

SIR ROBERT BLACK TRUST FUND

Report of the Trustee on the Administration of the Fund for the year ended 31 March 2014

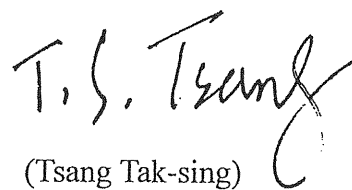
The Sir Robert Black Trust Fund (the Fund) was initiated in 1960 by a group of Hong Kong citizens headed by the late Sir Shiu-kin TANG, C.B.E., J.P. in honour of Sir Robert Black, G.C.M.G., O.B.E., Governor of Hong Kong from 1958 to 1964. The principal object of the Fund is to provide, for persons of exceptional merit, opportunities for further studies or for training whereby they may be assisted to develop character, initiative and powers of personal leadership in order that their social usefulness to the community may be enhanced.

2. The Fund, established under the Sir Robert Black Trust Fund Ordinance (Chapter 1101 of the Laws of Hong Kong), is managed by the Sir Robert Black Trust Fund Committee (the Committee). The membership of the Committee for the year under review is at Appendix I.

3. In 2013-2014, the Fund's income was \$5,041,225 (\$2,835,039 in 2012-2013). The audited Financial Statements for the year 2013-2014 is at Appendix II.

4. During the year, the Committee granted \$1,128,600 to 18 social welfare and youth organisations for organizing leadership training courses and other projects consistent with the objects of the Fund, and \$540,000 to 15 applicants for the purpose of undertaking professional training or postgraduate studies. All the above grants were made on the recommendation of a Selection Board comprising representatives from the Committee, Student Financial Assistance Agency and the Social Welfare Department.

5. In addition, the Committee approved the grant of \$386,400 during the year for students awarded a full certificate under Project Yi Jin and \$1,266,154 to 332 students pursuing training in non-academic fields.



(Tsang Tak-sing)

Secretary for Home Affairs Incorporated
Trustee

Sir Robert Black Trust Fund

2 July 2014

SIR ROBERT BLACK TRUST FUND

**Membership of the Committee
(1.4.2013– 31.3.2014)**

Chairman

The Secretary for Home Affairs (Ex officio)

Vice-Chairman

Permanent Secretary for Education (Ex officio)

Members

The Director of Social Welfare (Ex officio)

Mr CHAN Wing-yan, George

Dr WONG Kam-po

Ms LAM Kwai-lan, Julia



Sir Robert Black Trust Fund

Financial Statements for the year ended 31 March 2014

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 Sir Robert Black Trust Fund set out on pages 3 to 15, which comprise the balance sheet as at 31 March 2014, 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 Incorporated's Responsibility for the Financial Statements

The Secretary for Home Affairs Incorporated is responsible for the preparation of financial statements that give a true and fair view in accordance with section 10(1) of the Sir Robert Black Trust Fund Ordinance (Cap. 1101) and Hong Kong Financial Reporting Standards, 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.

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 10(2) of the Sir Robert Black Trust 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 Secretary for Home Affairs Incorporated, 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 Sir Robert Black Trust Fund as at 31 March 2014, 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 10(1) of the Sir Robert Black Trust Fund Ordinance.



Frederick T C WONG
Principal Auditor
for Director of Audit

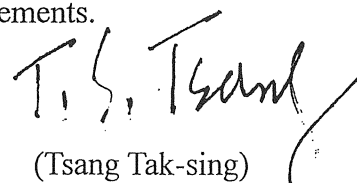
2 July 2014

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

SIR ROBERT BLACK TRUST FUND
BALANCE SHEET AS AT 31 MARCH 2014

	Note	2014 HK\$	2013 HK\$
NON-CURRENT ASSETS			
Available-for-sale financial assets	3	48,992,726	57,679,942
CURRENT ASSETS			
Available-for-sale financial assets	3	4,601,374	2,043,260
Accounts receivable		237,010	224,736
Prepayment		180	-
Time deposits	4	12,623,778	10,382,274
Cash and cash equivalents	5	5,423,320	7,524,115
		22,885,662	20,174,385
CURRENT LIABILITIES			
Provision for staff gratuity	6	(111,734)	(59,626)
Provision for untaken leave		(8,197)	(8,252)
Accounts payable		(4,314,482)	(3,900,069)
		(4,434,413)	(3,967,947)
NET CURRENT ASSETS		18,451,249	16,206,438
TOTAL NET ASSETS		67,443,975	73,886,380
ACCUMULATED FUND			
Capital		31,418,877	31,418,877
Accumulated surplus		22,393,385	21,449,612
Investment revaluation reserve		13,631,713	21,017,891
		67,443,975	73,886,380

The accompanying notes 1 to 10 form part of these financial statements.



