(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 individual 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.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(b) Relevant standards effective in the current year

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3, *Definition of a Business*

Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

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.

(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 a new standard, HKFRS 17, *Insurance Contracts*, which are not yet effective for the year ended 31 March 2021 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 HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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(h)). Any such provisions are recognised as an expense in profit or loss.

(e) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Income from sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in contract liabilities (see Note 2(f)).

(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 control 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) 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.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(e) Revenue recognition (Continued)

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

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

(vi) 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) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(e)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(i)).

(g) 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(h)). 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.

2. Significant accounting policies (Continued)

(g) Property, plant and equipment (Continued)

Amortisation on interests in leasehold land 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:

Interests in leasehold land	–	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	
Properties leased for own use	–	Over the period of the lease	

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(h)).

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

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit loss ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and bank balances, trade receivables, investments at amortised cost, financial assets included in prepayments, deposits and other receivables, building rehabilitation loans and amounts due from joint development projects); and

– lease receivables.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and lease receivables (Continued)

Financial assets measured at fair value, including investments measured at fair value through profit or loss ("FVPL"), are not subject to the ECLs assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2. Significant accounting policies (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and lease receivables (Continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and lease receivables (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other 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.

(i) Financial assets and liabilities

The Group classifies its financial assets in the following categories: financial assets measured at amortised cost, at FVPL and at fair value through other comprehensive income ("FVOCI"). The classification of the financial asset is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Management determine the classification of its financial assets at initial recognition.

The Group's policies for investments in debt securities are set out below.

2. Significant accounting policies (Continued)

(i) Financial assets and liabilities (Continued)

Investments in debt securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are 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 FVPL 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.

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.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(j) Leased assets (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities under "trade and other payables" in the statement of financial position.

(k) 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(m)) and other direct costs incurred in connection with the development, less any provisions for impairment losses (see Note 2(h)). 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.

2. Significant accounting policies (Continued)

(l) Properties held for sale and properties under development for sale

Properties held for sale and properties under development for sale at the end of the reporting period are stated at the lower of cost and net realisable value.

(m) 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(k).

(n) 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.

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.

(expressed in Hong Kong Dollars)

2. Significant accounting policies (Continued)

(o) 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 or 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.

(p) 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.

(q) 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.

(r) 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) and (iii).

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.

2. Significant accounting policies (Continued)

(s) 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.

(t) 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.

(u) 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.

(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.

(expressed in Hong Kong Dollars)

3. Financial risk management and fair value of financial instruments (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, and trade and other receivables.

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

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.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past, the allowance for expected credit losses is insignificant.

(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.

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

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	2021	2020
	$'000	$'000
Less than 1 year		
Trade and other payables	2,698,974	3,018,396
Amounts due to joint development projects	243,545	120,474
Debt securities issued	32,222	745,285
Between 1 to 3 years		
Trade and other payables	61,009	70,556
Debt securities issued	653,168	364,462
Between 3 to 5 years		
Trade and other payables	14,920	19,434
Debt securities issued	538,447	340,125
Over 5 years		
Trade and other payables	343,160	343,160
Debt securities issued	-	519,250

(iv) Foreign exchange risk

The Group has certain cash and bank balances and investments 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 credit facilities to ensure the availability of funding when needed.

(expressed in Hong Kong Dollars)

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

(c) Fair value measurement

The carrying amounts of the Group's financial assets including amounts due from joint development projects, cash and bank balances, investments at amortised cost 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 values as the impact of discounting is insignificant.

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 a committed project

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(h).

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(n). 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.

4. Critical accounting estimates and judgments (Continued)

Impairment of properties and provision for a committed project sensitivity

As at 31 March 2021, 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 for the year would increase/decrease by approximately $108,700,000/$171,900,000 respectively (2019/20: $152,600,000/$219,400,000) 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.

