

## Trustee's Report

### on the Administration of the Education Scholarships Fund

#### for the year ended 31 August 2015

The Permanent Secretary for Education, Trustee of the Education Scholarships Fund, has pleasure in presenting this report and the statement of the accounts of the Fund for the year ended 31 August 2015.

2. During the year, net current assets of the Fund increased by \$13,557 and stood at \$6,337,233 as at 31 August 2015. Of this figure, \$6,250,000 (99%) was in fixed deposits.
3. Income from deposits, amounting to \$81,607, represented an increase of 3% as compared with \$79,547 for last year. The increase in income was attributed to relatively higher interest rates during the year. The table below summarizes the income from deposits covering the scholarships referred to in Parts I & II and Part III of the Register for these two years : -

Source	Register	Income	
		Year ended 31 August 2015	Year ended 31 August 2014
Deposits	Parts I & II	HK\$ 43,670	HK\$ 42,795
	Part III	<u>37,937</u>	<u>36,752</u>
	Total :	<u>81,607</u>	<u>79,547</u>

4. As at 31 August 2015, the total number of scholarships under the Fund's administration stood at 181 (169 in Parts I & II of the Register and 12 in Part III of the Register).

5. During the year, 34 awards amounting to \$21,570 were given to students under Parts I & II and 50 awards amounting to \$46,480 were given under Part III of the Register.

6. The financial statements for the year ended 31 August 2015 have been audited by the Director of Audit.



(Mrs LAI CHAN Chi Kuen, Marion)  
Permanent Secretary for Education,  
Trustee of the Education Scholarships Fund

Date : 5 JANUARY 2016



# Education Scholarships Fund

Financial Statements for the year ended 31 August 2015

# *Report of the Director of Audit*



**Audit Commission**

**The Government of the Hong Kong Special Administrative Region**

## **Independent Audit Report**

### **To the Legislative Council**

I certify that I have audited the financial statements of the Education Scholarships Fund set out on pages 3 to 11, which comprise the balance sheet as at 31 August 2015, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Permanent Secretary for Education's Responsibility for the Financial Statements**

The Permanent Secretary for Education is responsible for the preparation of financial statements that give a true and fair view in accordance with section 9(4) of the Education Scholarships Fund Ordinance (Cap. 1085) and Hong Kong Financial Reporting Standards, and for such internal control as the Permanent Secretary for Education determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with section 9(5) of the Education Scholarships Fund Ordinance and the Audit Commission auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Permanent Secretary for Education, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Education Scholarships Fund as at 31 August 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 9(4) of the Education Scholarships Fund Ordinance.



TEO Wing-on  
Principal Auditor  
for Director of Audit

5 January 2016

Audit Commission  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

**EDUCATION SCHOLARSHIPS FUND**  
**BALANCE SHEET AS AT 31 AUGUST 2015**

		2015		2014	
	Note	Parts I & II	Part III	Total	Total
		HK\$	HK\$	HK\$	HK\$
<b>Current Assets</b>					
Bank interest receivable		28,470	24,646	53,116	51,494
Fixed deposits		3,350,004	2,899,996	6,250,000	6,200,000
Cash and cash equivalents	3	<u>10,246</u>	<u>23,871</u>	<u>34,117</u>	<u>72,182</u>
<b>Net Current Assets</b>		<u><u>3,388,720</u></u>	<u><u>2,948,513</u></u>	<u><u>6,337,233</u></u>	<u><u>6,323,676</u></u>
<b>Capital and Reserves</b>					
General Capital	5	3,317,673	-	3,317,673	3,317,673
Separate Capital	6	-	2,516,004	2,516,004	2,516,004
General Reserve Fund	7	71,047	-	71,047	48,947
Separate Reserve Fund	8	<u>-</u>	<u>432,509</u>	<u>432,509</u>	<u>441,052</u>
		<u><u>3,388,720</u></u>	<u><u>2,948,513</u></u>	<u><u>6,337,233</u></u>	<u><u>6,323,676</u></u>

The accompanying notes 1 to 11 form part of these financial statements.



(Mrs LAI CHAN Chi Kuen, Marion)  
Permanent Secretary for Education  
Trustee,



(Ms Rhoda CHAN)  
Treasurer,

Education Scholarships Fund

Date : 5 JANUARY 2016

**EDUCATION SCHOLARSHIPS FUND  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2015**

	2015			2014
	Parts I & II	Part III	Total	Total
	HK\$	HK\$	HK\$	HK\$
<b>Income</b>				
Interest	43,670	37,937	81,607	79,547
<b>Expenditure</b>				
Payment of awards	<u>(21,570)</u>	<u>(46,480)</u>	<u>(68,050)</u>	<u>(252,070)</u>
<b>Surplus / (Deficit) for the year</b>	22,100	(8,543)	13,557	(172,523)
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the year</b>	<u>22,100</u>	<u>(8,543)</u>	<u>13,557</u>	<u>(172,523)</u>

The accompanying notes 1 to 11 form part of these financial statements.

