

**SIR DAVID TRENCH
FUND FOR
RECREATION
ANNUAL REPORT
2017-2018**

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*Except the Sports Aid for the Disabled Fund which did not have any grant approved in the years 2013-14 to 2017-18.

MEMBERS OF COMMITTEES 2017-2018

SIR DAVID TRENCH FUND COMMITTEE

Chairman : Ms Lisa LAU Man-man, BBS, MH, JP

Members : Ms Eliza CHANG Lai-shan
Mr CHENG Ka-ho, MH
Mr Kenny CHOW Kun-wah
Mr Michael LAM Huen-sum
Mr Dragon LI Sai-lung
Mr Ajmal SAMUEL
Ms Candy SHAM On-ye, MH
Mrs Marina SHEK TSUI Wai-fun
Mr TAM Wai-yip
Mr Gary WONG Chi-him
Mr Kenneth YIU Wing-fai
Representative of Hong Kong Council of Social Service
Representative of Home Affairs Bureau
Representative of Home Affairs Department
Representative of Leisure and Cultural Services Department
Representative of Social Welfare Department

Secretary : Ms Lynn WONG
Home Affairs Bureau

INVESTMENT ADVISORY COMMITTEE

Chairman : Mr Lawrence CHEUNG Wai-kou, MH, JP (up to 30.6.2017)
Mr Ernest TSANG Kwong-wing (w.e.f. 1.7.2017)

Members : Ms Ivy AU YEUNG Lai-ling (w.e.f. 1.7.2017)
Mr Dominic CHAN Dao-ming (w.e.f. 1.7.2017)
Mrs Edith CHAN NGAN Man-ling, MH
Ms Norris LAM Man-ngar (up to 30.6.2017)
Ms Rosita LEE Pui-shan
Ms Selina TSANG Wai-sze (up to 30.6.2017)

Secretary : Mr Lewis IP (up to 11.1.2018)
Mr Jeff CHUNG (w.e.f. 1.2.2018)
The Treasury

**HONG KONG SPORTS INSTITUTE LIMITED
BOARD OF DIRECTORS**

Chairman : Dr LAM Tai-fai, SBS, JP

Vice-Chairmen : Mr Michael LEE Tze-hau, JP
Mr Matthias LI Sing-chung

Directors : Mr CHEW Fook-aun
Mr Raymond FAN Wai-ming, JP
Mr Kenneth FOK Kai-kong, JP
Mrs Jenny FUNG MA Kit-han, BBS, JP
Ms Denise HO Suk-chun
Mr HUI Yung-chung, BBS, JP
Mr Karl KWOK Chi-leung, MH
Hon MA Fung-kwok, SBS, JP
Ms Genevieve PONG Chung-yi
Mr Newman TSANG Yiu-man
Mr Albert WONG Hak-keung
Ms Anna WONG Wai-kwan
Dr Kelvin WONG Tin-yau, JP
Mr Richard YUEN Ming-fai, GBS, JP
Mr YEUNG Tak-keung, JP

Alternate Directors : Ms Petty LAI Chun-ye
(as alternate director to Mr YEUNG Tak-keung, JP up to 17.12.2017)
Mr Paul CHENG Ching-wan
(as alternate director to Mr YEUNG Tak-keung, JP w.e.f. 18.12.2017)
Mr Richard WONG Tat-ming
(as alternate director to Mr Raymond FAN Wai-ming, JP)

Secretary : Ms Doris KWOK
(*Non-Director*)

**HONG KONG SPORTS INSTITUTE LIMITED
ELITE TRAINING AND ATHLETES AFFAIRS COMMITTEE**

Chairman : Mr Michael LEE Tze-hau, JP

Members : Mr Kenneth FOK Kai-kong, JP
Mrs Jenny FUNG Ma Kit-han, BBS, JP
Ms Denise HO Suk-chun
Mr Karl KWOK Chi-leung, MH
Ms Petty LAI Chun-ye (up to 17.12.2017)
Mr Paul CHENG Ching-wan (w.e.f. 18.12.2017)
Ms Genevieve PONG Chung-yi
Mr Albert WONG Hak-keung
Mr Richard WONG Tat-ming

**SUB-COMMITTEE ON THE ARTS DEVELOPMENT FUND UNDER THE ADVISORY
COMMITTEE ON ARTS DEVELOPMENT**

Chairman : Mr Maurice LEE Wai-man, BBS, JP

Members : Mr Ronald KWOK Wing-chung
Ms Candice LEUNG Wai-yee
Ms Jane Curzon LO, JP
Professor LUI Yu-hon, MH
Dr Royce YUEN Man-chun, JP
Representative of Home Affairs Bureau
Representative of Leisure and Cultural Services Department
Representative of Hong Kong Arts Development Council

Secretary : Ms Christine LOK
Home Affairs Bureau

TRUSTEE'S REPORT

MAIN FUND

In January 1970, a sum of \$3 million was donated for the promotion of recreational and related activities to commemorate the governorship of Sir David TRENCH and also as a token of appreciation of the work of the Civil Service and of the many public spirited citizens who served on advisory boards and committees. An ordinance to establish a fund for the purposes the donor had in mind was passed by the Legislative Council on 11 February 1970 (Chapter 1128 of the Laws of Hong Kong – Sir David Trench Fund for Recreation Ordinance). Section 6 of the Ordinance sets out special provisions relating to the manner in which the Fund may be applied. This section states that the original capital sum of \$3 million must not be used for the objects specified in section 5 without the prior approval of the Legislative Council. It follows that without this special approval, the Fund would not have been able to begin operation until income began to flow from the capital sum. To overcome this problem, the donor of the original capital sum of \$3 million very generously provided an additional \$0.2 million. In 1979, the then Governor directed that a grant of \$15 million should be made from the Lotteries Fund to the Sir David Trench Fund for Recreation to replenish the Fund's capital so as to ensure that sufficient income was generated to meet calls on the Fund. In April 1991, a sum of \$5 million was donated to the Fund by the Hong Kong Jockey Club (Charities) Ltd. This donation was regarded as an addition to the capital of the Fund and only the income generated from this donation could be used for payment of grants. Total capital injections to the Fund since its establishment now stand at \$23.2 million. For the purposes of this report and the annual accounts, the moneys of this Fund are referred to as the Main Fund so as to distinguish these moneys from those of the other Funds established under the aegis of the Sir David Trench Fund for Recreation as mentioned in paragraphs 2 to 6 below.

SPORTS AID FOR THE DISABLED FUND

2. In August 1985, the Finance Committee of the Legislative Council approved a donation of \$1.5 million to be made to the Sir David Trench Fund for Recreation to set up a fund for the promotion of sport for the disabled. The capital sum of this donation should be kept intact and the investment income accruing thereon should be used specifically for the purpose of promoting sport for the disabled. This Fund was named the Sports Aid for the Disabled Fund. In July 1992, a sum of \$5 million was donated towards the capital of the Fund by the Hong Kong Jockey Club (Charities) Ltd., bringing the total capital to \$6.5 million.

SPORTS AID FOUNDATION FUND

3. On 9 February 1987, approval was given under section 6 of the Ordinance to set up an independent fund called the Sports Aid Foundation Fund, to be administered under the aegis of the Sir David Trench Fund for Recreation, for the purpose of assisting financially needy sportsmen in their pursuit of excellence. Under this approval, the capital of this Fund has been used to generate recurrent income which is being applied specifically for the purpose of this Fund. In May and December 1987, two sums of \$5 million each were donated to the Fund by the Hong Kong Jockey Club (Charities) Ltd., making a total capital of \$10 million for the year 1987-88. During the year 1988-89, two additional sums were received bringing the capital of the Fund to \$15.577 million, one being the transfer to the Fund of the balance of \$0.577 million in the then Governor's Special Fund in October 1988, and the other being a donation of \$5 million from the Hong Kong Jockey Club (Charities) Ltd. received in March 1989. Since 1989-90, two further sums totalling \$25 million were donated by the Hong Kong Jockey Club (Charities) Ltd. to the Fund, one for \$5 million received in July 1990 and the other for \$20 million received in July 1992, which brought the total capital to \$40.577 million.

ARTS DEVELOPMENT FUND

4. On 14 May 1993, the Finance Committee of the Legislative Council approved a grant of \$30 million to the Sir David Trench Fund for Recreation to enhance the development of arts in Hong Kong. For this purpose, approval was given under section 6 of the Ordinance to set up an independent fund, to be known as the Arts Development Fund, under the aegis of the Sir David Trench Fund for Recreation in May 1993. In January 2007, the Finance Committee of the Legislative Council approved a further sum of \$20 million to be injected into the Fund, which brought the total capital to \$50 million. Both the capital of the Fund and any income generated therefrom may be expended specifically for the purpose of the Fund.

HONG KONG ATHLETES FUND

5. In August 1996, the Government announced the setting up of the Hong Kong Athletes Fund to help individual athletes to pursue excellence in their chosen sports and to provide them with the opportunity to develop alternative careers upon their retirement from competitive sport. On 23 January 1997, approval was given under section 5 of the Ordinance to incorporate the Fund into the Sir David Trench Fund for Recreation. For this purpose, the Government injected \$8 million, which together with donations totalling \$5.171 million from the community raised the capital of the Fund to \$13.171 million. Additional donations totalling \$0.077 million were received in 1997-98 and brought the capital of the Fund to \$13.248 million. As directed by the Government, the capital sum of this Fund must be kept intact and only the investment income accruing thereon may be used for the purpose of the Fund. In March 2009, the Government injected a sum of \$5 million into the Fund, which brought the capital to \$18.248 million. The sum of \$5 million injected may be expended specifically for the special scheme for young athletes. In March 2012, a donation of \$4.9 million was injected into the Fund which may be expended specifically for athlete education. In March 2018, the Government injected \$4.5 million into the Fund, bringing the total capital to \$27.648 million. The capital sum of this Fund which must be kept intact remains at \$13.248 million.

ARTS AND SPORT DEVELOPMENT FUND

6. On 31 January 1997, the Finance Committee of the Legislative Council approved a grant of \$300 million for the establishment of the Arts and Sport Development Fund. The purpose of this Fund was to provide funding mainly to the Hong Kong Arts Development Council and the Hong Kong Sports Development Board for the implementation of their respective five-year strategic plans for the development of arts and sport in Hong Kong. This Fund was subsequently set up in accordance with section 5 of the Ordinance on 8 March 1997 under the aegis of the Sir David Trench Fund for Recreation. In January 2007, the Finance Committee of the Legislative Council approved a further sum of \$80 million to be injected into the Fund. In February 2009, the Finance Committee of the Legislative Council approved another sum of \$150 million to be injected into the Fund, which brought the total capital to \$530 million. Both the capital and any income generated therefrom may be expended specifically for the purpose of the Fund. In July 2010, the Finance Committee of the Legislative Council approved a further sum of \$3 billion to be injected into the Fund to support the long-term development of sport, culture and arts. The \$3 billion injection, which should be kept intact in the long run, brought the total capital to \$3.53 billion.

OBJECTS OF THE SIR DAVID TRENCH FUND FOR RECREATION

7. Section 5 of the Ordinance requires the Trustee to apply the Fund in such manner as the Chief Executive may direct for the following objects :

- (a) the provision of, or assistance in the provision of facilities for recreational, sporting, cultural and social activities; and
- (b) such objects ancillary or incidental to the objects set out in paragraph (a) as the Chief Executive may consider appropriate.

COMMITTEES

8. In April 1970, the then Governor appointed the Sir David Trench Fund for Recreation Advisory Committee to assist him in determining the purposes for which the Fund should be applied. Subsequently in October 1976, this Advisory Committee was disbanded and the Council for Recreation and Sport took over the responsibilities of recommending how the income of the Fund should be utilised. In January 1983, a further committee, the Sir David Trench Fund Committee, was established which was directly responsible to the Council for Recreation and Sport for administering the Main Fund.

9. Following the establishment of the Sports Aid for the Disabled Fund in August 1985, the Sports Aid for the Disabled Committee was established in January 1986, which was directly responsible to the Council for Recreation and Sport for administering the Sports Aid for the Disabled Fund. Subsequently in November 1987, this committee was disbanded following the establishment of a Sports Aid Committee, which was directly responsible to the Council for Recreation and Sport for administering the two sports aid funds, namely, the Sports Aid for the Disabled Fund and the Sports Aid Foundation Fund.

10. The term of office of the Council for Recreation and Sport, with its committees including the Sir David Trench Fund Committee and the Sports Aid Committee, ended on 31 October 1989.

11. Since November 1989, the then Secretary for Broadcasting, Culture and Sport (the Secretary for Home Affairs with effect from 9 April 1998) has directly approved the allocation of funds by way of grants from the Main Fund. In January 1990, a new committee, the Sir David Trench Fund Committee, was established to advise him on the allocation of these funds. The membership of the Sir David Trench Fund Committee is detailed on page 2.

12. With regard to the Sports Aid for the Disabled Fund and the Sports Aid Foundation Fund, a Provisional Sports Development Board was established in November 1989 and was delegated the authority to approve and disburse funds from these two Funds. On 1 April 1990, the Hong Kong Sports Development Board was formally established and subsequently in April 1990 a Sports Aid Foundation Fund and Sports Aid for the Disabled Fund Committee was established under the Board to advise on the disbursement of grants from these two Funds. The Committee was renamed the Sports Aid Committee with effect from 6 January 1997, and its ambit has been extended since March 1997 to include the provision of advice to the Hong Kong Athletes Fund on the disbursement of grants. On 1 April 1998, the Committee was restructured and renamed the Sports Aid Sub-Committee. On 6 May 2003, the Sports Aid Sub-Committee was further renamed as the Athletes Support Sub-Committee. With the dissolution of the Hong Kong Sports Development Board on 1 October 2004, the Hong Kong Sports Institute Limited was established on the same day. The Elite Training and Athletes Affairs Committee was established under the Institute to approve and disburse grants from the three Funds with effect from 1 October 2004. The current memberships of the Board of Directors of the Hong Kong Sports Institute Limited and its Elite Training and Athletes Affairs Committee are detailed on page 3.

13. Disbursements from the Arts Development Fund are approved by the Secretary for Home Affairs on the advice of the Sub-committee on the Arts Development Fund under the Advisory Committee on Arts Development. Its current membership is detailed on page 4.

14. Under subsection 1 of section 7 of the Ordinance, the Trustee may invest any moneys of the fund in such investments as the Chief Executive may direct, subject, in the case of investments which are not trust investments, to the prior approval of the Investment Advisory Committee. The membership of this Committee is detailed on page 2.

FINANCIAL STATEMENTS

15. The financial statements, which comprise the balance sheet as at 31 March 2018, the income and expenditure account, the statement of changes in equity and the statement of cash flows for the year then ended are at pages 15 to 38.

16. Under the Main Fund, there was a surplus of \$11.853 million for the year. Income from dividends and interest was \$3.913 million. Net realised and revaluation gains on investments in securities were \$17.922 million. Expenditure on grants was \$10.150 million. The accumulated surplus was \$136.842 million at 31 March 2018.

17. Under the Sports Aid for the Disabled Fund, there was a surplus of \$0.255 million for the year. Interest income was \$0.245 million. There was no grant payment during the year. The accumulated surplus was \$1.976 million at 31 March 2018.

18. Under the Sports Aid Foundation Fund, there was a surplus of \$1.393 million for the year. Interest income was \$1.393 million. There was no grant payment during the year. The accumulated surplus was \$4.866 million at 31 March 2018.

19. Under the Arts Development Fund, there was a deficit of \$0.717 million for the year. Interest income was \$0.002 million. Expenditure on grants was \$0.719 million. The accumulated deficit was \$49.711 million at 31 March 2018.

20. Under the Hong Kong Athletes Fund, there was a deficit of \$1.315 million for the year. Income from dividends and interest was \$0.640 million. Net realised and revaluation gains on investments in securities were \$0.792 million. Expenditure on grants was \$2.767 million. The accumulated deficit was \$0.440 million at 31 March 2018.

