

# 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 Hong Kong SAR Government under the Urban Renewal Authority Ordinance (Chapter 563). The principal activities of the Authority and its subsidiaries (the “Group”) are to promote urban renewal in Hong Kong by way of redevelopment, rehabilitation, revitalisation and heritage preservation.

The address of the Authority is 10/F Low Block, Grand Millennium Plaza, 181 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 principal 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 financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets 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 (which include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (“HKFRSs”)) issued by the Hong Kong Institute of Certified Public Accountants (“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 Authority’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) Standards and amendments to standards that are not yet effective

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective as at 31 March 2009. Those which are relevant to the Group’s operations are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (b) Standards and amendments to standards that are not yet effective (Continued)

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised)	Business Combination	1 July 2009

The Group has not early adopted the above standards in the financial statements for the year ended 31 March 2009. The Group will apply the above standards and amendment from 1 April 2009, but it is not expected to have a significant impact on the Group's financial statements.

### (c) 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 all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 material intercompany transactions and balances within the Group are eliminated on consolidation.

In the Authority's balance sheet, investments in subsidiaries are stated at cost less any provision for impairment losses. Any such provisions are recognised as an expense in the income and expenditure account.

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (d) Revenue recognition

Provided it is probable that the economic benefit will flow to the Group and the revenue can be measured reliably, revenue is recognised in the income and expenditure account as follows:

- (i) Income from sale of properties is recognised upon the risks and rewards of ownership have been passed. For instalment sales, under which the consideration is receivable in instalments, revenue attributable to the sales price, exclusive of interest, is recognised at the date of sale. The sales price is the present value of the consideration, determined by discounting the instalments receivable at the effective rate of interest. The interest element is recognised as other income as it is earned, on a time proportion basis using the effective interest method.
- (ii) Where the Authority receives its share of surplus from property development projects undertaken in joint ventures, sharing of such surplus is recognised in accordance with the terms of the joint development agreements.
- (iii) Where the Authority receives a distribution of the assets of a joint venture, 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 Authority receives upfront payments from developers at the inception of joint development agreement, surpluses arising from such upfront payments are recognised when the Authority has no further substantial acts to complete. Generally, such surpluses are recognised as soon as the Group has performed its obligations in respect of the upfront payments, the events leading to the possible cancellation of the joint development agreements have lapsed, and the upfront payments have become non-refundable.
- (v) Interest income is recognised on a time-proportion basis using the effective interest method.
- (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) Property management income is recognised when the services are provided.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (e) Property, plant and equipment

Buildings comprise rehousing blocks and commercial premises held for self-use. Rehousing blocks represent properties held by the Authority for the purpose of providing accommodation for affected tenants of development projects who are charged a rent which is substantially below the market value for an indefinite period. Accordingly, in addition to normal provision of depreciation, the carrying value of each rehousing flat is further written down to \$1 when it is so occupied. The additional write off is recognised as part of the cost of properties under development referred to in Note 2(j), or jointly controlled development projects for projects undertaken in joint ventures (Note 2(q)).

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

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

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

Buildings	- 2% per annum or over the period of the unexpired lease if less than 50 years
Leasehold improvements	- Over the unexpired terms of the leases
Plant and machinery	- 10% per annum
Motor vehicles	- 25% per annum
Furniture and office equipment	- 20% to 33 1/3% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 (Note 2(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income and expenditure account.

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

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

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. 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 to sell 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.

### (g) Financial assets

The Group classifies its financial assets in the following categories: 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Financial assets 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 'financial assets at fair value through profit or loss' category are presented in the income and expenditure account within 'other income, net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income and expenditure account as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

#### (ii) 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 balance sheet date, which are classified as non-current assets.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (g) Financial assets (Continued)

#### (ii) Loans and receivables (Continued)

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 effective interest rate. The amount of the provision is recognised in the income and expenditure account.

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. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income and expenditure account. 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.

### (h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are 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 the income and expenditure account on a straight-line basis over the period of the lease.

### (i) Properties acquired pending redevelopment

Properties acquired pending redevelopment are stated at cost less provision for impairment losses until a decision is reached as to whether the redevelopment is to be undertaken by the Group or through joint ventures.

When a property is to be redeveloped, the cost of the property is reclassified as properties under development or jointly controlled development projects for projects undertaken in joint ventures.