5. Revenue and other income, net

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021	2020
	$'000	$'000
Revenue recognised outside the scope of HKFRS 15		
- Upfront premium from property developers	912,800	883,000
- Share of property development surplus on joint development projects	426,441	1,184,851
Revenue from contracts with customers within the scope of HKFRS 15		
- Sale of properties	2,099,937	39,635
	3,439,178	2,107,486

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

At 31 March 2021, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of comprehensive income in the future from pre-completion sales contracts entered into in relation to the Group's property sales pending transfer of control amounted to $259,372,800 (2019/20: $2,075,793,000) which will be recognised when the properties are assigned to the customers. The Group will recognise the expected revenue in future on the basis that control over ownership of the property has been passed to the customer, which is expected to occur over the next 12 months.

(expressed in Hong Kong Dollars)

5. Revenue and other income, net (Continued)

(b) Other income, net

Other income, net recognised during the year represents:

	2021	2020
	$'000	$'000
Interest income	195,242	395,550
Rental income	66,167	97,921
Miscellaneous income	2,051	2,705
Gain on disposal of property, plant and equipment	2	-
Net foreign exchange gain/(loss)	1,823	(17,253)
	265,285	478,923

6. Operating surplus before income tax

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

(a) Other items

	2021	2020
	$'000	$'000
Cost of properties under joint development projects	769,804	555,895
Cost of properties sold	1,867,813	7,081
Staff costs* (excluding directors' remuneration)	462,955	403,178
Rehabilitation and retrofit expenses	40,017	37,103
Revitalisation and preservation expenses	6,495	11,868
Place making expenses^	7,172	12,213
Outgoings in respect of preservation properties, retained properties and rehousing units	96,392	68,204
Depreciation		
- Depreciation	161,594	138,774
- Less: Depreciation capitalised	(22,351)	(24,553)
	139,243	114,221
Auditor's remuneration		
- Audit services	509	491
- Non-audit services	2,593	2,299

6. Operating surplus before income tax (Continued)

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

(a) Other items (Continued)

	2021	2020
	$'000	$'000
Impairment on properties		
- (Write back of)/provision for impairment on properties held for sale	(2,460)	3,676
- Provision for impairment on property, plant and equipment	165,444	52,617
- (Write back of)/provision for impairment on properties under development	(263,900)	968,900
	(100,916)	1,025,193
Interest expenses		
- Interest on lease liabilities	3,350	3,647
- Less: Interest on lease liabilities capitalised#	(1,909)	(2,262)
	1,441	1,385
- Interest expenses on debt securities issued	42,411	58,500
- Less: Interest expenses capitalised#	(42,411)	(58,500)
	-	-
	1,441	1,385

* Including salaries and other benefits of $431,244,000 (2019/20: $375,400,000) and contribution to provident fund scheme of $31,711,000 (2019/20: $27,778,000).

^ Excluding depreciation of $1,315,000 (2019/20: $1,101,000) and finance cost of $22,000 (2019/20: $46,000) for properties leased for own use.

The borrowing costs have been capitalised at rates ranging from 1.64% to 3.85% per annum (2019/20: 1.64% to 3.85% per annum).

(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)

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

2021

	Fees	Salaries	Provident fund scheme contributions	Sub-total	Variable pay	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Managing Director						
- Wai Chi-sing	-	4,032[1]	2	4,034	1,338	5,372
Executive Directors						
- Ben Lui Sau-shun	-	2,575[1]	18	2,593	686	3,279
- Michael Ma Chiu-tsee[2]	-	806[1]	6	812	226	1,038
- Eric Poon Shun-wing[3]	-	2,194	280	2,474	549	3,023
9 Senior management staff & 1 Ex-senior management staff[3]	-	22,930	2,533	25,463	6,650	32,113
Total[4]	-	32,537	2,839	35,376	9,449	44,825

2020

	Fees	Salaries	Provident fund scheme contributions	Sub-total	Variable pay	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Managing Director						
- Wai Chi-sing	-	4,374	18	4,392	1,312	5,704
Executive Directors						
- Ben Lui Sau-shun	-	2,864	18	2,882	686	3,568
- Michael Ma Chiu-tsee	-	3,146	18	3,164	785	3,949
9 Senior management staff	-	23,854	2,517	26,371	6,724	33,095
Total[4]	-	34,238	2,571	36,809	9,507	46,316

Notes:

1. Voluntary salaries reduction by 10% in 2020/21.
2. The Executive Director retired on 14 July 2020.
3. The Executive Director ceased to be a senior management staff on 14 July 2020 and assumed his role with effect from 15 July 2020.
4. Excluding compensation in lieu of leave in the aggregate sum of $629,000 (2019/20: $432,000).