21. Under the Arts and Sport Development Fund, there was a surplus of \$231.745 million for the year. Income from dividends and interest was \$80.314 million. Net realised and revaluation gains on investments in securities were \$312.703 million. Expenditure on grants was \$169.773 million. The accumulated deficit was \$250.638 million at 31 March 2018.

GRANTS

22. Details of the expenditure on grants in 2017-2018 are shown in the Statement of Approved Grants in Schedule 1 on pages 39 to 46. A summary of approved grants over the years and outstanding commitments as at 31 March 2018 is provided in Schedule 2 on page 47.

INVESTMENTS

23. Investments as at 31 March 2018 are shown in Schedule 3 on page 55.

Charlix WONG

Director of Accounting Services

The Trustee of the Sir David Trench Fund for Recreation

21 June 2018

**REPORT OF THE SECRETARY FOR HOME AFFAIRS
ON THE SIR DAVID TRENCH FUND FOR RECREATION 2017-2018**

SIR DAVID TRENCH FUND FOR RECREATION

The Sir David Trench Fund for Recreation (the Fund) is used, as the Chief Executive may direct, for provision of, or assistance in the provision of facilities for recreational, sporting, cultural and social activities. Grants from the Fund support projects aimed at the development of the individual and his or her identity and involvement in the life of the community of Hong Kong. In keeping with the donor's wishes, emphasis is placed on encouraging the purposeful use of leisure by young people.

2. The tasks of vetting applications for grants and making recommendations on all matters of a financial, procedural or policy related nature in respect of the Fund are undertaken by the Sir David Trench Fund (SDTF) Committee. The membership of the Committee is shown on page 2.

3. Applicants may apply for the grants under the categories of the Capital Works Project which aim at building new recreational facilities, the Non-Capital Works Project which cover the purchase of equipment, and the Special Project which support projects with a specific purpose determined by the SDTF Committee periodically. Eligible projects should -

- (a) involve direct organisation of physical education, sporting and cultural activities which encourage the purposeful use of leisure by young people;
- (b) be of long-term benefit and reach out to the widest possible cross-section of the community;
- (c) only utilise the grant to cover one-off expenditure and not recurrent commitments. The grants are expected to be spent within the specified period, and the project concerned must be self-financing thereafter; and
- (d) be assessed on the basis of the best use of the Fund. The SDTF Committee will consider both the scope and the amount of grant requested in each application and decide whether the project will be supported in full or in part.

4. Priority will be given to new applicants, in particular, those who have no access to regular funding sources.

5. Non-Capital Works Projects should achieve long-term benefits and encourage the purposeful use of leisure by young people. The Fund should be used for the purchase of durable equipment for use in recreational, sporting and cultural activities. In 2017-2018, a total of \$3,339,327 was awarded to the organisations and agencies listed on pages 39 to 40.

6. Capital Works Projects should be specifically of the "brick and mortar" type and for the construction of new recreational facilities. In 2017-2018, a total of \$2,064,660 from the Fund helped to pay for the seven capital works project listed on page 41.

7. Special Projects should provide facilities or equipment in the furtherance of a specific purpose determined by the SDTF Committee. The purpose for the years 2017-2018 to 2019-2020 has been "Construction and improvement of sports facilities and procurement of sports equipment for promotion of sports development in Hong Kong". In 2017-2018, a total of \$12,864,950 was awarded to seven projects which were in compliance with the said purpose.

SPORTS AID FOUNDATION FUND

8. The Sports Aid Foundation Fund (SAFF) was set up on the advice of the then Council for Recreation and Sport in February 1987 with the aim of assisting financially needy athletes in their pursuit of excellence. The SAFF is intended to provide financial assistance in two areas, namely -

- (a) training expenses: equipment, special diets, coaching fees, travelling expenses, etc.; and
- (b) allowances to alleviate financial difficulties arising from loss of earnings as a result of participation in training and competitions.

9. The Elite Training and Athletes Affairs Committee of the Hong Kong Sports Institute Limited is responsible for advising on the disbursement of grants from the SAFF. Membership of the Committee is shown on page 3.

10. The current capital of the SAFF is \$40,577,000, of which \$40,000,000 was donated by the then Royal Hong Kong Jockey Club and the balance was from a Government grant. Only income generated from the capital of the SAFF may be disbursed.

SPORTS AID FOR THE DISABLED FUND

11. The Sports Aid for the Disabled Fund (SADF) was set up with a Government donation of \$1,500,000 in August 1985 to promote sport for disabled people. The then Royal Hong Kong Jockey Club donated \$5,000,000 to the SADF in July 1992, increasing the capital of the SADF to \$6,500,000.

12. The Elite Training and Athletes Affairs Committee of the Hong Kong Sports Institute Limited is responsible for advising on the disbursement of grants from the SADF. Membership of the Committee is shown on page 3.

13. In 2007-2008, the Hong Kong Sports Institute Limited implemented a new financial support scheme known as the Sports Aid for The Disabled Grant. Since then, no applications for grants from the SADF have been received. We are liaising with relevant organisations on initiatives to improve the promotion of sport for disabled people, using funding from the SADF.

ARTS AND SPORT DEVELOPMENT FUND

14. In January 1997, the Finance Committee of the Legislative Council approved the setting up of the Arts and Sport Development Fund (ASDF) as a sub-fund under the Sir David Trench Fund for Recreation to provide funding for the key initiatives of the Hong Kong Arts Development Council (HKADC) and the then Hong Kong Sports Development Board in their respective five-year strategic plans, and other projects that, in the Secretary for Home Affairs's opinion, will make significant contribution to the further development of the arts and sport in the community. A sum of \$300,000,000 was approved as a one-off injection into the ASDF. The amounts allocated for the arts and sport were \$160,000,000 and \$140,000,000 respectively. Any investment income generated is ploughed back into the ASDF. On 26 January 2007, the Finance Committee of the Legislative Council approved an injection of \$80,000,000 into the ASDF, \$40,000,000 for the arts and another \$40,000,000 for sport. On 20 February 2009, the Finance Committee approved an injection of \$150,000,000 into the ASDF, \$60,000,000 for the arts and \$90,000,000 for sport.

15. To promote further the development of the arts and sport, the Finance Committee of the Legislative Council approved on 2 July 2010 an injection of \$3 billion into the ASDF as seed money for generating an annual investment return to provide sustainable additional resources for subsidising the long-term development of sport, culture and the arts.

16. Before the injection of funds to the ASDF in July 2010, the arts portion of ASDF primarily supported the arts projects of the HKADC. With the new injection, it is estimated that an annual provision of \$60,000,000 would be available for disbursement in the arts category. Of the \$60,000,000, \$30,000,000 is earmarked as an enhanced provision for HKADC to support schemes or projects under its purview, and the other \$30,000,000 will be disbursed under the Arts Capacity Development Funding Scheme (ACDFS). The ACDFS seeks to enhance the capacity development of local artistic talents by providing funding support to promising arts groups and art practitioners, and cultivate a supportive culture for the arts in the community by fostering a tripartite partnership involving the Government, arts groups and the private sector to promote arts and cultural development in Hong Kong. As for the sport portion of ASDF, the injection of funds has enabled us to increase support for Hong Kong athletes' preparation for and participation in major sports games, the hosting of major international sports events in Hong Kong, as well as other one-off initiatives to encourage the development and promotion of sport in Hong Kong. With the endorsement of the Sports Commission, we will also provide funding for new projects, including support for hosting more high standard sports events in Hong Kong, and promotion of the development of local football and other team sports.

17. In 2017-2018, a total of \$185,116,085 was allocated from the ASDF, of which \$70,138,830 was allocated to 116 arts projects and \$114,977,255 was allocated to 56 sports development projects.

HONG KONG ATHLETES FUND

18. On 9 August 1996, the Government announced the setting up of the Hong Kong Athletes Fund (HKAF) to which it would commit one dollar (up to a maximum of \$8,000,000) for every dollar contributed by the community. The broad aim of the HKAF is to provide grants for educational and other academic training to individual athletes to allow them to pursue excellence in their chosen sport and to provide them with the opportunity to develop alternative careers upon retirement from competitive sport.

19. On 12 November 1996, the Government agreed to donate \$8,000,000 to the HKAF. This sum together with public donations of \$5,248,000 brought the total capital of the HKAF to \$13,248,000 as at 31 March 2002. The capital is kept intact and the investment income accruing thereon is used to meet the objects of the HKAF. A sum of \$5,000,000 was approved in 2008-2009 as a one-off injection into the HKAF to reward young athletes who win medals at major international youth games with educational subsidies from the HKAF. In 2017-18, a sum of \$4,500,000 was approved as a one-off injection into the HKAF to provide financial support for active and retired athletes to pursue further education.

20. The Elite Training and Athletes Affairs Committee of the Hong Kong Sports Institute Limited is responsible for advising on the disbursement of grants from the HKAF. Membership of the Committee is shown on page 3.

21. In January 2015, the Hong Kong Sports Institute launched the Elite Athletes Performance Recognition scheme to recognise athletes' dedication to sport and their achievements in representing Hong Kong in major games and competitions, under which eligible athletes will receive a one-off grant upon retirement from full-time sports training and competition, so that they can start a "second career".

22. In 2017-2018, a total of \$2,962,400 was allocated from the HKAF. Among which, \$1,884,200 of individual grants ranging from \$42,000 to \$210,500 were awarded to cover the tuition fees of 14 athletes. For the Elite Athletes Performance Recognition scheme, a total of \$991,200 was allocated from the HKAF, with individual grants from \$198,240 to \$396,480 awarded to three retired athletes in recognition of their dedication to sport and their achievements in representing Hong Kong in major games and competitions. In addition, a total of \$87,000 was also allocated from the Youth Athletes Scholarship Award which is a Scheme under the HKAF to provide scholarship to 13 athletes who achieved outstanding performance at the 2017 Asian Youth Para Games, with a scholarship value of \$5,000, \$3,000 and \$2,000 for gold, silver and bronze medallists respectively.

ARTS DEVELOPMENT FUND

23. The Arts Development Fund (ADF) was set up with a government contribution of \$30,000,000 in May 1993. The Secretary for Home Affairs is the authority for disbursing grants from the ADF. The ADF aims to enhance the development of the arts and culture in Hong Kong. Since the end of 2001, it has been deployed to support mainly cultural exchange projects.

24. The Finance Committee of the Legislative Council approved an injection of \$20,000,000 into the ADF on 26 January 2007. In view of the financial position of the ADF, starting from 2016-17, the Home Affairs Bureau has begun to support approved projects of the ADF by committing resources from the ASDF (Arts Portion) so as to sustain worthwhile outbound arts and cultural activities. In 2017-2018, \$5,033,580 were committed from ASDF (Arts Portion) to support projects approved under the ADF.

LAU Kong-wah
Secretary for Home Affairs
21 June 2018

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 David Trench Fund for Recreation set out on pages 15 to 38, which comprise the balance sheet as at 31 March 2018, 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 David Trench Fund for Recreation as at 31 March 2018, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with section 9(1) of the Sir David Trench Fund for Recreation Ordinance (Cap. 1128).

Basis for opinion

I conducted my audit in accordance with section 9(2) of the Sir David Trench Fund for Recreation 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 David Trench Fund for Recreation 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.

Other information

The Director of Accounting Services and the Secretary for Home Affairs are responsible for the other information. The other information comprises all the information included in the Sir David Trench Fund for Recreation Annual Report 2017-2018, other than the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Director of Accounting Services' responsibilities for the financial statements

The Director of Accounting Services, as the Trustee of the Sir David Trench Fund for Recreation, is responsible for the preparation of the financial statements that give a true and fair view in accordance with section 9(1) of the Sir David Trench Fund for Recreation Ordinance and Hong Kong Financial Reporting Standards, and for such internal control as the Director of Accounting Services 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 Director of Accounting Services is responsible for assessing in conjunction with the Secretary for Home Affairs the Sir David Trench Fund for Recreation'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 David Trench Fund for Recreation’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director of Accounting Services;
- conclude on the appropriateness of the Director of Accounting Services’ 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 David Trench Fund for Recreation’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 David Trench Fund for Recreation 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.

Kenneth Ho
Assistant Director of Audit
for Director of Audit

21 June 2018

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

BALANCE SHEET AS AT 31 MARCH 2018

| | | Note | 2018 HK\$'000 | 2017 HK\$'000 |
|-----------------------------------------------------|----------------------------------|-----------------|------------------|------------------|
| MAIN FUND | ASSETS | | | |
| | Cash at bank | | 450 | 500 |
| | Deposits with banks | 3 | 31,001 | 24,320 |
| | Investments in securities | 4 | 103,508 | 99,225 |
| | Placement with the Exchange Fund | 6 | 24,488 | 23,821 |
| | Interest and other receivables | | 623 | 427 |
| | Total assets | | <u>160,070</u> | <u>148,293</u> |
| | LIABILITIES | | | |
| | Payables and other liabilities | 7 | (28) | (104) |
| | Net assets | | <u>160,042</u> | <u>148,189</u> |
| Representing : | | | | |
| FUND BALANCE | | | | |
| Capital | | 23,200 | 23,200 | |
| Accumulated surplus | | <u>136,842</u> | <u>124,989</u> | |
| | | <u>160,042</u> | <u>148,189</u> | |
| SPORTS AID FOR THE DISABLED FUND | ASSETS | | | |
| | Cash at bank | | 41 | 39 |
| | Deposits with banks | 3 | 1,492 | 1,461 |
| | Placement with the Exchange Fund | 6 | 6,861 | 6,674 |
| | Interest receivable | | 82 | 47 |
| | Total assets | | <u>8,476</u> | <u>8,221</u> |
| | Representing : | | | |
| | FUND BALANCE | | | |
| | Capital | | 6,500 | 6,500 |
| | Accumulated surplus | | <u>1,976</u> | <u>1,721</u> |
| | | <u>8,476</u> | <u>8,221</u> | |
| SPORTS AID FOUNDATION FUND | ASSETS | | | |
| | Cash at bank | | 73 | 74 |
| | Deposits with banks | 3 | 2,038 | 2,020 |
| | Placement with the Exchange Fund | 6 | 42,830 | 41,664 |
| | Interest receivable | | 502 | 292 |
| | Total assets | | <u>45,443</u> | <u>44,050</u> |
| | Representing : | | | |
| | FUND BALANCE | | | |
| | Capital | | 40,577 | 40,577 |
| | Accumulated surplus | | <u>4,866</u> | <u>3,473</u> |
| | | <u>45,443</u> | <u>44,050</u> | |
| ARTS DEVELOPMENT FUND | ASSETS | | | |
| | Cash at bank | | 89 | 106 |
| | Deposits with banks | 3 | 200 | 900 |
| | Total assets | | <u>289</u> | <u>1,006</u> |
| | Representing : | | | |
| | FUND BALANCE | | | |
| | Capital | | 50,000 | 50,000 |
| Accumulated deficit | | <u>(49,711)</u> | <u>(48,994)</u> | |
| | | <u>289</u> | <u>1,006</u> | |

BALANCE SHEET — Continued

| | | Note | 2018 HK\$'000 | 2017 HK\$'000 |
|----------------------------------------------------|----------------------------------|------------------|------------------|------------------|
| HONG KONG ATHLETES FUND | ASSETS | | | |
| | Cash at bank | | 160 | 333 |
| | Deposits with banks | 3 | 9,396 | 2,575 |
| | Investments in securities | 4 | 3,493 | 7,396 |
| | Placement with the Exchange Fund | 6 | 13,984 | 13,603 |
| | Interest and other receivables | | 175 | 117 |
| | Total assets | | <u>27,208</u> | <u>24,024</u> |
| | LIABILITIES | | | |
| | Payables and other liabilities | 7 | — | (1) |
| | Net assets | | <u>27,208</u> | <u>24,023</u> |
| | Representing : | | | |
| | FUND BALANCE | | | |
| Capital | | 27,648 | 23,148 | |
| Accumulated (deficit) / surplus | | (440) | 875 | |
| | | <u>27,208</u> | <u>24,023</u> | |
| ARTS AND SPORT DEVELOPMENT FUND | ASSETS | | | |
| | Cash at bank | | 5,177 | 4,215 |
| | Deposits with banks | 3 | 444,696 | 573,744 |
| | Investments in securities | 4 | 1,837,828 | 1,806,235 |
| | Trading financial instruments | 5 | — | 345 |
| | Placement with the Exchange Fund | 6 | 976,109 | 659,373 |
| | Interest and other receivables | | 17,203 | 11,654 |
| | Total assets | | <u>3,281,013</u> | <u>3,055,566</u> |
| | LIABILITIES | | | |
| | Trading financial instruments | 5 | (5) | (299) |
| | Payables and other liabilities | 7 | (1,646) | (7,650) |
| | Total liabilities | | <u>(1,651)</u> | <u>(7,949)</u> |
| Net assets | | <u>3,279,362</u> | <u>3,047,617</u> | |
| Representing : | | | | |
| FUND BALANCE | | | | |
| Capital | | 3,530,000 | 3,530,000 | |
| Accumulated deficit | | (250,638) | (482,383) | |
| | | <u>3,279,362</u> | <u>3,047,617</u> | |
| TOTAL FUND BALANCE | | | <u>3,520,820</u> | <u>3,273,106</u> |

The accompanying notes 1 to 17 form part of these financial statements.

