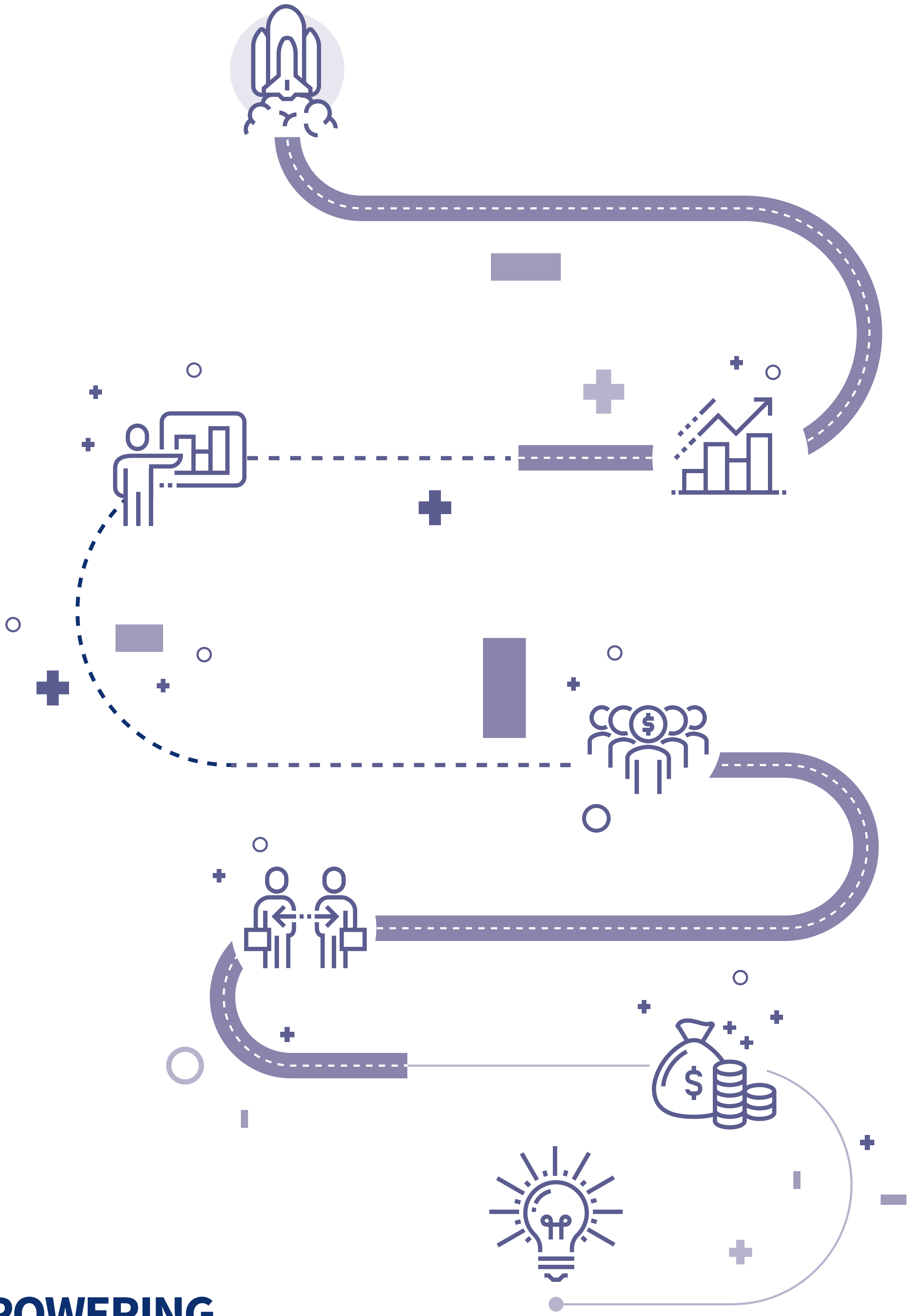

EMPOWERING INNOVATION DELIVERING SUCCESS

Hong Kong Science and Technology Parks Corporation

2016-2017 Report of the Directors and Financial Statements

HKSTP 香港科技園

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of Hong Kong Science and Technology Parks Corporation (the "Corporation") are to facilitate the research and development and application of technologies in manufacturing and service industries in Hong Kong; to support the development, transfer and use of new or advanced technologies in Hong Kong; and to establish or develop any premises where activities related to the purposes prescribed above are, or are to be, carried out, and to manage and control the land and other facilities comprised in such premises. Details of the principal activities of the Corporation's subsidiaries are set out in note 31 to the financial statements.

RESULTS

The results of the Corporation and its subsidiaries (the "Group") for the year ended 31 March 2017 and the financial position of the Group as at that date are set out in the financial statements on pages 9 to 42.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

CONSTRUCTION IN PROGRESS

Details of movements in the construction in progress of the Group during the year are set out in note 12 to the financial statements.

INDUSTRIAL ESTATES

Details of movements in the Industrial Estates of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Corporation are set out in note 24 to the financial statements.

DIRECTORS

All directors were appointed and re-appointed in accordance with sections 1(1), 1(2) and 1(3)(b) of Schedule 2 to the Hong Kong Science and Technology Parks Corporation Ordinance (the "Ordinance").

DIRECTORS (CONTINUED)

The directors during the financial year and up to the date of this report were:

