS 16 is adopted, the Group will no longer distinguish between finance leases and operating leases when it is the lessee under the lease. Instead, the Group will account for all leases of more than 12 months in a similar way to current finance lease accounting.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for certain properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of comprehensive income over the period of the lease. As disclosed in note 23(b), at 31 March 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to $27,439,000. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Authority and all its subsidiaries made up to 31 March.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All intercompany transactions, balances and cash flows within the Group are eliminated in full on consolidation.

In the Authority's statement of financial position, investments in subsidiaries are stated at cost less any provision for impairment losses (see Note 2(g)). Any such provisions are recognised as an expense in profit or loss.

(e) Revenue recognition

Revenue is measured at fair value of consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Income from sale of properties is recognised upon the risks and rewards of ownership have been passed.

(ii) Where the Group receives its share of surplus from property development projects undertaken as joint development projects, sharing of such surplus is recognised in accordance with the terms of the joint development agreements, unless the significant risks and rewards of ownership of the underlying properties under development have not been transferred. Proceeds received in advance from sale of properties of joint development projects prior to their completion are included in trade and other payables.

(iii) Where the Group receives a distribution of the assets of a joint development project, surplus is recognised based on the fair value of such assets at the time when agreement to distribute the assets has been reached.

(iv) When the developer is obligated to settle the upfront premium to the Group at the inception of joint development agreement, such upfront premium is recognised as revenue when the Group has no further substantial acts to complete. Generally, such revenue is recognised as soon as the Group has performed its obligations in respect of the upfront premium and it has become non-refundable/non-cancellable.

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

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(e) Revenue recognition (Continued)

(vi) Rental income net of any incentives given to the lessee is recognised on a straight line basis over the periods of the respective leases.

(vii) Income from Urban Redevelopment Facilitating Services Company Limited ("Facilitating Services") is recognised upon completion of the sale of the properties by the owners in accordance with the terms of the sale agreement.

(f) Property, plant and equipment

Building comprises rehousing blocks, preservation properties, retained properties, and commercial premises held for self-use. Rehousing blocks represent properties held by the Group for the intended purpose of providing interim accommodation for affected tenants of development projects who are normally charged a rent which is substantially below the market value, with a view to assist primarily the dispossessed tenants who are yet to obtain public housing units. Preservation properties are properties that are of historical or architectural interest to be preserved by the Group. Retained properties represent redeveloped properties held by the Group for conserving the cultural characteristics of the projects before redevelopment and receives rental income.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see Note 2(g)). 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 Group 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Amortisation on leasehold land classified as finance lease and depreciation on other assets 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 land classified as finance lease	–	Over the period of the unexpired lease	
Buildings	–	50 years or over the period of the unexpired lease if less than 50 years	
Leasehold improvements	–	Office:	Over 10 years or the life of the respective lease, whichever is the shorter
		Non-office:	Over the period of the unexpired terms of the leases if less than 50 years
Plant and machinery	–	10 years	
Motor vehicles	–	4 years	
Furniture and office equipment	–	3 to 5 years	

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

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 (see Note 2(g)).

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

(g) Impairment of investments in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(h) Financial assets and liabilities

The Group classifies its financial assets in the following categories: held-to-maturity investments, investments at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Held-to-maturity investments

Debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost less impairment losses, if any. Interest income from held-to-maturity investments is recognised in profit or loss as part of "other income, net" using the effective interest method.

(ii) Investments at fair value through profit or loss

Investments at fair value through profit or loss are financial assets designated at fair value through profit or loss on initial recognition or held for trading. Assets in this category are classified as current assets. Investments at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the "investments at fair value through profit or loss" category are presented in profit or loss within "other income, net" in the period in which they arise. Interest income from investments at fair value through profit or loss is recognised in profit or loss as part of "other income, net" using the effective interest method.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group 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.

Loans and 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 loans and receivables is established when there is objective evidence that the Group 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 asset's 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 profit or loss.

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(i) Leases

Leases are classified as finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease except for those incurred for accommodation in project sites which have been capitalised in property under development.

(j) Properties under development

Properties under development represent all costs incurred by the Group in connection with property development, and include mainly acquisition costs, cost of development, borrowing costs, costs of rehousing units (see Note 2(l)) and other direct costs incurred in connection with the development, less any provisions for impairment losses (see Note 2(g)). For preservation properties and retained properties, the properties are transferred to property, plant and equipment at cost upon completion.

Upon disposal of the development properties, the relevant cost of the properties will be apportioned between the part to be retained and the part to be sold on an appropriate basis.

The relevant cost for the part to be sold will be charged as "direct costs" to profit or loss at the inception of the joint development agreement.

(k) Properties held for sale

Property to be sold at the end of the reporting period will be stated at the lower of cost and net realisable value.

(l) Costs of rehousing units provided by the Hong Kong Housing Authority and the Hong Kong Housing Society

The Hong Kong Housing Authority and the Hong Kong Housing Society have agreed to provide certain rehousing units to the Group. In return, the Group will pay for the reservation fees until a tenant is moved into the unit and the allocation costs of the rehousing unit. These costs are recognised as part of the cost of properties under development referred to in Note 2(j).

(m) Provisions and contingencies

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

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(m) Provisions and contingencies (Continued)

Where 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic benefits will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow of economic benefits occurs so that the outflow is probable, it will then be recognised as a provision.

(n) Current and deferred income tax

Income tax expenses comprise current tax and movements in deferred tax assets and liabilities.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes profit or loss items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at substantially enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

Other borrowing costs are charged to profit or loss in the period in which they are incurred.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(p) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Group's presentation currency.