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018**

| | | Note | 2018 HK\$'000 | 2017 HK\$'000 |
|----------------------------------------------------|-----------------------------------------|------|-----------------------|-----------------------|
| MAIN FUND | Income | 9 | 22,032 | 17,207 |
| | Expenditure | 10 | (10,179) | (9,443) |
| | Surplus for the year | | <u>11,853</u> | <u>7,764</u> |
| | Other comprehensive income | | — | — |
| | Total comprehensive income for the year | | <u><u>11,853</u></u> | <u><u>7,764</u></u> |
| SPORTS AID FOR THE DISABLED FUND | Income | 9 | 255 | 225 |
| | Expenditure | 10 | — | (1) |
| | Surplus for the year | | <u>255</u> | <u>224</u> |
| | Other comprehensive income | | — | — |
| | Total comprehensive income for the year | | <u><u>255</u></u> | <u><u>224</u></u> |
| SPORTS AID FOUNDATION FUND | Income | 9 | 1,393 | 1,323 |
| | Expenditure | 10 | — | (1) |
| | Surplus for the year | | <u>1,393</u> | <u>1,322</u> |
| | Other comprehensive income | | — | — |
| | Total comprehensive income for the year | | <u><u>1,393</u></u> | <u><u>1,322</u></u> |
| ARTS DEVELOPMENT FUND | Income | 9 | 2 | 6 |
| | Expenditure | 10 | (719) | (1,528) |
| | Deficit for the year | | <u>(717)</u> | <u>(1,522)</u> |
| | Other comprehensive income | | — | — |
| | Total comprehensive loss for the year | | <u><u>(717)</u></u> | <u><u>(1,522)</u></u> |
| HONG KONG ATHLETES FUND | Income | 9 | 1,462 | 1,635 |
| | Expenditure | 10 | (2,777) | (4,552) |
| | Deficit for the year | | <u>(1,315)</u> | <u>(2,917)</u> |
| | Other comprehensive income | | — | — |
| | Total comprehensive loss for the year | | <u><u>(1,315)</u></u> | <u><u>(2,917)</u></u> |
| ARTS AND SPORT DEVELOPMENT FUND | Income | 9 | 404,230 | 304,000 |
| | Expenditure | 10 | (172,485) | (141,338) |
| | Surplus for the year | | <u>231,745</u> | <u>162,662</u> |
| | Other comprehensive income | | — | — |
| | Total comprehensive income for the year | | <u><u>231,745</u></u> | <u><u>162,662</u></u> |

The accompanying notes 1 to 17 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

| | | Capital HK\$'000 | Accumulated surplus/(deficit) HK\$'000 | Total HK\$'000 |
|-----------------------------------------------------|-------------------------------------------------|----------------------|----------------------------------------------|-----------------------|
| MAIN FUND | Balance at 1 April 2016 | 23,200 | 117,225 | 140,425 |
| | Total comprehensive income for the year 2016-17 | | 7,764 | 7,764 |
| | Balance at 31 March 2017 | <u>23,200</u> | <u>124,989</u> | <u>148,189</u> |
| | Total comprehensive income for the year 2017-18 | | 11,853 | 11,853 |
| | Balance at 31 March 2018 | <u><u>23,200</u></u> | <u><u>136,842</u></u> | <u><u>160,042</u></u> |
| SPORTS AID FOR THE DISABLED FUND | Balance at 1 April 2016 | 6,500 | 1,497 | 7,997 |
| | Total comprehensive income for the year 2016-17 | | 224 | 224 |
| | Balance at 31 March 2017 | <u>6,500</u> | <u>1,721</u> | <u>8,221</u> |
| | Total comprehensive income for the year 2017-18 | | 255 | 255 |
| | Balance at 31 March 2018 | <u><u>6,500</u></u> | <u><u>1,976</u></u> | <u><u>8,476</u></u> |
| SPORTS AID FOUNDATION FUND | Balance at 1 April 2016 | 40,577 | 2,151 | 42,728 |
| | Total comprehensive income for the year 2016-17 | | 1,322 | 1,322 |
| | Balance at 31 March 2017 | <u>40,577</u> | <u>3,473</u> | <u>44,050</u> |
| | Total comprehensive income for the year 2017-18 | | 1,393 | 1,393 |
| | Balance at 31 March 2018 | <u><u>40,577</u></u> | <u><u>4,866</u></u> | <u><u>45,443</u></u> |

STATEMENT OF CHANGES IN EQUITY — Continued

| | | Capital HK\$'000 | Accumulated surplus/(deficit) HK\$'000 | Total HK\$'000 |
|----------------------------------------------------|-------------------------------------------------|-----------------------------|-------------------------------------------------------|---------------------------|
| ARTS DEVELOPMENT FUND | Balance at 1 April 2016 | 50,000 | (47,472) | 2,528 |
| | Total comprehensive loss for the year 2016-17 | | (1,522) | (1,522) |
| | Balance at 31 March 2017 | <u>50,000</u> | <u>(48,994)</u> | <u>1,006</u> |
| | Total comprehensive loss for the year 2017-18 | | (717) | (717) |
| | Balance at 31 March 2018 | <u><u>50,000</u></u> | <u><u>(49,711)</u></u> | <u><u>289</u></u> |
| HONG KONG ATHLETES FUND | Balance at 1 April 2016 | 23,148 | 3,792 | 26,940 |
| | Total comprehensive loss for the year 2016-17 | | (2,917) | (2,917) |
| | Balance at 31 March 2017 | <u>23,148</u> | <u>875</u> | <u>24,023</u> |
| | Government injection in 2017-18 | 4,500 | | 4,500 |
| | Total comprehensive loss for the year 2017-18 | | (1,315) | (1,315) |
| | Balance at 31 March 2018 | <u><u>27,648</u></u> | <u><u>(440)</u></u> | <u><u>27,208</u></u> |
| ARTS AND SPORT DEVELOPMENT FUND | Balance at 1 April 2016 | 3,530,000 | (645,045) | 2,884,955 |
| | Total comprehensive income for the year 2016-17 | | 162,662 | 162,662 |
| | Balance at 31 March 2017 | <u>3,530,000</u> | <u>(482,383)</u> | <u>3,047,617</u> |
| | Total comprehensive income for the year 2017-18 | | 231,745 | 231,745 |
| | Balance at 31 March 2018 | <u><u>3,530,000</u></u> | <u><u>(250,638)</u></u> | <u><u>3,279,362</u></u> |

The accompanying notes 1 to 17 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

| | | Note | 2018 HK\$'000 | 2017 HK\$'000 |
|-----------------------------------------------------|-------------------------------------------------------|------|------------------|------------------|
| MAIN FUND | Net cash used in operating activities | 11 | (6,000) | (6,056) |
| | Cash and cash equivalents at beginning of year | | 8,500 | 14,556 |
| | Cash and cash equivalents at end of year | 12 | <u>2,500</u> | <u>8,500</u> |
| SPORTS AID FOR THE DISABLED FUND | Net cash from/ (used in) operating activities | 11 | 2 | (10) |
| | Cash and cash equivalents at beginning of year | | 39 | 49 |
| | Cash and cash equivalents at end of year | 12 | <u>41</u> | <u>39</u> |
| SPORTS AID FOUNDATION FUND | Net cash (used in)/ from operating activities | 11 | (1) | 2 |
| | Cash and cash equivalents at beginning of year | | 74 | 72 |
| | Cash and cash equivalents at end of year | 12 | <u>73</u> | <u>74</u> |
| ARTS DEVELOPMENT FUND | Net cash used in operating activities | 11 | (717) | (1,521) |
| | Cash and cash equivalents at beginning of year | | 1,006 | 2,527 |
| | Cash and cash equivalents at end of year | 12 | <u>289</u> | <u>1,006</u> |
| HONG KONG ATHLETES FUND | Net cash (used in)/ from operating activities | 11 | (4,673) | 13 |
| | Cash from financing activities – Government injection | | 4,500 | — |
| | Cash and cash equivalents at beginning of year | | 333 | 320 |
| | Cash and cash equivalents at end of year | 12 | <u>160</u> | <u>333</u> |
| ARTS AND SPORT DEVELOPMENT FUND | Net cash used in operating activities | 11 | (76,592) | (247,694) |
| | Cash and cash equivalents at beginning of year | | 137,755 | 385,449 |
| | Cash and cash equivalents at end of year | 12 | <u>61,163</u> | <u>137,755</u> |

The accompanying notes 1 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. LEGISLATION

The Sir David Trench Fund for Recreation (the Fund) was established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) which was passed by the Legislative Council on 11 February 1970. The principal activities of the Fund are the provision of, or assistance in the provision of facilities for recreational, sporting, cultural and social activities, and the investment of moneys of the Fund in approved investments. The Fund consists of the following six funds:

- (a) Main Fund;
- (b) Sports Aid for the Disabled Fund;
- (c) Sports Aid Foundation Fund;
- (d) Arts Development Fund;
- (e) Hong Kong Athletes Fund; and
- (f) Arts and Sport Development Fund.

The financial statements of the Fund are prepared in accordance with section 9 of the Ordinance.

2. SIGNIFICANT ACCOUNTING POLICIES

- (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Fund is set out below.

- (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost except that the investments in equity securities and trading financial instruments are stated at fair value as explained in the accounting policies set out 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) Investments in securities

In accordance with HKAS 39, Financial Instruments: Recognition and Measurement, investments in equity securities are designated as "financial assets at fair value" based on the fact that the investments are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management and investment strategy.

Investments in equity securities are initially recognised at fair value, which normally will be equal to the transaction prices, excluding transaction costs which are expensed as incurred. They are subsequently carried at fair value. Purchases and sales of investments are recognised using trade date accounting.

When investments are sold, the Fund uses the weighted average method to determine realised gains and losses to be recognised in the income and expenditure account.

Changes in the fair value of investments are recognised as revaluation gains or losses in the income and expenditure account.

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Fund has the positive intention and ability to hold to maturity, other than (a) those that the Fund, upon initial recognition, designates as at fair value; and (b) those that meet the definition of loans and receivables.

Held-to-maturity securities are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method less impairment losses, if any (Note 2(j)).

The effective interest method is a method of calculating the amortised cost of an investment 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 investment or, when appropriate, a shorter period to the net carrying amount of the investment.

(d) Trading financial instruments

These comprise forward currency contracts used by the Fund to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments do not qualify for hedge accounting and are categorised as "trading" under HKAS 39.

Trading financial instruments are carried at fair value, and presented as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value are included in surplus or deficit in the period in which they arise.

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Fund has no intention of trading, other than those that the Fund, upon initial recognition, designates as at fair value. This category includes cash at bank, deposits with banks, placement with the Exchange Fund, interest and other receivables.

Loans and receivables are carried at amortised cost using the effective interest method less impairment losses, if any (Note 2(j)).

(f) Income recognition

Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the share price goes ex-dividend. Other income is recognised on an accrual basis.

(g) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars using the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars using the closing exchange rates at the balance sheet date. Exchange gains or losses arising are included in the income and expenditure account.

(h) Cash and cash equivalents

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

(i) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

(j) Impairment of financial assets

The carrying amounts of loans and receivables and held-to-maturity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised in surplus or deficit as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If in a subsequent period the amount of such impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through surplus or deficit. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

3. DEPOSITS WITH BANKS

These are deposits placed with licensed banks in Hong Kong for investment under section 7(1) of the Sir David Trench Fund for Recreation Ordinance.

4. INVESTMENTS IN SECURITIES

These are investments made under section 7(1) of the Sir David Trench Fund for Recreation Ordinance:

| | 2018 HK\$'000 | <i>2017</i> <i>HK\$'000</i> |
|-------------------------------------|--------------------------------|--------------------------------|
| MAIN FUND | | |
| Hong Kong listed equity securities | 49,658 | <i>48,300</i> |
| Overseas equity securities - listed | 53,850 | <i>50,925</i> |
| | 103,508 | <i>99,225</i> |
| HONG KONG ATHLETES FUND | | |
| Hong Kong listed equity securities | 1,839 | <i>4,648</i> |
| Overseas equity securities - listed | 1,654 | <i>2,748</i> |
| | 3,493 | <i>7,396</i> |

4. INVESTMENTS IN SECURITIES — Continued

| | 2018 HK\$'000 | 2017 HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| ARTS AND SPORT DEVELOPMENT FUND | | |
| Hong Kong listed equity securities | 833,150 | 817,427 |
| Overseas equity securities - listed | 923,162 | 908,132 |
| US dollar-denominated held-to-maturity debt securities | 81,516 | 80,676 |
| | 1,837,828 | 1,806,235 |

5. TRADING FINANCIAL INSTRUMENTS

| | 2018 | | 2017 | |
|------------------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | Assets HK\$'000 | Liabilities HK\$'000 | Assets HK\$'000 | Liabilities HK\$'000 |
| ARTS AND SPORT DEVELOPMENT FUND | | | | |
| Forward currency contracts at fair value | — | 5 | 345 | 299 |

All these forward currency contracts would mature within one year and had a total notional amount of HK\$1.1 million as at 31 March 2018 (2017: HK\$76.7 million). The notional amounts of these contracts indicate the volume of outstanding transactions and do not represent the amounts at risk.

6. PLACEMENT WITH THE EXCHANGE FUND

These represent the principal sums placed with the Exchange Fund and interest paid but not yet withdrawn at the end of the reporting period:

| | Principal sum HK\$'000 | Interest paid but not yet withdrawn HK\$'000 | Total HK\$'000 |
|-----------------------------------------|---------------------------------------|-------------------------------------------------------------|---------------------------|
| 2018 | | | |
| MAIN FUND | 23,200 | 1,288 | 24,488 |
| SPORTS AID FOR THE DISABLED FUND | 6,500 | 361 | 6,861 |
| SPORTS AID FOUNDATION FUND | 40,577 | 2,253 | 42,830 |
| HONG KONG ATHLETES FUND | 13,248 | 736 | 13,984 |
| ARTS AND SPORT DEVELOPMENT FUND | 950,000 | 26,109 | 976,109 |
| | | | |
| <i>2017</i> | <i>Principal sum HK\$'000</i> | <i>Interest paid but not yet withdrawn HK\$'000</i> | <i>Total HK\$'000</i> |
| <i>MAIN FUND</i> | 23,200 | 621 | 23,821 |
| <i>SPORTS AID FOR THE DISABLED FUND</i> | 6,500 | 174 | 6,674 |
| <i>SPORTS AID FOUNDATION FUND</i> | 40,577 | 1,087 | 41,664 |
| <i>HONG KONG ATHLETES FUND</i> | 13,248 | 355 | 13,603 |
| <i>ARTS AND SPORT DEVELOPMENT FUND</i> | 650,000 | 9,373 | 659,373 |

The term of the placement is six years from the date of placement, during which the principal sums cannot be withdrawn.

Interest on the placement is payable at a fixed rate determined every January. The rate is the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year government bond for the previous year subject to a minimum of zero percent, whichever is the higher. The interest rate has been fixed at 4.6% for the calendar year 2018 and at 2.8% for the calendar year 2017.