(Tsang Tak-sing)
Secretary for Home Affairs Incorporated
Trustee
Sir Robert Black Trust Fund
2 July 2014

SIR ROBERT BLACK TRUST FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$	2013 HK\$
INCOME			
Dividends		1,918,263	1,886,348
Interest	7	498,944	420,072
Refund of grants		15,897	3,290
Gain on disposal of available-for-sale financial assets		2,307,812	-
Exchange gains		-	155,622
Other income		300,310	369,707
		5,041,226	2,835,039
EXPENDITURE			
Scholarship awards		(540,000)	(600,000)
Training grants		(2,394,754)	(2,448,599)
Grants for Project Yi Jin		(386,400)	(291,200)
Staff costs		(639,464)	(578,871)
Loss on disposal of available-for-sale financial assets		-	(2,342,657)
Exchange losses		(56,219)	-
Other operating expenses		(80,616)	(6,535)
		(4,097,453)	(6,267,862)
SURPLUS/(DEFICIT) FOR THE YEAR		943,773	(3,432,823)

The accompanying notes 1 to 10 form part of these financial statements.

SIR ROBERT BLACK TRUST FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014**

	2014 HK\$	2013 HK\$
SURPLUS/(DEFICIT) FOR THE YEAR	943,773	(3,432,823)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to surplus or deficit :		
Available-for-sale financial assets		
Net (losses)/gains on revaluation	(4,514,344)	3,825,282
Reclassification adjustments released from investment revaluation reserve upon disposal	(2,871,834)	2,556,998
	(7,386,178)	6,382,280
TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE YEAR	(6,442,405)	2,949,457

The accompanying notes 1 to 10 form part of these financial statements.

SIR ROBERT BLACK TRUST FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014**

	Capital HK\$	Accumulated Surplus HK\$	Investment Revaluation Reserve HK\$	Total HK\$
Balance at 1 April 2012	31,418,877	24,882,435	14,635,611	70,936,923
Total comprehensive income for 2012-13	-	(3,432,823)	6,382,280	2,949,457
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2013	31,418,877	21,449,612	21,017,891	73,886,380
Total comprehensive expense for 2013-14	-	943,773	(7,386,178)	(6,442,405)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2014	31,418,877 =====	22,393,385 =====	13,631,713 =====	67,443,975 =====

The accompanying notes 1 to 10 form part of these financial statements.

SIR ROBERT BLACK TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK\$	2013 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the year		943,773	(3,432,823)
Dividend income		(1,918,263)	(1,886,348)
Interest income		(498,944)	(420,072)
(Gain)/Loss on disposal of available-for-sale financial assets		(2,307,812)	2,342,657
Exchange losses/(gains)		56,219	(155,622)
Decrease in accounts receivable		89	15,122
Increase in prepayment		(180)	-
Increase in provision for staff gratuity		52,108	25,940
(Decrease)/Increase in provision for untaken leave		(55)	2,230
Increase in accounts payable		414,413	933,333
		<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES		(3,258,652)	(2,575,583)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		(3,766,713)	-
Proceeds from disposal of available-for-sale financial assets		4,765,487	2,646,441
Net increase in time deposits with original maturity over three months		(2,297,047)	(1,908,750)
Dividends received		1,910,998	1,856,901
Interest received		545,132	476,572
		<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES		1,157,857	3,071,164
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,100,795)	495,581
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,524,115	7,028,534
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	5,423,320	7,524,115

The accompanying notes 1 to 10 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.

(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 the following new and revised HKFRSs for the first time which are applicable to the Fund and effective for the current accounting period:

- Amendments to HKAS 1 (Revised) “Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income”
- HKFRS 13 “Fair Value Measurement”

The adoption of the new and revised HKFRSs has had no significant impact on the reported results and the financial position of the Fund.

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 Sir Robert Black Trust Fund Committee (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. Impairment losses in respect of available-for-sale debt securities 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. Impairment losses for equity securities are not reversed through the income and expenditure account. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income and recorded in the investment revaluation reserve.

(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 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.

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

	2014 HK\$	2013 HK\$
Equity securities listed in Hong Kong	48,992,726	53,078,061
Debt Securities		
Listed in Hong Kong	4,601,374	4,601,881
Unlisted	-	2,043,260
	4,601,374	6,645,141
Fair value at end of year	53,594,100	59,723,202
Non-current assets	48,992,726	57,679,942
Current assets	4,601,374	2,043,260
Fair value at end of year	53,594,100	59,723,202

4. TIME DEPOSITS	2014 HK\$	2013 HK\$
Time deposits with original maturity over three months	12,623,778	10,382,274
	=====	=====
5. CASH AND CASH EQUIVALENTS	2014 HK\$	2013 HK\$
Time deposits with original maturity within three months	2,000,000	4,033,190
Cash at banks	3,423,320	3,490,925
	-----	-----
	5,423,320	7,524,115
	=====	=====
6. PROVISION FOR STAFF GRATUITY	2014 HK\$	2013 HK\$
Balance at beginning of year	59,626	33,686
Provision for the year	57,137	50,473
Payment for the year	(5,029)	(24,533)
	-----	-----
Balance at end of year	111,734	59,626
	=====	=====
7. INTEREST	2014 HK\$	2013 HK\$
Interest on bank deposits	347,112	264,413
Interest on debt securities	151,832	155,659
	-----	-----
	498,944	420,072
	=====	=====
8. FINANCIAL RISK MANAGEMENT		

(a) The Fund's major financial instruments are available-for-sale financial assets 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.