(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)

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

Their remuneration fell within the following bands:

	2021 No. of Individuals	2020 No. of Individuals
$500,000 to $1,000,000	1	-
$1,000,001 to $1,500,000	1	-
$2,500,001 to $3,000,000	-	1
$3,000,001 to $3,500,000	4	2
$3,500,001 to $4,000,000	2	6
$4,000,001 to $4,500,000	3	1
$4,500,001 to $5,000,000	1	1
$5,000,001 to $5,500,000	1	-
$5,500,001 to $6,000,000	-	1
Total	13	12

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.

(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)

(c) 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:

	2021	2020
	$'000	$'000
Chairman		
Mr Victor So Hing-woh, SBS, JP *(up to 30 Apr 2019)*	-	8
Mr Chow Chung-kong, GBM, GBS, JP *(from 1 May 2019)*	90*	92
Non-Executive Directors (non-public officers)		
Mr Evan Au Yang Chi-chun	65	65
Mr William Chan Fu-keung, BBS *(from 1 Dec 2020)*	22	-
Ms Judy Chan Ka-pui, MH	65	65
The Honourable Vincent Cheng Wing-shun, MH, JP *(from 1 May 2019)*	65	60
Dr the Honourable Ann Chiang Lai-wan, SBS, JP *(up to 30 Apr 2019)*	-	5
Mr Edward Chow Kwong-fai, JP *(up to 30 Apr 2019)*	-	5
Ms Ivy Chua Suk-lin *(from 1 May 2019)*	65	60
Mr Andy Ho Wing-cheong *(from 1 May 2019)*	65	60
Mr Laurence Ho Hoi-ming *(up to 30 Apr 2019)*	-	5
Professor Eddie Hui Chi-man, MH *(up to 30 Apr 2019)*	-	5
The Honourable Kwok Wai-keung, JP *(from 1 Dec 2020)*	22	-
Mr Nelson Lam Chi-yuen *(up to 30 Apr 2019)*	-	5
Dr Lee Ho-yin *(from 1 May 2019)*	65	60
Professor Joseph Lee Kok-long, SBS, JP *(up to 30 Nov 2020)*	43	65
Dr Gregg Li G. Ka-lok *(up to 30 Apr 2019)*	-	5
Mr Laurence Li Lu-jen, JP *(up to 30 Apr 2019)*	-	5
Ms Elaine Lo Yuen-man *(from 1 May 2019)*	65	60
Mr Roger Luk Koon-hoo, BBS, JP	65	65
Mr Timothy Ma Kam-wah, JP *(up to 30 Apr 2019)*	-	5
The Honourable Alice Mak Mei-kuen, BBS, JP *(up to 30 Nov 2020)*	43	65
Dr Lawrence Poon Wing-cheung, JP *(up to 30 Nov 2020)*	43	65
Professor Tang Bo-sin, MH *(from 1 May 2019)*	65	60
Mr David Tang Chi-fai *(up to 30 Apr 2019)*	-	5
The Honourable Tony Tse Wai-chuen, BBS, JP *(from 1 Dec 2020)*	22	-
Ms Judy Tong Kei-yuk *(from 1 May 2019)*	65	60
Mr Andy Tong Sze-hang *(from 1 May 2019)*	65	60
Mrs Cecilia Wong Ng Kit-wah	65	65
Mr Michael Wong Yick-kam, MH, JP	65	65
Mr Stanley Wong Yuen-fai, SBS, JP *(up to 30 Apr 2019)*	-	5
Mr Stephen Wong Yuen-shan *(from 1 May 2019)*	65	60
Mr Wu Chi-wai, MH *(up to 30 Nov 2020)*	43	65
	1,238	1,275

* Voluntary fee reduction by 10% in 2020/21

6. Operating surplus before income tax (Continued)

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

(d) Five highest paid individuals

	2021	2020
	$'000	$'000
The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2021 include the Managing Director, Executive Director and three 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:		
Fixed - Salaries	16,215	16,655
- Provident fund scheme contributions	1,508	1,074
Sub-total	17,723	17,729
Variable pay	4,858	4,567
Total**	22,581	22,296

