

SIR ROBERT BLACK TRUST FUND

Report of the Trustee on the Administration of the Fund for the year ended 31 March 2020

The Sir Robert Black Trust Fund (the Fund) was established in 1961 under the Sir Robert Black Trust Fund Ordinance (Cap. 1101) to commemorate the governorship of Sir Robert Black, G.C.M.G., O.B.E. The objective of the Fund is to provide grants to persons for the furtherance of studies, activities or training so as to develop qualities of personal leadership in the service of all members of the community.

2. The Fund is managed by the Sir Robert Black Trust Fund Committee constituted under Section 5 of the Sir Robert Black Trust Fund Ordinance. The membership list of the Committee for the year under report is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretariat and accounting work of the Fund. The Director of Audit is the auditor of the Fund's accounts.

3. During the reporting period, the total income of the Fund was HK\$3.14 million and the total expenditure was HK\$14.45 million. The Fund recorded a deficit of HK\$11.31 million for 2019-20. As at 31 March 2020, the capital of the Fund was HK\$31.42 million and the accumulated surplus was HK\$36.72 million. The audited Financial Statements of the Fund for the year ended 31 March 2020 is at Appendix II.

4. The Fund awards scholarships for postgraduate studies, grants for youth leadership training, grants for students of Diploma Yi Jin and for talented students to pursue training in non-academic fields. In 2019-20, a total of HK\$2.85 million was disbursed for scholarships and grants as follows:-

	<u>No. of Awards</u>	<u>HK\$</u>
(a) Scholarships for Postgraduate Studies	8	600,000
(b) Grants for Youth Leadership Training	13	695,200
(c) Grants for Students of Diploma Yi Jin	64	358,400
(d) Grants for Talented Students in Non-academic Fields	368	1,196,959
		<hr/> <u>2,850,559</u>



Caspar Ying-wai TSUI
Secretary for Home Affairs Incorporated
Trustee
Sir Robert Black Trust Fund

26 June 2020

SIR ROBERT BLACK TRUST FUND

**Membership of the Sir Robert Black Trust Fund Committee
(1.4.2019–31.3.2020)**

Secretary for Home Affairs	Chairman, Ex-officio
Permanent Secretary for Education	Vice-Chairman, Ex-officio
Director of Social Welfare	Ex-officio
Ms LEUNG Heung-ying, Sabrina	Member
Mr WONG Chiu-ming, Alan	Member
Ms NIE Jing	Member



Sir Robert Black Trust Fund

Financial statements for the year ended 31 March 2020

Report of the Director of Audit



Audit Commission

The Government of the Hong Kong Special Administrative Region

Independent Auditor's Report To the Legislative Council

Opinion

I certify that I have audited the financial statements of the Sir Robert Black Trust Fund set out on pages 4 to 16, which comprise the balance sheet as at 31 March 2020, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the Sir Robert Black Trust Fund as at 31 March 2020, and of its financial performance and 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") and have been properly prepared in accordance with section 10(1) of the Sir Robert Black Trust Fund Ordinance (Cap. 1101).

Basis for opinion

I conducted my audit in accordance with section 10(2) of the Sir Robert Black Trust Fund Ordinance and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Sir Robert Black Trust Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Secretary for Home Affairs Incorporated for the financial statements

The Secretary for Home Affairs Incorporated is responsible for the preparation of the

financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and section 10(1) of the Sir Robert Black Trust Fund Ordinance, and for such internal control as the Secretary for Home Affairs Incorporated determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary for Home Affairs Incorporated is responsible for assessing the Sir Robert Black Trust Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards 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 financial statements.

As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the 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 my 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;
- 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 Sir Robert Black Trust Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Home Affairs Incorporated;
- conclude on the appropriateness of the Secretary for Home Affairs Incorporated's

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 Sir Robert Black Trust Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Sir Robert Black Trust Fund to cease to continue as a going concern; and

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



S. M. CHOI
Principal Auditor
for Director of Audit

26 June 2020

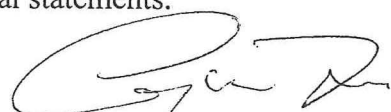
Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

SIR ROBERT BLACK TRUST FUND

BALANCE SHEET AS AT 31 MARCH 2020

	Note	2020 HK\$	2019 HK\$
NON-CURRENT ASSETS			
Financial assets measured at fair value through income and expenditure account	3	46,629,822	57,285,147
CURRENT ASSETS			
Accounts receivable		173,165	232,856
Cash and cash equivalents	4	23,938,902	24,536,807
		24,112,067	24,769,663
CURRENT LIABILITIES			
Provision for staff gratuity	5	(62,590)	(65,832)
Provision for untaken leave		(10,752)	(9,305)
Accounts payable		(2,512,077)	(2,529,037)
		(2,585,419)	(2,604,174)
NET CURRENT ASSETS		21,526,648	22,165,489
NON-CURRENT LIABILITIES			
Provision for staff gratuity	5	(16,782)	-
NET ASSETS		68,139,688	79,450,636
ACCUMULATED FUND			
Capital		31,418,877	31,418,877
Accumulated surplus		36,720,811	48,031,759
		68,139,688	79,450,636

The accompanying notes 1 to 9 form part of these financial statements.