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (j) Properties under development

Properties under development represent all costs incurred by the Authority in connection with property redevelopment, and include the cost of properties being reclassified from properties acquired pending redevelopment, borrowing costs, costs of rehousing units (see Note 2(k)), other costs incurred in connection with the development and the additional amounts written off against rehousing properties referred to in Note 2(e), less any provisions for impairment losses.

On completion of the development, the relevant cost of the developed property will be apportioned between the part to be retained and the part to be sold on an appropriate basis.

Property to be sold at the balance sheet date will be stated at the lower of cost and net realisable value.

Where property is received by the Authority as its share of distribution of assets from jointly controlled 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.

### (k) 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 Authority. In return, the Authority will pay for the reservation fees until a tenant is moved into the unit and the development costs of the rehousing unit. These costs are recognised as part of the cost of properties under development referred to in Note 2(j), or jointly controlled development projects for projects undertaken in joint ventures (Note 2(q)).

### (l) Provisions

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 resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses, except for those cases where the Group has a present obligation as a result of committed events.

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 with respect to any one item included in the same class of obligations may be small.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (m) Deferred income tax

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 by the balance sheet date 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.

### (n) 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 the income and expenditure account in the period in which they are incurred.

### (o) Trade and other payables

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

### (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 Authority's functional and 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 the income and expenditure account.



(expressed in Hong Kong Dollars)

## 2. Significant accounting policies (Continued)

### (q) Jointly controlled development projects

The arrangements entered into by the Group with property developers for redevelopment projects are considered to be jointly controlled operations pursuant to HKAS 31 “Interests in Joint Ventures” and are accounted for in accordance with the terms of the development agreements. The Group’s share of income earned from such operations is recognised in the income and expenditure account in accordance with the bases set out in Notes 2(d) (ii), (iii) and (iv).

### (r) 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.

### (s) Employee benefits

Salaries, annual leave and other costs of non-monetary benefits 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.

## 3. Financial risk management

### (a) Financial risk factors

The Group’s activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, liquidity risk and price 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 and fair value 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 which carry at prevailing market interest rate. Nevertheless, the Group’s income and operating cash flows are substantially independent of changes in market interest rates.

#### Interest rate sensitivity

At the balance sheet dates, if interest rates had been increased / decreased by 1% (2008: 1%) and all other variables were held constant, the (deficit) / surplus of the Group would decrease / increase by approximately \$68,588,000 (2008: \$108,710,000) resulting from the change in the interest income generated from the cash and bank balances.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 3. Financial risk management (Continued)

### (a) Financial risk factors (Continued)

#### (ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and bank balances, building rehabilitation loans, jointly controlled development projects, and trade and other receivables.

The credit risk on cash and bank balances is limited because all the funds are placed in banks with high credit rankings, ranging from Aa1 to Baa1 and there is no concentration in any particular bank.

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

The Authority monitors closely the performance of the underlying jointly controlled development projects.

#### (iii) Liquidity risk

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

Management monitors rolling forecasts of the Group's cash and bank balances (Note 19) on the basis of expected cash flow.

The table below analyses the Group's and the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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 balances, as the impact of discounting is not significant.

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
<b>Less than 1 year</b>				
Trade and other payables	<u>417,853</u>	<u>474,048</u>	<u>417,428</u>	<u>473,601</u>

(expressed in Hong Kong Dollars)

### 3. Financial risk management (Continued)

#### (a) Financial risk factors (Continued)

##### (iv) Price risk

Price risk arising from uncertainties about future prices of the underlying financial instruments.

As at 31 March 2009, investment held by the Group has distinct underlying financial instruments. The market price risks of the investment is affected by market price of these instruments.

##### Price risk sensitivity

As at 31 March 2009, if the respective market price of the quoted financial instruments had been increased / decreased by 5% and all other variables held constant, the deficit of the Group would decrease / increase by approximately \$40,476,000 resulting from the change in fair value of the financial assets at fair value through profit or loss.

#### (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. The Group also maintains non-committed credit facilities to ensure the availability of funding when needed.

#### (c) Fair value estimation

The carrying amounts of the Group's financial assets including cash and bank balances, building rehabilitation loans, and trade and other receivables; and financial liabilities including trade and other payables, approximate their fair values due to their short maturities.

### 4. Critical accounting estimates and judgements

Estimates and judgements 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.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 4. Critical accounting estimates and judgements (Continued)

### (a) Estimated impairment of properties

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(f).