7. PAYABLES AND OTHER LIABILITIES

These include payables for purchase of securities, accrued investment management and custodian fees and grants of which disbursement was being processed at the balance sheet date.

8. COMMITMENTS

These represent the unspent portion of the approved grants under the Fund:

| | 2018 HK\$'000 | <i>2017</i> <i>HK\$'000</i> |
|----------------------------------------|--------------------------------|--------------------------------|
| MAIN FUND | 29,505 | <i>25,857</i> |
| ARTS DEVELOPMENT FUND | 71 | <i>880</i> |
| HONG KONG ATHLETES FUND | 5,882 | <i>5,679</i> |
| ARTS AND SPORT DEVELOPMENT FUND | 134,521 | <i>139,306</i> |
| | <u>169,979</u> | <i><u>171,722</u></i> |

9. INCOME

| | 2018 HK\$'000 | 2017 HK\$'000 |
|-------------------------------------------------------|------------------|------------------|
| MAIN FUND | | |
| Net realised and revaluation gains on: | | |
| - equity securities | 17,922 | 13,789 |
| - other assets | 197 | 27 |
| Dividend income | 2,690 | 2,434 |
| Interest income from placement with the Exchange Fund | 780 | 740 |
| Other interest income | 443 | 217 |
| | <u>22,032</u> | <u>17,207</u> |
| SPORTS AID FOR THE DISABLED FUND | | |
| Net realised and revaluation gains on: | | |
| - other assets | 10 | 2 |
| Interest income from placement with the Exchange Fund | 219 | 207 |
| Other interest income | 26 | 16 |
| | <u>255</u> | <u>225</u> |
| SPORTS AID FOUNDATION FUND | | |
| Net realised and revaluation gains on: | | |
| - equity securities | — | 2 |
| Dividend income | — | 7 |
| Interest income from placement with the Exchange Fund | 1,365 | 1,294 |
| Other interest income | 28 | 20 |
| | <u>1,393</u> | <u>1,323</u> |
| ARTS DEVELOPMENT FUND | | |
| Net realised and revaluation gains on: | | |
| - other assets | — | 2 |
| Other interest income | 2 | 4 |
| | <u>2</u> | <u>6</u> |
| HONG KONG ATHLETES FUND | | |
| Net realised and revaluation gains on: | | |
| - equity securities | 792 | 969 |
| - other assets | 30 | 2 |
| Dividend income | 106 | 189 |
| Interest income from placement with the Exchange Fund | 446 | 422 |
| Other interest income | 88 | 53 |
| | <u>1,462</u> | <u>1,635</u> |
| ARTS AND SPORT DEVELOPMENT FUND | | |
| Refund of grants | 10,571 | 10,787 |
| Net realised and revaluation gains/ (losses) on: | | |
| - equity securities | 311,906 | 227,113 |
| - held-to-maturity debt securities | 797 | 57 |
| - trading financial instruments | (2,940) | (2,224) |
| - other assets | 3,582 | 634 |
| Dividend income | 46,253 | 44,377 |
| Interest income from debt securities | 1,979 | 1,247 |
| Interest income from placement with the Exchange Fund | 21,995 | 11,505 |
| Other interest income | 10,087 | 10,504 |
| | <u>404,230</u> | <u>304,000</u> |

10. EXPENDITURE

| | 2018 HK\$'000 | 2017 HK\$'000 |
|---------------------------------------------|------------------|------------------|
| MAIN FUND | | |
| Grants | 10,150 | 9,322 |
| Investment management fees | — | 10 |
| Investment transaction costs | 24 | 104 |
| Bank charges | 5 | 7 |
| | <u>10,179</u> | <u>9,443</u> |
| SPORTS AID FOR THE DISABLED FUND | | |
| Bank charges | — | 1 |
| | <u>—</u> | <u>1</u> |
| SPORTS AID FOUNDATION FUND | | |
| Bank charges | — | 1 |
| | <u>—</u> | <u>1</u> |
| ARTS DEVELOPMENT FUND | | |
| Grants | 719 | 1,528 |
| | <u>719</u> | <u>1,528</u> |
| HONG KONG ATHLETES FUND | | |
| Grants | 2,767 | 4,544 |
| Investment management fees | — | 1 |
| Investment transaction costs | 9 | 6 |
| Bank charges | 1 | 1 |
| | <u>2,777</u> | <u>4,552</u> |
| ARTS AND SPORT DEVELOPMENT FUND | | |
| Grants | 169,773 | 139,417 |
| Custodian fees | 996 | 628 |
| Investment management fees | 1,014 | 995 |
| Investment transaction costs | 641 | 248 |
| Bank charges | 61 | 50 |
| | <u>172,485</u> | <u>141,338</u> |

11. RECONCILIATION OF SURPLUS/ (DEFICIT) TO NET CASH FROM/ (USED IN) OPERATING ACTIVITIES

| | 2018 HK\$'000 | 2017 HK\$'000 |
|---------------------------------------------------------------------------|------------------|------------------|
| MAIN FUND | | |
| Surplus for the year | 11,853 | 7,764 |
| Interest income | (1,223) | (957) |
| Dividend income | (2,690) | (2,434) |
| Increase in investments in securities | (4,283) | (2,632) |
| Increase in placement with the Exchange Fund | (667) | (621) |
| Increase in deposits with banks with original maturity beyond 3 months | (12,631) | (9,029) |
| Decrease in payables and other liabilities | (76) | (1,225) |
| Interest received | 1,025 | 810 |
| Dividend received | 2,692 | 2,268 |
| Net cash used in operating activities | (6,000) | (6,056) |
| | | |
| SPORTS AID FOR THE DISABLED FUND | | |
| Surplus for the year | 255 | 224 |
| Interest income | (245) | (223) |
| Increase in placement with the Exchange Fund | (187) | (174) |
| Increase in deposits with banks with original maturity beyond 3 months | (31) | (27) |
| Interest received | 210 | 190 |
| Net cash from/ (used in) operating activities | 2 | (10) |
| | | |
| SPORTS AID FOUNDATION FUND | | |
| Surplus for the year | 1,393 | 1,322 |
| Interest income | (1,393) | (1,314) |
| Dividend income | — | (7) |
| Decrease in investments in securities | — | 998 |
| Increase in placement with the Exchange Fund | (1,166) | (1,087) |
| Increase in deposits with banks with original maturity beyond 3 months | (18) | (1,020) |
| Interest received | 1,183 | 1,102 |
| Dividend received | — | 8 |
| Net cash (used in)/ from operating activities | (1) | 2 |

11. RECONCILIATION OF SURPLUS/ (DEFICIT) TO NET CASH FROM/ (USED IN) OPERATING ACTIVITIES — Continued

| | 2018 HK\$'000 | 2017 HK\$'000 |
|------------------------------------------------------------------------------------|------------------|------------------|
| ARTS DEVELOPMENT FUND | | |
| Deficit for the year | (717) | (1,522) |
| Interest income | (2) | (4) |
| Interest received | 2 | 5 |
| Net cash used in operating activities | <u>(717)</u> | <u>(1,521)</u> |
| | | |
| HONG KONG ATHLETES FUND | | |
| Deficit for the year | (1,315) | (2,917) |
| Interest income | (534) | (475) |
| Dividend income | (106) | (189) |
| Decrease in investments in securities | 3,903 | 897 |
| Increase in placement with the Exchange Fund | (381) | (355) |
| (Increase)/ Decrease in deposits with banks with original maturity beyond 3 months | (6,821) | 2,475 |
| Decrease in payables and other liabilities | (1) | — |
| Interest received | 469 | 403 |
| Dividend received | 113 | 174 |
| Net cash (used in)/ from operating activities | <u>(4,673)</u> | <u>13</u> |
| | | |
| ARTS AND SPORT DEVELOPMENT FUND | | |
| Surplus for the year | 231,745 | 162,662 |
| Interest income | (34,061) | (23,256) |
| Dividend income | (46,253) | (44,377) |
| Increase in investments in securities | (31,593) | (292,600) |
| Change in trading financial instruments | 51 | (46) |
| Increase in placement with the Exchange Fund | (316,736) | (309,373) |
| Decrease in deposits with banks with original maturity beyond 3 months | 51,494 | 194,784 |
| (Decrease)/ Increase in payables and other liabilities | (6,004) | 1,791 |
| Decrease/ (Increase) in other receivables | 1,490 | (37) |
| Interest received | 27,275 | 18,929 |
| Dividend received | 46,000 | 43,829 |
| Net cash used in operating activities | <u>(76,592)</u> | <u>(247,694)</u> |

12. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

| | 2018 HK\$'000 | 2017 HK\$'000 |
|------------------------------------------------------------|----------------------|-----------------------|
| MAIN FUND | | |
| Cash at bank | 450 | 500 |
| Deposits with banks with original maturity within 3 months | <u>2,050</u> | <u>8,000</u> |
| | <u><u>2,500</u></u> | <u><u>8,500</u></u> |
| SPORTS AID FOR THE DISABLED FUND | | |
| Cash at bank | 41 | 39 |
| Deposits with banks with original maturity within 3 months | <u>—</u> | <u>—</u> |
| | <u><u>41</u></u> | <u><u>39</u></u> |
| SPORTS AID FOUNDATION FUND | | |
| Cash at bank | 73 | 74 |
| Deposits with banks with original maturity within 3 months | <u>—</u> | <u>—</u> |
| | <u><u>73</u></u> | <u><u>74</u></u> |
| ARTS DEVELOPMENT FUND | | |
| Cash at bank | 89 | 106 |
| Deposits with banks with original maturity within 3 months | <u>200</u> | <u>900</u> |
| | <u><u>289</u></u> | <u><u>1,006</u></u> |
| HONG KONG ATHLETES FUND | | |
| Cash at bank | 160 | 333 |
| Deposits with banks with original maturity within 3 months | <u>—</u> | <u>—</u> |
| | <u><u>160</u></u> | <u><u>333</u></u> |
| ARTS AND SPORT DEVELOPMENT FUND | | |
| Cash at bank | 5,177 | 4,215 |
| Deposits with banks with original maturity within 3 months | <u>55,986</u> | <u>133,540</u> |
| | <u><u>61,163</u></u> | <u><u>137,755</u></u> |
| Reconciliation with the balance sheet: | | |
| | 2018 HK\$'000 | 2017 HK\$'000 |
| MAIN FUND | | |
| Amounts in the balance sheet: | | |
| Cash at bank | 450 | 500 |
| Deposits with banks | <u>31,001</u> | <u>24,320</u> |
| | <u>31,451</u> | <u>24,820</u> |
| Less: Amounts with original maturity beyond 3 months | <u>(28,951)</u> | <u>(16,320)</u> |
| Cash and cash equivalents in the statement of cash flows | <u><u>2,500</u></u> | <u><u>8,500</u></u> |
| SPORTS AID FOR THE DISABLED FUND | | |
| Amounts in the balance sheet: | | |
| Cash at bank | 41 | 39 |
| Deposits with banks | <u>1,492</u> | <u>1,461</u> |
| | <u>1,533</u> | <u>1,500</u> |
| Less: Amounts with original maturity beyond 3 months | <u>(1,492)</u> | <u>(1,461)</u> |
| Cash and cash equivalents in the statement of cash flows | <u><u>41</u></u> | <u><u>39</u></u> |

12. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

— *Continued*

| | 2018 HK\$'000 | 2017 HK\$'000 |
|----------------------------------------------------------|------------------|------------------|
| SPORTS AID FOUNDATION FUND | | |
| Amounts in the balance sheet: | | |
| Cash at bank | 73 | 74 |
| Deposits with banks | 2,038 | 2,020 |
| | <u>2,111</u> | <u>2,094</u> |
| Less: Amounts with original maturity beyond 3 months | (2,038) | (2,020) |
| Cash and cash equivalents in the statement of cash flows | <u>73</u> | <u>74</u> |
| ARTS DEVELOPMENT FUND | | |
| Amounts in the balance sheet: | | |
| Cash at bank | 89 | 106 |
| Deposits with banks | 200 | 900 |
| | <u>289</u> | <u>1,006</u> |
| Less: Amounts with original maturity beyond 3 months | — | — |
| Cash and cash equivalents in the statement of cash flows | <u>289</u> | <u>1,006</u> |
| HONG KONG ATHLETES FUND | | |
| Amounts in the balance sheet: | | |
| Cash at bank | 160 | 333 |
| Deposits with banks | 9,396 | 2,575 |
| | <u>9,556</u> | <u>2,908</u> |
| Less: Amounts with original maturity beyond 3 months | (9,396) | (2,575) |
| Cash and cash equivalents in the statement of cash flows | <u>160</u> | <u>333</u> |
| ARTS AND SPORT DEVELOPMENT FUND | | |
| Amounts in the balance sheet: | | |
| Cash at bank | 5,177 | 4,215 |
| Deposits with banks | 444,696 | 573,744 |
| | <u>449,873</u> | <u>577,959</u> |
| Less: Amounts with original maturity beyond 3 months | (388,710) | (440,204) |
| Cash and cash equivalents in the statement of cash flows | <u>61,163</u> | <u>137,755</u> |

13. CAPITAL RISK MANAGEMENT

Injections from the Government and certain donations received were designated as capital of the Fund.

The capital of the Arts Development Fund, the capital injection into the Hong Kong Athletes Fund of HK\$5 million in March 2009 for the special scheme for young athletes and HK\$4.5 million in March 2018, the total capital of HK\$530 million injected into the Arts and Sport Development Fund up to 31 March 2010 and the injection of HK\$4.9 million donation into the Hong Kong Athletes Fund in March 2012 may be expended specifically for the purposes of these funds. The entire capital of the Main Fund, the Sports Aid for the Disabled Fund, the Sports Aid Foundation Fund and the total capital of HK\$13.248 million injected into the Hong Kong Athletes Fund up to 28 February 2009 are required to be kept intact and only the investment income accruing thereon may be used for the purposes of these funds. The capital of HK\$3 billion injected into the Arts and Sport Development Fund in July 2010 is required to be kept intact in the long run.

The capital of the Fund is managed prudently to generate income for the purposes of the Fund, and to maintain the capital requirements if necessary. The financial risks in the Fund's investment portfolios are monitored on a continuous basis to ensure that such risks are covered before funding is considered for the purposes of the Fund.

14. FINANCIAL RISK MANAGEMENT

(a) Investment management and control

The Director of Accounting Services, as the Trustee of the Fund, may invest any moneys of the Fund according to the recommendations or parameters set by the Investment Advisory Committee.

The Investment Advisory Committee is established under section 7(2) of the Sir David Trench Fund for Recreation Ordinance, whose members are appointed by the Chief Executive. The authority of appointment has been delegated by the Chief Executive to the Secretary for Home Affairs.

The investment objective is to generate revenue and/or to achieve long-term capital appreciation by investing in a diversified portfolio in order to sponsor recreational, sporting, cultural and social activities. The investment management and control of the Fund are set out in a documented risk management and investment strategy and reviewed on a regular basis by the Investment Advisory Committee.

(b) Market risk

The Fund is exposed to market risk for its investment in financial instruments. Market risk comprises equity price risk, interest rate risk and currency risk.

(i) Equity price risk

The Fund's investments in equity securities are subject to the equity price risk inherent in all equity securities i.e. the value of holdings may fall as well as rise. As at 31 March 2018, the equity securities were included in investments in securities as shown in Note 4. The risk is primarily addressed through diversification of investment portfolio in accordance with a documented risk management and investment strategy, and the Fund monitors the equity price risk on a continuous basis.

If the market bid prices of the equity securities had increased/decreased by 10% with all other variables held constant, the impact on the income for the year would have been as follows:

| | 2018 | <i>2017</i> |
|----------------------------------------|------------------|------------------|
| | HK\$'000 | <i>HK\$'000</i> |
| MAIN FUND | ± 10,351 | <i>± 9,923</i> |
| HONG KONG ATHLETES FUND | ± 349 | <i>± 740</i> |
| ARTS AND SPORT DEVELOPMENT FUND | ± 175,631 | <i>± 172,556</i> |

(ii) Interest rate risk

Interest rate risk refers to 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 financial instruments will fluctuate because of changes in market interest rates. Since the Fund's debt securities and deposits with banks bear interest at fixed rates and are all stated at amortised cost, their carrying amounts and the Fund's income and accumulated funds will not be affected by changes in market interest rates.