Name	First appointed with effect from July for a term of 2 years	Re-appointed with effect from July for a term of 2 years	Further re-appointed with effect from July for a term of 2 years
Chairperson			
The Honourable Mrs. Fanny LAW FAN Chiu Fun, GBM, GBS, JP	2014*	2016	
Members			
Mr. CHEUK Wing Hing, JP^ *(Permanent Secretary for Innovation and Technology) (with Commissioner for Innovation and Technology, Deputy Commissioner for Innovation and Technology or Assistant Commissioner for Innovation and Technology as alternate member)*	–	–	–
Dr. Sunny CHAI Ngai Chiu	2014	2016	
Mr. Owen CHAN Sze Wai *(resigned with effect from 4 May 2017 in accordance with section 1(3)(d) of Schedule 2 to the Ordinance)*	2014	2016	
Mr. Raymond CHENG Siu Hong	2013	2015	2017
Ms. Cordelia CHUNG	2017		
Mr. Kent HO Ching Tak	2017		
Miss Nisa LEUNG Wing Yu, JP *(retired on 30 June 2017)*	2011	2013	2015
Ir Dr. Honourable LO Wai Kwok, SBS, MH, JP, CEng, FHKIE, FIET, FIMechE, FHKEng, RPE	2012	2014	2016
Mr. Theodore MA Heng	2014	2016	
Dr. Kim MAK Kin Wah, BBS, JP	2017		
Mr. Joseph NGAI	2016		
Professor SHYY Wei	2012	2014	2016
Mr. Richard SUN Po Yuen, JP, Certified Public Accountant	2012	2014	2016
Professor Paul TAM Kwong Hang, JP *(retired on 30 June 2017)*	2011	2013	2015
Professor TSUI Lap Chee, GBM, GBS, JP	2014	2016	
Mr. Billy WONG Wing Hoo, BBS, JP, FICE, FHKIE, FIHT, FHKIHT, RPE	2012	2014	2016
Professor WONG Wing Shing *(retired on 30 June 2017)*	2015		
Ms. Winnie YEUNG Cheung Wah *(retired on 30 June 2017)*	2011	2013	2015
Professor Albert YU Cheung Hoi, JP *(retired on 30 June 2017)*	2011	2013	2015

Remarks:

* Prior to commencement of chairpersonship in July 2014, Mrs. Fanny Law was appointed as a director for the period from 1 July 2013 to 30 June 2014 in accordance with section 1(1)(b) of Schedule 2 to the Ordinance.

^ The public officer was appointed by the Financial Secretary of the Government of the Hong Kong Special Administrative Region on an ex-officio basis with effect from 20 November 2015 in accordance with sections 1(1)(b) and (2) of Schedule 2 to the Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Corporation a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Corporation to acquire benefits by means of the acquisition of shares in, or debentures of, the Corporation, its subsidiaries or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Corporation, or any of its subsidiaries was a party, and in which a director of the Corporation had a material interest, subsisted at the end of the year or at any time during the year.

AUDITORS

KPMG was re-appointed as auditors of the Corporation for the year ended 31 March 2017.

KPMG retire and their re-appointment as auditors of the Corporation was approved by the Board of Directors on 17 August 2017.

ON BEHALF OF THE BOARD

LAW FAN Chiu Fun Fanny, GBM, GBS, JP
Chairperson
Hong Kong
17 August 2017

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Board of Directors of Hong Kong Science and Technology Parks Corporation
(Incorporated in Hong Kong under the Hong Kong Science and Technology Parks Corporation Ordinance)

OPINION

We have audited the consolidated financial statements of Hong Kong Science and Technology Parks Corporation ("the Corporation") and its subsidiaries ("the Group") set out on pages 9 to 42, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Assessing recoverability of the carrying value of property, plant and equipment

Refer to accounting policy 2.4(d), 2.4(h) and note 11 to the consolidated financial statements.

The key audit matter	**How the key audit matter was addressed in our audit**
As at 31 March 2017, the Group held property, plant and equipment located in Hong Kong with carrying amounts totalling HK$9,136 million which represented 45% of the Group's total assets at that date. The Science Park segment of the Group sustained a deficit for the year ended 31 March 2017, which management considered to be an indicator that the carrying value of property, plant and equipment attributable to that segment may not be recovered. Consequently, the recoverable amounts of property, plant and equipment in the Science Park segment were estimated by management and compared with their carrying amounts. The recoverable amounts of property, plant and equipment were assessed by management based on the value in use model by comparing the carrying values of the property, plant and equipment with the net present value of the forecast cash flows. The assessment of the recoverable amounts is inherently subjective as it involves the exercise of significant management judgement and estimation, particularly in determining future occupancy rates, rental growth rates, terminal rates and the discount rate applied. We identified the assessment of the recoverability of the carrying value of property, plant and equipment as a key audit matter because management's assessment of the recoverable amounts involved significant judgement and estimation which could be subject to management bias.	Our audit procedures to assess the recoverability of the carrying value of property, plant and equipment included the following: • evaluating the methodology adopted by management in the discounted cash flow forecast, the identification of cash generating units and the allocation of assets to the relevant cash generating units with reference to the guidance in the prevailing accounting standards; • with the assistance of our internal valuation specialists, evaluating the key estimates and assumptions adopted in the discounted cash flow forecast, including future occupancy rates, rental growth rates, terminal rates and the discount rate applied, by comparing these against historical results, publicly available market information and by utilising the industry knowledge and experience of our internal property valuation specialists; • comparing the actual operating results for the current year with management's forecast operating results in its recoverability assessment for the previous year in order to assess the historical accuracy of management's forecasting process, discussing with management significant variances identified and considering the impact of these variances on the discounted cash flow forecast for the current year; and • performing sensitivity analyses by making adjustments to the future occupancy rates and rental growth rates to assess the impact on the conclusions reached by management in its recoverability assessment and considering the risk of possible management bias in the recoverability assessment exercise.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ming.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
17 August 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **$**	2016 $
Income			
Gross rental income	5(a)	**571,844,761**	498,441,863
Property management fee, air-conditioning and support facility income		**192,583,520**	176,379,047
Income from technology support centres		**21,373,869**	21,130,133
Land premia		**–**	1,903,265
Consent fee and other income		**94,065,662**	30,740,054
Miscellaneous income		**1,831,844**	8,019,940
		881,699,656	736,614,302
Expenditure			
Expenses for property management and technology support centres	6(a)	**(273,132,563)**	(267,045,939)
Cost of construction recognised for transfer of possession of land in Industrial Estates		**–**	(1,108,128)
Administrative and operating expenses		**(204,312,227)**	(213,689,669)
Marketing and promotion expenses		**(42,710,356)**	(50,608,401)
Incubation support and technology transfer expenses		**(21,517,918)**	(15,259,143)
		(541,673,064)	(547,711,280)
Operating surplus before interest and depreciation		**340,026,592**	188,903,022
Interest income	5(b)	**54,330,186**	14,762,054
Interest expenses	6(b)	**(38,787,374)**	(25,090,130)
Surplus before depreciation		**355,569,404**	178,574,946
Depreciation	11	**(389,544,063)**	(359,319,753)
Deferred income		**76,292,257**	76,292,256
Surplus/(deficit) and total comprehensive income for the year	7	**42,317,598**	(104,452,551)