The valuation of properties is 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; and (iv) discount rate used in land value assessment, which is made reference to Prime Rate.

#### Estimated impairment of properties sensitivity

As at 31 March 2009, if the respective estimated upfront payments to be received on the projects had been increased / decreased by 5% and all other variables held constant, the deficit of the Group would decrease / increase by approximately \$157,000,000 resulting from the change in provision for impairment on properties.

The final impairment amount would be affected by the actual realised value and development cost of properties and the final arrangements with the property developers.

### (b) Estimated provision for committed projects

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(l). When the estimated value of the committed project is lower than the present legal or constructive obligation, a provision would be recognised.

The valuation of committed projects is made on the basis of the "Market Value" adopted by the 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; and (iii) expected arrangement with property developers on tender awarded; and (iv) discount rate used in land value assessment, which is made reference to Prime Rate.

(expressed in Hong Kong Dollars)

#### 4. Critical accounting estimates and judgements (Continued)

##### (b) Estimated provision for committed projects (Continued)

###### Estimated provision for committed projects sensitivity

As at 31 March 2009, if the respective estimated upfront payments to be received on the projects had been increased / decreased by 5% and all other variables held constant, the deficit of the Group would decrease / increase by approximately \$344,000,000 resulting from the change in provision for committed projects.

The ultimate losses arise from the committed projects would be affected by the actual realised value and development cost of properties and the final arrangements with the property developers.

#### 5. Revenues and other income

##### (a) Revenues

Turnover recognised during the year represents:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Share of property development surplus on jointly controlled development projects	159,593	3,231,214
Sale of properties	13,375	14,803
Upfront payments received from property developers	<u>1,240,000</u>	<u>2,020,000</u>
	<u>1,412,968</u>	<u>5,266,017</u>

##### (b) Other income, net

Other income, net recognised during the year represents:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Interest income	225,615	376,592
Rental income	30,938	27,008
Gain on financial assets at fair value through profit or loss	29,522	-
Loss on disposal of property, plant and equipment	<u>(92)</u>	<u>-</u>
	<u>285,983</u>	<u>403,600</u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax

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

### (a) Other items

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Cost of properties under jointly controlled development projects charged	490,206	2,242,631
Cost of properties held for sale disposed	486	12,583
Depreciation and amortisation	82,981	45,463
Provision for / (write back of) provision for impairment on properties held for sale	316	(977)
Provision for / (write back of ) impairment on properties under development	1,796,110	(53,400)
Provision for impairment on committed projects	3,540,700	1,089,000
Write back of impairment provision for properties acquired pending redevelopment	-	(223)
Operating lease charges in respect of rental of office premises	18,584	9,604
Outgoings in respect of properties	11,890	14,141
Loss on disposal of property, plant and equipment	92	160
Staff costs (excluding directors' remuneration and including termination costs* of \$967,000 (2008: \$614,000))	165,775	141,098
Auditor's remuneration	<u>425</u>	<u>443</u>

\* Termination costs represent leave pay, payment in lieu of notice, long service payment and severance / redundancy payment.

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (b) Board and directors' remuneration during the year

	2009					2008
	Salaries	Provident fund scheme contributions	Sub-total	Variable Pay	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Managing Director						
- Billy Lam Chung-lun	-	-	-	-	-	3,676
- Quinn Law Yee-kwan	3,730	12	3,742	1,113	4,855	312
Executive Director (Commercial & Corporate)						
- Quinn Law Yee-kwan	-	-	-	-	-	3,530
Executive Director (Planning & Project Control)						
- Iris Tam Siu-ying	2,600	12	2,612	643	3,255	3,251
Executive Director (Operations & Project Control)						
- Calvin Lam Che-leung	1,058	5	1,063	-	1,063	-
Eight (2008: eight) Directors and One (2008: one) Ex-Director	<u>17,509</u>	<u>99</u>	<u>17,608</u>	<u>4,402</u>	<u>22,010</u>	<u>16,248</u>
	<u>24,897</u>	<u>128</u>	<u>25,025</u>	<u>6,158</u>	<u>31,183*</u>	<u>27,017*</u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (b) Board and directors' remuneration during the year (Continued)

