

REPORT BY THE TRUSTEE

of the

CUSTOMS AND EXCISE SERVICE

CHILDREN'S EDUCATION TRUST FUND

FOR THE YEAR

1 APRIL 2015 To 31 MARCH 2016

Report by the Trustee
of the Customs and Excise Service Children's Education Trust Fund
for the year from 1 April 2015 to 31 March 2016

INTRODUCTION

The Customs and Excise Service Children's Education Trust Fund Ordinance (the Ordinance) (Cap. 551) came into operation on 21 July 2000.

2. In accordance with section 4 of the Ordinance, the Commissioner of Customs and Excise shall be the Trustee of the Customs and Excise Service Children's Education Trust Fund (the Fund). As required by section 11 of the Ordinance, I take pleasure in presenting to the President and Honourable Members of the Legislative Council a copy of the signed and audited statement of accounts, the Director of Audit's report and my report on administration of the Fund for the year running from 1 April 2015 to 31 March 2016.

3. The Fund was started with a generous donation of \$300,000 granted by the Board of Management of the Chinese Permanent Cemeteries in September 1997. Over the years, individual donors have contributed an additional sum of \$6,850,000 towards operation of the Fund.

OBJECTS OF THE FUND

4. In accordance with section 5 of the Ordinance, the Trustee shall apply the Fund

in such manner and to such extent as the Customs and Excise Service Children's Education Trust Fund Committee (the Committee) may, in its absolute discretion, direct for the following objects :-

- (a) to provide assistance in, and facilities for, the higher education of the children of customs officers;
- (b) to provide assistance in, and facilities for, the education and training of handicapped children of customs officers; and
- (c) such other objects ancillary or incidental to the objects referred to in paragraphs (a) and (b) as the Committee may consider appropriate.

THE COMMITTEE AND THE INVESTMENT ADVISORY BOARD

5. The Committee was formed in accordance with section 6 of the Ordinance for management of the Fund. The Financial Secretary appointed Mr. Steve LAU Hon-wah as the Chairman, together with, Mr. Benedict SIN Nga-yan, Mr. Stephen TAN and Ms. LEUNG Shuk-fun as members of the Committee for a period of two years with effect from 1 August 2014. A membership list is at **Appendix I**.

6. The Investment Advisory Board (the Board) was formed in accordance with section 10 of the Ordinance to guide the Trustee on placing of money drawn from the Fund in investments other than those authorized under the Trustee Ordinance (Cap.29). The Financial Secretary appointed Mr. Richard TANG Yat-sun as the Chairman, together with Dr. Francis CHOI Chee-ming, Mr. Howard YEUNG Ping-leung, Mr. Martin LEE Ka-shing and Ms. Wendy YUEN Miu-ling as members of the Board

for a period of two years with effect from 1 August 2014. A membership list is at **Appendix II.**

7. Under section 9 of the Ordinance, the Trustee may, subject to prior approval of the Committee, place any money drawn from the Fund in investments authorized under the Trustee Ordinance (Cap.29) or recommended by the Board.

MEETING

8. With major decisions having made by circulation, the Committee met on 15 September 2015 to review the administration of the Fund.

GRANTS

9. From 1 April 2015 to 31 March 2016, a total sum of \$457,500 was approved and distributed to 143 eligible applicants, including \$272,000 to 136 eligible applicants in the form of book grant, \$140,000 to seven eligible applicants in the form of scholarship and \$45,500 to seven eligible applicants as special grant for their handicapped children.

10. Balance of the Fund as at 31 March 2016 amounted to \$4,387,417 with \$7,150,000 in the capital account and an accumulated deficit of \$2,762,583.

AUDITOR

11. The Director of Audit was appointed as auditor of the Fund in accordance with section 11(4) of the Ordinance. The signed and audited statement of accounts as well as the Director's report are at **Appendix III**.

VOTE OF THANKS

12. I would like to thank those serving on the Committee and the Board for steering the Fund through yet another year of successful operation. My gratitude also goes to the Director of Audit for carrying out a thorough examination on financial statements of the Fund.



(Roy Tang)
Commissioner of Customs and Excise
Trustee,
Customs and Excise Service Children's
Education Trust Fund

9 November 2016

Customs and Excise Service Children's Education Trust Fund Committee

(as at 31 March 2016)

- Chairman : Mr. Steve LAU Hon-wah, S.B.S., J.P.
(appointed by the Financial Secretary)
- Members : Commissioner of Customs and Excise

Mr. Roy TANG Yun-kwong, J.P.

