

CHINESE TEMPLES COMMITTEE

Report on the administration of the General Chinese Charities Fund for the year ended 31 March 2016

The General Chinese Charities Fund (the Fund), managed by the Chinese Temples Committee (the Committee), was established under Section 9 of the Chinese Temples Ordinance (Cap. 153). The Fund may, at the discretion of the Committee, be applied -


- (a) for payment of the necessary staff and the other administrative expenses incurred by the Committee in the exercise of its powers under the Chinese Temples Ordinance; and
- (b) for the purposes of any Chinese charity in Hong Kong.

2. The Fund is administered by the Committee. A membership list for the year under review is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretarial and accounting work of the Fund. The Director of Audit is the auditor of the Fund's account.

3. In 2015-16, the investment income of the Fund is HK\$5.53 million and the total expenditure is HK\$22.81 million. The total staff cost and administrative expenditure incurred by the Fund amounted to HK\$17.61 million with the rest of the expenditure deployed for charity use.

4. During the period under report, a total of HK\$0.14 million was applied to support various charitable projects and for grants through District Officers for needy families/individuals.

5. The audited Financial Statements of the Fund for the year ended 31 March 2016 is at Appendix II.


(Lau Kong-wah)
Secretary for Home Affairs
Chairman
Chinese Temples Committee

13 December 2016

**Membership of the Chinese Temples Committee
(1.4.2015-31.3.2016)**

1. Secretary for Home Affairs (Chairman)
Mr TSANG Tak-sing, GBS, JP (up to 20.7.2015)
Mr LAU Kong-wah, JP (as from 21.7.2015)
2. The Chairman of the Board of Directors
of Tung Wah Group of Hospitals
(Ms Maisy HO)
3. Ms TONG Kei-yuk, Judy
4. Mr KWOK Ngok-chung, Dick
5. Mr IP Cheung-ching
6. Mr LO Wai-kon
7. Mr MA Ching-yuk, SBS, JP (up to 31.7.2015)
Mr WONG Luen-cheung, Andrew, MH (as from 1.8.2015)
8. Mr YEUNG Chun-tong (up to 19.11.2015)
Dr LEE Ka-cheung (as from 7.12.2015)



General Chinese Charities Fund

Financial statements for the year ended 31 March 2016

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 General Chinese Charities Fund set out on pages 3 to 14, which comprise the balance sheet as at 31 March 2016, and the income and expenditure account, statement of comprehensive income, 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.

Secretary for Home Affairs' Responsibility for the Financial Statements

The Secretary for Home Affairs is responsible for the preparation of financial statements that give a true and fair view in accordance with direction 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B) and Hong Kong Financial Reporting Standards, and for such internal control as the Secretary for Home Affairs 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 direction 9(2) of the General Chinese Charities Fund Directions 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 Secretary for Home Affairs, 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 General Chinese Charities Fund as at 31 March 2016, 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 direction 9(1) of the General Chinese Charities Fund Directions.


TEO Wing-on
Principal Auditor
for Director of Audit

13 December 2016

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

GENERAL CHINESE CHARITIES FUND

BALANCE SHEET AS AT 31 MARCH 2016

	Note	2016 HK\$	2015 HK\$
NON-CURRENT ASSETS			
Available-for-sale financial assets	3	111,208,382	133,210,887
		-----	-----
CURRENT ASSETS			
Accounts receivable	4	1,055,121	846,165
Prepayments		8,459	5,136
Cash and cash equivalents	5	36,021,801	28,224,492
		-----	-----
		37,085,381	29,075,793
		-----	-----
CURRENT LIABILITIES			
Provision for staff gratuity	6	(1,198,962)	(872,389)
Provision for untaken leave		(196,451)	(140,361)
Accounts payable and accrued charges	7	(729,606)	(994,981)
		-----	-----
		(2,125,019)	(2,007,731)
		-----	-----
NET CURRENT ASSETS		34,960,362	27,068,062
		-----	-----
		146,168,744	160,278,949
		=====	=====
ACCUMULATED FUND			
Accumulated surplus		131,598,380	123,706,080
Investment revaluation reserve		14,570,364	36,572,869
		-----	-----
		146,168,744	160,278,949
		=====	=====

The accompanying notes 1 to 12 form part of these financial statements.