Their remuneration fell within the following bands:

	No. of Individuals	No. of Individuals
$3,500,001 to $4,000,000	-	2
$4,000,001 to $4,500,000	3	1
$4,500,001 to $5,000,000	1	1
$5,000,001 to $5,500,000	1	-
$5,500,001 to $6,000,000	-	1
Total	5	5

** For the year ended 31 March 2021, compensation in lieu of leave of $629,000 (2019/20: $432,000) 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 (2019/20: Nil).

(b) As at 31 March 2021, the subsidiaries of the Group have unrecognised deductible temporary differences arising from tax losses of $38,843,000 (31 March 2020: $34,925,000) to carry forward against future taxable income. These tax losses have no expiry date.

(expressed in Hong Kong Dollars)

8. Property, plant and equipment

(a) Reconciliation of carrying amount

	Retained properties*	Preservation properties	Other property, plant and equipment: Land and buildings	Leasehold improvements	Plant and machinery	Furniture and equipment and motor vehicles	Properties leased for own use	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 March 2019								
Cost	960,170	1,556,152	661,588	136,846	62,630	18,766	-	3,396,152
Accumulated depreciation	(29,961)	(188,786)	(331,195)	(49,492)	(46,832)	(12,071)	-	(658,337)
Accumulated impairment	-	(213,560)	(1,597)	-	-	-	-	(215,157)
Net book value	930,209	1,153,806	328,796	87,354	15,798	6,695	-	2,522,658
Year ended 31 March 2020								
Opening net book value	930,209	1,153,806	328,796	87,354	15,798	6,695	-	2,522,658
Impact on initial application of HKFRS 16	-	-	-	-	-	-	111,277	111,277
Additions	1,824	5,875	-	32,470	17,006	7,246	29,731	94,152
Transfer from properties under development	287,786	698,170	974,904	-	-	-	-	1,960,860
Depreciation	(26,851)	(37,117)	(10,879)	(10,016)	(4,966)	(3,740)	(45,205)	(138,774)
Write back of/(provision for) impairment	-	(149,100)	96,483	-	-	-	-	(52,617)
Closing net book value	1,192,968	1,671,634	1,389,304	109,808	27,838	10,201	95,803	4,497,556
At 31 March 2020								
Cost	1,249,780	2,733,897	1,993,892	169,316	79,636	22,706	141,008	6,390,235
Accumulated depreciation	(56,812)	(225,903)	(342,074)	(59,508)	(51,798)	(12,505)	(45,205)	(793,805)
Accumulated impairment	-	(836,360)	(262,514)	-	-	-	-	(1,098,874)
Net book value	1,192,968	1,671,634	1,389,304	109,808	27,838	10,201	95,803	4,497,556
Year ended 31 March 2021								
Opening net book value	1,192,968	1,671,634	1,389,304	109,808	27,838	10,201	95,803	4,497,556
Additions / Adjustments (Note)	92	(3,660)	-	58,688	-	3,180	40,234	98,534
Transfer from properties under development	715,591	301,847	79,150	-	-	-	-	1,096,588
Depreciation	(37,775)	(37,815)	(13,244)	(12,643)	(6,066)	(5,132)	(48,919)	(161,594)
Write back of /(provision for) impairment	-	(110,904)	(54,540)	-	-	-	-	(165,444)
Closing net book value	1,870,876	1,821,102	1,400,670	155,853	21,772	8,249	87,118	5,365,640
At 31 March 2021								
Cost	1,965,463	3,266,084	2,073,042	228,004	79,636	25,525	156,724	7,794,478
Accumulated depreciation	(94,587)	(263,718)	(355,318)	(72,151)	(57,864)	(17,276)	(69,606)	(930,520)
Accumulated impairment	-	(1,181,264)	(317,054)	-	-	-	-	(1,498,318)
Net book value	1,870,876	1,821,102	1,400,670	155,853	21,772	8,249	87,118	5,365,640

* The Group receives rental income for the retained properties and their fair value as at 31 March 2021 was $2,999,625,000 (31 March 2020: $2,281,000,000).