The notes on pages 14 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **$**	2016 $
Non-current assets			
Property, plant and equipment	11	**9,135,623,177**	8,114,174,746
Construction in progress	12	**280,730,260**	1,403,963,516
Industrial Estates	13	**254,120,679**	166,370,424
Available-for-sale investments	14	**18,581,688**	1,000,000
Bank deposits with original maturities of more than three months	17	**1,829,719,719**	–
Total non-current assets		**11,518,775,523**	9,685,508,686
Current assets			
Land premia receivables	15	**–**	6,526,807
Accounts receivable, prepayments, deposits and other receivables	16	**50,483,430**	33,613,936
Bank deposits with original maturities of more than three months	17	**8,214,355,157**	948,880,856
Cash and cash equivalents	18(a)	**430,529,702**	91,776,003
Total current assets		**8,695,368,289**	1,080,797,602
Current liabilities			
Accrued charges and other payables	19	**432,359,252**	397,409,035
Deposits and rental received in advance	20	**326,229,670**	259,898,812
Government loan	21	**94,833,551**	95,604,560
Total current liabilities		**853,422,473**	752,912,407
Net current assets		**7,841,945,816**	327,885,195

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 31 March 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **$**	2016 $
Total assets less current liabilities		**19,360,721,339**	10,013,393,881
Non-current liabilities			
Deferred income	23	**1,947,697,249**	2,014,006,206
Government loan	21	**391,908,002**	496,724,853
Medium term notes	22	**1,706,426,481**	1,706,290,813
Total non-current liabilities		**4,046,031,732**	4,217,021,872
NET ASSETS		**15,314,689,607**	5,796,372,009
EQUITY			
Issued capital	24	**15,210,397,594**	5,734,397,594
Accumulated surplus		**104,292,013**	61,974,415
TOTAL EQUITY		**15,314,689,607**	5,796,372,009

Approved and authorised for issue by the board of directors on 17 August 2017

LAW FAN Chiu Fun Fanny, GBS, JP
Director

SUN Po Yuen Richard, JP
Director

The notes on pages 14 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Issued capital $	Accumulated surplus $	Total equity $
At 1 April 2015	5,734,397,594	166,426,966	5,900,824,560
Deficit and total comprehensive income for the year	–	(104,452,551)	(104,452,551)
At 31 March 2016 and 1 April 2016	5,734,397,594	61,974,415	5,796,372,009
Issuance of shares (note 24)	9,476,000,000	–	9,476,000,000
Surplus and total comprehensive income for the year	–	42,317,598	42,317,598
At 31 March 2017	15,210,397,594	104,292,013	15,314,689,607

The notes on pages 14 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $	2016 $
Cash flows from operating activities			
Surplus/(deficit) for the year		**42,317,598**	(104,452,551)
Adjustments for:			
Depreciation	11	**389,544,063**	359,319,753
Deferred income recognised		**(76,292,257)**	(76,292,256)
Interest expenses	6(b)	**38,787,374**	25,090,130
Interest income	5(b)	**(54,330,186)**	(14,762,054)
Loss on disposal of items of property, plant and equipment	7	**195,364**	17,589,490
		340,221,956	206,492,512
Increase in Industrial Estates		**(28,743,993)**	(33,309,153)
Decrease in accounts receivable, prepayments, deposits and other receivables		**4,241,871**	10,175,689
(Decrease)/increase in accrued charges and other payables		**(12,184,438)**	11,166,542
Increase in deposits and rental received in advance		**66,330,858**	20,122,062
Net cash flows from operating activities		**369,866,254**	214,647,652
Cash flows from investing activities			
Payment for purchase of items of property, plant and equipment		**(30,293,874)**	(10,636,708)
Construction cost paid in respect of construction in progress		**(245,223,508)**	(1,167,688,435)
Increase in available-for-sale investments		**(17,581,688)**	(1,000,000)
Increase in bank deposits with original maturities of more than three months when acquired		**(9,095,194,020)**	(948,880,856)
Interest received		**28,605,845**	14,763,432
Proceeds from disposal of items of property, plant and equipment		**1,287,268**	170,510
Net cash flows used in investing activities		**(9,358,399,977)**	(2,113,272,057)
Cash flows from financing activities			
Proceeds from issuance of new shares		**9,476,000,000**	–
Repayment of government loan		**(95,604,560)**	(94,264,659)
Interest paid		**(53,108,018)**	(54,199,214)
Net cash flows generated from/(used in) financing activities		**9,327,287,422**	(148,463,873)
Net increase/(decrease) in cash and cash equivalents		**338,753,699**	(2,047,088,278)
Cash and cash equivalents at the beginning of the year		**91,776,003**	2,138,864,281
Cash and cash equivalents at the end of the year	18(a)	**430,529,702**	91,776,003

The notes on pages 14 to 42 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GROUP INFORMATION

The Hong Kong Science and Technology Parks Corporation (the "Corporation") was incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (the "Ordinance"). The Corporation was incorporated on 7 May 2001 by vesting of all rights, obligations, assets and liabilities of Provisional Hong Kong Science Park Company Limited, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre Corporation. The address of the principal place of business of the Corporation is 8/F, Bio-Informatics Centre, No. 2 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The purposes of the Corporation and its subsidiaries (the "Group") are to facilitate the research and development and application of technologies in manufacturing and service industries in Hong Kong; to support the development, transfer and use of new or advanced technologies in Hong Kong; and to establish or develop any premises where activities related to the purposes prescribed above are, or are to be, carried out, and to manage and control the land and other facilities comprised in such premises.

The entire issued capital of the Corporation was registered under The Financial Secretary Incorporated, a corporation solely established under the Financial Secretary Incorporation Ordinance (Chapter 1015 of the Laws of Hong Kong) which is wholly owned by the Government of the Hong Kong Special Administrative Region (the "Government").

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Corporation. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2017 comprise the Corporation and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

– *Annual Improvements to HKFRSs 2012-2014 Cycle*

– *Amendments to HKAS 1, Disclosure initiative*

– *Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation.*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographical segment information has been prepared as all the Group's operations are located within Hong Kong for the years presented.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Corporation's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.4(h)).