	<u>2009</u>	<u>2008</u>
Their remuneration fell within the following bands:		
	<u>No. of individuals</u>	<u>No. of individuals</u>
\$1 to \$500,000	-	2
\$500,001 to \$1,000,000	1	1
\$1,000,001 to \$1,500,000	1	1
\$1,500,001 to \$2,000,000	1	-
\$2,000,001 to \$2,500,000	3	1
\$2,500,001 to \$3,000,000	1	2
\$3,000,001 to \$3,500,000	4	3
\$3,500,001 to \$4,000,000	-	2
\$4,500,001 to \$5,000,000	<u>1</u>	<u>-</u>
Total	<u>12*</u>	<u>12*</u>

\* Including emoluments for ex-directors and excluding compensation in lieu of leave in the aggregate sum of \$544,000 (2008: \$1,324,000).

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Compensation in lieu of leave		
Managing Director	-	585
Executive Director & Director	<u>544</u>	<u>739</u>
Total	<u>544</u>	<u>1,324</u>



(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (b) Board and directors' remuneration during the year (Continued)

Fees for 19 (2008: 19) non-executive members of the Board (excluding the government public officers who are not entitled to receive any fees) are as follows:

	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
<u>Chairman</u>		
Mr Barry Cheung Chun-yuen (from 1 May 2007)	100	92
Mr Edward Cheng Wai-sun (up to 30 Apr 2007)	-	8
<u>Non-Executive Directors (non-public officers)</u>		
Mr Francis Chau Yin-ming	65	65
Mr Walter Chan Kar-lok	65	65
Dr Isaac Ng Ka-chui	65	65
(from 1 May 2007)		
Mr Victor Chan Hin-fu	65	60
Professor Ho Pui-yin	65	60
The Honourable Ip Kwok-him	65	60
Ms Agnes Ng Ka-yin	65	60
Mr Ng Shui-lai	65	60
Mr Peter To	65	60
(from 1 Dec 2008)		
The Honourable Chan Tanya	22	-
Mr Dane Cheng Ting-yat	22	-
Professor Desmond Hui Cheuk-kuen	22	-
Mr Philip Kan Siu-lun	22	-
Mr Daniel Lam Chun	22	-
Mr Almon Poon Chin-hung	22	-
The Honourable Wong Kwok-kin	22	-
Dr John Wong Yee-him	22	-
The Honourable James To Kun-sun	22	-
(up to 30 Nov 2008)		
The Honourable Chan Kam-lam	43	65
Mr Maurice Lee Wai-man	43	65
The Honourable Fred Li Wah-ming	43	65
Mr Lo Chung-hing	43	65
Professor David Lung Ping-yee	43	65
Mr Aaron Wan Chi-keung	43	65
Mr Stephen Yip Moon-wah	43	65
The Honourable Howard Young	43	65
Dr Allan Zeman	43	65
(up to 30 Apr 2007)		
Professor Cecilia Chan Lai-wan	-	5
Mr Barry Cheung Chun-yuen	-	5
Mrs Peggy Lam Pei Yu-dja	-	5
The Honourable Alan Leong Kah-kit	-	5
Miss Maria Tam Wai-chu	-	5
	<u>1,270</u>	<u>1,265</u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 6. Operating (deficit) / surplus before income tax (Continued)

### (c) Five highest paid individuals

<u>2009</u>	<u>2008</u>
\$'000	\$'000

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2009 include the Managing Director, one Executive Director and three Directors (2008: the Managing Director, two Executive Directors and two Directors, among the five highest paid individuals, one of them ceased to be an Executive Director during the year, but continued to serve the Authority as Managing Director).

The total emoluments paid to the five highest paid individuals during the year are as follow:

Fixed - Salaries	13,889	12,782
- Provident fund scheme contributions	<u>60</u>	<u>333</u>
Sub-total	13,949	13,115
Variable pay	<u>3,683</u>	<u>3,771</u>
Total	<u>17,632##</u>	<u>16,886##</u>

Their remuneration fell within the following bands:

	<u>No. of individuals</u>	<u>No. of individuals</u>
\$3,000,001 to \$3,500,000	4	3
\$3,500,001 to \$4,000,000	-	2
\$4,500,001 to \$5,000,000	<u>1</u>	<u>-</u>
Total	<u>5</u>	<u>5</u>

## For the year ended 31 March 2009, compensation in lieu of leave of \$537,000 (2008: \$927,000) was excluded from the aggregate sum.