(ii) Transactions and balances

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

(q) Joint development projects

The arrangements entered into by the Group with property developers for redevelopment projects are considered to be joint development and are accounted for in accordance with the terms of the development agreements. The Group's share of income earned from such development is recognised in profit or loss in accordance with the bases set out in Notes 2 (e) (ii), (iii) and (iv).

Where property is received by the Group as its share of distribution of assets from joint development projects, such property is recorded within non-current assets at its fair value at the time when agreement is reached or, if a decision is taken for it to be disposed of, at the lower of this value and net realisable value within current assets.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits held at call with banks with original maturities of three months or less.

(s) 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 Group.

The Group 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.

(t) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;
(2) has significant influence over the Group; or
(3) is a member of the key management personnel of the Group or the Group's parent.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(t) Related parties (Continued)

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group 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 Group or an entity related to the Group.
(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

(a) Financial risk factors

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

(i) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. Nevertheless, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and bank balances, building rehabilitation loans, receivables from property developers, and trade and other receivables.

The credit risk on held-to-maturity investments and investments at fair value through profit or loss is limited as issuers are mainly with high credit ratings assigned by international credit rating agencies.

The credit risk on cash and bank balances is limited because most of the funds are placed in banks with credit ratings, ranging from Aa1 to A3 and there is no concentration in any particular bank.

The credit risk on building rehabilitation loans is limited as the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts and place charges on the properties.

The credit risk on receivables from property developers is limited as all due performance of the property developers are guaranteed by their respective holding companies or joint venturers.

The credit risk on trade receivables is limited as rental deposits in the form of cash are usually received from tenants.

(expressed in Hong Kong Dollars)

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

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

The credit risk on other receivables is limited as the Group is entitled to refund and has monitoring procedures to claim for refund of Buyer's Stamp Duty and Ad Valorem Double Stamp Duty from the Government upon the happening of the refund event in accordance with Stamp Duty Ordinance Chapter 117.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through committed credit facilities.

Management monitors rolling forecasts of the Group's cash and bank balances on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts (except for debt securities issued which include interest element), as the impact of discounting is insignificant.

	2017 $'000	2016 $'000
Less than 1 year		
Trade and other payables	3,179,155	2,511,016
Amounts due to joint development projects	125,646	216,902
Debt securities issued	569,791	73,469
Between 1 to 3 years		
Trade and other payables	529,700	398,600
Debt securities issued	1,127,037	635,563
Between 3 to 5 years		
Trade and other payables	42,200	277,900
Debt securities issued	777,507	1,806,550
Over 5 years		
Trade and other payables	370,300	375,700
Debt securities issued	1,191,615	1,223,838

(expressed in Hong Kong Dollars)

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

(a) Financial risk factors (Continued)

(iv) Price risk

Price risk arising from uncertainties about future prices of the underlying investments held at fair value through profit or loss.

Price risk sensitivity

As at 31 March 2017, if the respective market price of the quoted investments had been increased/decreased by 1% with all other variables held constant, the surplus of the Group would increase/decrease by approximately $8,622,000 (2015/16: $30,333,000) resulting from the change in fair value of the investments at fair value through profit or loss.

(v) Foreign exchange risk

The Group has certain cash and bank balances denominated in United States Dollars ("USD"), which are exposed to foreign currency risk. When the exchange rates of USD against the Hong Kong dollar fluctuate, the value of the USD-denominated cash and bank balances and investments translated into Hong Kong dollar will vary accordingly.

Foreign exchange risk sensitivity

There would have no significant effect on the surplus of the Group resulting from the foreign exchange gains/losses on translation of USD-denominated cash and bank balances and investments as the Group currently considered the risk of movements in exchange rates between the Hong Kong dollars and USD to be insignificant.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation.

The Group's working capital is mainly financed by the Government's equity injection, accumulated surplus and debt securities issued. The Group also maintains committed credit facilities to ensure the availability of funding when needed.

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement" is set out in Note 12.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets including receivables from property developers, amounts due from joint development projects, cash and bank balances, held-to-maturity investments and trade and other receivables; and financial liabilities including amounts due to joint development projects and trade and other payables, approximate their fair values.

The carrying amounts of the Group's building rehabilitation loans and debt securities issued approximate their fair value as the impact of discounting is insignificant.

(expressed in Hong Kong Dollars)

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of properties and provision for committed projects

Properties are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired in accordance with the accounting policy stated in Note 2(g).

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past and committed events in accordance with the accounting policy stated in Note 2(m). When the estimated value of the committed project is lower than the estimated development and related costs of the project, a provision would be recognised.

The valuations of properties and provision for committed projects are made on the basis of the "Market Value" adopted by the Hong Kong Institute of Surveyors ("HKIS"). The valuation is performed annually by internal valuers who are qualified members of the HKIS. The Group's management review the assumptions used by the internal valuers by considering the information from a variety of sources including (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; (ii) recent prices of comparable properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; (iii) expected arrangement with property developers on tender awarded; (iv) estimated development and related costs and allocation thereof; and (v) discount rate used in land value assessment, which is made with reference to the Prime Rate.

Impairment of properties and provision for committed projects sensitivity

As at 31 March 2017, if the respective estimated upfront premium to be received on the projects had been increased/decreased by 5% with all other variables held constant, the surplus of the Group would increase/decrease by approximately $226,900,000 (2015/16: $222,000,000) resulting from the change in provision for impairment on properties and committed projects.

The final impairment amount for properties and the ultimate losses arise from the committed projects would be affected by the actual realised value and development and related costs and the final arrangements with the property developers.