Note: Adjustments represent the changes in estimated resumption and construction costs of properties and leasehold improvements.

8. Property, plant and equipment (Continued)

(a) Reconciliation of carrying amount (Continued)

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.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 March 2021	31 March 2020
	$'000	$'000
Properties leased for own use, carried at depreciated cost, with remaining lease term less of 5 years	87,118	95,803

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021	2020
	$'000	$'000
Net depreciation charge of right-of-use assets by class of underlying asset:		
- Properties leased for own use	26,568	20,652
Interest on lease liabilities (Note 6(a))	1,441	1,385
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 March 2020	-	648
Expense relating to short-term leases	702	-

(expressed in Hong Kong Dollars)

9. Properties under development

As at 31 March 2021, the properties under development are analysed as follows:

	2021	2020
	$'000	$'000
Cost, including Home Purchase Allowance ("HPA") (Note (i))		
At 1 April	33,494,426	29,608,757
Add: Additions during the year*	4,007,014	7,504,990
Less: Charged to profit or loss during the year	(740,860)	(755,657)
Transferred to property, plant and equipment	(1,330,588)	(2,792,264)
Transferred to properties held for sale	(2,142,729)	(71,400)
At 31 March**	33,287,263	33,494,426
Provision for impairment at 31 March	(723,900)	(1,221,800)
Balance as at 31 March	32,563,363	32,272,626

* The amount includes depreciation of $22,351,000 (31 March 2020: $24,553,000) and interest expense of $1,909,000 (31 March 2020: $2,262,000) for properties leased for own use.

** The amount includes accumulated interest and other borrowing costs capitalised of $319,115,000 (31 March 2020: $327,383,000).

As at 31 March 2021, the properties under development are analysed as follows:

	2021	2020
	$'000	$'000
Non-current portion	32,272,141	29,676,941
Current portion (development for sale)	291,222	2,595,685
	32,563,363	32,272,626

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.

9. Properties under development (Continued)

Notes (Continued)

(i) (Continued)

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 2021, the Group's estimated cash outflow in respect of project under acquisition and resumption as well as construction cost for self-developed projects was $7.1 billion (31 March 2020: $7.5 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.

10. Building rehabilitation loans

As at 31 March 2021, the building rehabilitation loans are analysed as follows:

	2021	2020
	$'000	$'000
Non-current portion	9,834	6,470
Current portion	4,348	3,193
	14,182	9,663

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.

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

(expressed in Hong Kong Dollars)

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.

(b) Trade and other receivables

As at 31 March 2021, the trade and other receivables are current in nature and analysed as follows:

	2021	2020
	$'000	$'000
Trade receivables and prepayments	60,080	39,018
Interest receivables	44,268	191,785
Other receivables and deposits	29,593	235,541
Balance at 31 March	133,941	466,344

All of trade and other receivables are expected to be recovered within one year.

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

12. Cash and bank balances

	2021	2020
	$'000	$'000
Bank deposits		
Original maturities of 3 months or less	1,854,447	2,137,809
Original maturities of more than 3 months	7,223,052	7,640,903
	9,077,499	9,778,712
Less: Amounts held in trust for joint development projects	(1,213)	(1,203)
	9,076,286	9,777,509
Cash at banks and in hand	217,207	36,788
	9,293,493	9,814,297
Maximum exposure to credit risk	9,293,478	9,814,282

12. Cash and bank balances (Continued)

Representing:

	2021	2020
	$'000	$'000
Non-current portion		
- Bank deposits	76,000	-
Current portion		
- Cash at banks and in hand	217,207	36,788
- Bank deposits	9,000,286	9,777,509
	9,217,493	9,814,297

As at 31 March 2021, cash and bank balances of the Group are denominated in Hong Kong Dollars except for an amount of $286,194,000 (31 March 2020: $594,281,000) which is denominated in USD.

The average effective interest rate of time deposits with banks was 1.63% per annum (2019/20: 2.69% per annum). These deposits have an average maturity of 151 days (2019/20: 97 days).