(c) Available-for-sale equity securities

Available-for-sale equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investment in securities, being those held for non-trading purposes, are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2.4(h)).

When the investments are derecognised or impaired (see note 2.4(h)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(d) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2.4(h)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method at annual rates as follows:

–	Science Park	Over the unexpired terms of the leases or 6⅔%*
–	InnoCentre	Over the unexpired terms of the leases
–	Industrial Estates buildings	5%
–	Estate centre building	Over the unexpired terms of the leases
–	Laboratories equipment and facilities	8⅓% to 33⅓%
–	Leasehold improvements	Over the shorter of lease term or 8⅓% to 33⅓%
–	Furniture, fittings and equipment	5% to 33⅓%
–	Motor vehicles	25%

* Depreciation rate of 6⅔% is applied to certain significant electrical and mechanical equipment inside the Science Park and the remaining premises and others are depreciated over the unexpired terms of the leases.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment and depreciation (continued)

Science Park

The Science Park is developed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development. The Science Park is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

InnoCentre

The InnoCentre is developed for the purpose of supporting design development by providing design infrastructure and facilities and leasing office space for tenants engaged in design and display activities. The property is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

Industrial Estates buildings

Industrial Estates buildings are held to earn rental income rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. The properties are shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

Estate centre building

The Estate centre building is used for administrative purposes. The property is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Construction in progress

Construction in progress is being constructed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development. Construction in progress is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated impairment losses (see note 2.4(h)).

No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use. On completion, the amounts are reclassified to appropriate categories of assets within property, plant and equipment.

(f) Industrial Estates

Industrial Estates represented the pieces of land in each estate and are shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated impairment losses (see note 2.4(h)). Included in the cost of each estate is the cost of land and certain construction costs related to the estate centre. The construction cost of the estate centre building has been excluded from the cost of the estate and is shown separately as above described.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of other assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– Industrial Estates; and

– investments in subsidiaries in the Corporation’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Surrendered premises held for re-grant

Surrendered premises held for re-grant are land and factories situated in the Industrial Estates held for the purpose of re-grant for a premium and accordingly no amortisation has been provided on these assets.

Surrendered premises held for re-grant are stated at the lower of cost and net realisable value.

(j) Accounts receivable

Accounts receivable is initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2.4(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Accounts payable

Accounts payable is initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group provides employer’s contribution to the MPF Scheme for all qualifying employees at the following rates:

–	1 - 5 years of service	5% of basic salary
–	6 - 10 years of service	10% of basic salary
–	Over 10 years of service	15% of basic salary

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset to match with the depreciation of the relevant asset.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets to match with the depreciation of the relevant assets.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Corporation has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition

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

(i) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable;

(ii) management fee, air-conditioning and support facility income is recognised when the services are rendered to the tenants;

(iii) income from technology support centres including (i) equipment leasing and service fee income, is recognised when the services are rendered to the tenants; and (ii) procurement sales income is recognised when the laboratories materials are delivered and accepted by the tenants;

(iv) land premia from transfer of possession of land and premia from re-grant of surrendered premises is recognised on the date of completion of transfer as stated in the relevant agreements for transfer of possession signed between the Group and the grantees;

(v) consent fee income from grantees of the Group in relation to the premises granted to them is recognised when the transfer of title of the premises from the grantees to other parties are completed;

(vi) recognition of deferred income in profit or loss arising from assets granted by the Government and a third party is recognised over the unexpired terms of the leases of the related assets and in accordance with the depreciation policies of the related assets; and

(vii) interest income is recognised as it accrues using the effective interest method.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which 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 expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) 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);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) 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);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Impairment of property, plant and equipment

The Group determines whether the property, plant and equipment is impaired at least on an annual basis. This requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from its use. Discount rate of 5.5% (2016: 4.75%) is used to calculate the present value of future cash flows. Where the actual future cash flows are less than expected, material impairment provision may arise. As at 31 March 2017, the net carrying amount of the property, plant and equipment is $9,135,623,177 (2016: $8,114,174,746) after taking into account the accumulated impairment provision of $136,422,593 recognised in respect of certain property, plant and equipment (note 11).

(b) Impairment of accounts receivable

Accounts receivable represent rental income receivable from tenants. Where there is objective evidence of recoverability matter, the Group takes into consideration the estimation of future cash flows. The amount of allowance for doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). As at 31 March 2017 and 2016, the carrying amounts of accounts receivable were $7,541,882 (net of allowance for doubtful debts of $86,986) and $11,723,946 (net of allowance for doubtful debts of $86,986), respectively (note 16).

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has three reportable operating segments as follows:

(a) Science Park

The Science Park segment refers to all services in connection with development of Hong Kong into a regional hub for innovation and growth in several focused clusters including Electronics, Information and Communications Technology, Green Technology, Biomedical Technology, Material and Precision Engineering. It also covers value added services and comprehensive incubation programmes for technology start-ups to accelerate their growth.

(b) InnoCentre

The InnoCentre segment refers to creative design support to further advance Hong Kong's product design and brand building capabilities.

(c) Industrial Estates

The Industrial Estates segment refers to fully serviced land at the three Industrial Estates in Tai Po, Tseung Kwan O and Yuen Long to companies engaged in skill-intensive manufacturing and service industries as well as data centres, pharmaceutical processing, recycling, and multimedia industries in order to cope with the growth of the industries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results.