(expressed in Hong Kong Dollars)

5. Revenue and other income, net

(a) Revenue

Revenue recognised during the year represents:

	2017 $'000	2016 $'000
Upfront premium from property developers	2,022,474	2,972,292
Share of property development surplus on joint development projects	1,249,341	4,449,676
Sale of properties *	1,762,704	–
	5,034,519	7,421,968

* Including sales proceeds of certain flats at Kai Tak sold under Subsidised Sale Flat Scheme at 86% of the market value assessed by the Authority.

(b) Other income, net

Other income, net recognised during the year represents:

	2017 $'000	2016 $'000
Interest income	244,444	149,336
Rental income	41,496	35,880
Miscellaneous income	970	3
Net (loss)/gain on investments at fair value through profit or loss	(734)	7,504
Loss on disposal of property, plant and equipment	(2,479)	(71)
Net foreign exchange gain/(loss)	6,732	(34,789)
	290,429	157,863

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax

Operating surplus before income tax is arrived at after charging/(crediting) the following items:

(a) Direct costs including:

	2017 $'000	2016 $'000
Cost of properties under joint development projects	854,816	1,753,452
Cost of properties sold	1,498,628	–

(b) Administrative and operating expenses including:

	2017 $'000	2016 $'000
Staff costs* (excluding directors' remuneration)	341,799	340,064
Depreciation	44,705	50,260
Operating lease charges in respect of rental of office premises	20,481	20,949

* Including salaries and other benefits of $316,794,000 (2015/16: $316,639,000) and contribution to provident fund scheme of $25,005,000 (2015/16: $23,425,000).

(c) Other expenses including:

	2017 $'000	2016 $'000
Rehabilitation expenses	46,687	24,873
Revitalisation and preservation expenses	5,880	5,752
Outgoings in respect of preservation properties, retained properties and rehousing units	37,172	34,103
Auditor's remuneration		
– Audit services	424	411
– Non-audit services	–	1,332

(d) Impairment on properties and committed projects

	2017 $'000	2016 $'000
Write back of provision for impairment on property, plant and equipment	(53,396)	(10,214)
(Write back of provision)/provision for impairment on properties under development	(812,400)	774,622
Provision for committed projects	35,000	–
	(830,796)	764,408

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

Operating surplus before income tax is arrived at after charging/(crediting) the following items: (Continued)

(e) Other items

	2017 $'000	2016 $'000
Interest expenses on debt securities issued	73,340	75,015
Less: Interest expenses capitalised#	(73,340)	(75,015)
	–	–

The borrowing costs have been capitalised at rates ranging from 1.50% to 3.85% per annum (2015/16: 1.15% to 3.85% per annum).

(f) Managing Directors, Executive Directors and senior management's remuneration paid or payable during the year

	2017					
	Fees $'000	Salaries $'000	Provident fund scheme contributions $'000	Sub-total $'000	Variable pay $'000	Total $'000
Managing Directors						
– Daniel Lam Chun	–	943	–	943	–	943
– Wai Chi-sing	–	3,208	15	3,223	963	4,186
Executive Directors						
– Pius Cheng Kai-wah	–	3,065	18	3,083	766	3,849
– Michael Ma Chiu-tsee#	–	2,130	13	2,143	532	2,675
5 Senior management staff & 2 Ex-senior management staff#	–	15,885	1,100	16,985	3,816	20,801
Total**	–	25,231	1,146	26,377	6,077	32,454

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

(f) Managing Directors, Executive Directors and senior management's remuneration paid or payable during the year (Continued)

	2016					
	Fees	Salaries	Provident fund scheme contributions	Sub-total	Variable pay	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Managing Directors						
– Daniel Lam Chun	–	3,645	–	3,645	–	3,645
– Iris Tam Siu-ying	–	588	5	593	176	769
Executive Directors						
– Pius Cheng Kai-wah	–	2,990	18	3,008	748	3,756
7 Senior management staff & 1 Ex-senior management staff	–	19,413	916	20,329	4,980	25,309
Total **	–	26,636	939	27,575	5,904	33,479

The Executive Director ceased to be a senior management staff on 14 July 2016 and assumed his role with effect from 15 July 2016.

** Excluding compensation in lieu of leave in the aggregate sum of $1,125,000 (2015/16: $1,116,000).

Their remuneration fell within the following bands:

	2017	2016
	No. of Individuals	No. of Individuals
$500,000 to $1,000,000	1	1
$1,000,001 to $1,500,000	1	–
$1,500,001 to $2,000,000	–	1
$2,000,001 to $2,500,000	–	1
$2,500,001 to $3,000,000	–	1
$3,000,001 to $3,500,000	1	1
$3,500,001 to $4,000,000	5	5
$4,000,001 to $4,500,000	2	1
Total	10	11

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

(f) Managing Directors, Executive Directors and senior management's remuneration paid or payable during the year (Continued)

There were no payments made or benefits provided in respect of the termination of director service or consideration provided to/receivable by third parties in respect of the services of directors, whether in the capacity of directors or in any other capacity while directors.

There were no loans, quasi-loans provided to the directors.

No significant transactions, arrangements or contracts in relation to the Group's business to which the Authority was a party, and in which a director of the Authority had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(g) Other members of the Board

Fees for the Chairman and Non-Executive members of the Board (excluding the government public officers who are not entitled to receive any fees) are as follows:

	2017 $'000	2016 $'000
Chairman		
Mr Victor So Hing-woh, JP	100	100
Non-Executive Directors (non-public officers)		
Ms Judy Chan Ka-pui *(from 1 May 2016)*	60	–
Dr the Honourable Ann Chiang Lai-wan, JP	65	65
Mr Edward Chow Kwong-fai, JP	65	65
Mr Laurence Ho Hoi-ming	65	65
Mr Lester Garson Huang, JP *(up to 30 Apr 2016)*	5	65
Professor Eddie Hui Chi-man, MH	65	65
Mr Philip Kan Siu-lun *(up to 30 Apr 2016)*	5	65
The Honourable Dennis Kwok *(up to 30 Nov 2016)*	43	65
Mr Nelson Lam Chi-yuen	65	65
Mr Daniel Lam Chun, SBS, JP *(up to 11 Jun 2015)*	–	13
Professor the Honourable Joseph Lee Kok-long, SBS, JP *(from 1 Dec 2016)*	22	–
Dr Gregg Li G. Ka-lok	65	65
Mr Laurence Li Lu-jen, JP	65	65
Mr Philip Liao Yi-kang *(up to 30 Apr 2016)*	5	65
Mr Roger Luk Koon-hoo, BBS, JP *(from 1 May 2016)*	60	–
Mr Timothy Ma Kam-wah, JP	65	65
The Honourable Alice Mak Mei-kuen, BBS, JP	65	65
Dr Billy Mak Sui-choi	65	65
Dr Lawrence Poon Wing-cheung, JP	65	65
Mr David Tang Chi-fai	65	65
Mrs Cecilia Wong Ng Kit-wah *(from 1 May 2016)*	60	–
Mr Stanley Wong Yuen-fai, SBS, JP	65	65
Mr Michael Wong Yick-kam, MH *(from 1 Dec 2016)*	22	–
The Honourable Wu Chi-wai, MH	65	65
	1,292	1,283

(expressed in Hong Kong Dollars)

6. Operating surplus before income tax (Continued)

(h) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2017 include the Managing Director, Executive Directors and two senior management staff (among the five highest paid individuals, one of them ceased to be a senior management staff during the year, but continued to serve the Authority as Executive Director).

The total emoluments earned by the five highest paid individuals during the year are as follows:

	2017 $'000	2016 $'000
Fixed – Salaries	15,076	15,591
– Provident fund scheme contributions	676	430
Sub-total	15,752	16,021
Variable pay	3,980	3,078
Total **	19,732	19,099

Their remuneration fell within the following bands:

	No. of Individuals (2017)	No. of Individuals (2016)
$3,500,001 to $4,000,000	3	4
$4,000,001 to $4,500,000	2	1
Total	5	5

** For the year ended 31 March 2017, compensation in lieu of leave of $617,000 (2015/16: Nil) were excluded from the aggregate sum.

7. Income tax expenses

(a) In accordance with Section 19 of the Urban Renewal Authority Ordinance, the Authority is exempted from taxation under the Inland Revenue Ordinance (Chapter 112).

No provision for Hong Kong profits tax has been made for the Group's subsidiaries as they have no estimated assessable income for the year (2015/16: Nil).

(b) As at 31 March 2017, the subsidiaries of the Group have unrecognised deductible temporary differences arising from capital allowance of $7,182,000 (31 March 2016: $7,983,000) and tax losses of $16,610,000 (31 March 2016: $12,129,000) to carry forward against future taxable income. These tax losses have no expiry date.

(expressed in Hong Kong Dollars)

8. Property, plant and equipment

			Other property, plant and equipment				
	Retained properties* $'000	Preservation properties $'000	Land and buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture and equipment and motor vehicles $'000	Total $'000
At 1 April 2015							
Cost	–	996,688	661,588	68,083	52,165	26,913	1,805,437
Accumulated depreciation	–	(91,525)	(290,796)	(35,871)	(39,362)	(19,849)	(477,403)
Accumulated impairment	–	(129,023)	–	–	–	–	(129,023)
Net book value	–	776,140	370,792	32,212	12,803	7,064	1,199,011
Year ended 31 March 2016							
Opening net book value	–	776,140	370,792	32,212	12,803	7,064	1,199,011
Additions	–	–	–	446	22	3,184	3,652
Transfer from properties under development	–	207,929	–	–	–	–	207,929
Disposals	–	–	–	(16)	(7)	(121)	(144)
Depreciation	–	(22,964)	(9,769)	(9,432)	(4,504)	(3,591)	(50,260)
Write back of provision for impairment	–	10,214	–	–	–	–	10,214
Closing net book value	–	971,319	361,023	23,210	8,314	6,536	1,370,402
At 31 March 2016							
Cost	–	1,284,919	661,588	68,438	52,146	27,026	2,094,117
Accumulated depreciation	–	(114,489)	(300,565)	(45,228)	(43,832)	(20,490)	(524,604)
Accumulated impairment	–	(199,111)	–	–	–	–	(199,111)
Net book value	–	971,319	361,023	23,210	8,314	6,536	1,370,402
Year ended 31 March 2017							
Opening net book value	–	971,319	361,023	23,210	8,314	6,536	1,370,402
Additions	–	4,545	–	8,168	1,409	2,073	16,195
Transfer from properties under development	958,881	136,139	–	–	–	–	1,095,020
Disposals	–	–	–	(1,582)	(768)	(129)	(2,479)
Depreciation	(625)	(23,281)	(10,220)	(4,936)	(2,507)	(3,136)	(44,705)
Write back of provision for impairment	–	53,396	–	–	–	–	53,396
Closing net book value	958,256	1,142,118	350,803	24,860	6,448	5,344	2,487,829
At 31 March 2017							
Cost	958,881	1,552,003	661,588	73,849	52,216	28,247	3,326,784
Accumulated depreciation	(625)	(137,770)	(310,785)	(48,989)	(45,768)	(22,903)	(566,840)
Accumulated impairment	–	(272,115)	–	–	–	–	(272,115)
Net book value	958,256	1,142,118	350,803	24,860	6,448	5,344	2,487,829

The Group's land and buildings comprise mainly rehousing blocks held for the purpose of rehousing affected tenants of development projects and commercial premises held for self-use.