(Caspar Ying-wai TSUI)
Secretary for Home Affairs Incorporated
Trustee
Sir Robert Black Trust Fund

26 June 2020

SIR ROBERT BLACK TRUST FUND

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
INCOME			
Dividends		2,001,382	3,034,923
Interest	6	440,048	346,187
Refund of grants		-	168,292
Other income		694,584	494,638
		3,136,014	4,044,040
EXPENDITURE			
Scholarship awards		(600,000)	(410,000)
Training grants		(1,892,159)	(2,086,062)
Grants for students of Yi Jin Diploma		(358,400)	(369,600)
Net revaluation losses on financial assets measured at fair value through income and expenditure account		(10,301,992)	(3,182,242)
Losses on disposal of financial assets measured at fair value through income and expenditure account		(342,308)	-
Staff costs	5	(908,835)	(848,357)
Exchange losses		(25)	(26)
Other operating expenses		(43,243)	(43,443)
		(14,446,962)	(6,939,730)
DEFICIT FOR THE YEAR		(11,310,948)	(2,895,690)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(11,310,948)	(2,895,690)

The accompanying notes 1 to 9 form part of these financial statements.

SIR ROBERT BLACK TRUST FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Capital HK\$	Accumulated Surplus HK\$	Total HK\$
Balance at 1 April 2018	31,418,877	50,927,449	82,346,326
Total comprehensive loss for 2018-19	-	(2,895,690)	(2,895,690)
Balance at 31 March 2019	<u>31,418,877</u>	<u>48,031,759</u>	<u>79,450,636</u>
Total comprehensive loss for 2019-20	-	(11,310,948)	(11,310,948)
Balance at 31 March 2020	<u>31,418,877</u> =====	<u>36,720,811</u> =====	<u>68,139,688</u> =====

The accompanying notes 1 to 9 form part of these financial statements.

SIR ROBERT BLACK TRUST FUND**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(11,310,948)	(2,895,690)
Adjustments for:			
Dividend income		(2,001,382)	(3,034,923)
Interest income		(440,048)	(346,187)
Net revaluation losses on financial assets measured at fair value through income and expenditure account		10,301,992	3,182,242
Losses on disposal of financial assets measured at fair value through income and expenditure account		342,308	-
Exchange losses		25	26
(Increase)/Decrease in accounts receivable		(2,867)	2,073
Increase/(Decrease) in provision for staff gratuity		13,540	(16,606)
Increase in provision for untaken leave		1,447	4,006
(Decrease)/Increase in accounts payable		(16,960)	124,719
NET CASH USED IN OPERATING ACTIVITIES		<u>(3,112,893)</u>	<u>(2,980,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets measured at fair value through income and expenditure account		(1,617,708)	-
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		1,628,733	-
Dividends received		2,074,701	2,948,909
Interest received		429,262	296,453
NET CASH FROM INVESTING ACTIVITIES		<u>2,514,988</u>	<u>3,245,362</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(597,905)	265,022
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,536,807	24,271,785
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	<u>23,938,902</u>	<u>24,536,807</u>

The accompanying notes 1 to 9 form part of these financial statements.

SIR ROBERT BLACK TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Sir Robert Black Trust Fund (the Fund) provides grants to persons for the furtherance of studies, activities or training so as to develop qualities of personal leadership in the service of all members of the community under section 4 of the Sir Robert Black Trust Fund Ordinance (Cap. 1101).

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 section 10(1) of the Sir Robert Black Trust Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

(b) Basis of preparation of the financial statements

The financial statements have been prepared on an accrual basis and under the historical cost convention except that investments in equity securities are stated at fair value as explained in the accounting policies 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 reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Impact of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs which are effective for the current accounting period. There have been no changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

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) Financial assets and financial liabilities

(i) Initial recognition

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contractual provisions of the financial instrument. They are initially stated at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities except for those financial instruments measured at fair value through income and expenditure account for which transaction costs are recognised directly in the income and expenditure account. For an explanation of how the Fund determines fair value of financial instruments, see note 8. Purchases and sales of investments are recognised using trade date accounting.

(ii) Categorisation and subsequent measurement

Financial instruments measured at fair value through income and expenditure account

These comprise equity securities. They are held within a business model in which they are managed and their performance is evaluated on a fair value basis. They are subsequently measured at fair value. Changes in fair value are recognised in the income and expenditure account.

The Fund's financial assets measured at fair value through income and expenditure account are classified as non-current assets unless the Sir Robert Black Trust Fund Committee (the Committee) intends to dispose of the investments within 12 months of the reporting date.

Financial assets measured at amortised cost

These comprise cash and cash equivalents and accounts receivable. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. They are subsequently measured at amortised cost, net of loss allowance, if any (note 2(d)(iv)).