**EDUCATION SCHOLARSHIPS FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2015**

	<b>General Capital HK\$</b>	<b>Separate Capital HK\$</b>	<b>General Reserve Fund HK\$</b>	<b>Separate Reserve Fund HK\$</b>	<b>Total HK\$</b>
Balance at 1 September 2013	3,317,673	2,516,004	205,232	457,290	6,496,199
Total comprehensive loss for 2013-14	-	-	(156,285)	(16,238)	(172,523)
Balance at 31 August 2014	3,317,673	2,516,004	48,947	441,052	6,323,676
Total comprehensive income / (loss) for 2014-15	-	-	22,100	(8,543)	13,557
Balance at 31 August 2015	<u>3,317,673</u>	<u>2,516,004</u>	<u>71,047</u>	<u>432,509</u>	<u>6,337,233</u>

The accompanying notes 1 to 11 form part of these financial statements.



**EDUCATION SCHOLARSHIPS FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 AUGUST 2015**

	Note	2015			2014
		Parts I & II	Part III	Total	Total
		HK\$	HK\$	HK\$	HK\$
<b>Cash flows from operating activities</b>					
Surplus / (Deficit) for the year		22,100	(8,543)	13,557	(172,523)
Interest		(43,670)	(37,937)	(81,607)	(79,547)
Decrease in accounts payable		-	-	-	(2,000)
<b>Net cash used in operating activities</b>		<u>(21,570)</u>	<u>(46,480)</u>	<u>(68,050)</u>	<u>(254,070)</u>
<b>Cash flows from investing activities</b>					
Net (increase) / decrease in bank deposits with original maturity over 3 months		(41,975)	(8,025)	(50,000)	200,000
Interest received		42,675	37,310	79,985	61,280
<b>Net cash from investing activities</b>		<u>700</u>	<u>29,285</u>	<u>29,985</u>	<u>261,280</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		(20,870)	(17,195)	(38,065)	7,210
<b>Cash and cash equivalents at beginning of year</b>		31,116	41,066	72,182	64,972
<b>Cash and cash equivalents at end of year</b>	3	<u>10,246</u>	<u>23,871</u>	<u>34,117</u>	<u>72,182</u>

The accompanying notes 1 to 11 form part of these financial statements.

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. General**

The Education Scholarships Fund (the Fund) was established for the payment of scholarships in accordance with section 4 of the Education Scholarships Fund Ordinance (Cap. 1085). The Fund consists of three parts:

- (a) Part I refers to 29 scholarships which were donated before the vesting day (1 April 1956) in respect of which the amounts donated and the conditions of award as laid down by the donors are unknown.
- (b) Part II refers to:
  - (i) 16 scholarships which were donated before the vesting day and one scholarship which was donated after the vesting day, of which the amounts donated and the conditions of award as laid down by the donors are known; and
  - (ii) 123 scholarships transferred from Part III since 1 September 1990.
- (c) Part III refers to the Fung Ping Shan Scholarship and eleven scholarships which were donated after the vesting day.

The address of the Fund's principal place of business is 12<sup>th</sup> Floor Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

**2. Significant Accounting Policies**

(a) Statement of compliance

The financial statements have been prepared in accordance with section 9(4) of the Education Scholarships Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

(b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

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reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the 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.

There are no critical accounting judgments involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Adoption of new/revised HKFRSs

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

(d) Revenue recognition

Interest income is recognised as it accrues using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset.

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

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(e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at banks, deposits with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

**3. Cash and Cash Equivalents**

	2015			2014
	Parts I & II HK\$	Part III HK\$	Total HK\$	Total HK\$
Cash at banks	<u>10,246</u>	<u>23,871</u>	<u>34,117</u>	<u>72,182</u>

**4. Financial Risk Management**

The Fund's major financial instruments include the bank deposits and the interest receivable. The major risks associated with these financial instruments are set out below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund's maximum exposure to credit risk as at the balance sheet date in relation to the financial assets is the carrying amount of the assets as stated in the balance sheet. The Fund limits its exposure to credit risk arising from the bank deposits and the interest receivable by transacting with reputable licensed banks in Hong Kong.

(b) Market risk

The Fund is exposed to market risk due to changes in interest rates. Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since all the Fund's time deposits with

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

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banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and equity.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to material cash flow interest rate risk because interest income from financial instruments bearing interest at a floating rate is not significant.

(c) **Liquidity risk**

In the management of liquidity risk, the Fund maintains the level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effects of fluctuations in cash flows.

**5. General Capital**

General Capital is the moneys and assets from which the income is available for payment of the scholarships under Parts I and II.

**6. Separate Capital**

Separate Capital is the moneys and assets from which the income is available for payment of the scholarships under Part III.

**7. General Reserve Fund**

General Reserve Fund is for scholarships under Parts I and II.

**8. Separate Reserve Fund**

Separate Reserve Fund is for scholarships under Part III.

**9. Capital Management**

The capital structure of the Fund consists of the General Capital, the Separate Capital, the

**EDUCATION SCHOLARSHIPS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

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General Reserve Fund and the Separate Reserve Fund. The Fund's objectives when managing capital are:

- (a) to comply with the Education Scholarships Fund Ordinance; and
- (b) to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

The Fund manages capital to ensure that its level is sufficient to fund future awards, taking into account its projected cash flow requirements, future financial obligations and commitments.

**10. Cost of Administration**

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 21 of the Education Scholarships Fund Ordinance.

**11. Fair Values of Financial Assets and Liabilities**

All financial assets and liabilities are stated in the balance sheet at amounts equal to or not materially different from their fair values.