* The Group receives rental income for the retained properties and their fair value as at 31 March 2017 was $1,986,500,000 (31 March 2016: Nil).

(expressed in Hong Kong Dollars)

9. Properties under development

As at 31 March 2017, the properties under development are analysed as follows:

	2017 $'000	2016 $'000
Cost, including Home Purchase Allowance ("HPA") (Note (i))		
At 1 April	20,198,963	20,983,788
Add: Additions during the year	1,486,139	4,758,203
Less: Transfer to property, plant and equipment and properties held for sale	(1,221,420)	(2,706,576)
Less: Charged to profit or loss during the year	(1,376,616)	(2,836,452)
At 31 March*	19,087,066	20,198,963
Provision for impairment at 31 March	(3,304,600)	(4,765,200)
Balance as at 31 March	15,782,466	15,433,763

* The amount includes accumulated interest and other borrowing costs capitalised of $262,594,000 (31 March 2016: $209,394,000).

Notes:

(i) In March 2001, the Finance Committee of the Legislative Council approved, inter alia, the revised basis for calculating the HPA payable to owners of domestic properties and ex-gratia allowances payable to owners and owner-occupiers affected by land resumption. The relevant policies governing the Authority's payment of HPA and ex-gratia allowances for properties acquired/resumed and the clearance of occupiers are based on the above framework which have resulted in a high cost base for the Group's redevelopment projects.

In respect of domestic properties, the assessment of HPA is based on a notional replacement flat of 7 years old which is assumed to be in a comparable quality building, situated in a similar locality in terms of characteristics and accessibility, being at the middle floor with average orientation not facing south or west, and without seaview. The HPA paid to the owner-occupiers represents the difference between the assessed value of the notional 7-year-old flat and estimated market value of the acquired property at the offer date. The owner will also receive the estimated market value of his flat in addition to the HPA.

As at 31 March 2017, the Group's estimated cash outflow in respect of project under acquisition and resumption as well as construction cost for self-developed projects was $8.5 billion (31 March 2016: $10.0 billion), without accounting for any future cash inflow for the projects.

(ii) The Group launched the Flat-for-Flat ("FFF") Scheme to provide domestic owner-occupiers affected by the Group's redevelopment projects commenced after 24 February 2011 with an alternative option to cash compensation. The owner-occupier taking the option of FFF will have to top up if the price of the new flat is higher than the cash compensation for his old flat. The domestic owner-occupiers could have a choice of "in-situ" flats on the lower floors of the new development or flats in an FFF Scheme at Kai Tak.

(expressed in Hong Kong Dollars)

10. Building rehabilitation loans

As at 31 March 2017, the building rehabilitation loans are analysed as follows:

	2017	2016
	$'000	$'000
Non-current portion	14,301	19,543
Current portion	10,031	10,964
	24,332	30,507

The building rehabilitation loans are interest-free, except for default, in which case interest will be charged on the overdue amount at the Prime Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited. The Group reserves the right to impose legal charges over the properties for loans of amounts between $25,001 and $100,000. All non-current portion of building rehabilitation loans are due within five years from the end of the reporting period.

As at 31 March 2017, instalments of building rehabilitation loans of $249,000 (31 March 2016: $296,000) were past due but not impaired. These relate to a number of borrowers for whom there are no recent history of bad debt. The ageing analysis of these building rehabilitation loans is as follows:

	2017	2016
	$'000	$'000
Less than 3 months	93	180
3 to 6 months	12	12
6 to 12 months	23	20
Over 1 year	121	84
Balance at 31 March	249	296

The maximum exposure to credit risk of the Group is the carrying value of the building rehabilitation loans.

11. Trade and other receivables

(a) Other receivables

Other receivables under non-current assets represent Buyer's Stamp Duty and Ad Valorem Double Stamp Duty that the Group will claim for refund from the Government upon the happening of the refund event in accordance with Stamp Duty Ordinance Chapter 117.

(expressed in Hong Kong Dollars)

11. Trade and other receivables (Continued)

(b) Trade and other receivables

As at 31 March 2017, the trade and other receivables are current in nature and analysed as follows:

	2017 $'000	2016 $'000
Trade receivables and prepayments	29,048	37,243
Interest receivables	108,301	30,754
Other receivables and deposits	25,119	25,656
Balance at 31 March	162,468	93,653

All of trade and other receivables are expected to be recovered within one year. As at 31 March 2017, trade receivables of $1,990,000 (31 March 2016: $2,125,000) were past due but not impaired. These relate to a number of tenants for whom there are no recent history of bad debt. The ageing analysis of these trade receivables is as follows:

	2017 $'000	2016 $'000
3 months or less	1,356	1,554
3 to 6 months	514	173
6 to 12 months	41	159
Over 1 year	79	239
Balance at 31 March	1,990	2,125

The maximum exposure to credit risk of the Group is the carrying amount of trade and other receivables.

12. Investments

As at 31 March 2017, the debt securities investments are analysed as follows:

	2017 $'000	2016 $'000
Non-current portion		
– Held-to-maturity investments	1,434,417	–
Current portion		
– Held-to-maturity investments	194,230	–
– Investments at fair value through profit or loss	862,225	3,087,742*
	1,056,455	3,087,742

* As at 31 March 2016, cash of $54,490,000 was held by investment fund manager for investment purpose.

(expressed in Hong Kong Dollars)

12. Investments (Continued)

As at 31 March 2017, the Group's debt securities represent high quality corporate and government bonds.