(expressed in Hong Kong Dollars)

## 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 there are no assessable income for the year (2008: Nil).

(b) As at 31 March 2009, a subsidiary of the Group has unrecognised deductible temporary differences arising from capital allowance and tax losses of \$8,465,000 and \$3,547,000 respectively (2008: \$7,521,000 and \$3,629,000 respectively) to carry forward against future taxable income. These tax losses have no expiry date.

## 8. (Deficit) / surplus for the year

The consolidated deficit for the year includes a deficit of \$4,524,266,000 (2008: surplus of \$2,066,287,000) which has been dealt with in the financial statements of the Authority.

## 9. Leasehold land

	Group and Authority	
	2009	2008
	\$'000	\$'000
Balance at 1 April	269,322	76,186
Transfer (to) / from properties held for sale	(700)	199,389
Amortisation	<u>(6,253)</u>	<u>(6,253)</u>
Balance at 31 March	<u>262,369</u>	<u>269,322</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their net book value are analysed as follows :

	Group and Authority	
	2009	2008
	\$'000	\$'000
Leases of over 50 years	27,396	28,206
Leases of between 10 to 50 years	234,973	241,116
	<u>262,369</u>	<u>269,322</u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 10. Property, plant and equipment

### Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, office equipments and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2007</b>					
Cost	93,784	69,185	54,621	21,803	239,393
Accumulated depreciation	(66,123)	(44,703)	(50,633)	(16,784)	(178,243)
Net book amount	27,661	24,482	3,988	5,019	61,150
<b>Year ended 31 March 2008</b>					
Opening net book amount	27,661	24,482	3,988	5,019	61,150
Additions	-	2,027	762	2,878	5,667
Transfer from properties held for sale	45,854	503	-	-	46,357
Disposals	-	(106)	(50)	(4)	(160)
Depreciation	(1,920)	(4,424)	(1,283)	(2,598)	(10,225)
Closing net book amount	71,595	22,482	3,417	5,295	102,789
<b>At 31 March 2008</b>					
Cost	139,638	71,542	55,301	23,049	289,530
Accumulated depreciation	(68,043)	(49,060)	(51,884)	(17,754)	(186,741)
Net book amount	71,595	22,482	3,417	5,295	102,789
<b>Year ended 31 March 2009</b>					
Opening net book amount	71,595	22,482	3,417	5,295	102,789
Additions	-	2,749	1,525	5,636	9,910
Transfer to properties held for sale	(284)	-	-	-	(284)
Disposals	-	-	(108)	(198)	(306)
Depreciation	(1,920)	(4,127)	(1,085)	(2,934)	(10,066)
Closing net book amount	69,391	21,104	3,749	7,799	102,043
<b>At 31 March 2009</b>					
Cost	139,340	73,702	56,498	27,001	296,541
Accumulated depreciation	(69,949)	(52,598)	(52,749)	(19,202)	(194,498)
Net book amount	69,391	21,104	3,749	7,799	102,043

(expressed in Hong Kong Dollars)

## 10. Property, plant and equipment (Continued)

### Authority

	Buildings	Leasehold improvements	Plant and machinery	Furniture, office equipments and motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2007</b>					
Cost	93,784	27,015	34,163	21,729	176,691
Accumulated depreciation	(66,123)	(13,147)	(30,297)	(16,714)	(126,281)
Net book amount	27,661	13,868	3,866	5,015	50,410
<b>Year ended 31 March 2008</b>					
Opening net book amount	27,661	13,868	3,866	5,015	50,410
Additions	-	2,027	762	2,878	5,667
Transfer from properties held for sale	45,854	503	-	-	46,357
Disposals	-	(106)	(50)	(4)	(160)
Depreciation	(1,920)	(2,265)	(1,161)	(2,595)	(7,941)
Closing net book amount	71,595	14,027	3,417	5,294	94,333
<b>At 31 March 2008</b>					
Cost	139,638	29,372	34,843	22,975	226,828
Accumulated depreciation	(68,043)	(15,345)	(31,426)	(17,681)	(132,495)
Net book amount	71,595	14,027	3,417	5,294	94,333
<b>Year ended 31 March 2009</b>					
Opening net book amount	71,595	14,027	3,417	5,294	94,333
Additions	-	2,749	1,525	5,636	9,910
Transfer to properties held for sale	(284)	-	-	-	(284)
Disposals	-	-	(108)	(198)	(306)
Depreciation	(1,920)	(1,969)	(1,085)	(2,933)	(7,907)
Closing net book amount	69,391	14,807	3,749	7,799	95,746
<b>At 31 March 2009</b>					
Cost	139,340	31,532	36,040	26,927	233,839
Accumulated depreciation	(69,949)	(16,725)	(32,291)	(19,128)	(138,093)
Net book amount	69,391	14,807	3,749	7,799	95,746