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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 has no exposure to cash flow interest rate risk because it has no holding of debt securities bearing interest at rates determined by reference to market interest rates.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in foreign exchange rates. The Fund's foreign currency investments are exposed to currency risk. The Fund only makes investments denominated in Hong Kong dollar, US dollar, Renminbi and currencies of countries whose foreign currency long-term debt has a high credit rating. The exposure to currency risk is handled in accordance with a documented risk management and investment strategy, and the Fund monitors the risk on a continuous basis.

The following table summarises the net exposure to individual currencies based on the net assets at the balance sheet date:

| | Currency | 2018 HK\$'000 | <i>2017</i> <i>HK\$'000</i> |
|-----------------------------------------|-----------------|--------------------------------|--------------------------------|
| MAIN FUND | HK dollar | 84,602 | 80,570 |
| | US dollar | 75,432 | 67,611 |
| | Renminbi | 8 | 8 |
| | | <u>160,042</u> | <u>148,189</u> |
| SPORTS AID FOR THE DISABLED FUND | HK dollar | 7,401 | 7,177 |
| | US dollar | 1,075 | 1,044 |
| | | <u>8,476</u> | <u>8,221</u> |
| SPORTS AID FOUNDATION FUND | HK dollar | 45,411 | 44,018 |
| | US dollar | 32 | 32 |
| | | <u>45,443</u> | <u>44,050</u> |
| ARTS DEVELOPMENT FUND | HK dollar | 282 | 999 |
| | US dollar | 7 | 7 |
| | | <u>289</u> | <u>1,006</u> |
| HONG KONG ATHLETES FUND | HK dollar | 22,112 | 19,267 |
| | US dollar | 5,090 | 4,751 |
| | Renminbi | 6 | 5 |
| | | <u>27,208</u> | <u>24,023</u> |
| ARTS AND SPORT DEVELOPMENT FUND | HK dollar | 2,022,263 | 1,788,437 |
| | US dollar | 1,072,228 | 1,144,816 |
| | Euro | 58,429 | 31,302 |
| | Japanese yen | 45,963 | 21,530 |
| | Renminbi | 32 | 29 |
| | Pound sterling | 31,282 | 17,091 |
| | Others | 49,165 | 44,412 |
| | | <u>3,279,362</u> | <u>3,047,617</u> |

Due to the linked exchange rate of the US dollar relative to the Hong Kong dollar, the Fund does not have significant exposure to currency risk for its US dollar-denominated assets.

The Main Fund, the Hong Kong Athletes Fund and the Arts and Sport Development Fund had investments denominated in currencies other than Hong Kong and US dollars at the balance sheet date. As the balances for the Main Fund and the Hong Kong Athletes Fund were minimal, they do not have significant exposure to currency risk. It was estimated that, as at 31 March 2018, a 5% increase/decrease in the exchange rate of other currencies against the Hong Kong dollar, with all other variables held constant, would increase/decrease the exchange gains/losses as included in revaluation gains/losses for the year by HK\$9.2 million for the Arts and Sport Development Fund (2017: HK\$5.7 million).

(c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due. The Fund's financial assets which are potentially subject to credit risk consist principally of debt securities, bank balances and placement with the Exchange Fund. The credit risk associated with placement with the Exchange Fund is considered to be low. The Fund selects issuer or counterparty with good credit standing, strong financial strength and sizable capital. The Fund also limits the individual exposure, in accordance with a documented risk management and investment strategy, and monitors credit risk on a continuous basis. Hence, the Fund does not have significant exposure to credit risk.

The maximum exposure to credit risk of the financial assets of the Fund is equal to their carrying amounts at the balance sheet date.

The credit quality of bank balances and debt securities, analysed by the ratings designated by Moody's or their equivalents, at the balance sheet date is shown below:

| | 2018 HK\$'000 | 2017 HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| MAIN FUND | | |
| Cash at bank and deposits with banks, by credit rating | | |
| Aa1 to Aa3 | 820 | 496 |
| A1 to A3 | 30,631 | 24,324 |
| | 31,451 | 24,820 |
| SPORTS AID FOR THE DISABLED FUND | | |
| Cash at bank and deposits with banks, by credit rating | | |
| Aa1 to Aa3 | 383 | 39 |
| A1 to A3 | 1,150 | 1,461 |
| | 1,533 | 1,500 |
| SPORTS AID FOUNDATION FUND | | |
| Cash at bank and deposits with banks, by credit rating | | |
| Aa1 to Aa3 | 51 | 74 |
| A1 to A3 | 2,060 | 2,020 |
| | 2,111 | 2,094 |

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| | 2018 HK\$'000 | 2017 HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| ARTS DEVELOPMENT FUND | | |
| Cash at bank and deposits with banks, by credit rating | | |
| Aa1 to Aa3 | 33 | 106 |
| A1 to A3 | 256 | 900 |
| | <u>289</u> | <u>1,006</u> |
| HONG KONG ATHLETES FUND | | |
| Cash at bank and deposits with banks, by credit rating | | |
| Aa1 to Aa3 | 3,811 | 333 |
| A1 to A3 | 5,745 | 2,575 |
| | <u>9,556</u> | <u>2,908</u> |
| ARTS AND SPORT DEVELOPMENT FUND | | |
| Cash at bank and deposits with banks, by credit rating | | |
| Aa1 to Aa3 | 142,440 | 6,402 |
| A1 to A3 | 307,433 | 533,399 |
| Baa1 | — | 38,158 |
| | <u>449,873</u> | <u>577,959</u> |
| Debt securities, by credit rating | | |
| Aa1 to Aa3 | 51,604 | 50,988 |
| A1 to A3 | 29,912 | 29,688 |
| | <u>81,516</u> | <u>80,676</u> |
| | <u>531,389</u> | <u>658,635</u> |

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not have sufficient funds available to meet its obligations as they fall due. The Fund monitors the liquidity requirements on a continuous basis and maintains a level of short term deposits and cash to pay grants as necessary. Hence, the Fund does not have significant exposure to liquidity risk.

(e) Other financial risk

The Fund is exposed to financial risk arising from change in the interest rate on the placement with the Exchange Fund which is determined every January (Note 6). If the interest rate had increased/decreased by 50 basis points with all other variables held constant, the interest income on the placement for the year would have been as follows:

| | 2018 HK\$'000 | 2017 HK\$'000 |
|-----------------------------------------|------------------|------------------|
| MAIN FUND | ± 122 | ± 119 |
| SPORTS AID FOR THE DISABLED FUND | ± 34 | ± 33 |
| SPORTS AID FOUNDATION FUND | ± 214 | ± 208 |
| HONG KONG ATHLETES FUND | ± 70 | ± 68 |
| ARTS AND SPORT DEVELOPMENT FUND | ± 3,426 | ± 1,859 |

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

In the absence of quoted market prices, the fair value of the financial instruments classified under Level 2 is estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet date. Specific valuation techniques and key inputs used to value these financial instruments include quoted market price or broker quotes for similar instruments.

The following table shows the carrying value of financial instruments measured at fair value at the balance sheet date according to the fair value hierarchy:

| | Level 1 | Level 2 | Total |
|------------------------------------------|-----------------|-----------------|-----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Recurring fair value measurements | | | |
| MAIN FUND | | | |
| 2018 | | | |
| Assets | | | |
| Financial assets at fair value | | | |
| Equity securities | 103,508 | – | 103,508 |
| 2017 | | | |
| Assets | | | |
| Financial assets at fair value | | | |
| Equity securities | <u>99,225</u> | – | <u>99,225</u> |
| HONG KONG ATHLETES FUND | | | |
| 2018 | | | |
| Assets | | | |
| Financial assets at fair value | | | |
| Equity securities | 3,493 | – | 3,493 |
| 2017 | | | |
| Assets | | | |
| Financial assets at fair value | | | |
| Equity securities | <u>7,396</u> | – | <u>7,396</u> |

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Total HK\$'000 |
|--------------------------------------------|---------------------|---------------------|-------------------|
| ARTS AND SPORT DEVELOPMENT FUND | | | |
| 2018 | | | |
| Assets | | | |
| Financial assets at fair value | | | |
| Equity securities | 1,756,312 | – | 1,756,312 |
| Liabilities | | | |
| Financial liabilities at fair value | | | |
| Trading financial instruments | – | 5 | 5 |
| 2017 | | | |
| Assets | | | |
| Financial assets at fair value | | | |
| Equity securities | 1,725,559 | – | 1,725,559 |
| Trading financial instruments | – | 345 | 345 |
| | 1,725,559 | 345 | 1,725,904 |
| Liabilities | | | |
| Financial liabilities at fair value | | | |
| Trading financial instruments | – | 299 | 299 |

No financial assets or liabilities were classified under Level 3. During the year, there were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

The three levels of the fair value hierarchy are:

Level 1 – fair values of financial instruments are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values of financial instruments are determined involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – fair values of financial instruments are determined with inputs that are not based on observable market data (unobservable inputs).

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

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

17. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of issue of the financial statements, the Hong Kong Institute of Certified Public Accountants has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2018 and which have not been early adopted in the financial statements. The Fund is in the process of making an assessment of the impact expected of these amendments, new standards and interpretations in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial performance and financial position.

The following developments may result in new or amended disclosures in future financial statements:

| | Effective for accounting periods beginning on or after |
|--------------------------------|-------------------------------------------------------------------|
| HKFRS 9, Financial Instruments | 1 January 2018 |

SCHEDULE 1

STATEMENT OF APPROVED GRANTS

(This statement does not include projects completed before 1 April 2017)

| Description | Approved Commitment \$ | Expenditure Less Refund during 2017/2018 \$ | Total Expenditure up to 31.3.2018 \$ | Unspent Balance (N=Not required) \$ |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| MAIN FUND | | | | |
| I NON-CAPITAL WORKS PROJECTS | | | | |
| (a) Projects approved in 2016-2017 | | | | |
| 1 Chinese YMCA of Hong Kong -to purchase sports and recreational equipment | 116,503 | 19,737 | 105,336 | - 11,167 N |
| 2 Hong Kong Lutheran Social Services -to purchase sports and recreational equipment | 14,224 | 14,224 | 14,224 | - |
| 3 Hong Kong Playground Association -to purchase sports and recreational equipment | 36,670 | 12,416 | 36,642 | - 28 N |
| 4 Annual Lump Sum Allocation for Non-Capital Works Projects for Home Affairs Department -to purchase sports and recreational equipment | 756,239 | 27,330 | 740,007 | - 16,232 N |
| 5 Annual Lump Sum Allocation for Non-Capital Works Projects for Leisure and Cultural Services Department -to purchase sports and recreational equipment | 867,735 | 372,566 | 746,162 | - 121,573 N |
| 6 Mutual Aid Committee, Owners Corporations and Other Residents' Organisations -to purchase sports and recreational equipment | 460,416 | 4,050 | 414,770 | - 45,646 N |
| 7 Pentecostal Church of Hong Kong -to purchase sports and recreational equipment | 4,263 | 3,863 | 3,863 | - 400 N |
| 8 The Boys' and Girls' Clubs Association of Hong Kong -to purchase sports and recreational equipment | 122,806 | 10,400 | 115,207 | - 7,599 N |
| 9 Tung Wah Group of Hospitals -to purchase sports and recreational equipment | 30,600 | 30,600 | 30,600 | - |
| Total, Non-Capital Works Projects approved in 2016-2017 | 2,409,456 | 495,186 | 2,206,811 | 202,645 |
| (b) Projects approved in 2017-2018 | | | | |
| 1 Chinese YMCA of Hong Kong -to purchase sports and recreational equipment | 91,681 | 30,705 | 30,705 | 57,191 3,785 N |
| 2 Evangelical Lutheran Church Social Service- Hong Kong -to purchase sports and recreational equipment | 51,537 | - | - | 51,537 |
| 3 Fung Ying Seen Koon -to purchase sports and recreational equipment | 6,400 | - | - | 6,400 |
| 4 Hong Chi Association -to purchase sports and recreational equipment | 54,802 | 54,802 | 54,802 | - |
| 5 Hong Kong Air Cadet Corps -to purchase sports and recreational equipment | 65,246 | 65,246 | 65,246 | - |
| 6 Hong Kong Christian Service -to purchase sports and recreational equipment | 25,280 | 17,880 | 17,880 | 7,400 |
| 7 Hong Kong Free Methodist Church -to purchase sports and recreational equipment | 17,400 | - | - | 17,400 |
| 8 Hong Kong Lutheran Social Services -to purchase sports and recreational equipment | 6,651 | - | - | 6,651 |
| 9 Hong Kong - Macao Conference of Seventh-day Adventists -to purchase sports and recreational equipment | 12,025 | - | - | 12,025 |
| 10 Hong Kong Playground Association -to purchase sports and recreational equipment | 16,820 | - | - | 16,820 |
| 11 Hong Kong Sheng Kung Hui Welfare Council Limited -to purchase sports and recreational equipment | 26,596 | - | - | 26,596 |

STATEMENT OF APPROVED GRANTS - Continued

SCHEDULE 1

| Description | Approved Commitment \$ | Expenditure Less Refund during 2017/2018 \$ | Total Expenditure up to 31.3.2018 \$ | Unspent Balance (N=Not required) \$ |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| 12 Kwun Tong Methodist Social Service -to purchase sports and recreational equipment | 21,635 | - | - | 21,635 |
| 13 Annual Lump Sum Allocation for Non-Capital Works Projects for Home Affairs Department -to purchase sports and recreational equipment | 876,959 | 806,314 | 806,314 | 35,020 35,625 N |
| 14 Annual Lump Sum Allocation for Non-Capital Works Projects for Leisure and Cultural Services Department -to purchase sports and recreational equipment | 1,213,969 | 848,772 | 848,772 | 348,037 17,160 N |
| 15 Mutual Aid Committee, Owners Corporations and Other Residents' Organisations -to purchase sports and recreational equipment | 525,264 | 489,100 | 489,100 | 5,628 30,536 N |
| 16 Pentecostal Church of Hong Kong -to purchase sports and recreational equipment | 4,272 | - | - | 4,272 |
| 17 Society for the Welfare of the Autistic Persons -to purchase sports and recreational equipment | 1,968 | - | - | 1,968 |
| 18 Stewards -to purchase sports and recreational equipment | 20,498 | - | - | 20,498 |
| 19 The Boys' and Girls' Clubs Association of Hong Kong -to purchase sports and recreational equipment | 143,864 | - | - | 143,864 |
| 20 The Boys' Brigade, Hong Kong -to purchase sports and recreational equipment | 23,129 | 23,129 | 23,129 | - |
| 21 The Hong Kong Buddhist Association -to purchase sports and recreational equipment | 15,901 | - | - | 15,901 |
| 22 The Hong Kong Federation of Youth Groups -to purchase sports and recreational equipment | 96,518 | - | - | 96,518 |
| 23 The Hong Kong Society for the Deaf -to purchase sports and recreational equipment | 7,242 | - | - | 7,242 |
| 24 Tung Wah Group of Hospitals -to purchase sports and recreational equipment | 10,470 | 9,800 | 9,800 | - 670 N |
| 25 Wu Oi Christian Centre -to purchase sports and recreational equipment | 3,200 | 3,192 | 3,192 | - 8 N |
| Total, Non-Capital Works Projects approved in 2017-2018 | 3,339,327 | 2,348,940 | 2,348,940 | 990,387 |
| Total, Non-Capital Works Projects | 5,748,783 | 2,844,126 | 4,555,751 | 1,193,032 |
| II CAPITAL WORKS PROJECTS | | | | |
| (a) Projects approved in 2013-2014 | | | | |
| Chinese YMCA of Hong Kong - Y's Men YMCA Wong Yi Chau Youth Camp -construction of adventure challenge courses | 590,000 | 590,000 | 590,000 | - |
| Total, Capital Works Projects approved in 2013-2014 | 590,000 | 590,000 | 590,000 | - |
| (b) Projects approved in 2015-2016 | | | | |
| 1 Action Sports Foundation Limited -construction of Action Sports Foundation Sports Centre | 660,000 | 660,000 | 660,000 | - |
| 2 Chinese YMCA of Hong Kong - Kowloon Centre -construction of indoor climbing wall | 518,400 | - | - | 518,400 |
| 3 The Hong Kong Federation of Youth Groups -HKFYG Jockey Club Sai Kung Outdoor Training Camp -construction of climbing wall | 660,000 | 651,320 | 651,320 | 8,680 |
| Total, Capital Works Projects approved in 2015-2016 | 1,838,400 | 1,311,320 | 1,311,320 | 527,080 |
| (c) Projects approved in 2016-2017 | | | | |
| Chinese YMCA of Hong Kong - Lions - YMCA Junk Bay Youth Camp -conversion of archery ground into a multi-purpose court | 690,000 | - | - | 690,000 |
| Total, Capital Works Projects approved in 2016-2017 | 690,000 | - | - | 690,000 |