No measure of segment assets and liabilities are reported or used by the directors, which are the chief operating decision maker. Therefore, no segment assets and liabilities information is disclosed.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (CONTINUED)

(c) Industrial Estates (continued)

	2017			
	Science Park $	**InnoCentre $**	**Industrial Estates $**	**Total $**
Income	**698,458,616**	**57,620,408**	**125,620,632**	**881,699,656**
Expenditure	**(494,673,018)**	**(33,919,508)**	**(13,080,538)**	**(541,673,064)**
Operating surplus before interest and depreciation	**203,785,598**	**23,700,900**	**112,540,094**	**340,026,592**
Net interest (expenses)/income	**(12,907,923)**	**253**	**28,450,482**	**15,542,812**
Surplus before depreciation	**190,877,675**	**23,701,153**	**140,990,576**	**355,569,404**
Depreciation, net of deferred income	**(292,518,421)**	**(17,224,145)**	**(3,509,240)**	**(313,251,806)**
(Deficit)/surplus for the year	**(101,640,746)**	**6,477,008**	**137,481,336**	**42,317,598**

	2016			
	Science Park $	InnoCentre $	Industrial Estates $	Total $
Income	621,192,165	55,172,193	60,249,944	736,614,302
Expenditure	(495,147,865)	(33,835,694)	(18,727,721)	(547,711,280)
Operating surplus before interest and depreciation	126,044,300	21,336,499	41,522,223	188,903,022
Net interest (expenses)/income	(10,352,320)	329	23,915	(10,328,076)
Surplus before depreciation	115,691,980	21,336,828	41,546,138	178,574,946
Depreciation, net of deferred income	(259,658,032)	(19,504,876)	(3,864,589)	(283,027,497)
(Deficit)/surplus for the year	(143,966,052)	1,831,952	37,681,549	(104,452,551)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 GROSS RENTAL INCOME AND INTEREST INCOME

(a) Gross rental income

The amount represents gross rental income in respect of Science Park, InnoCentre and investment properties situated in Industrial Estates.

(b) Interest income

	2017 **$**	2016 $
Interest income on		
– bank deposits	**54,306,838**	14,744,100
– land premia receivables	**23,348**	17,954
	54,330,186	14,762,054

6 EXPENSES FOR PROPERTY MANAGEMENT AND TECHNOLOGY SUPPORT CENTRES AND INTEREST EXPENSES

(a) Expenses for property management and technology support centres

Amount includes expenses for property management of $242,800,557 (2016: $232,506,822) and expenses for technology support centres of $30,332,006 (2016: $34,539,117). Included in expenses for property management were salaries and other benefits of $60,153,133 (2016: $54,754,922) and contribution to defined contribution retirement scheme of $2,620,811 (2016: $2,403,749) that the management companies paid to its staff and employees.

(b) Interest expenses

	2017 **$**	2016 $
Interest expenses on medium term notes	**45,525,662**	45,646,721
Interest expenses on government loan	**7,593,663**	8,933,564
	53,119,325	54,580,285
Less: Interest capitalised to Construction in progress	**(14,331,951)**	(29,490,155)
	38,787,374	25,090,130

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.02% (2016: 1.73%) per annum, which is calculated based on interest expense incurred on average loan balance used to settle construction cost.

(Expressed in Hong Kong dollars unless otherwise indicated)

7 SURPLUS/(DEFICIT) FOR THE YEAR

The Group's surplus/(deficit) for the year is arrived at after charging:

	2017	2016
	$	$
Auditors' remuneration	**460,908**	325,000
Employee benefit expenses (excluding staff costs of property management, as set out in note 6(a)):		
– Wages and salaries	**169,186,901**	160,165,991
– Retirement scheme contribution	**9,571,716**	9,741,954
Operating lease charges : machinery and equipment	**4,316,727**	5,325,442
Loss on disposal of items of property, plant and equipment	**195,364**	17,589,490

8 DIRECTORS' EMOLUMENTS

No directors received any fees or emoluments in respect of their services rendered to the Group during the year (2016: Nil).

9 FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five non-directors and highest paid employees, including the remuneration to the Chief Executive Officer ("CEO") of the Corporation, for the year are set out as follows:

	2017	2016
	$	$
Salaries and other benefits	**12,189,414**	12,202,710
Performance related incentive payments	**2,935,208**	3,079,055
Retirement benefit scheme contributions	**1,087,939**	555,791
	16,212,561	15,837,556

On 21 July 2016, the former CEO of the Corporation has resigned and a new CEO has been appointed. The remuneration of the former CEO for the year is $3,120,000 (salary and other benefits: $2,400,000; performance related incentive payments: $600,000; retirement benefit scheme contributions: $120,000) while the remuneration of the new CEO, receivable in the capacity of CEO of the Corporation, for the year is $1,702,407 (salary and other benefits: $1,347,721; performance related incentive payments: $300,000; retirement benefit scheme contributions: $54,686).

The number of non-directors and highest paid employees whose remuneration is within the following bands is as follows:

	2017	2016
$2,000,001 to $2,500,000	**–**	1
$2,500,001 to $3,000,000	**2**	2
$3,000,001 to $3,500,000	**1**	–
$3,500,001 to $4,000,000	**1**	1
$4,000,001 to $4,500,000	**1**	1
	5	5

NOTES TO THE FINANCIAL STATEMENTS

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10 TAXATION

No provision for Hong Kong Profits Tax has been made as the Corporation is exempt from taxation in Hong Kong in accordance with section 25 of the Ordinance and the subsidiaries within the Group did not earn any assessable profits for both 2017 and 2016.