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

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 11. Properties acquired pending redevelopment

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leasehold land	7,435	7,464
Building cost	<u>68</u>	<u>68</u>
	<u>7,503</u>	<u>7,532</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their net book value are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	6,614	6,622
Leases of between 10 to 50 years	<u>821</u>	<u>842</u>
	<u>7,435</u>	<u>7,464</u>

(expressed in Hong Kong Dollars)

## 12. Properties under development

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost less amortisation of properties acquired for redevelopment, including Home Purchase Allowance ("HPA") (Note)		
- leasehold land	7,599,905	4,245,965
- other cost	449,531	378,119
Development expenditure	<u>102,550</u>	<u>111,594</u>
Total cost (includes accumulated interest and other borrowing costs capitalised of \$278,000 (2008: \$286,000))	8,151,986	4,735,678
Provision for impairment	<u>(3,035,810)</u>	<u>(248,046)</u>
	<u>5,116,176</u>	<u>4,487,632</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their cost less amortisation are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	5,798,438	3,219,434
Leases of between 10 to 50 years	<u>1,801,467</u>	<u>1,026,531</u>
	<u>7,599,905</u>	<u>4,245,965</u>

Note:

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 Authority's redevelopment projects.

In respect of domestic properties, the assessment of HPA is based on a notional flat, defined as a seven-year-old flat in a comparable building in a similar locality. The HPA paid represents the difference between the open market values of the notional flat and the acquired property at the offer date.

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 13. Subsidiaries

	<u>Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note)	20,175	21,024
Less: Provision	<u>(14,149)</u>	<u>(12,894)</u>
	<u>6,027</u>	<u>8,131</u>

Note:

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

<u>Name</u>	<u>Issued share capital</u>	
	<u>Number</u>	<u>Par value per share</u>
Ally Town Investment Limited	2	\$1
Doddington Limited	2	\$10
Opalman Limited	2	\$1
Sunfield Investments Limited	2	\$1
Western Market Company Limited	2	\$1

With the exception of Western Market Company Limited which is engaged in the operation of the Western Market, the other subsidiaries are acting as mere trustees for holding properties under certain jointly controlled development projects.



(expressed in Hong Kong Dollars)

#### 14. Building rehabilitation loans

At 31 March 2009, the building rehabilitation loans are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Current portion	29,404	21,008
Non-current portion	<u>81,031</u>	<u>66,855</u>
	<u>110,435</u>	<u>87,863</u>

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 Authority reserves the right to impose legal charges over the properties for loans of amounts between \$25,001 and \$100,000.

As of 31 March 2009, instalments of building rehabilitation loans of \$148,000 (2008: \$62,000) were past due but not impaired. These relate to a number of borrowers for whom there are no recent history of bad debt. The aging analysis of these building rehabilitation loans is as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Less than 3 months	54	31
3 to 6 months	25	31
6 to 12 months	32	-
Over 1 year	<u>37</u>	<u>-</u>
Balance at 31 March	<u>148</u>	<u>62</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 15. Properties held for sale

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leasehold land	11,986	11,473
Building cost	3,427	3,397
Provision for impairment	(758)	(441)
	<u>14,655</u>	<u>14,429</u>

The Group's and the Authority's interests in leasehold land, which are located in Hong Kong, represent prepaid operating lease payments and their net book value are analysed as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Leases of over 50 years	7,120	6,428
Leases of between 10 to 50 years	<u>4,866</u>	<u>5,045</u>
	<u>11,986</u>	<u>11,473</u>

The carrying amounts of properties held for sale which are carried at net realisable value amounted to \$6,340,000 (2008: \$6,780,000).

(expressed in Hong Kong Dollars)

## 16. Jointly controlled development projects

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Amounts due from jointly controlled development projects	58,244	65,685
Amounts due to jointly controlled development projects	<u>(22,614)</u>	<u>(58,495)</u>
	<u>35,630</u>	<u>7,190</u>

The Group and the Authority have the following jointly controlled development projects as at 31 March 2009.