To minimise the credit risks arising from bank deposits, all time deposits are placed with reputable licensed banks in Hong Kong. To minimise credit risks arising from available-for-sale financial assets, only those classified under the investment grade by Moody's or Standard & Poor's are considered. At the balance sheet date, the credit quality of investments in debt securities analysed by the lower of ratings designated by Moody's or Standard & Poor's was as follows:

	2014	2013
	HK\$	HK\$
Debt securities by credit rating		
A1 to A3/A+ to A-	<u>4,601,374</u>	<u>6,645,141</u>

For other receivables, the Fund considers that adequate provision has been made, where necessary, for amounts which are expected to be irrecoverable.

The 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.

(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 10% higher/lower, the balance of the Fund's investment revaluation reserve would have increased/decreased by about HK\$4,900,000 (2013: HK\$5,300,000). 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 debt securities and deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase.

It is estimated that, as at 31 March 2014, a general increase/decrease of 25 basis points (2013: 25 basis points) in interest rates, with all other variables held constant, would decrease/increase the investment revaluation reserve by HK\$6,500 (2013: HK\$16,000). The sensitivity analysis was determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to interest-bearing debt securities in existence at that date. The 25 basis points increase/decrease represents the Fund's assessment of a reasonably possible change in interest rates over the period until the next balance sheet date.

As regards the bank deposits, since 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's exposure to cash flow interest rate risk is small as it has no major floating-rate investments.

The Fund's exposure to interest rate risk, based on the major interest-bearing assets stated at carrying amounts at the balance sheet date and categorised by the earlier of contractual repricing dates or maturity dates, is shown below.

	Repricing Period			Total HK\$
	Up to 3 months HK\$	Over 3 months to 1 year HK\$	Over 1 year to 5 years HK\$	
2014				
Deposits with banks	3,949,649	10,674,129	-	14,623,778
Debt securities	-	4,601,374	-	4,601,374
	<u>3,949,649</u>	<u>15,275,503</u>	<u>-</u>	<u>19,225,152</u>
	=====	=====	=====	=====
2013				
Deposits with banks	4,033,190	10,382,274	-	14,415,464
Debt securities	-	2,043,260	4,601,881	6,645,141
	<u>4,033,190</u>	<u>12,425,534</u>	<u>4,601,881</u>	<u>21,060,605</u>
	=====	=====	=====	=====

(iii) Foreign currency risk

(1) Exposure to currency risk

As at the balance sheet date, the Fund maintained financial assets denominated in United States dollars and Renminbi at a total of USD17,999 (2013: USD17,052) and CNY13,867,182 (2013: CNY12,055,116) respectively. As Hong Kong dollar is pegged to United States dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. Since no foreign currency rate hedging is made by the Fund for Renminbi, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign currency risk.

(2) Sensitivity analysis

It is estimated that, as at the balance sheet date, should the Renminbi strengthen/weaken by 5% (2013: 5%) against the Hong Kong dollar, with all other variables being held constant, the surplus of the Fund for the year would increase/decrease by HK\$866,000 (2013: deficit would decrease/increase by approximately HK\$753,000).

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and for financial instruments in existence at that date. The 5% (2013: 5%) strengthening/weakening in Renminbi represents the assessment by the Fund of a reasonably possible change in foreign exchange rate over the period until the end of next year.

(iv) 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 effect 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.

	Level 1 HK\$	2014 Level 2 HK\$	Total HK\$	Level 1 HK\$	2013 Level 2 HK\$	Total HK\$
Assets						
Available-for-sale equity securities						
- Listed	48,992,726	-	48,992,726	53,078,061	-	53,078,061
Available-for-sale debt securities						
- Listed	4,601,374	-	4,601,374	4,601,881	-	4,601,881
- Unlisted	-	-	-	-	2,043,260	2,043,260
	4,601,374	-	4,601,374	4,601,881	2,043,260	6,645,141
	53,594,100	-	53,594,100	57,679,942	2,043,260	59,723,202
	53,594,100	-	53,594,100	57,679,942	2,043,260	59,723,202

During the year, there were no significant transfers between instruments in Level 1 and Level 2.

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

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

Level 2 valuations: 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.

Level 3 valuations: fair value measured using significant unobservable inputs.

The fair value of unlisted debt securities in Level 2 was determined using quotation from the custodian bank.

9. CAPITAL MANAGEMENT

The capital structure of the Fund consists of capital, accumulated surplus and investment revaluation reserve. 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.

10. 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.