The following table presents the Group's assets that are measured at fair value at 31 March 2017. The different fair value hierarchy of the Group's investments have been defined as follows:

- Level 1 valuations: Quoted prices in active markets for identical assets or liabilities. No adjustments are made to the quoted price for these investments.
- Level 2 valuations: Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotation or alternative pricing sources supported by observable inputs.
- Level 3 valuations: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1		Level 2		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Debt securities	363,372	555,391	498,853	2,477,861	862,225	3,033,252

13. Properties held for sale

As at 31 March 2017, properties held for sale were stated at the lower of cost and net realisable value with carrying amounts of $926,217,000 (31 March 2016: $2,433,615,000).

The Group's properties held for sale are located in Hong Kong and their carrying amounts are analysed as follows:

	2017 $'000	2016 $'000
Long leases	7,196	7,196
Medium-term leases	919,021	2,426,419
	926,217	2,433,615

14. Receivables from property developers

As at 31 March 2016, no receivables from property developers were past due.

(expressed in Hong Kong Dollars)

15. Balances with joint development projects

	2017 $'000	2016 $'000
Amounts due from joint development projects	66,462	713,261
Amounts due to joint development projects	(125,646)	(216,902)
	(59,184)	496,359

All amounts due from/(to) joint development projects are expected to be recovered/settled within one year.

The Group have the following active joint development projects as at 31 March 2017.

Project Name/Location	Land use	Total gross floor area (m^2)	Actual completion date (calendar year)	Expected completion date (calendar year)
The Zenith/One Wanchai (Wan Chai)	Commercial/Residential	62,310	2006 (Site A & B) 2013 (Site C)	–
* Vision City/Citywalk (Tsuen Wan)	Commercial/Residential	137,885	2007	–
# The Masterpiece/K11 (Tsim Sha Tsui)	Commercial/Hotel/ Service Apartment	103,844	2008	–
* The Dynasty/Citywalk 2 (Tsuen Wan)	Commercial/Residential	44,404	2008	–
* Vista (Sham Shui Po)	Commercial/Residential	12,703	2008	–
Lime Stardom (Tai Kok Tsui)	Commercial/Residential	19,735	2011	–
* Park Summit (Tai Kok Tsui)	Commercial/Residential	21,402	2013	–
MacPherson Place (Mong Kok)	Commercial/Stadium and Youth Centre/Residential	24,767	2013	–
Park Metropolitan (Kwun Tong)	Residential	27,830	2014	–

(expressed in Hong Kong Dollars)

15. Balances with joint development projects (Continued)

Project Name/Location	Land use	Total gross floor area (m^2)	Actual completion date (calendar year)	Expected completion date (calendar year)
Park Ivy (Tai Kok Tsui)	Commercial/Residential	4,843	2014	–
Trinity Towers (Sham Shui Po)	Commercial/Residential	30,300	2015	–
* The Avenue (Wan Chai)	Commercial/Residential	83,900	2015	–
My Place (Ma Tau Kok)	Commercial/Residential	6,944	2016	–
The Nova (Sai Ying Pun)	Commercial/Residential	17,767	2016	–
SKYPARK (Mong Kok)	Commercial/Residential	22,301	–	2017
Chi Kiang Street/ Ha Heung Road (To Kwa Wan)	Commercial/Residential	8,378	–	2017
Peel Street/Graham Street – Site B (Sheung Wan)	Commercial/Residential	18,240	–	2018
The Ascent (Sham Shui Po)	Commercial/Residential	7,159	–	2018
93 Pau Chung Street (Ma Tau Kok)	Commercial/Residential	10,346	–	2018
229A-G Hai Tan Street (Sham Shui Po)	Commercial/Residential	3,639	–	2018
Fuk Wing Street (Sham Shui Po)	Commercial/Residential	5,030	–	2018
Anchor Street/Fuk Tsun Street (Tai Kok Tsui)	Hotel	6,529	–	2018

(expressed in Hong Kong Dollars)

15. Balances with joint development projects (Continued)

Project Name/Location	Land use	Total gross floor area (m^2)	Actual completion date (calendar year)	Expected completion date (calendar year)
Pak Tai Street/San Shan Road (Ma Tau Kok)	Commercial/Residential	9,780	–	2019
Sai Wan Ho Street (Sai Wan Ho)	Residential	5,680	–	2019
205-211A Hai Tan Street (Sham Shui Po)	Commercial/Residential	3,596	–	2019
Hai Tan Street/Kweilin Street/ Pei Ho Street (Sham Shui Po)	Commercial/Residential	58,900	–	2020
@ 1-3B Kowloon Road/ 1-5 Kiu Yam Street (Sham Shui Po)	Commercial/Residential	4,887	–	2020
Kowloon City Road/ Sheung Heung Road (Ma Tau Kok)	Commercial/Residential	12,455	–	2021
Kwun Tong Town Centre Areas 2 and 3 (Kwun Tong)	Commercial/Residential	175,288	–	2021
@ Pine Street/Oak Street (Tai Kok Tsui)	Commercial/Residential	6,521	–	2021
@ Peel Street/Graham Street – Site A (Sheung Wan)	Commercial/Residential	9,763	–	2021

* Projects with commercial portions jointly held by the developer and the Group for letting and pending for sale
\# Owner participation project
@ Newly awarded project during the year

The Group is entitled to returns which are predetermined in accordance with the provisions of the joint development agreements.

(expressed in Hong Kong Dollars)

15. Balances with joint development projects (Continued)

In respect of the commercial portions of certain projects, the Group has reached supplemental agreements with the respective developers to extend the sale of the commercial portions to a few years after the issuance of the occupation permits. The Group shares certain percentage of any net proceeds derived from the operation of the commercial portions before the sale and includes it as surplus for the year and would also share the future sales proceeds at the same ratio. The Group would account for its share of sales proceeds as surplus from the joint development projects when these commercial portions are sold in the future.