STATEMENT OF APPROVED GRANTS - Continued

SCHEDULE 1

| Description | Approved Commitment \$ | Expenditure Less Refund during 2017/2018 \$ | Total Expenditure up to 31.3.2018 \$ | Unspent Balance (N=Not required) \$ |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| (d) Projects approved in 2017-2018 | | | | |
| 1 Action Sports Foundation Limited -construction of ancillary facilities in Action Sports Foundation Sports Centre | 570,160 | 570,160 | 570,160 | - |
| 2 Caritas - Hong Kong - Caritas Family Crisis Support Centre -installation of fitness and leisure equipment | 112,900 | - | - | 112,900 |
| 3 Chinese YMCA of Hong Kong - Kowloon Centre -improvement works of multi-purpose room: replacement of flooring, installation of light panels and movable partitions | 492,480 | - | - | 492,480 |
| 4 Hong Kong Tennis Association - HKTA Tennis Centre -conversion of a multi-purpose room into a mini-tennis court | 37,510 | - | - | 37,510 |
| 5 Po Leung Kuk - Po Leung Kuk Jockey Club Tai Tong Holiday Camp -construction of an outdoor artificial rock climbing wall | 252,930 | - | - | 252,930 |
| 6 Shaheen Sports Club -installation of artificial turf on cemented hockey ground in Shaheen Hockey Academy | 130,800 | 130,800 | 130,800 | - |
| 7 The Hong Kong Federation of Youth Groups - Lamma Youth Group -installation of multi-purpose platforms with outdoor lighting | 467,880 | - | - | 467,880 |
| Total, Capital Works Projects approved in 2017-2018 | <u>2,064,660</u> | <u>700,960</u> | <u>700,960</u> | <u>1,363,700</u> |
| Total, Capital Works Projects | <u>5,183,060</u> | <u>2,602,280</u> | <u>2,602,280</u> | <u>2,580,780</u> |
| III. SPECIAL PROJECTS | | | | |
| (a) Projects approved in 2010-2011 | 11,027,632 | 5,350 | 5,787,765 | - 5,239,867 N |
| (b) Projects approved in 2011-2012 | 6,863,853 | - | 2,145,820 | 3,000,000 1,718,033 N |
| (c) Projects approved in 2012-2013 | 3,508,017 | - | 2,498,498 | 918,459 91,060 N |
| (d) Projects approved in 2014-2015 | 9,989,597 | 1,500,000 | 6,855,982 | 2,525,573 608,042 N |
| (e) Projects approved in 2015-2016 | 9,844,590 | 821,830 | 2,705,994 | 3,000,000 4,138,596 N |
| (f) Projects approved in 2016-2017 | 9,840,200 | 2,375,970 | 2,375,970 | 5,120,680 2,343,550 N |
| (g) Projects approved in 2017-2018 | 12,864,950 | - | - | 11,456,690 1,408,260 N |
| Total, Special Projects | <u>63,938,839</u> | <u>4,703,150</u> | <u>22,370,029</u> | <u>41,568,810</u> |
| Total, MAIN FUND | <u>74,870,682</u> | <u>10,149,556</u> | <u>29,528,060</u> | <u>45,342,622</u> |
| | | | Outstanding commitment | 29,504,785 |
| | | | Balance not required (N) | <u>15,837,837</u> |
| | | | Total unspent balance | <u><u>45,342,622</u></u> |

STATEMENT OF APPROVED GRANTS - Continued

SCHEDULE 1

| Description | Approved Commitment \$ | Expenditure Less Refund during 2017/2018 \$ | Total Expenditure up to 31.3.2018 \$ | Unspent Balance (N=Not required) \$ |
|-------------------------------------------------------------------------|------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| ARTS DEVELOPMENT FUND | | | | |
| (a) Projects approved in 2012-2013 | | | | |
| Arts Development Fund Grants -subsidy for cultural exchange projects | 3,137,946 | - | 2,872,162 | 23,180 242,604 N |
| Total, Projects approved in 2012-2013 | <u>3,137,946</u> | <u>-</u> | <u>2,872,162</u> | <u>265,784</u> |
| (b) Projects approved in 2013-2014 | | | | |
| Arts Development Fund Grants -subsidy for cultural exchange projects | 3,105,374 | 47,300 | 2,994,459 | 12,100 98,815 N |
| Total, Projects approved in 2013-2014 | <u>3,105,374</u> | <u>47,300</u> | <u>2,994,459</u> | <u>110,915</u> |
| (c) Projects approved in 2014-2015 | | | | |
| Arts Development Fund Grants -subsidy for cultural exchange projects | 3,159,900 | 1,700 | 2,818,476 | 22,400 319,024 N |
| Total, Projects approved in 2014-2015 | <u>3,159,900</u> | <u>1,700</u> | <u>2,818,476</u> | <u>341,424</u> |
| (d) Projects approved in 2015-2016 | | | | |
| Arts Development Fund Grants -subsidy for cultural exchange projects | 3,640,000 | 406,400 | 3,311,089 | 13,900 315,011 N |
| Total, Projects approved in 2015-2016 | <u>3,640,000</u> | <u>406,400</u> | <u>3,311,089</u> | <u>328,911</u> |
| (e) Projects approved in 2016-2017 | | | | |
| Arts Development Fund Grants -subsidy for cultural exchange projects | 694,300 | 264,041 | 649,902 | - 44,398 N |
| Total, Projects approved in 2016-2017 | <u>694,300</u> | <u>264,041</u> | <u>649,902</u> | <u>44,398</u> |
| Total, ARTS DEVELOPMENT FUND | <u>13,737,520</u> | <u>719,441</u> | <u>12,646,088</u> | <u>1,091,432</u> |
| | | | Outstanding commitment | 71,580 |
| | | | Balance not required (N) | <u>1,019,852</u> |
| | | | Total unspent balance | <u>1,091,432</u> |

STATEMENT OF APPROVED GRANTS - Continued

SCHEDULE 1

| Description | Approved Commitment \$ | Expenditure Less Refund during 2017/2018 \$ | Total Expenditure up to 31.3.2018 \$ | Unspent Balance (N=Not required) \$ |
|---------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| HONG KONG ATHLETES FUND | | | | |
| (a) Projects approved in 2010-2011 | | | | |
| Hong Kong Athletes Fund Grants -tuition fees for athletes | 962,500 | - | 908,795 | - 53,705 N |
| Total, Projects approved in 2010-2011 | 962,500 | - | 908,795 | 53,705 |
| (b) Projects approved in 2011-2012 | | | | |
| Hong Kong Athletes Fund Grants -Hong Kong 2009 East Asian Games Education Scheme | 783,860 | - | 730,020 | 53,840 |
| Total, Projects approved in 2011-2012 | 783,860 | - | 730,020 | 53,840 |
| (c) Projects approved in 2012-2013 | | | | |
| 1 Hong Kong Athletes Fund Grants -tuition fees for athletes | 1,363,150 | - | 1,257,700 | 105,450 |
| 2 Hong Kong Athletes Fund Grants -Hong Kong 2009 East Asian Games Education Scheme | 504,250 | 8,400 | 407,650 | 96,600 |
| Total, Projects approved in 2012-2013 | 1,867,400 | 8,400 | 1,665,350 | 202,050 |
| (d) Projects approved in 2013-2014 | | | | |
| 1 Hong Kong Athletes Fund Grants -tuition fees for athletes | 752,900 | 42,100 | 647,750 | 105,150 |
| 2 Hong Kong Athletes Fund Grants -Hong Kong 2009 East Asian Games Education Scheme | 336,400 | 25,200 | 328,000 | 8,400 |
| Total, Projects approved in 2013-2014 | 1,089,300 | 67,300 | 975,750 | 113,550 |
| (e) Projects approved in 2014-2015 | | | | |
| 1 Hong Kong Athletes Fund Grants -tuition fees for athletes | 1,335,353 | 164,050 | 1,049,303 | 286,050 |
| 2 Hong Kong Athletes Fund Grants -Hong Kong 2009 East Asian Games Education Scheme | 1,191,320 | 193,425 | 973,648 | 217,672 |
| Total, Projects approved in 2014-2015 | 2,526,673 | 357,475 | 2,022,951 | 503,722 |
| (f) Projects approved in 2015-2016 | | | | |
| 1 Hong Kong Athletes Fund Grants -tuition fees for athletes | 1,694,770 | 224,408 | 819,831 | 874,939 |
| 2 Hong Kong Athletes Fund Grants -Hong Kong 2009 East Asian Games Education Scheme | 1,242,310 | 197,740 | 613,570 | 628,740 |
| Total, Projects approved in 2015-2016 | 2,937,080 | 422,148 | 1,433,401 | 1,503,679 |
| (g) Projects approved in 2016-2017 | | | | |
| 1 Hong Kong Athletes Fund Grants -tuition fees for athletes | 1,656,463 | 450,101 | 555,351 | 1,101,112 |
| 2 Hong Kong Athletes Fund Grants -Hong Kong 2009 East Asian Games Education Scheme | 923,030 | 232,185 | 313,735 | 609,295 |
| 3 Hong Kong Athletes Fund Grants -Elite Athletes Performance Recognition Scheme | 3,034,080 | 61,920 | 3,034,080 | - |
| Total, Projects approved in 2016-2017 | 5,613,573 | 744,206 | 3,903,166 | 1,710,407 |
| (h) Projects approved in 2017-2018 | | | | |
| 1 Hong Kong Athletes Fund Grants -tuition fees for athletes | 1,971,200 | 176,160 | 176,160 | 1,795,040 |
| 2 Hong Kong Athletes Fund Grants -Elite Athletes Performance Recognition Scheme | 991,200 | 991,200 | 991,200 | - |
| Total, Projects approved in 2017-2018 | 2,962,400 | 1,167,360 | 1,167,360 | 1,795,040 |
| Total, HONG KONG ATHLETES FUND | 18,742,786 | 2,766,889 | 12,806,793 | 5,935,993 |
| | | | Outstanding commitment | 5,882,288 |
| | | | Balance not required (N) | 53,705 |
| | | | Total unspent balance | 5,935,993 |

STATEMENT OF APPROVED GRANTS - Continued

SCHEDULE 1

| <i>Description</i> | <i>Approved Commitment</i> \$ | Expenditure Less Refund during 2017/2018 \$ | <i>Total Expenditure up to 31.3.2018</i> \$ | <i>Unspent Balance (N=Not required)</i> \$ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------|
| ARTS AND SPORT DEVELOPMENT FUND | | | | |
| (a) Projects approved in 2002-2003 | | | | |
| Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement its three year strategic plan and for other projects which are not included in the plan but will make a significant contribution to the further development of arts in the community | 6,760,000 | - | 5,816,774 | - 943,226 N |
| Total, Projects approved in 2002-2003 | <u>6,760,000</u> | <u>-</u> | <u>5,816,774</u> | <u>943,226</u> |
| (b) Projects approved in 2007-2008 | | | | |
| Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 19,552,500 | 792,682 | 19,076,385 | - 476,115 N |
| Total, Projects approved in 2007-2008 | <u>19,552,500</u> | <u>792,682</u> | <u>19,076,385</u> | <u>476,115</u> |
| (c) Projects approved in 2008-2009 | | | | |
| Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 20,785,000 | 706,096 | 19,332,543 | - 1,452,457 N |
| Total, Projects approved in 2008-2009 | <u>20,785,000</u> | <u>706,096</u> | <u>19,332,543</u> | <u>1,452,457</u> |
| (d) Projects approved in 2009-2010 | | | | |
| Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 27,149,700 | - | 24,740,952 | - 2,408,748 N |
| Total, Projects approved in 2009-2010 | <u>27,149,700</u> | <u>-</u> | <u>24,740,952</u> | <u>2,408,748</u> |
| (e) Projects approved in 2010-2011 | | | | |
| Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 18,098,000 | 548,934 | 17,407,838 | - 690,162 N |
| Total, Projects approved in 2010-2011 | <u>18,098,000</u> | <u>548,934</u> | <u>17,407,838</u> | <u>690,162</u> |
| (f) Projects approved in 2011-2012 | | | | |
| Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 26,105,000 | 416,260 | 24,318,336 | 1,625,092 161,572 N |
| Total, Projects approved in 2011-2012 | <u>26,105,000</u> | <u>416,260</u> | <u>24,318,336</u> | <u>1,786,664</u> |
| (g) Projects approved in 2012-2013 | | | | |
| 1 Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 34,000,000 | 2,014,407 | 31,416,822 | - 2,583,178 N |
| 2 Arts Capacity Development Funding Scheme -to support larger scale and cross-year arts and cultural initiatives/ projects for enhancing capacity development for promising arts groups and arts practitioners as well as encouraging the community and private sector to sponsor the arts | 29,440,000 | 363,730 | 27,268,039 | 672,916 1,499,045 N |
| Total, Projects approved in 2012-2013 | <u>63,440,000</u> | <u>2,378,137</u> | <u>58,684,861</u> | <u>4,755,139</u> |

STATEMENT OF APPROVED GRANTS - Continued

SCHEDULE 1

| Description | Approved Commitment \$ | Expenditure Less Refund during 2017/2018 \$ | Total Expenditure up to 31.3.2018 \$ | Unspent Balance (N=Not required) \$ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| (h) Projects approved in 2013-2014 | | | | |
| 1 Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 34,116,600 | 2,495,372 | 30,920,251 | 2,183,548 1,012,801 N |
| 2 Arts Capacity Development Funding Scheme -to support larger scale and cross-year arts and cultural initiatives/projects for enhancing capacity development for promising arts groups and arts practitioners as well as encouraging the community and private sector to sponsor the arts | 33,860,000 | 482,656 | 28,783,521 | 3,688,929 1,387,550 N |
| Total, Projects approved in 2013-2014 | 67,976,600 | 2,978,028 | 59,703,772 | 8,272,828 |
| (i) Projects approved in 2014-2015 | | | | |
| 1 Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 28,389,500 | 390,000 | 23,799,262 | 4,076,450 513,788 N |
| 2 Various Sports Organisations -to support sport projects which will make a significant contribution to the further development of sport in the community | 98,055,312 | - | 85,060,759 | - 12,994,553 N |
| 3 Arts Capacity Development Funding Scheme -to support larger scale and cross-year arts and cultural initiatives/projects for enhancing capacity development for promising arts groups and arts practitioners as well as encouraging the community and private sector to sponsor the arts | 38,251,000 | 4,954,465 | 32,234,852 | 5,922,535 93,613 N |
| Total, Projects approved in 2014-2015 | 164,695,812 | 5,344,465 | 141,094,873 | 23,600,939 |
| (j) Projects approved in 2015-2016 | | | | |
| 1 Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 31,124,000 | 1,574,100 | 25,523,100 | 5,600,900 |
| 2 Various Sports Organisations -to support sport projects which will make a significant contribution to the further development of sport in the community | 130,906,743 | 1,720,000 | 107,351,875 | 23,554,868 |
| 3 Arts Capacity Development Funding Scheme -to support larger scale and cross-year arts and cultural initiatives/projects for enhancing capacity development for promising arts groups and arts practitioners as well as encouraging the community and private sector to sponsor the arts | 29,640,000 | 5,665,878 | 21,686,628 | 6,988,372 965,000 N |
| Total, Projects approved in 2015-2016 | 191,670,743 | 8,959,978 | 154,561,603 | 37,109,140 |
| (k) Projects approved in 2016-2017 | | | | |
| 1 Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 26,317,200 | 1,650,000 | 20,229,700 | 6,087,500 |
| 2 Various Sports Organisations -to support sport projects which will make a significant contribution to the further development of sport in the community | 87,067,331 | 3,368,462 | 82,734,859 | 4,332,472 |
| 3 Arts Capacity Development Funding Scheme -to support larger scale and cross-year arts and cultural initiatives/projects for enhancing capacity development for promising arts groups and arts practitioners as well as encouraging the community and private sector to sponsor the arts | 29,700,000 | 10,979,000 | 15,164,000 | 14,536,000 |
| 4 Arts Development Fund Grants -subsidy for cultural exchange projects | 3,455,100 | 2,344,872 | 2,947,948 | 293,900 213,252 N |
| Total, Projects approved in 2016-2017 | 146,539,631 | 18,342,334 | 121,076,507 | 25,463,124 |