11 PROPERTY, PLANT AND EQUIPMENT

	Properties*								
	Science Park $	InnoCentre $	Industrial Estates buildings $	Estate centre building $	Laboratories equipment and facilities $	Leasehold improvements $	Furniture, fittings and equipment $	Motor vehicles $	Total $
Cost:									
At 1 April 2015	9,658,683,726	204,970,122	44,270,399	938,009	355,505,978	553,197,526	130,468,042	3,116,941	10,951,150,743
Additions	120,000	–	–	–	941,666	2,478,744	7,096,298	–	10,636,708
Disposals	(19,610,000)	–	–	–	(7,203,618)	–	(468,442)	–	(27,282,060)
Transfer from Construction in progress	–	–	–	–	–	17,054,881	10,353,785	–	27,408,666
At 31 March 2016	9,639,193,726	204,970,122	44,270,399	938,009	349,244,026	572,731,151	147,449,683	3,116,941	10,961,914,057
At 1 April 2016	9,639,193,726	204,970,122	44,270,399	938,009	349,244,026	572,731,151	147,449,683	3,116,941	10,961,914,057
Additions	18,502,317	–	–	–	152,965	3,969,305	7,622,747	46,540	30,293,874
Disposals	(4,650,514)	–	–	–	(4,953,522)	(1,832,148)	(1,223,956)	–	(12,660,140)
Transfer from Construction in progress	1,311,643,379	–	–	–	28,722,763	35,753,504	6,061,606	–	1,382,181,252
At 31 March 2017	10,964,688,908	204,970,122	44,270,399	938,009	373,166,232	610,621,812	159,910,080	3,163,481	12,361,729,043
Accumulated depreciation and impairment provision:									
At 1 April 2015	1,624,804,785	64,865,108	26,335,208	353,366	355,505,978	331,745,810	93,034,962	1,296,401	2,497,941,618
Charge for the year	270,033,421	4,669,110	2,213,520	25,412	53,308	66,316,011	15,397,073	611,898	359,319,753
Written back on disposals	(1,850,000)	–	–	–	(7,203,618)	–	(468,442)	–	(9,522,060)
At 31 March 2016	1,892,988,206	69,534,218	28,548,728	378,778	348,355,668	398,061,821	107,963,593	1,908,299	2,847,739,311
At 1 April 2016	1,892,988,206	69,534,218	28,548,728	378,778	348,355,668	398,061,821	107,963,593	1,908,299	2,847,739,311
Charge for the year	295,131,745	4,670,204	2,213,520	25,420	4,444,738	65,758,449	16,685,180	614,807	389,544,063
Written back on disposals	(3,404,041)	–	–	–	(4,953,522)	(1,608,148)	(1,211,797)	–	(11,177,508)
At 31 March 2017	2,184,715,910	74,204,422	30,762,248	404,198	347,846,884	462,212,122	123,436,976	2,523,106	3,226,105,866
Net book value:									
At 31 March 2017	8,779,972,998	130,765,700	13,508,151	533,811	25,319,348	148,409,690	36,473,104	640,375	9,135,623,177
At 31 March 2016	7,746,205,520	135,435,904	15,721,671	559,231	888,358	174,669,330	39,486,090	1,208,642	8,114,174,746

* These properties are held for rental

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) At 31 March 2017, the Group's leasehold properties with aggregate carrying amount of $8,924,780,660 (2016: $7,897,922,326) are situated in Hong Kong and held under medium term leases.

(b) In the opinion of the directors, the fair value of the Group's properties held for rental cannot be reliably measured as there are no active market prices for similar properties.

12 CONSTRUCTION IN PROGRESS

	2017	2016
	$	$
Carrying amount at the beginning of the year	**1,403,963,516**	569,877,109
Additions	**306,814,475**	861,495,073
Transfer to property, plant and equipment	**(1,382,181,252)**	(27,408,666)
Transfer to Industrial Estates	**(47,866,479)**	–
Carrying amount at the end of the year	**280,730,260**	1,403,963,516

At 31 March 2017, Construction in progress, including expansion of Phase 1, is being constructed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development.

13 INDUSTRIAL ESTATES

	2017	2016
	$	$
Carrying amount at the beginning of the year	**166,370,424**	133,061,271
Additions	**39,883,776**	34,417,281
Transfer from construction in progress	**47,866,479**	–
Cost of construction recognised for transfer of possession of land	**–**	(1,108,128)
Carrying amount at the end of the year	**254,120,679**	166,370,424

14 AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	$	$
Unlisted equity investments, at cost	**18,581,688**	1,000,000

(Expressed in Hong Kong dollars unless otherwise indicated)

15 LAND PREMIA RECEIVABLES

Land premia receivables represent the premia from transfer of possession of land and re-grant of premises which are receivable by instalments.

The aged analysis of land premia receivables that are not individually nor collectively considered to be irrecoverable is as follows:

	2017	2016
	$	$
Over 1 year past due	**–**	6,526,807

Management closely monitors the credit quality of land premia receivables and considers, based on, including but not limited to, historical information and background of the counterparties, that the land premia receivables are past due but not irrecoverable as the total balances are covered by collateral. On default of payment, the Group may reclaim the premises granted to the grantees and management considers there are no significant credit risks.

16 ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	$	$
Accounts receivable	**7,628,868**	11,810,932
Less: allowance for doubtful debts (note 16(b))	**(86,986)**	(86,986)
	7,541,882	11,723,946
Prepayments	**6,399,225**	9,003,196
Deposits and other receivables	**36,542,323**	12,886,794
	42,941,548	21,889,990
	50,483,430	33,613,936

(a) The Group allows an average credit period of 14 days to its tenants, extending up to 30 days. Before accepting any new tenant, the Group will internally assess the credit quality of the potential tenant and define appropriate credit limits. Overdue balances are regularly reviewed by senior management and collections are followed up regularly.

For receivables due from grantees of Industrial Estates, the Group may reclaim the premises granted to the grantees in default of payments and the directors consider there are no significant credit risks. As at 31 March 2017, the balance of accounts receivable covered by collateral amounted to $4,118,240 (2016: $8,696,748). Except for receivables from Industrial Estates' grantees and tenants, the Group does not hold any collateral or other credit enhancements over these balances.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

(b) The movement in the allowance for doubtful debts during the year is as follows:

	2017	2016
	$	$
At the beginning of the year	**86,986**	115,096
Uncollectible amounts	**–**	(28,110)
At the end of the year	**86,986**	86,986

Included in the above allowance for doubtful debts of accounts receivable is a provision for individually irrecoverable accounts receivable of $86,986 (2016: $86,986) with carrying amounts before provision of $86,986 (2016: $86,986).

(c) The ageing analysis of accounts receivable that are neither individually nor collectively considered to be irrecoverable are as follows:

	2017	2016
	$	$
Neither past due nor impaired	**1,876,430**	899,253
1-60 days past due	**1,967,083**	2,348,135
61-90 days past due	**101,836**	224,182
91-120 days past due	**21,796**	162,054
Over 120 days past due	**3,574,737**	8,090,322
	7,541,882	11,723,946

Receivables that were neither past due nor irrecoverable relate to a large number of diversified tenants for whom there was no recent history of default.

Receivables that were past due but not irrecoverable related to a number of independent tenants that have a good track record with the Group. Based on past experience, the directors are of the opinion that no allowance for doubtful debts is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17 BANK DEPOSITS WITH ORIGINAL MATURITIES OF MORE THAN THREE MONTHS

The balance represents deposits placed with banks, with original maturities ranging from three months to two years.