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m<sup>2</sup>)</u>	<u>Actual completion date (calendar year)</u>	<u>Expected completion date (calendar year)</u>
Queen's Terrace (Sheung Wan)	Commercial / Residential	67,433	2003 (Site A) 2002 (Site B)	-
8 Waterloo Road (Yau Ma Tei)	Residential	33,662	2004	-
The Merton (Kennedy Town)	Residential	65,204	2005	-
Mount Davis 33 (Kennedy Town)	Residential	7,281	2006	-
The Zenith (Wan Chai)	Commercial / Residential	62,310	2006 (Site A & B)	2013 (Site C)
Vision City / Citywalk (Tsuen Wan)	Commercial / Residential	137,885	2007	-
J Residence / J Senses (Wan Chai)	Commercial / Residential	20,567	2007	-
MOD 595 (Mong Kok)	Commercial / Residential	4,921	2007	-
K11 (Tsim Sha Tsui)	Commercial / Hotel / Service Apartment	103,844	2008	-
The Dynasty (Tsuen Wan)	Commercial / Residential	44,404	2008	-
Floriant Rise (Tai Kok Tsui)	Commercial / Residential	43,231	2008	-

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 16. Jointly controlled development projects (Continued)

<u>Project Name / Location</u>	<u>Land use</u>	<u>Total gross floor area (m<sup>2</sup>)</u>	<u>Actual completion date (calendar year)</u>	<u>Expected completion date (calendar year)</u>
Vista (Sham Shui Po)	Commercial / Residential	12,703	2008	-
Beacon Lodge (Sham Shui Po)	Commercial / Residential	12,784	2008	-
i-home (Tai Kok Tsui)	Commercial / Residential	10,363	2009	-
First Street / Second Street (Sai Ying Pun)	Commercial / Residential	38,738	-	2009
Queen's Road East (Wan Chai)	Commercial / Residential	3,985	-	2010
Larch Street / Fir Street (Tai Kok Tsui)	Commercial / Residential	19,710	-	2011
Baker Court (Hung Hom)	Commercial / Residential	2,164	-	2011
Pine Street / Anchor Street (Tai Kok Tsui)	Commercial / Residential	20,952	-	2012
Macpherson Indoor Stadium (Mong Kok)	Commercial / Stadium and Youth Centre / Residential	24,768	-	2012

The Authority is entitled to returns which are predetermined in accordance with the provisions of the jointly controlled development agreements.

In respect of the commercial portions of certain projects, the Authority has reached supplemental agreements with the respective developers to extend the sale of the commercial portions to a few years after the issue of the occupation permits. The Authority shares 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. As at 31 March 2009, by reference to the valuation of the open market value of the commercial portions carried out by internal professional valuer, the fair value of the commercial portions was \$2,070,980,000 (2008: \$2,481,380,000) in aggregate and the Authority would account for its share of sales proceeds as surplus from the jointly controlled development projects when the commercial portions are sold in future.

(expressed in Hong Kong Dollars)

## 17. Trade and other receivables

At 31 March 2009, the trade and other receivables are analysed as follows:

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Trade receivables	18,986	8,634	18,830	8,512
Prepayments and deposits	563,566	6,484	563,566	6,484
Other receivables	<u>6,990</u>	<u>89,202</u>	<u>6,990</u>	<u>89,202</u>
Balance at 31 March	<u>589,542</u>	<u>104,320</u>	<u>589,386</u>	<u>104,198</u>

As of 31 March 2009, trade receivables of \$1,267,000 (2008: \$302,000) were past due but not impaired. These relate to a number of tenants for whom there are no recent history of bad debt. The aging analysis of these trade receivables is as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
3 months or less	1,146	221
3 to 6 months	63	49
6 to 12 months	38	20
Over 1 year	<u>20</u>	<u>12</u>
Balance at 31 March	<u>1,267</u>	<u>302</u>

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

## 18. Financial assets at fair value through profit or loss

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Debt securities, listed		
- Overseas	3,506	-
- Hong Kong	295,023	-
Debt securities, unlisted	469,440	-
Cash and bank deposits	<u>41,553</u>	<u>-</u>
	<u>809,522</u>	<u>-</u>

The fair value of all debt securities is based on their current bid prices in an active market.