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:

	2021	2020
Rating (Moody's)	$'000	$'000
Aa1 – Aa3	3,660,110	1,379,523
A1 – A3	5,583,855	8,420,498
Others	49,513	14,261
	9,293,478	9,814,282

(expressed in Hong Kong Dollars)

12. Cash and bank balances (Continued)

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities and liabilities for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flow from financing activities.

	Debt securities issued	
	2021	2020
	$'000	$'000
At 1 April	1,795,557	2,793,337
Changes from financing cash flows:		
- Redemption of debt securities	(700,000)	(1,000,000)
Other changes:		
- Amortisation of debt securities issuing costs	1,357	2,220
Balance as at 31 March	1,096,914	1,795,557

	Lease liabilities	
	2021	2020
	$'000	$'000
At 31 March	98,802	-
Impact on initial application of HKFRS 16	-	111,277
At 1 April	98,802	111,277
Changes from financing cash flows:		
- Capital element of lease rentals paid	(47,734)	(42,206)
- Interest element of lease rentals paid	(3,350)	(3,647)
Total changes from financing cash flows	(51,084)	(45,853)
Other changes:		
- Increase in lease liabilities from entering into new leases during the year	40,234	29,731
- Interest expense (Note 6(a))	3,350	3,647
Total other changes	43,584	33,378
At 31 March	91,302	98,802

(expressed in Hong Kong Dollars)

13. Properties held for sale

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

	2021	2020
	$'000	$'000
In Hong Kong, with remaining lease term of:		
- 50 years or more	5,674	5,674
- between 10 and 50 years	1,098,628	821,274
	1,104,302	826,948

14. Balances with joint development projects

	2021	2020
	$'000	$'000
Amounts due from joint development projects	34,877	49,528
Amounts due to joint development projects	(243,545)	(120,474)
	(208,668)	(70,946)

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

(expressed in Hong Kong Dollars)

14. Balances with joint development projects (Continued)

The Group have the following active joint development projects as at 31 March 2021.

	Project Name/Location	Land use	Total gross floor area	Actual completion date	Expected completion date
			(m²)	(calendar year)	(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 Dynasty / Citywalk 2 (Tsuen Wan)	Commercial/Residential	44,404	2008	-
*	Vista (Sham Shui Po)	Commercial/Residential	12,708	2009	-
	Lime Stardom (Tai Kok Tsui)	Commercial/Residential	19,735	2011	-
*	Park Summit (Tai Kok Tsui)	Commercial/Residential	21,402	2013	-
	Park Metropolitan (Kwun Tong)	Residential	27,830	2014	-
	Park Ivy (Tai Kok Tsui)	Commercial/Residential	4,843	2014	-
*	The Avenue / Lee Tung Avenue (Wan Chai)	Commercial/Residential	83,898	2015	-
	My Place (Ma Tau Kok)	Commercial/Residential	6,944	2016	-
*	SKYPARK / The Forest (Mong Kok)	Commercial/Residential	22,301	2017	-
	City Hub (To Kwa Wan)	Commercial/Residential	8,378	2018	-
	The Ascent (Sham Shui Po)	Commercial/Residential	7,159	2018	-

(expressed in Hong Kong Dollars)

14. 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)
93 Pau Chung Street (Ma Tau Kok)	Commercial/Residential	10,345	2018	-
The Amused (Sham Shui Po)	Commercial/Residential	5,030	2018	-
My Central (Sheung Wan)	Commercial/Residential	18,240	2019	-
Astoria Crest (Sham Shui Po)	Commercial/Residential	3,640	2019	-
Downtown 38 (Ma Tau Kok)	Commercial/Residential	9,783	2020	-
The Monti (Sai Wan Ho)	Residential	5,680	2020	-
HYDE PARK (Sham Shui Po)	Commercial/Residential	3,600	2020	-
Madison Park (Sham Shui Po)	Commercial/Residential	4,884	2020	-
Artisan Garden (Ma Tau Kok)	Commercial/Residential	12,456	2021	-
Grand Central (Kwun Tong)	Commercial/Residential	179,248	-	2021
Seaside Sonata (Sham Shui Po)	Commercial/Residential	58,899	-	2021
Fuk Chak Street / Li Tak Street (Tai Kok Tsui)	Commercial/Residential	5,738	-	2021
L • LIVING 23 (Tai Kok Tsui)	Commercial/Residential	6,597	-	2021
One Soho (Yau Ma Tei)	Commercial/Residential	12,510	-	2022