As at 31 March 2017, these bank deposits carried interest at the average interest rate of 1.57% (2016: 1.08%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS

(a) The balance represents cash at banks and on hand.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(b) Non-cash transaction

During the year ended 31 March 2017, the Group has recovered receivables of HK$11,139,783 by the reclaim of land from a grantee.

19 ACCRUED CHARGES AND OTHER PAYABLES

	2017 **$**	2016 $
Accrued charges	**386,657,485**	345,510,462
Other payables	**45,701,767**	51,898,573
	432,359,252	397,409,035

Other payables are non-interest-bearing and are normally settled on 30-day terms.

20 DEPOSITS AND RENTAL RECEIVED IN ADVANCE

Deposits received from tenants of $125,406,175 (2016: $104,867,601) are expected to be settled after one year. The remaining balances are expected to be settled within one year.

21 GOVERNMENT LOAN

Government loan is repayable as follows:

	2017 **$**	2016 $
Current		
Amount due within one year	**94,833,551**	95,604,560
Non-current		
Amount due within second year	**96,074,914**	96,830,211
Amount due within third year	**97,332,192**	98,071,574
Amount due within fourth year	**98,605,588**	99,328,852
Amount due within fifth year	**99,895,308**	100,602,248
Amount due after five years	**–**	101,891,968
Amount due over one year	**391,908,002**	496,724,853
	486,741,553	592,329,413

(Expressed in Hong Kong dollars unless otherwise indicated)

21 GOVERNMENT LOAN (CONTINUED)

Government loan was obtained from the Government in 2008 for the construction of the Science Park Phase 2.

Government loan is unsecured and bears interest rate at the "no-gain-no-loss" floating interest rate of the Government of 1.28% (2016: 1.28%) per annum during the year. The loan is repayable to the Government by 15 annual instalments until 2022.

22 MEDIUM TERM NOTES

	2017 **$**	2016 $
Medium term notes ("MTN")	**1,706,426,481**	1,706,290,813

5-year term notes of $855,000,000 and 10-year term notes of $852,000,000 were issued in July 2014 for the construction of the Science Park Phase 3, with direct transaction costs of $935,500.

MTN are guaranteed by the Government and bear interest rate at the fixed interest rate at 2.12% and 3.20% for 5-year term notes and 10-year term notes, respectively, per annum. The 5-year term and 10-year term MTN are repayable on 11 July 2019 and 11 July 2024, respectively.

23 DEFERRED INCOME

The balance mainly represents the value of assets granted by the Government in respect of the set up of the Science Park with the corresponding assets capitalised as property, plant and equipment at the date of grant. Such deferred income is recognised as income in the consolidated statement of comprehensive income to match the charges of depreciation of the relevant assets granted.

24 ISSUED CAPITAL

Authorised, issued and fully paid:	**No. of shares**	**$**
At 1 April 2015, 31 March 2016 and 1 April 2016	5,734,397,594	5,734,397,594
Issuance of new shares	9,476,000,000	9,476,000,000
	15,210,397,594	15,210,397,594

The Corporation was incorporated on 7 May 2001 by vesting of all rights, obligations, assets and liabilities of Provisional Hong Kong Science Park Company Limited, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre Corporation. The Corporation's initial capital of $1,836,397,594 represented the net assets of the three entities vested in the Corporation on that day in accordance with section 17 of the Ordinance. Subsequently, over the prior years, additional 3,898,000,000 ordinary shares of $1 each were issued at par in six lots to the Government for cash.

During the year, additional 9,476,000,000 ordinary shares of $1 each were issued at par to the Government for cash.

At the end of the reporting period, the entire amount of 15,210,397,594 shares of $1 each of the Corporation were registered under The Financial Secretary Incorporated, a corporation solely established under the Financial Secretary Incorporation Ordinance (Chapter 1015 of the Laws of Hong Kong) which is wholly owned by the Government.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 **$**	2016 $
Within one year	**537,498,380**	394,399,415
In the second to fifth years inclusive	**712,086,534**	409,791,940
After five years	**14,725,946**	36,938,648
	1,264,310,860	841,130,003

(b) As lessee

The Group leases certain of its laboratories equipment under operating lease arrangements. Leases for equipment are negotiated for terms of one year.

At 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **$**	2016 $
Within one year	**874,805**	2,387,778

26 COMMITMENTS

At 31 March 2017, the Group had the following capital commitments at the end of the reporting period:

	2017 **$**	2016 $
Contracted, but not provided for:		
– construction of the Science Park	**225,462,805**	331,729,446
– others	**70,436,644**	35,848,682
	295,899,449	367,578,128
Authorised, but not contracted for:		
– construction of the Science Park	**4,628,614,773**	574,661,934
– others	**8,170,406,788**	123,097,604
	12,799,021,561	697,759,538

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS

The Corporation is wholly owned by the Government. Transactions between the Group and Government departments, agencies or Government controlled entities are considered to be related party transactions and identified separately in these financial statements.

(a) In addition to the balances and transactions disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	**2017** **$**	2016 $
The Government:			
Interest expenses on government loan	(i)	**7,593,663**	8,933,564
Financial guarantee received on MTN issued	(ii)	**1,707,000,000**	1,707,000,000
The Government's controlled-entities:			
Rental income	(iii)	**30,984,629**	31,550,545
Management fee and air-conditioning income	(iv)	**12,654,536**	14,225,501
Equipment rental and procurement sales income	(v)	**4,762,043**	9,176,673

Notes:

(i) Interest expenses on the government loan were charged at the 'no-gain-no-loss' floating interest rate of the Government.

(ii) MTN issued were guaranteed by the Government (note 22).

(iii) Rental income from the Government's controlled entities was determined according to terms similar to those offered to the Group's third party tenants.

(iv) Management fee and air-conditioning income from the Government's controlled entities was determined according to terms similar to those offered to the Group's third party tenants.

(v) Equipment rental and procurement sales income from the Government's controlled entities was determined according to terms similar to those offered to the Group's third party tenants.

(b) Outstanding balance with the Government

The Government has agreed to make available a loan facility of up to $1,043,000,000 to the Group to be repaid over 15 annual instalments according to the repayment schedule issued by the Government and bears interest at the Government's 'no-gain-no-loss' interest rate (note 21). The Group has not additionally drawn down any loans during the year (2016: Nil). At 31 March 2017, the outstanding balance of the government loan amounted to $496,724,853 (2016: $592,329,413).