(expressed in Hong Kong Dollars)

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 19. Cash and bank balances

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Time deposits with banks				
Maturities of 3 months or less	6,756,166	2,490,135	6,752,613	2,486,617
Maturities more than 3 months	103,000	8,379,000	103,000	8,379,000
Sub-total	6,859,166	10,869,135	6,855,613	10,865,617
Less: Amounts held in trust for jointly controlled development projects	(3,553)	(3,518)	-	-
	6,855,613	10,865,617	6,855,613	10,865,617
Cash at banks and in hand	3,159	5,413	3,158	5,412
Less: Amounts held in trust for jointly controlled development projects	(1)	(1)	-	-
	<u>3,158</u>	<u>5,412</u>	<u>3,158</u>	<u>5,412</u>
	<u>6,858,771</u>	<u>10,871,029</u>	<u>6,858,771</u>	<u>10,871,029</u>
Maximum exposure to credit risk	<u>6,858,756</u>	<u>10,871,014</u>	<u>6,858,756</u>	<u>10,871,014</u>

The average effective interest rate of time deposits with banks was 2.43% per annum (2008: 4.11% per annum). These deposits have an average maturity of 81 days (2008: 192 days).

The credit quality of the cash and bank balances can be assessed by reference to external credit ratings and are analysed as follows:

<u>Rating (Moody's)</u>	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Aa1 – Aa3	2,915,165	5,693,651
A1 – A3	3,723,591	4,957,363
Baa1	<u>220,000</u>	<u>220,000</u>
	<u>6,858,756</u>	<u>10,871,014</u>

## 20. 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 proposed to inject the equity into the Authority in phases over the five financial years from 2002-03 to 2006-07. At 31 March 2009, the Authority had received all five tranches of capital injection of \$2 billion each.

(expressed in Hong Kong Dollars)

## 21. Provision for committed projects

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at 1 April	1,089,000	-
Utilised during the year	(1,005,700)	-
Charged to the income and expenditure account	<u>3,540,700</u>	<u>1,089,000</u>
Balance at 31 March	<u><u>3,624,000</u></u>	<u><u>1,089,000</u></u>

The amount represents the provision for committed projects where acquisition was commenced before financial year end. The provision charge is recognised in the income and expenditure account. The balance at 31 March 2009 is current in nature.

## 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 contributes at 10% to 15% 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 2009 was \$10,276,000 (2008: \$8,925,000), net of forfeitures of \$633,000 (2008: \$622,000), which has been charged to the Group's income and expenditure account for the year.

## 23. Commitments

### (a) Capital commitments

Capital commitments in respect of property, plant and equipment at 31 March 2009 were as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
Contracted but not provided for	176	123
Authorised but not contracted for	<u>5</u>	<u>-</u>
	<u><u>181</u></u>	<u><u>123</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

(expressed in Hong Kong Dollars)

## 23. Commitments (Continued)

### (b) Operating lease commitments

At 31 March 2009, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	<u>Group and Authority</u>	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
Within 1 year	21,350	15,554
After 1 year but within 5 years	<u>23,110</u>	<u>32,568</u>
	<u>44,460</u>	<u>48,122</u>

### (c) Operating lease rental receivable

At 31 March 2009, the future aggregate minimum lease rental receipts under non-cancellable operating leases in respect of properties are receivable as follows:

	<u>Group</u>		<u>Authority</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
Within 1 year	20,405	22,304	18,769	22,182
After 1 year but within 5 years	<u>6,264</u>	<u>20,915</u>	<u>3,861</u>	<u>20,908</u>
	<u>26,669</u>	<u>43,219</u>	<u>22,630</u>	<u>43,090</u>



(expressed in Hong Kong Dollars)

## **24. Significant related party transactions**

Transactions entered into by the Authority 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 enterprises in general in the course of their normal dealings, are considered to be related party transactions pursuant to HKAS 24 "Related Party Disclosures".

During the year, the Authority reimbursed the Government an amount of \$24,853,000 (2008: \$24,606,000) for actual costs incurred by the Lands Department of the Government (the "Lands Department") in connection with resumption and site clearance work conducted for the Authority. As at 31 March 2009, there is an amount of \$2,040,000 (2008: \$1,930,000) 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.

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

## **25. Approval of financial statements**

The financial statements were approved by the Board on 23 June 2009.