(Lau Kong-wah)
Secretary for Home Affairs
Chairman
Chinese Temples Committee
13 December 2016

GENERAL CHINESE CHARITIES FUND

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 HK\$	2015 HK\$
INCOME			
Dividends		5,381,287	5,284,529
Interest		150,699	237,092
Transfer from Chinese Temples Fund		25,132,098	23,729,442
Transfer from Board of Management of the Chinese Permanent Cemeteries		38,200	-
Cancellation of grant of previous years		-	235,800
Other income		420	1,992
		<hr/>	<hr/>
		30,702,704	29,488,855
EXPENDITURE			
Transfer to Tung Wah Group of Hospitals		(5,132,098)	(3,729,442)
Grants	8	(69,161)	(195,518)
Staff costs		(14,538,633)	(12,117,753)
Rental and related charges		(2,109,199)	(2,092,904)
Other operating expenses		(960,787)	(1,082,418)
Exchange losses		(526)	(508)
		<hr/>	<hr/>
		(22,810,404)	(19,218,543)
SURPLUS FOR THE YEAR			
		<hr/>	<hr/>
		7,892,300	10,270,312
		=====	=====

The accompanying notes 1 to 12 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	2016 HK\$	2015 HK\$
SURPLUS FOR THE YEAR	7,892,300	10,270,312
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to surplus or deficit :		
Available-for-sale financial assets		
Fair value changes on revaluation	(22,002,505)	10,783,907
	<hr/>	<hr/>
TOTAL COMPREHENSIVE (LOSS) / INCOME		
FOR THE YEAR	(14,110,205)	21,054,219
	=====	=====

The accompanying notes 1 to 12 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Accumulated Surplus HK\$	Investment Revaluation Reserve HK\$	Total HK\$
Balance at 1 April 2014	113,435,768	25,788,962	139,224,730
Total comprehensive income for 2014-15	10,270,312	10,783,907	21,054,219
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2015	123,706,080	36,572,869	160,278,949
Total comprehensive loss for 2015-16	7,892,300	(22,002,505)	(14,110,205)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	131,598,380	14,570,364	146,168,744
	=====	=====	=====

The accompanying notes 1 to 12 form part of these financial statements.

**GENERAL CHINESE CHARITIES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 HK\$	2015 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		7,892,300	10,270,312
Adjustments for :			
Dividends		(5,381,287)	(5,284,529)
Interest		(150,699)	(237,092)
Exchange losses		526	508
Transfer from Chinese Temples Fund		(5,132,098)	(3,729,442)
Transfer to Tung Wah Group of Hospitals		5,132,098	3,729,442
(Increase) / Decrease in accounts receivable		(161,983)	309,929
(Increase) / Decrease in prepayments		(3,323)	8,369
Increase / (Decrease) in provision for staff gratuity		326,573	(1,689,856)
Increase / (Decrease) in provision for untaken leave		56,090	(161,294)
Decrease in accounts payable and accrued charges		(265,375)	(1,527,804)
NET CASH FROM OPERATING ACTIVITIES		<u>2,312,822</u>	<u>1,688,543</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		5,338,890	5,242,375
Interest received		145,597	239,758
NET CASH FROM INVESTING ACTIVITIES		<u>5,484,487</u>	<u>5,482,133</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,797,309	7,170,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		28,224,492	21,053,816
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	<u><u>36,021,801</u></u>	<u><u>28,224,492</u></u>

The accompanying notes 1 to 12 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The General Chinese Charities Fund (the Fund) was established under section 8 of the Chinese Temples Ordinance (Cap. 153) and may in the discretion of the Chinese Temples Committee (the Committee) be applied:

- (a) to the pay of the necessary staff and the other expenses incurred by the Committee in the exercise of its powers; and
- (b) for the purposes of any Chinese charity in Hong Kong,

in accordance with section 9(1) of the Chinese Temples Ordinance.

The address of the Fund's principal place of business is 34th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with direction 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B) 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 except that available-for-sale financial assets are stated at fair value as explained in the accounting policy set out in note 2(d) below.

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 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 judgements 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 judgements 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 result of operations and financial position.

(d) Available-for-sale financial assets

The Fund's available-for-sale financial assets are classified as non-current assets unless the Committee intends to dispose of the investments within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date on which the Fund is committed to the transactions. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At each balance sheet date, the fair value is re-measured and any unrealised holding gain or loss arising from the change in fair value is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve.

When available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying amount, as well as the accumulated fair value adjustments released from the investment revaluation reserve to the income and expenditure account.

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

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure account – is removed from the investment revaluation reserve and recognised in the income and expenditure account. Such impairment losses are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses for debt securities are recognised in the income and expenditure account. Reversals of impairment losses for equity securities are recognised directly in other comprehensive income.