STATEMENT OF APPROVED GRANTS - Continued

SCHEDULE 1

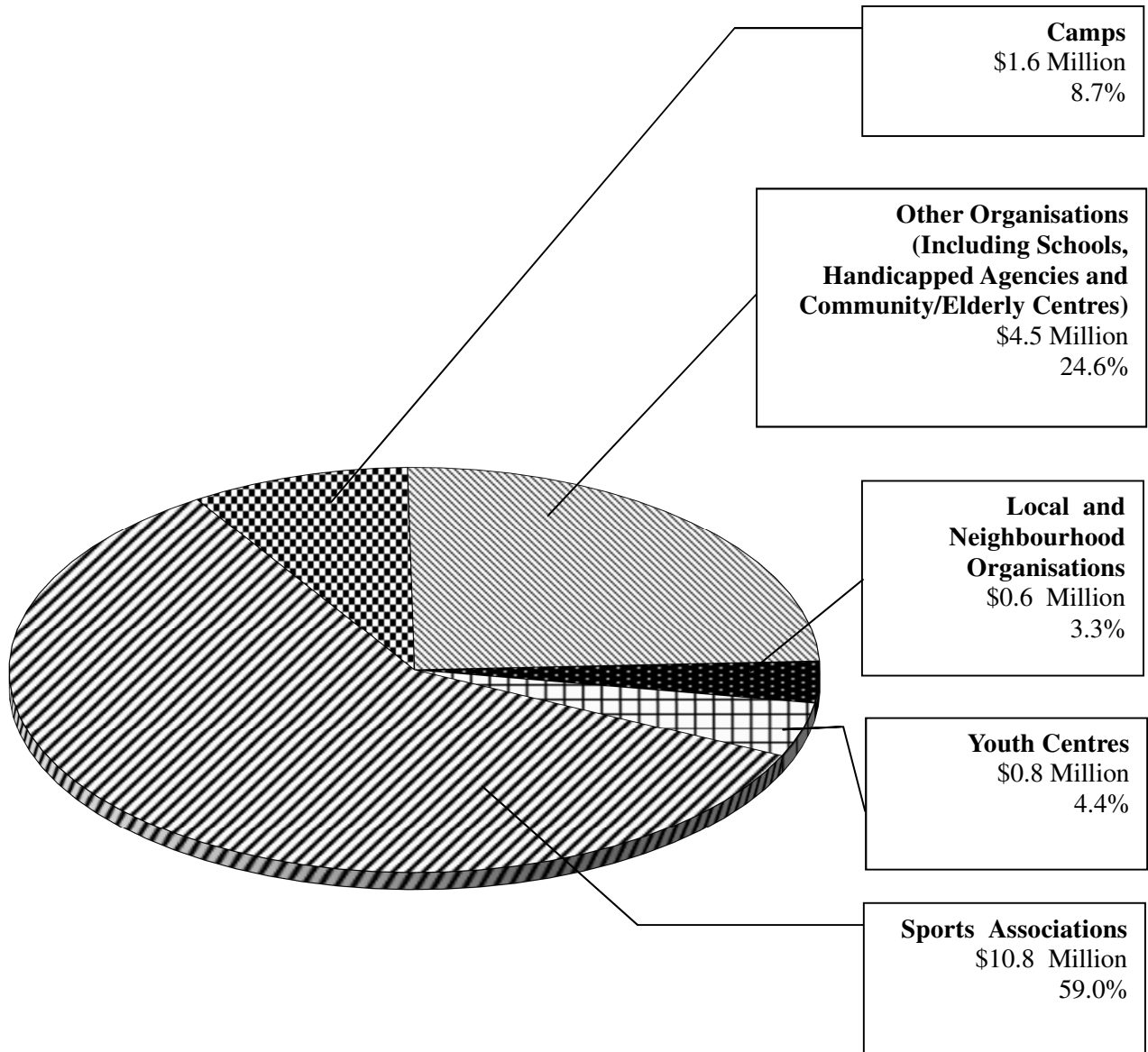
| <i>Description</i> | <i>Approved Commitment</i> \$ | Expenditure Less Refund during 2017/2018 \$ | <i>Total Expenditure up to 31.3.2018</i> \$ | <i>Unspent Balance (N=Not required)</i> \$ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------|
| (I) Projects approved in 2017-2018 | | | | |
| 1 Hong Kong Arts Development Council -to provide financial support for Hong Kong Arts Development Council to implement projects initiated by Hong Kong Arts Development Council and other projects which will make significant contribution to the further development of the arts in the community | 35,742,250 | 24,689,625 | 24,689,625 | 11,052,625 |
| 2 Various Sports Organisations -to support sport projects which will make a significant contribution to the further development of sport in the community | 114,977,255 | 99,816,989 | 99,816,989 | 14,406,916 753,350 N |
| 3 Arts Capacity Development Funding Scheme -to support larger scale and cross-year arts and cultural initiatives/ projects for enhancing capacity development for promising arts groups and arts practitioners as well as encouraging the community and private sector to sponsor the arts | 29,363,000 | 2,933,000 | 2,933,000 | 26,430,000 |
| 4 Arts Development Fund Grants -subsidy for cultural exchange projects | 5,033,580 | 1,867,070 | 1,867,070 | 3,067,700 98,810 N |
| Total, Projects approved in 2017-2018 | <u>185,116,085</u> | <u>129,306,684</u> | <u>129,306,684</u> | <u>55,809,401</u> |
| Total, ARTS AND SPORT DEVELOPMENT FUND | <u>937,889,071</u> | <u>169,773,598</u> | <u>775,121,128</u> | <u>162,767,943</u> |
| | | | Outstanding commitment | 134,520,723 |
| | | | Balance not required (N) | <u>28,247,220</u> |
| | | | Total unspent balance | <u><u>162,767,943</u></u> |
| GRAND TOTAL | <u>1,045,240,059</u> | <u>183,409,484</u> | <u>830,102,069</u> | <u>215,137,990</u> |
| | | | Outstanding commitment | 169,979,376 |
| | | | Balance not required (N) | <u>45,158,614</u> |
| | | | Total unspent balance | <u><u>215,137,990</u></u> |

SCHEDULE 2

SUMMARY OF APPROVED GRANTS AND OUTSTANDING COMMITMENTS AS AT 31 MARCH 2018





| Fund | Grants approved | | Outstanding commitments |
|----------------------------------|-------------------------------|-----------------------|----------------------------|
| | From 1.4.2017 to 31.3.2018 | Cumulative to date | |
| | \$'000 | \$'000 | \$'000 |
| MAIN FUND | 18,269 | 307,904 | 29,505 |
| SPORTS AID FOR THE DISABLED FUND | - | 15,202 | - |
| SPORTS AID FOUNDATION FUND | - | 134,524 | - |
| ARTS DEVELOPMENT FUND | - | 66,256 | 71 |
| HONG KONG ATHLETES FUND | 2,962 | 31,353 | 5,882 |
| ARTS AND SPORT DEVELOPMENT FUND | 185,116 | 1,768,697 | 134,521 |
| | 206,347 | 2,323,936 | 169,979 |

**MAIN FUND
APPROVED GRANTS BY TYPES OF ORGANISATION
FOR THE YEAR ENDED 31 MARCH 2018**

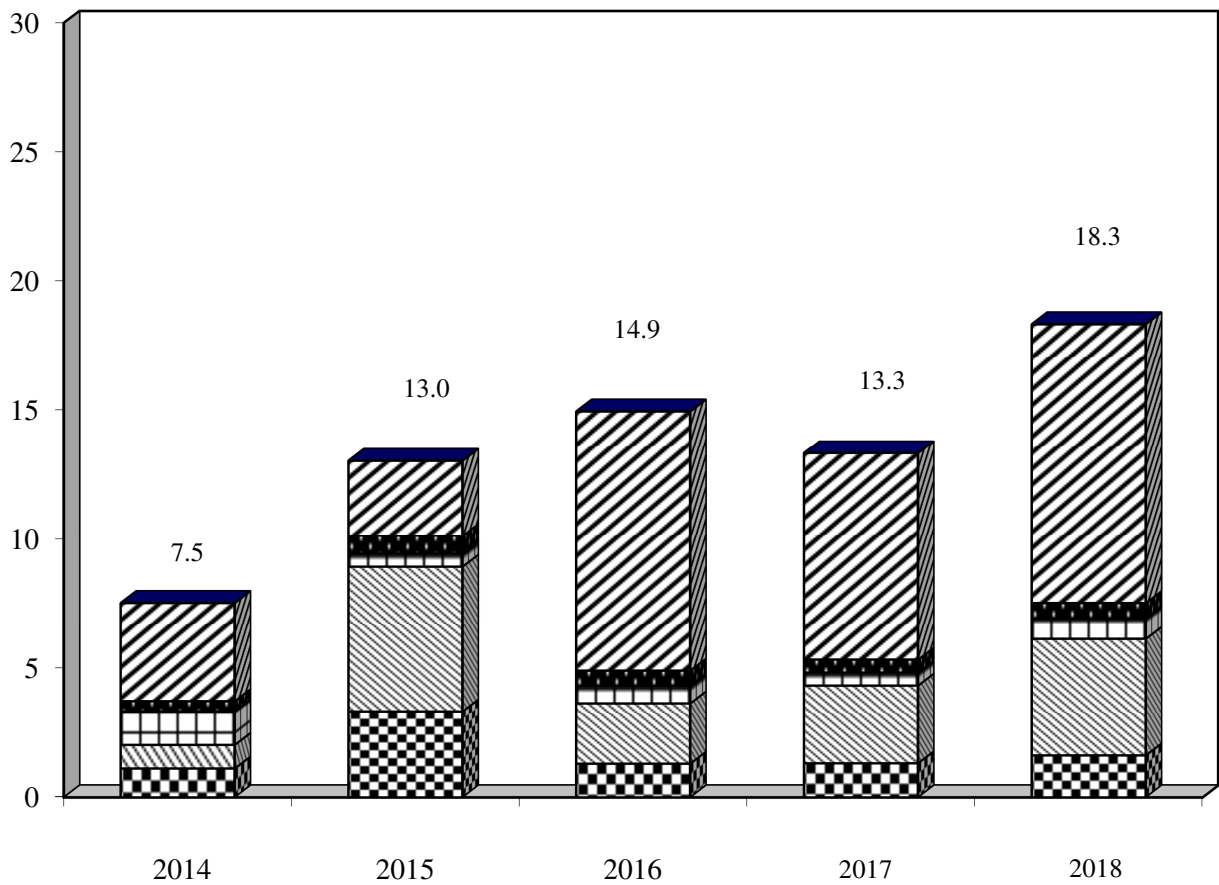


TOTAL APPROVED GRANTS \$18.3 Million

**MAIN FUND
APPROVED GRANTS FOR THE YEARS 2013-14 TO 2017-18**

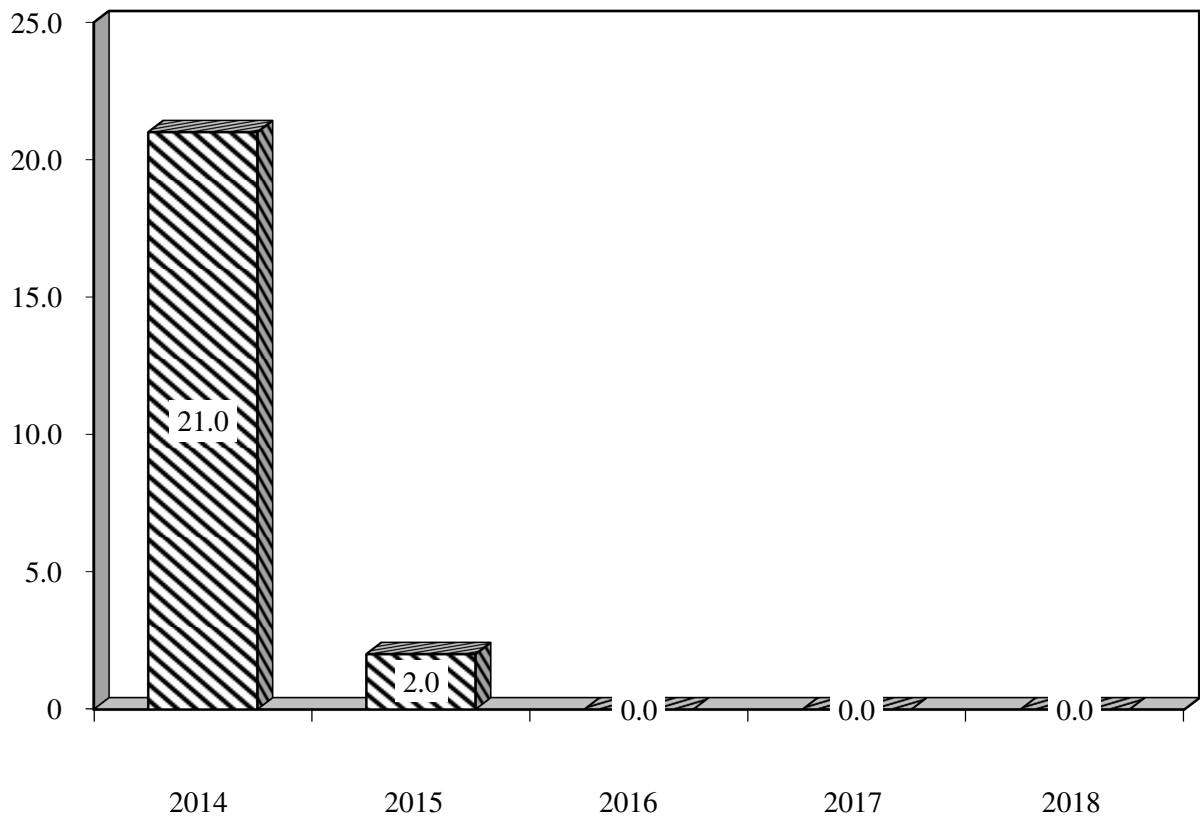
-  Sports Associations
-  Local and Neighbourhood Organisations
-  Youth Centres
-  Other Organisations
-  Camps