(c) No directors received any remunerations in respect of their services rendered to the Group during the year (2016: Nil).

Details of the remuneration of the five non-directors and highest paid employees, including the CEO of the Corporation are disclosed in note 9 to the financial statements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's exposure to interest rate risk, credit risk and liquidity risk arises in the normal course of its operations. These risks are managed by the Group's financial management policies and practices described below:

(a) Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable-rate government loan. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the above-mentioned financial instruments at the end of the reporting period. The analysis is prepared assuming the amount of variable-rate government loan during the year was the amount for the whole year.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's surplus for the year ended 31 March 2017 would decrease/increase by $4,967,249 (2016: deficit for the year would increase/decrease by $5,923,294).

(b) Credit risk

The Group provided services only to recognised and creditworthy third parties. It is the Group's policy that all tenants who wish to obtain credit are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk of the Group's other financial assets which mainly comprise cash and cash equivalents and bank deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments at the end of the reporting period.

Further quantitative data in respect of the Group's exposure to credit risk arising from land premia receivables and accounts receivable are disclosed in notes 15 and 16, respectively, to the financial statements.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors its liquidity requirements to ensure it maintains a level of cash and cash equivalents deemed adequate by management and adequate utilisation of available loan facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

	2017					
	On demand or less than 3 months	**Within 1 year**	**2 - 5 years**	**Over 5 years**	**Total Undiscounted cash flows**	**Carrying amount**
	$	**$**	**$**	**$**	**$**	**$**
Accrued charges and other payables	**422,535,132**	**9,824,120**	**–**	**–**	**432,359,252**	**432,359,252**
Deposits and rental received in advance	**70,173,732**	**130,649,763**	**120,214,800**	**5,191,375**	**326,229,670**	**326,229,670**
Government loan	**–**	**103,198,223**	**412,792,894**	**–**	**515,991,117**	**486,741,553**
Medium term notes	**–**	**45,390,000**	**991,245,210**	**920,122,654**	**1,956,757,864**	**1,706,426,481**
	492,708,864	**289,062,106**	**1,524,252,904**	**925,314,029**	**3,231,337,903**	**2,951,756,956**

	2016					
	On demand or less than 3 months	Within 1 year	2 - 5 years	Over 5 years	Total Undiscounted cash flows	Carrying amount
	$	$	$	$	$	$
Accrued charges and other payables	387,460,553	9,948,482	–	–	397,409,035	397,409,035
Deposits and rental received in advance	57,427,636	97,603,575	89,918,512	14,949,089	259,898,812	259,898,812
Government loan	–	103,198,223	412,792,894	103,198,223	619,189,340	592,329,413
Medium term notes	–	45,389,994	1,005,448,060	941,485,685	1,992,323,739	1,706,290,813
	444,888,189	256,140,274	1,508,159,466	1,059,632,997	3,268,820,926	2,955,928,073

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its operations and maximise stakeholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or raising additional debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 2016.

The Group monitors capital by the use of funding from the Government. Accordingly, in the opinion of the directors, the presentation of the quantitative capital management analysis of the Group would provide no additional useful information to the users of the financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 CORPORATION-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 $	2016 $
Non-current assets		
Property, plant and equipment	**9,135,623,177**	8,114,174,746
Construction in progress	**280,730,260**	1,403,963,516
Industrial Estates	**254,120,679**	166,370,424
Investment in subsidiaries	**20,000**	20,000
Bank deposits with original maturities of more than three months	**1,829,719,719**	–
Total non-current assets	**11,500,213,835**	9,684,528,686
Current assets		
Amounts due from subsidiaries	**25,880,015**	3,607,831
Land premia receivables	**–**	6,526,807
Accounts receivable, prepayments, deposits and other receivables	**50,483,430**	33,613,936
Bank deposits with original maturities of more than three months	**8,214,355,157**	948,880,856
Cash and cash equivalents	**430,529,702**	91,776,003
Total current assets	**8,721,248,304**	1,084,405,433
Current liabilities		
Accrued charges and other payables	**432,359,252**	397,409,035
Deposits and rental received in advance	**326,229,670**	259,898,812
Government loan	**94,833,551**	95,604,560
Total current liabilities	**853,422,473**	752,912,407
Net current assets	**7,867,825,831**	331,493,026
Total assets less current liabilities	**19,368,039,666**	10,016,021,712
Non-current liabilities		
Deferred income	**1,947,697,249**	2,014,006,206
Government loan	**391,908,002**	496,724,853
Interest-bearing borrowings	**1,706,426,481**	1,706,290,813
Total non-current liabilities	**4,046,031,732**	4,217,021,872
NET ASSETS	**15,322,007,934**	5,798,999,840
EQUITY		
Issued capital	**15,210,397,594**	5,734,397,594
Accumulated surplus	**111,610,340**	64,602,246
TOTAL EQUITY	**15,322,007,934**	5,798,999,840

(Expressed in Hong Kong dollars unless otherwise indicated)

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

HKFRS 9, Financial instruments

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

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"). For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 9, Financial instruments (continued)

(a) Classification and measurement (continued)

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

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for unquoted available-for-sale equity investments is to recognise in the statement of financial position at cost less impairment losses in accordance with the Group's policy set out in note 2.4(c). This change in policy will have impact on the Group's net assets, total comprehensive income and profit.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 LIST OF SUBSIDIARIES

At 31 March 2017, the particulars of the Corporation's subsidiaries are as follows:

Subsidiary	Place of incorporation and operations	Particulars of issued and paid up capital	Group's effective interest	Principal activity
STP Assets Holding Limited	Hong Kong	$10,000	100%	Investment holding
STP Corporate Venture Limited	Hong Kong	$10,000	100%	Investment holding
CVF ONE Limited	Hong Kong	$1,000	100%	Investment holding
CVF TWO Limited	Hong Kong	$1,000	100%	Investment holding
CVF THREE Limited	Hong Kong	$1,000	100%	Investment holding
CVF FOUR Limited	Hong Kong	$1,000	100%	Investment holding
CVF FIVE Limited	Hong Kong	$1,000	100%	Inactive
CVF SIX Limited	Hong Kong	$1,000	100%	Inactive

32 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 August 2017.