(e) Foreign currency translation

Hong Kong dollar is the currency of the primary economic environment in which the Fund operates. Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income and expenditure account.

(f) Revenue recognition

Interest income is recognised on an accrual basis 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.

Dividend income is recognised when the Fund's right to receive payment is established.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits 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. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK\$	2015 HK\$
Fair value of equity securities at end of year		
Listed in Hong Kong	111,208,382 =====	133,210,887 =====

4. ACCOUNTS RECEIVABLE

	2016 HK\$	2015 HK\$
Interest	10,811	5,710
Dividends	880,447	838,575
Others	163,863	1,880
	<hr/> 1,055,121 =====	<hr/> 846,165 =====

5. CASH AND CASH EQUIVALENTS

	2016 HK\$	2015 HK\$
Time deposits with original maturity within three months	25,816,549	17,671,611
Cash with government departments	3,526,760	4,096,725
Cash at banks	6,678,492	6,451,156
Cash on hand	-	5,000
	<hr/> 36,021,801 <hr/>	<hr/> 28,224,492 <hr/>

6. PROVISION FOR STAFF GRATUITY

	2016 HK\$	2015 HK\$
Balance at beginning of year	872,389	2,562,245
Provision for the year	876,402	170,036
Payments during the year	(549,829)	(1,859,892)
	<hr/> 1,198,962 <hr/>	<hr/> 872,389 <hr/>

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2016 HK\$	2015 HK\$
Staff costs	81,165	92,123
Accrued rental and related charges	23,884	22,988
Grants	534,168	790,859
Other operating expenses	90,389	89,011
	<hr/> 729,606 <hr/>	<hr/> 994,981 <hr/>

8. GRANTS

	2016 HK\$	2015 HK\$
Recurrent grants	142,000	236,700
Charity programmes (including write back of provision)	(72,839)	(41,182)
	<hr/> 69,161 <hr/> <hr/>	<hr/> 195,518 <hr/> <hr/>

9. FINANCIAL RISK MANAGEMENT

- (a) The Fund's major financial instruments are available-for-sale financial assets, accounts receivable and bank deposits. The major risks associated with these financial instruments are set out below.

(i) 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 each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

To minimise the credit risk arising from bank deposits, they are placed with reputable licensed banks in Hong Kong. For other receivables, the Fund considers that adequate provision has been made, where necessary, for amounts which are expected to be irrecoverable at the balance sheet date.

(ii) Market risk

(1) Equity price risk

To manage the risk due to fluctuation in equity prices, the Committee regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund. It is estimated that, as at the balance sheet date, if the market prices of the respective equity securities had been 14% (2015: 14%) higher/lower, the balance of the Fund's investment revaluation reserve would have increased/decreased by about HK\$16,000,000 (2015: HK\$19,000,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the balance sheet date and on the assumption that all other variables were held constant.

(2) Interest rate risk

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 the Fund's deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are 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 the interest income from the financial instruments bearing interest at a floating rate is not significant.

(iii) Liquidity risk

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

(b) Fair value hierarchy of financial instruments

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement.

	2016		2015	
	Level 1 HK\$	Total HK\$	Level 1 HK\$	Total HK\$
Assets				
Available-for-sale equity securities				
- Listed	111,208,382	111,208,382	133,210,887	133,210,887
	=====	=====	=====	=====

No financial instruments were classified under Level 2 and Level 3.

The three levels of the fair value hierarchy are :

Level 1: fair value measured using only unadjusted quoted prices in active markets for identical financial instruments at the measurement date;

Level 2: fair value measured using observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

Level 3: fair value measured using significant unobservable inputs.

10. CAPITAL MANAGEMENT

The capital structure of the Fund consists of accumulated surplus and investment revaluation reserve. The Fund's objectives when managing capital are:

- (a) to comply with section 9(1) of the Chinese Temples Ordinance; and
- (b) to maintain a strong capital base for the purposes of any Chinese charity in Hong Kong.

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

11. COMMITMENTS

(a) Financial commitments

As at 31 March 2016, the financial commitments of the Fund were HK\$2,204,593 (2015: HK\$477,301) for sponsorship for various charity programmes.

(b) Lease commitments

As at 31 March 2016, the total future minimum lease payments under non-cancellable operating leases of premises were payable as follows:

	2016 HK\$	2015 HK\$
Not later than one year	1,157,978	1,985,107
In the second to fifth year inclusive	-	1,157,978
	<hr/>	<hr/>
	1,157,978	3,143,085
	<hr/>	<hr/>

12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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