16. Cash and bank balances

	2017 $'000	2016 $'000
Time deposits with banks		
Original maturities of 3 months or less	1,357,604	530,886
Original maturities of more than 3 months	15,726,979	10,217,000
	17,084,583	10,747,886
Less: Amounts held in trust for joint development projects	(3,521)	(3,510)
	17,081,062	10,744,376
Cash at banks and in hand	169,039	23,884
Less: Amounts held in trust for joint development projects	(2)	(2)
	169,037	23,882
	17,250,099	10,768,258
Maximum exposure to credit risk	17,250,084	10,768,243

As at 31 March 2017, cash and bank balances of the Group are denominated in Hong Kong Dollars except for an amount of $2,314,139,000 which is denominated in USD. As at 31 March 2016, all cash and bank balances of the Group are denominated in Hong Kong Dollars.

The average effective interest rate of time deposits with banks was 1.32% per annum (2015/16: 1.08% per annum). These deposits have an average maturity of 183 days (2015/16: 160 days).

(expressed in Hong Kong Dollars)

16. Cash and bank balances (Continued)

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

Rating (Moody's)	2017 $'000	2016 $'000
Aa1 – Aa3	6,252,485	2,687,882
A1 – A3	10,973,146	7,883,425
Baa1 – Baa2	–	177,000
Others	24,453	19,936
	17,250,084	10,768,243

17. Capital

On 21 June 2002, the Finance Committee of the Legislative Council approved a commitment of $10 billion for injection as equity into the Authority. The Government injected the equity into the Authority in phases over the five financial years from 2002/03 to 2006/07. At 31 March 2017, the Authority had received all five tranches of equity injection of $10 billion in total.

18. Trade and other payables

As at 31 March 2017, the trade and other payables are analysed as follows:

	2017 $'000	2016 $'000
Trade payables	75,095	62,717
Rental and other deposit received	1,079,156	196,784
Other payables	12,973	13,102
Accrued expenses	2,954,131	3,290,613
Balance at 31 March	4,121,355	3,563,216
Representing:		
Non-current portion	942,200	1,052,200
Current portion	3,179,155	2,511,016
	4,121,355	3,563,216

(expressed in Hong Kong Dollars)

19. Debt securities issued

As at 31 March 2017, the Group has issued the following fixed rate notes under a Medium Term Note programme.

	2017 $'000	2016 $'000
Non-current portion		
HK dollar Fixed rate notes with coupon of 1.50% due 2017	–	500,000
HK dollar Fixed rate notes with coupon of 1.75% due 2019	500,000	500,000
HK dollar Fixed rate notes with coupon of 1.64% due 2020	300,000	300,000
HK dollar Fixed rate notes with coupon of 1.65% due 2020	500,000	500,000
HK dollar Fixed rate notes with coupon of 2.92% due 2021	400,000	400,000
HK dollar Fixed rate notes with coupon of 2.18% due 2023	300,000	300,000
HK dollar Fixed rate notes with coupon of 2.15% due 2023	300,000	300,000
HK dollar Fixed rate notes with coupon of 3.85% due 2026	500,000	500,000
Less: Unamortised finance charges	(11,925)	(15,127)
	2,788,075	3,284,873
Current portion		
HK dollar Fixed rate notes with coupon of 1.50% due 2017	500,000	–
Less: Unamortised finance charges	(126)	–
	499,874	–

20. Provision for a committed project

	2017 $'000	2016 $'000
Balance at 1 April	–	459,000
Reversed during the year	–	(459,000)
Charged to profit or loss	35,000	–
Balance at 31 March	35,000	–

The amount represents the provision for committed projects where acquisition was commenced before financial year end. The provision charge/reversed is recognised in profit or loss.

(expressed in Hong Kong Dollars)

20. Provision for a committed project (Continued)

As at 31 March 2017, the total provision for impairment on projects are analysed as follows:

	2017 $'000	2016 $'000
Provision for impairment classified under properties under development as set out in Note 9	3,304,600	4,765,200
Provision for committed projects as set out above	35,000	–
Total provision for projects	3,339,600	4,765,200

21. Reserve for Facilitation Service

Fee paid by the owners and the purchasers to the Urban Redevelopment Facilitating Services Company Limited, a wholly owned subsidiary of the Authority, is set aside in a reserve account for other facilitation projects.

22. Provident fund scheme

The Group 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 Exempted ORSO Scheme or the Mandatory Provident Fund Scheme (the "Schemes") under which employer's voluntary contributions have been made. The assets of the Schemes are held separately from those of the Group and managed by independent administrators. The Group 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 Group into the Schemes for the year ended 31 March 2017 was $26,151,000 (2015/16: $24,364,000), net of forfeitures of $677,000 (2015/16: $2,127,000), which has been charged to the Group's profit or loss for the year.

23. Commitments

(a) Capital commitments

Capital commitments in respect of acquisition of property, plant and equipment at 31 March 2017 are as follows:

	2017 $'000	2016 $'000
Contracted but not yet incurred	44,821	95

(expressed in Hong Kong Dollars)

23. Commitments (Continued)

(b) Operating lease commitments

As at 31 March 2017, the total future minimum lease payments under non-cancellable operating leases in respect of office premises, in which $5,065,000 (31 March 2016: $33,069,000) is related to costs to be incurred for accommodating certain Government offices in a project site pursuant to a reprovision arrangement with the Government, are payable as follows:

	2017 $'000	2016 $'000
Within 1 year	19,490	47,218
After 1 year but within 5 years	7,949	26,747
	27,439	73,965

(c) Operating lease rental receivable

As at 31 March 2017, the total future aggregate minimum lease rental receipts under non-cancellable operating leases in respect of properties, except for those commercial portions jointly developed by the developer and the Group, are receivable as follows:

	2017 $'000	2016 $'000
Within 1 year	37,241	23,756
After 1 year but within 5 years	33,350	12,951
	70,591	36,707

24. Significant related party transactions

Transactions entered into by the Group with members of the Board and directors, parties related to them, Government Departments, agencies or Government controlled entities, other than those transactions which are entered into by parties in general in the course of their normal dealings, are considered to be related party transactions pursuant to HKAS 24 (Revised) "Related Party Disclosures".