(expressed in Hong Kong Dollars)

14. Balances with joint development projects (Continued)

Project Name/Location	Land use	Total gross floor area (m²)	Actual completion date (calendar year)	Expected completion date (calendar year)
Peel Street/Graham Street – Site A (Sheung Wan)	Commercial/Stadium and Youth Centre/Residential	9,630	-	2022
Tung Chau St / Kweilin St (Sham Shui Po)	Commercial/Residential	13,409	-	2023
Hang On Street (Kwun Tong)	Commercial/Residential	6,661	-	2023
Peel Street/Graham Street – Site C (Sheung Wan)	Commercial/Office/Hotel	41,202	-	2024
Castle Peak Rd/Un Chau St (Sham Shui Po)	Commercial/Residential	14,841	-	2024
@ Tonkin St/ Fuk Wing St (Sham Shui Po)	Commercial/Residential	9,675	-	2025

* Projects with commercial portions jointly held by the developer and the Group for letting and pending for sale

@ 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.

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.

15. Investments

As at 31 March 2021, the debt securities investments are analysed as follows:

	2021	2020
	$'000	$'000
Investments at amortised cost	324,077	1,253,000

As at 31 March 2021, the Group's debt securities represent high quality fixed income securities.

16. 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 2021, the Authority had received all five tranches of equity injection of $10 billion in total.

17. Trade and other payables

As at 31 March 2021, the trade and other payables are analysed as follows:

	Note	2021	2020
		$'000	$'000
Contract liabilities	(a)	29,175	210,084
Lease liabilities		91,302	98,802
Trade payables		103,448	112,370
Rental and other deposits received		148,415	128,769
Proceeds received in advance from sale of properties of joint development projects		566,460	432,660
Other payables		5,567	8,271
Accrued expenses		2,766,325	3,098,865
		3,710,692	4,089,821

Representing:

	2021	2020
	$'000	$'000
Non-current portion	418,292	431,366
Current portion	3,292,400	3,658,455
	3,710,692	4,089,821

(expressed in Hong Kong Dollars)

17. Trade and other payables (Continued)

Note:

(a) Contract liabilities

Contract liabilities recognised arise from property development activities. Typical payment terms are as follows:

The Group receives certain percentage of the contract value as deposit from customers when they sign the sale and purchase agreement. The deposit is recognised as a contract liability until the properties are completed and transferred to the customers. The rest of the consideration is typically paid when the property is assigned to the customer.

Movements in contract liabilities

	2021	2020
	$'000	$'000
Balance at 1 April	210,084	1,241
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(210,084)	(1,241)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of property sales not yet completed as at 31 March	29,175	210,084
Balance at 31 March	29,175	210,084

18. Debt securities issued

As at 31 March 2021, the Group has issued the following fixed rate notes under a Medium Term Note programme.

	2021	2020
	$'000	$'000
Non-current portion		
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 debt securities issuing costs	(3,086)	(3,949)
	1,096,914	1,096,051
Current portion		
HK dollar Fixed rate notes with coupon of 1.64% due 2020	-	300,000
HK dollar Fixed rate notes with coupon of 2.92% due 2021	-	400,000
Less: Unamortised debt securities issuing costs	-	(494)
	-	699,506

19. 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 2021 was $34,550,000 (2019/20: $30,348,000), net of forfeitures of $1,089,000 (2019/20: $963,000), which has been charged to the Group's profit or loss for the year.