Financial liabilities measured at amortised cost

These comprise accounts payable. They are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

(iv) Impairment of financial assets

For cash and cash equivalents and accounts receivable, the Fund measures the expected credit losses to determine the loss allowance required to be recognised. Financial assets measured at fair value through income and expenditure account are not subject to the expected credit loss assessment.

Expected credit losses are a probability-weighted estimate of credit losses. They are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. They are measured on either of the following bases:

- 12-month expected credit losses for financial instruments for which there has not been a significant increase in credit risk since initial recognition: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime expected credit losses for financial instruments for which there has been a significant increase in credit risk since initial recognition: these are losses that are expected to result from all possible default events over the expected life of the financial instrument.

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

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(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 reporting date. Exchange gains and losses are dealt with in the income and expenditure account.

(f) Revenue recognition

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised when the Fund's right to receive payment is established.

(g) Awards and grants

Scholarship awards, training grants and other grants are recognised as expenditure when they are approved by the Committee.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at banks and deposits with banks with original maturities of three months or less from the date of placement.

3. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME AND EXPENDITURE ACCOUNT

	2020 HK\$	2019 HK\$
Equity securities listed in Hong Kong, at fair value	46,629,822	57,285,147
	=====	=====

4. CASH AND CASH EQUIVALENTS

	2020 HK\$	2019 HK\$
Time deposits with original maturities within three months	19,122,303	20,061,914
Cash at banks	4,816,599	4,474,893
	-----	-----
	23,938,902	24,536,807
	=====	=====

5. PROVISION FOR STAFF GRATUITY

	2020 HK\$	2019 HK\$
Balance at beginning of year	65,832	82,438
Provision for the year	59,690	51,039
Payment for the year	(28,016)	(55,067)
Provision written back	(18,134)	(12,578)
	<hr/>	<hr/>
Balance at end of year	79,372	65,832
	<hr/> <hr/>	<hr/> <hr/>
Classified as:		
Current liabilities	62,590	65,832
Non-current liabilities	16,782	-
	<hr/>	<hr/>
	79,372	65,832
	<hr/> <hr/>	<hr/> <hr/>

The Fund's staff costs represent its share of costs of staff employed by the Trust Funds and Temples Joint Secretariat, which provides executive support to the Fund.

6. INTEREST

	2020 HK\$	2019 HK\$
Interest on bank deposits	440,048	346,187
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7. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments are financial assets measured at fair value through income and expenditure account and cash and cash equivalents. 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 maximum exposure to credit risk at the reporting 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 risks arising from cash and cash equivalents, all time deposits and bank balances are placed with reputable licensed banks in Hong Kong. Hence, the credit risk associated with cash and cash equivalents is considered to be low. As such, the credit risk on these financial instruments is assessed as not having increased significantly since initial recognition and the Fund determines the loss allowance required to be recognised based on 12-month expected credit losses. The Fund has estimated that 12-month expected credit losses on these financial instruments are immaterial and considers that no loss allowance is required.

The credit quality of cash and cash equivalents, analysed by the ratings designated by Moody's, at the reporting date is shown below:

	2020	2019
	HK\$	HK\$
Cash and cash equivalents, by credit rating		
Aa1 to Aa3	10,431,910	7,681,597
A1 to A3	4,001,931	16,855,210
Baa1 to Baa3	9,505,061	-
	<u>23,938,902</u>	<u>24,536,807</u>
	=====	=====

(b) Market risk

(i) 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, at the reporting date, if the market prices of the respective equity securities had been 10% higher/lower, the deficit of the Fund would have decreased/increased by about HK\$4,700,000 (2019: HK\$5,700,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the reporting date and on the assumption that all other variables were held constant.

(ii) 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 bank deposits 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 deficit 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's exposure to cash flow interest rate risk is small because interest income from financial instruments bearing interest at a floating rate is not significant.

(c) Currency risk

As at the reporting date, the Fund did not maintain financial assets denominated in foreign currencies (2019: USD9,058). It is considered that the Fund had no significant exposure to foreign exchange risk.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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 effect of fluctuations in cash flows.

As at 31 March 2020, the remaining contractual maturities of all financial liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were one year or less (2019: one year or less).

8. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy of financial instruments

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

	2020		2019	
	Level 1 HK\$	Total HK\$	Level 1 HK\$	Total HK\$
Assets				
Equity securities measured at fair value through income and expenditure account, listed in Hong Kong	46,629,822	46,629,822	57,285,147	57,285,147
	=====	=====	=====	=====

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

The three levels of the fair value hierarchy are:

Level 1: fair values are quoted prices (unadjusted) in active markets for identical financial instruments at the measurement date;

Level 2: fair values are determined with inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair values are determined with inputs that are not based on observable market data (unobservable inputs).

(b) Valuation techniques and key inputs

The fair value of financial instruments classified under Level 1 is based on quoted market prices of these financial instruments at the reporting date.

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

9. CAPITAL MANAGEMENT

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

- to comply with the Sir Robert Black Trust Fund Ordinance; and
- 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 grants and expenditure, taking into account projected cash flow requirements, future financial obligations and commitments.