During the year, the Authority reimbursed the Government an amount of $56,650,000 (2015/16: $52,717,000) for actual costs incurred by the Lands Department of the Government (the "Lands Department") in connection with statutory resumption and site clearance work conducted for the redevelopment projects of the Authority. As at 31 March 2017, there was an amount of $4,610,000 (31 March 2016: $4,755,000) due to the Lands Department yet to be settled. The amount is unsecured, interest-free and repayable on demand and included in trade and other payables.

In 2011/12, the Authority has contributed $500,000,000 to Urban Renewal Trust Fund (the "Fund"). During the year, the Authority provided administrative and support services to the Fund for $945,000 (2015/16: $948,000).

(expressed in Hong Kong Dollars)

24. Significant related party transactions (Continued)

During the year, the Authority received $285,000 (2015/16: $993,000) from the said Fund for rental of an office premise.

As at 31 March 2017, there was an amount of $423,166,000 (31 March 2016: $449,222,000) remained in the Fund. The Authority has committed to make further contribution to the Fund in future in the event that its fund balance is fully utilised.

The key management of the Authority refers to directors and members of the Board and their compensations are set out in Notes 6(f) and (g).

25. Commitments for revitalisation projects

In August 2009, the Authority announced its proposal to implement a major revitalisation plan to uphold and enhance the local characteristics of a number of themed streets in Mong Kok. The improvement work at Flower Market Road has been completed. Detailed design of Nelson Street, Sai Yee Street and Fa Yuen Street is in progress at 31 March 2017.

In October 2009 Chief Executive Policy Address, the Authority was tasked to revitalise the Central Market. With a view to shorten the implementation timeframe for early public enjoyment, a revitalisation scheme with less interventions was proposed and approved by Town Planning Board in March 2016. In March 2017, the Chief Executive-in-Council approved the granting of the site to the Authority for 21 years by way of private treaty for the revitalisation of the building and its future operation. Preparation of submissions pertaining to complete detail design were underway.

As at 31 March 2017, the costs incurred for these revitalisation projects has been accounted for, with no significant financial impact to the Group.

(expressed in Hong Kong Dollars)

26. Statement of Financial Position of Urban Renewal Authority

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Authority as at 31 March 2017 is set out as follows:

	Note	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment		2,483,787	1,367,785
Properties under development		15,782,466	15,433,763
Interest in subsidiaries	(a)	3,612	2,186
Building rehabilitation loans		14,301	19,543
Prepayments		256,994	238,853
Other receivables		728,280	642,349
Investments		1,434,417	–
		20,703,857	17,704,479
Current assets			
Properties held for sale		926,217	2,433,615
Receivables from property developers		–	1,716,000
Amounts due from joint development projects		66,462	713,261
Building rehabilitation loans		10,031	10,964
Trade and other receivables		162,403	93,591
Investments		1,056,455	3,087,742
Cash and bank balances		17,247,098	10,764,719
		19,468,666	18,819,892
Total assets		40,172,523	36,524,371
Capital and reserves			
Capital		10,000,000	10,000,000
Accumulated surplus		22,603,997	19,461,142
	(b)	32,603,997	29,461,142
Non-current liabilities			
Trade and other payables		942,200	1,052,200
Debt securities issued		2,788,075	3,284,873
		3,730,275	4,337,073
Current liabilities			
Amounts due to joint development projects		125,646	216,902
Trade and other payables		3,177,731	2,509,254
Debt securities issued		499,874	–
Provision for a committed project		35,000	–
		3,838,251	2,726,156
Total capital, reserves and liabilities		40,172,523	36,524,371

(expressed in Hong Kong Dollars)

26. Statement of Financial Position of Urban Renewal Authority (Continued)

(a) Interest in subsidiaries

	2017 $'000	2016 $'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note)	51,782	43,907
Less: Provision for impairment	(48,171)	(41,722)
	3,612	2,186

Note:
The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are expected to be recovered more than one year.

The names of the principal subsidiaries, all of which are wholly and directly owned by the Authority and incorporated in Hong Kong, are as follows:

Name	Number of shares	Total share capital
Opalman Limited	2	$2
Sunfield Investments Limited	2	$2
Western Market Company Limited	2	$2
Urban Redevelopment Facilitating Services Company Limited	1	$10

Western Market Company Limited is engaged in the operation of the Western Market. Urban Redevelopment Facilitating Services Company Limited is engaged in the provision of facilitating services to interested owners in amalgamating their property interests for joint sale in the market or for disposal under the prevailing market mechanism and other relevant legislation. The other subsidiaries are acting as mere trustees for holding properties under certain joint development projects.

(expressed in Hong Kong Dollars)

26. Statement of Financial Position of Urban Renewal Authority (Continued)

(b) Statement of Changes in Equity

	Capital	Accumulated Surplus	Total
	$'000	$'000	$'000
Balance at 1 April 2015	10,000,000	15,008,930	25,008,930
Surplus and total comprehensive income for the year	–	4,452,212	4,452,212
Balance at 31 March 2016	10,000,000	19,461,142	29,461,142
Balance at 1 April 2016	10,000,000	19,461,142	29,461,142
Surplus and total comprehensive income for the year	–	3,142,855	3,142,855
Balance at 31 March 2017	10,000,000	22,603,997	32,603,997

27. Approval of financial statements

The financial statements were approved by the Board on 13 June 2017.