Officer in charge of Service Welfare Division in the Customs and
Excise Department

Mr. CHUI Chi-fai

Representative of the Customs Officers

Ms. LEUNG Shuk-fun
(appointed by the Financial Secretary)

Mr. Benedict SIN Nga-yan
(appointed by the Financial Secretary)

Mr. Stephen TAN
(appointed by the Financial Secretary)
- Honorary Treasurer : Ms. Nancy HO King-chi, Senior Treasury Accountant
(Customs and Excise Department)
- Honorary Secretary : Ms. Phoenix LEE Wai-yin, Executive Officer (Staff Relations)
(Customs and Excise Department)

Customs and Excise Service Children's Education Trust Fund

Investment Advisory Board

(as at 31 March 2016)

Chairman : Mr. Richard TANG Yat-sun, B.B.S., J.P.
(appointed by the Financial Secretary)

Members : Dr. Francis CHOI Chee-ming, G.B.S., J.P.
(appointed by the Financial Secretary)

Mr. Howard YEUNG Ping-leung
(appointed by the Financial Secretary)

Mr. Martin LEE Ka-shing
(appointed by the Financial Secretary)

Ms. Wendy YUEN Miu-ling
(appointed by the Financial Secretary)

Customs and Excise Service
Children's Education Trust 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 Customs and Excise Service Children's Education Trust Fund set out on pages 3 to 11, which comprise the balance sheet as at 31 March 2016, 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.

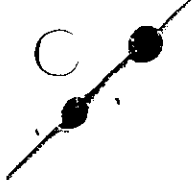
Commissioner of Customs and Excise's Responsibility for the Financial Statements

The Commissioner of Customs and Excise is responsible for the preparation of financial statements that give a true and fair view in accordance with section 11(1) to (3) of the Customs and Excise Service Children's Education Trust Fund Ordinance (Cap. 551) and Hong Kong Financial Reporting Standards, and for such internal control as the Commissioner of Customs and Excise 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 11(4) of the Customs and Excise Service Children's Education 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 Commissioner of Customs and Excise, 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 Customs and Excise Service Children's Education Trust 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 section 11(1) to (3) of the Customs and Excise Service Children's Education Trust Fund Ordinance.



TEO Wing-on
Principal Auditor
for Director of Audit

24 June 2016

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

**Customs and Excise Service Children's Education Trust Fund
Balance Sheet as at 31 March 2016**

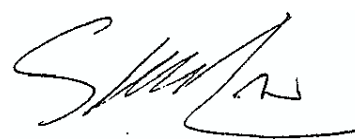
	Note	2016 HK\$	2015 HK\$
Current assets			
Accounts receivable		9,252	53,977
Bank deposits		4,372,071	4,496,971
Cash and cash equivalents	3	6,094	3,594
		4,387,417	4,554,542
 Accumulated fund			
Capital		7,150,000	6,850,000
Accumulated deficit		(2,762,583)	(2,295,458)
		4,387,417	4,554,542

The accompanying notes 1 to 7 form part of these financial statements.



(Roy TANG)

Commissioner of Customs and Excise
Trustee
Customs and Excise Service Children's
Education Trust Fund
24 June 2016



(LAU Hon-wah, Steve)

Chairman
Customs and Excise Service Children's
Education Trust Fund Committee
24 June 2016

Customs and Excise Service Children's Education Trust Fund
Income and Expenditure Account
for the year ended 31 March 2016

	2016	2015
	HK\$	HK\$
Income		
Bank interest	60,906	71,786
Exchange gains	-	52
	60,906	71,838
Expenditure		
Special education grant/Book grant/ Scholarship to Service members	(457,500)	(534,490)
Exchange losses	(70,531)	-
	(528,031)	(534,490)
Deficit for the year	(467,125)	(462,652)
Other comprehensive income	-	-
Total comprehensive loss for the year	(467,125)	(462,652)

The accompanying notes 1 to 7 form part of these financial statements.