20. Commitments

(a) Capital commitments

Capital commitments in respect of acquisition of property, plant and equipment at 31 March 2021 are as follows:

	2021	2020
	$'000	$'000
Contracted but not yet incurred	156,889	71,904
Authorised but not contracted for	-	177
	156,889	72,081

(b) Operating lease rental receivable

As at 31 March 2021, undiscounted lease payments under non-cancellable operating leases in place in respect of properties will be receivable by the Group in future periods, except for those commercial portions jointly developed by the developer and the Group, are as follows:

	2021	2020
	$'000	$'000
Within 1 year	29,914	26,309
After 1 year but within 2 years	22,734	22,717
After 2 years but within 3 years	6,716	8,865
After 3 years but within 4 years	2,595	3,621
After 4 years but within 5 years	520	1,455
	62,479	62,967

(expressed in Hong Kong Dollars)

21. 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 $61,323,000 (2019/20: $63,751,000) 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 2021, there was an amount of $4,852,000 (31 March 2020: $5,072,000) 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 $2,098,000 (2019/20: $1,918,000).

During the year, the Authority received $328,000 (2019/20: $333,000) from the said Fund for rental of an office premise.

As at 31 March 2021, there was an amount of $301,223,000 (31 March 2020: $338,866,000) 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(b) and (c).

(expressed in Hong Kong Dollars)

22. Statement of Financial Position of the 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 2021 is set out as follows:

	Note	2021	2020
		$'000	$'000
Non-current assets			
Property, plant and equipment		5,327,464	4,482,956
Properties under development		32,272,141	29,676,941
Interest in subsidiaries	22(a)	40,320	-
Loan to a subsidiary		14,600	14,600
Building rehabilitation loans		9,834	6,470
Prepayments		889,117	743,447
Other receivables		2,570,306	3,164,628
Bank deposits		76,000	-
		41,199,782	38,089,042
Current assets			
Properties held for sale		1,104,302	826,948
Properties under development for sale		291,222	2,595,685
Amounts due from joint development projects		34,877	49,528
Building rehabilitation loans		4,348	3,193
Trade and other receivables		134,187	466,296
Investments		324,077	1,253,000
Cash and bank balances		9,217,493	9,814,297
		11,110,506	15,008,947
Total assets		52,310,288	53,097,989
Capital and reserves			
Capital		10,000,000	10,000,000
Accumulated surplus		37,259,231	37,092,186
	22(b)	47,259,231	47,092,186
Non-current liabilities			
Trade and other payables		418,292	431,366
Debt securities issued		1,096,914	1,096,051
		1,515,206	1,527,417
Current liabilities			
Amounts due to joint development projects		243,545	120,474
Trade and other payables		3,292,306	3,658,406
Debt securities issued		-	699,506
		3,535,851	4,478,386
Total capital, reserves and liabilities		52,310,288	53,097,989

(expressed in Hong Kong Dollars)

22. Statement of Financial Position of the Authority (Continued)

(a) Interest in subsidiaries

	2021	2020
	$'000	$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries (Note)	70,439	26,541
Less: Provision for impairment	(30,120)	(26,542)
	40,320	-

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	Principal activities
		$	
Champ Dragon Properties Limited	1	1	Property holding
Ease Shine Development Limited	1	1	Property holding
Full Wisdom Enterprises Limited	1	1	Property holding
High Union Development Limited	1	1	Property holding
Hong Kong Building Rehabilitation Facilitation Services Limited	1	1	Building rehabilitation facilitation services
Joyful Success Investment Limited	1	1	Property holding
Max Grace Properties Limited	1	1	Property holding
Opalman Limited	2	2	Property holding
Sunny Joy Properties Limited	1	1	Property holding
Urban Redevelopment Facilitating Services Company Limited	1	10	Urban redevelopment facilitating services
Well Nice Properties Limited	1	1	Property holding

(expressed in Hong Kong Dollars)

22. Statement of Financial Position of the Authority (Continued)

(b) Statement of Changes in Equity

	Capital	Accumulated Surplus	Total
	$'000	$'000	$'000
Balance at 1 April 2019	10,000,000	36,974,448	46,974,448
Surplus and total comprehensive income for the year	-	117,738	117,738
Balance at 31 March 2020	10,000,000	37,092,186	47,092,186
Balance at 1 April 2020	10,000,000	37,092,186	47,092,186
Surplus and total comprehensive income for the year	-	167,045	167,045
Balance at 31 March 2021	10,000,000	37,259,231	47,259,231

23. Approval of financial statements

The financial statements were approved by the Board on 10 June 2021.