\$Million



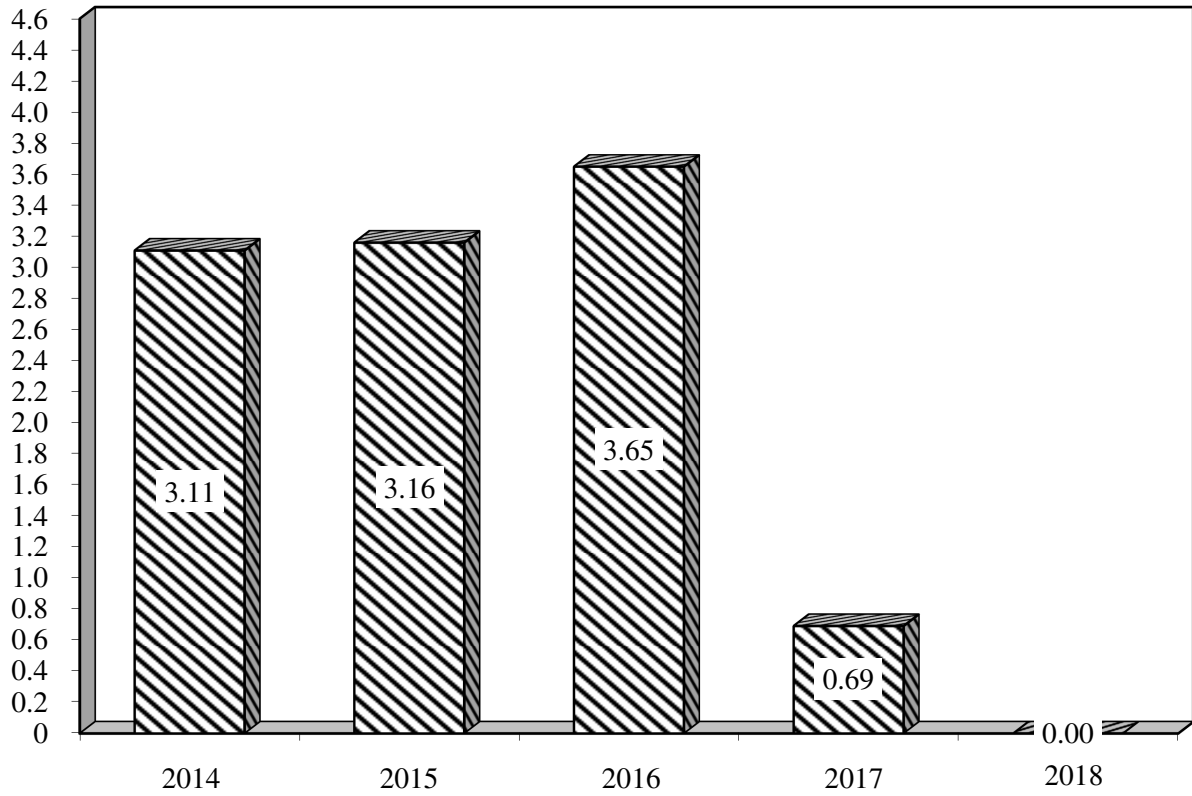
**SPORTS AID FOUNDATION FUND
APPROVED GRANTS FOR THE YEARS 2013-14 TO 2017-18**

\$Million









**ARTS DEVELOPMENT FUND
APPROVED GRANTS FOR THE YEARS 2013-14 TO 2017-18**

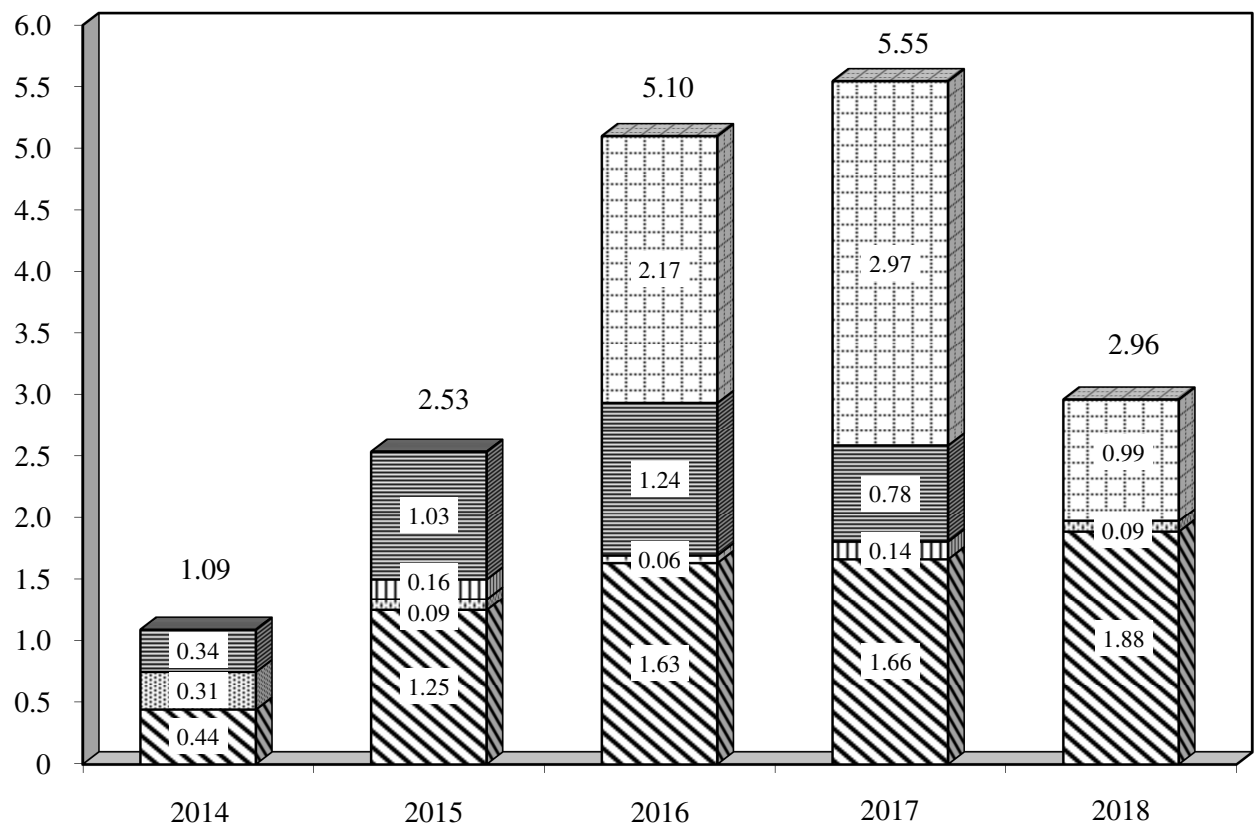
\$Million



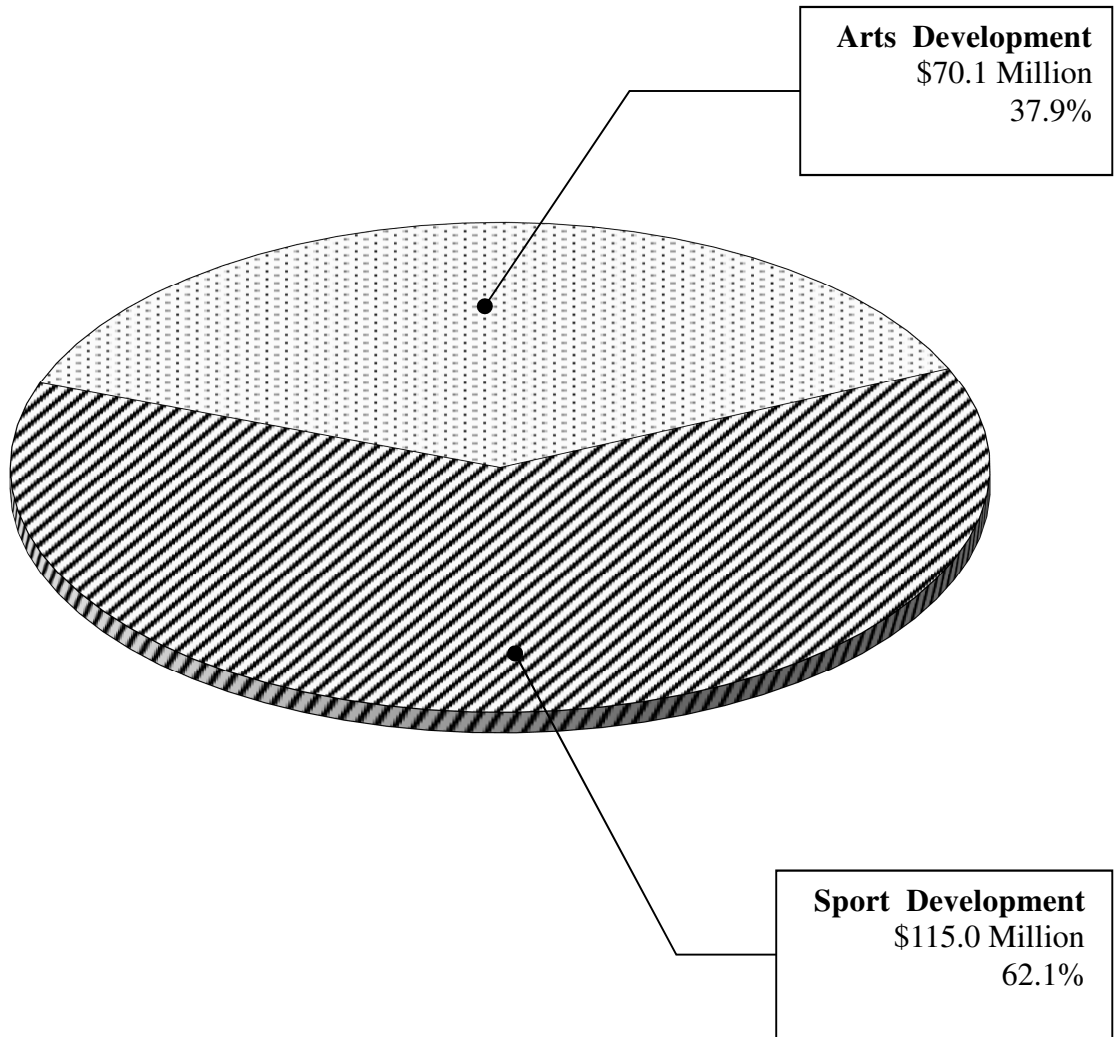
**HONG KONG ATHLETES FUND
APPROVED GRANTS FOR THE YEARS 2013-14 TO 2017-18**

-  Hong Kong 2009 East Asian Games Education Scheme - Subsistence Allowance for Retired Athletes
-  Hong Kong 2009 East Asian Games Education Scheme - Tuition Fees Athletes
-  Subsistence Allowance for Retired Athletes
-  Tuition Fees for Athletes
-  Youth Athletes Scholarship Award
-  Elite Athletes Performance Recognition Scheme

\$Million

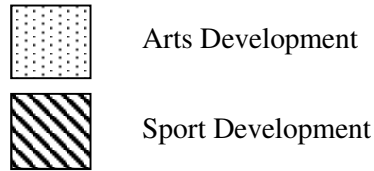


**ARTS AND SPORT DEVELOPMENT FUND
APPROVED GRANTS BY TYPES OF ACTIVITY
FOR THE YEAR ENDED 31 MARCH 2018**

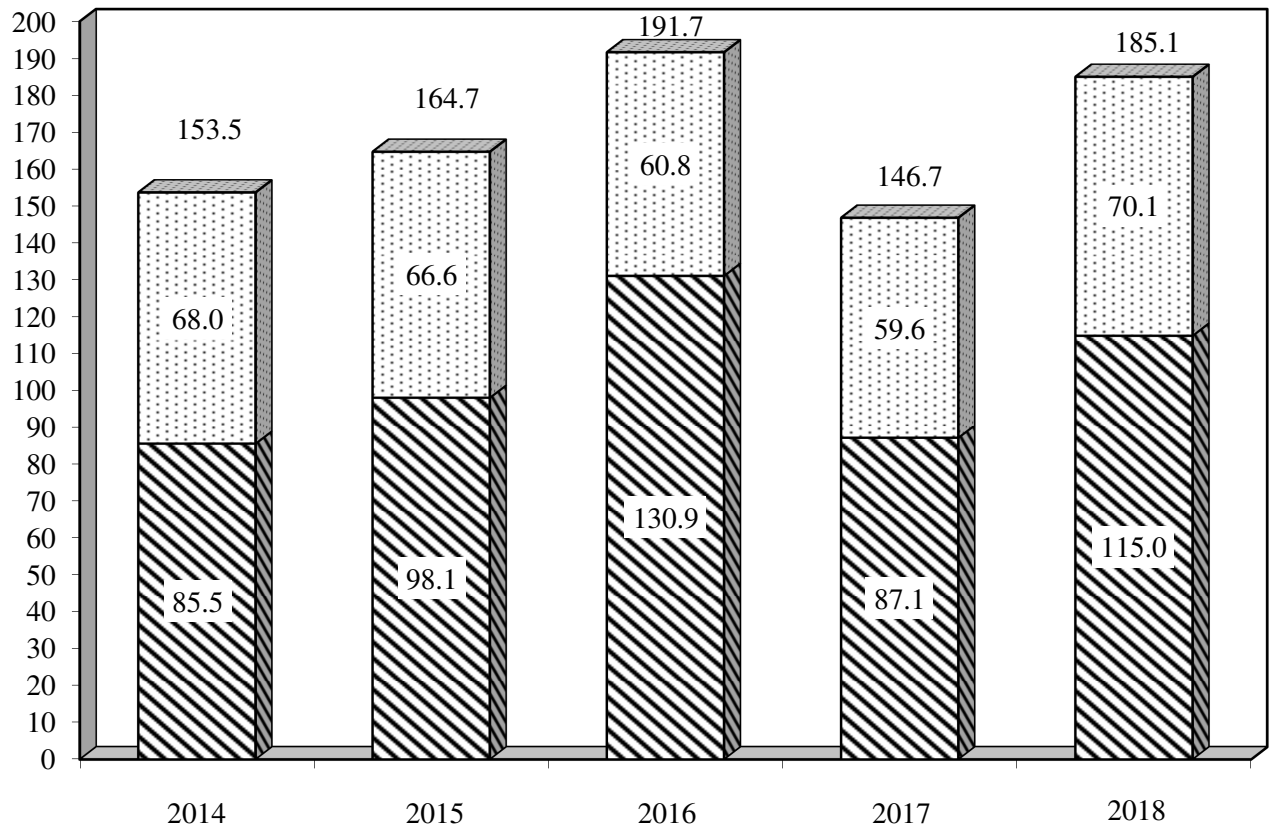


TOTAL APPROVED GRANTS \$185.1 Million

**ARTS AND SPORT DEVELOPMENT FUND
APPROVED GRANTS FOR THE YEARS 2013-14 TO 2017-18**



\$Million



SCHEDULE 3

STATEMENT OF INVESTMENTS AS AT 31 MARCH 2018

| Securities | Coupon Rate | Maturity Date | HK\$'000 |
|-----------------------------------------------------------------------------------|-------------|---------------|------------------|
| MAIN FUND | | | |
| (a) Hong Kong Listed Equity Securities: | | | |
| Tracker Fund of Hong Kong | | | 49,658 |
| (b) Overseas Equity Securities: | | | |
| Listed - SPDR S&P 500 Exchange Traded Fund | | | 53,850 |
| | | | <hr/> |
| Total, MAIN FUND | | | 103,508 |
| HONG KONG ATHLETES FUND | | | |
| (a) Hong Kong Listed Equity Securities: | | | |
| Tracker Fund of Hong Kong | | | 1,839 |
| (b) Overseas Equity Securities: | | | |
| Listed - SPDR S&P 500 Exchange Traded Fund | | | 1,654 |
| | | | <hr/> |
| Total, HONG KONG ATHLETES FUND | | | 3,493 |
| ARTS AND SPORT DEVELOPMENT FUND | | | |
| (a) Hong Kong Listed Equity Securities: | | | |
| Tracker Fund of Hong Kong | | | 354,221 |
| Listed - investment portfolio under the management of external investment manager | | | 478,929 |
| (b) Overseas Equity Securities: | | | |
| Listed - SPDR S&P 500 Exchange Traded Fund | | | 460,978 |
| Listed - investment portfolio under the management of external investment manager | | | 462,184 |
| (c) US Dollar-denominated Held-to-maturity Debt Securities: | | | |
| China Construction Bank (Asia) Corporation Ltd | 3.25% | 2.7.2019 | 29,912 |
| Bank of China Limited, London Branch | 1.875% | 9.11.2019 | 51,604 |
| | | | <hr/> |
| Total, ARTS AND SPORT DEVELOPMENT FUND | | | 1,837,828 |