Customs and Excise Service Children's Education Trust Fund
Statement of Changes in Equity
for the year ended 31 March 2016

	Capital HK\$	Accumulated deficit HK\$	Total HK\$
Balance at 1 April 2014	6,550,000	(1,832,806)	4,717,194
Donations received during 2014-15	300,000	-	300,000
Total comprehensive loss for 2014-15	-	(462,652)	(462,652)
Balance at 31 March 2015	<u>6,850,000</u>	<u>(2,295,458)</u>	<u>4,554,542</u>
Donations received during 2015-16	300,000	-	300,000
Total comprehensive loss for 2015-16	-	(467,125)	(467,125)
Balance at 31 March 2016	<u><u>7,150,000</u></u>	<u><u>(2,762,583)</u></u>	<u><u>4,387,417</u></u>

The accompanying notes 1 to 7 form part of these financial statements.

Customs and Excise Service Children's Education Trust Fund
Statement of Cash Flows
for the year ended 31 March 2016

	Note	2016 HK\$	2015 HK\$
Cash flows from operating activities			
Deficit for the year		(467,125)	(462,652)
Bank interest		(60,906)	(71,786)
Exchange losses/ (gains)		70,531	(52)
Net cash used in operating activities		<u>(457,500)</u>	<u>(534,490)</u>
Cash flows from investing activities			
Bank interest received		105,190	60,761
Net decrease in bank deposits with original maturity over three months		54,810	171,476
Net cash from investing activities		<u>160,000</u>	<u>232,237</u>
Cash flows from financing activities			
Donations received		300,000	300,000
Net cash from financing activities		<u>300,000</u>	<u>300,000</u>
Net increase/ (decrease) in cash and cash equivalents		2,500	(2,253)
Cash and cash equivalents at beginning of year		<u>3,594</u>	<u>5,847</u>
Cash and cash equivalents at end of year	3	<u><u>6,094</u></u>	<u><u>3,594</u></u>

The accompanying notes 1 to 7 form part of these financial statements.

Customs and Excise Service Children's Education Trust Fund
Notes to the Financial Statements

1. General

The Customs and Excise Service Children's Education Trust Fund (the Fund) was established mainly to provide assistance in, and facilities for, the higher education of the children of customs officers and for the education and training of handicapped children of customs officers in accordance with section 5 of the Customs and Excise Service Children's Education Trust Fund Ordinance (Cap. 551). The address of the Fund's principal place of business is 29th and 31st floors of the Customs Headquarters Building, 222 Java Road, North Point, Hong Kong.

2. Significant accounting policies

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with section 11 (1) to (3) of the Customs and Excise Service Children's Education 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.

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 new 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) Grants

Grants are recognised in the income and expenditure account when they have been approved by the Customs and Excise Service Children's Education Trust Fund Committee.

(e) Donations

Approved donations are credited to the accumulated fund – capital account on actual receipt.

(f) 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.

(g) Revenue recognition

Bank interest 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.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand 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

	2016	2015
	HK\$	HK\$
Cash at bank	<u>6,094</u>	<u>3,594</u>

4. Financial risk management

The Fund's major financial instruments include bank deposits and cash at bank. The main 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 at the balance sheet date in relation to the financial instruments is the carrying amount of these assets as stated in the balance sheet. The Fund limits its exposure to credit risk by transacting with reputable licensed banks in Hong Kong.

(b) 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 value 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 is not exposed to cash flow interest rate risk as it has no financial instruments bearing interest at floating rates.

(c) 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.

(d) Foreign currency risk

(i) Exposure to currency risk

The Fund maintained net financial instruments denominated in US dollar and Renminbi at a total of US\$224,490 (2015: US\$223,078) and CNY1,448,055 (2015: CNY 1,408,045) respectively at the balance sheet date. As Hong Kong dollar is pegged to the US 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, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign currency risk in respect of Renminbi.

(ii) Sensitivity analysis

It was estimated that as at 31 March 2016, should the Renminbi strengthen/weaken by 5% (2015: 5%) against the Hong Kong dollar, with all other variables being held constant, the deficit of the Fund would decrease/increase by HK\$87,000 (2015: HK\$88,000).

5. Capital management

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

- to comply with the Customs and Excise Service Children's Education 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 its capital to ensure that its level is sufficient to fund future scholarships and grants, taking into account its projected cash flow requirements, future financial obligations and commitments.

6. Cost of administering the Fund

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 12 of the Customs and Excise Service Children's Education Trust Fund Ordinance.

7. Fair values of financial assets

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