

## GRANTHAM SCHOLARSHIPS FUND

### Report of the Grantham Scholarships Fund Committee on the administration of the Fund for the year ended 31 August 2018

The Grantham Scholarships Fund (the Fund) was established in 1955 under the Grantham Scholarships Fund Ordinance (Cap. 1076) to commemorate the governorship of Sir Alexander Grantham G.C.M.G. The objective of the Fund is to promote and encourage local education, and in particular to provide for persons resident in Hong Kong of scholarships and maintenance grants in primary schools, secondary schools, prevocational schools, technical schools and institutions of higher education in Hong Kong.


2. The Fund is managed by the Grantham Scholarships Fund Committee constituted under Section 4 of the Grantham Scholarships Fund Ordinance. The membership list of the Committee for the year under report is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretariat and accounting work of the Fund. The Director of Audit is the auditor of the Fund's accounts.

3. During the reporting period, the total income of the Fund was HK\$12.23 million and the total expenditure was HK\$8.69 million. The Fund recorded a surplus of HK\$3.54 million for 2017-18. As at 31 August 2018, the capital of the Fund was HK\$76.18 million and the accumulated surplus was HK\$79.35 million. The audited Financial Statements of the Fund for the year ended 31 August 2018 is at Appendix II.

4. The Fund currently gives the Grantham Maintenance Grants and eight types of awards and scholarships, including Grantham Outstanding Student Athletes Awards, Grantham Scholars of the Year Awards, Grantham Uniformed Youth Groups Outstanding Service Awards, Grantham Visual Arts Awards, Scholarships for Students of Hong Kong Academy for Performing Arts, Open University of Hong Kong and Vocational Training Council and Todd Memorial Scholarships for Aberdeen Technical School.

5. In the academic year 2017-18, a total of HK\$5.88 million was disbursed for maintenance grants, awards and scholarships as follows:-

	<u>No. of Awards</u>	<u>HK\$</u>
(a) Grantham Maintenance Grants	1,458	4,380,600
(b) Grantham Outstanding Student Athletes Awards	91	199,000
(c) Grantham Scholars of the Year Awards	24	240,000
(d) Grantham Uniformed Youth Groups Outstanding Service Awards	24	192,000
(e) Grantham Visual Arts Awards	20	170,000
(f) Scholarships for Students of Hong Kong Academy for Performing Arts	12	235,200
(g) Scholarships for Students of Open University of Hong Kong	20	200,000
(h) Scholarships for Students of Vocational Training Council	94	188,000
(i) Todd Memorial Scholarships for Aberdeen Technical School	97	79,000
		<hr/> <u>5,883,800</u> <hr/>

  
(LAU Kong-wah)  
Secretary for Home Affairs  
Chairman  
Grantham Scholarships Fund Committee  
4 December 2018

**GRANTHAM SCHOLARSHIPS FUND**

**Membership of the Grantham Scholarships Fund Committee  
(1.9.2017–31.8.2018)**

Secretary for Home Affairs	Chairman, Ex-officio
Permanent Secretary for Education	Ex-officio
Chairman, Board of Directors, Tung Wah Group of Hospitals - Dr LEE Yuk-lun, JP Mr Vinci WONG	Ex-officio  (up to 31.3.2018) (as from 1.4.2018)
Chairman, Board of Directors, Po Leung Kuk - Miss CHAN Sai-kit, Abbie Dr CHOI LEE Wai-lai, Margaret	Ex-officio  (up to 31.3.2018) (as from 1.4.2018)
Mrs CHAN WOO Mei-hou, Nancy	
Ms CHEUNG Marn-kay, Katherine	(up to 31.3.2018)
Dr CHIU Cheung-ki	
Mr CHIU Ling-cheong, Anthony	
Ms WONG Ching-chi, Gigi	(as from 1.4.2018)



## Grantham Scholarships Fund

Financial statements for the year ended 31 August 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 Grantham Scholarships Fund set out on pages 4 to 16, which comprise the balance sheet as at 31 August 2018, and the income and expenditure account, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Grantham Scholarships Fund as at 31 August 2018, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with section 10(1) of the Grantham Scholarships Fund Ordinance (Cap. 1076).

### *Basis for opinion*

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

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

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

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

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

### *Auditor's responsibilities for the audit of the financial statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Grantham Scholarships Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Home Affairs Incorporated;
- conclude on the appropriateness of the Secretary for Home Affairs Incorporated's use of the going concern basis of accounting and, based on the audit evidence

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

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



LIANG Kar-lun, Ken  
Principal Auditor  
for Director of Audit

4 December 2018

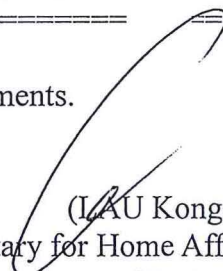
Audit Commission  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

**GRANTHAM SCHOLARSHIPS FUND**

**BALANCE SHEET  
AS AT 31 AUGUST 2018**

	Note	2018 HK\$	2017 HK\$
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets	3	174,805,261	172,723,927
<b>CURRENT ASSETS</b>			
Accounts receivable		1,305,177	5,229,560
Time deposits		-	14,559,633
Cash and cash equivalents	4	88,468,709	63,187,619
		89,773,886	82,976,812
<b>CURRENT LIABILITIES</b>			
Provision for staff gratuity	5	(32,359)	(62,558)
Provision for untaken leave		(4,552)	(5,363)
Accounts payable		(363,807)	(94,409)
		(400,718)	(162,330)
<b>NET CURRENT ASSETS</b>		89,373,168	82,814,482
		264,178,429	255,538,409
<b>ACCUMULATED FUND</b>			
Capital		76,182,248	76,182,248
Accumulated surplus		79,354,539	75,811,363
Investment revaluation reserve		108,641,642	103,544,798
		264,178,429	255,538,409

The accompanying notes 1 to 8 form part of these financial statements.

  
 (IAU Kong-wah)  
 Secretary for Home Affairs Incorporated  
 Trustee  
 Grantham Scholarships Fund  
 4 December 2018



**GRANTHAM SCHOLARSHIPS FUND**

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

	Note	2018 HK\$	2017 HK\$
<b>INCOME</b>			
Dividends		8,720,777	15,588,960
Interest	6	2,555,806	2,166,026
Gains on disposal of available-for-sale financial assets		942,413	1,181,588
Refund of grants		13,600	19,450
Exchange gains		-	1,206,707
		<hr/>	<hr/>
		12,232,596	20,162,731
<b>EXPENDITURE</b>			
Awards, scholarships and maintenance grants		(5,883,800)	(5,818,000)
Staff costs		(831,743)	(749,460)
Other charges		(45,965)	(35,712)
Exchange losses		(1,927,912)	-
		<hr/>	<hr/>
		(8,689,420)	(6,603,172)
<b>SURPLUS FOR THE YEAR</b>			
		<hr/> <hr/>	<hr/> <hr/>
		3,543,176	13,559,559

The accompanying notes 1 to 8 form part of these financial statements.

**GRANTHAM SCHOLARSHIPS FUND**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 AUGUST 2018**

	<b>2018 HK\$</b>	<b>2017 HK\$</b>
<b>SURPLUS FOR THE YEAR</b>	3,543,176	13,559,559
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be reclassified subsequently to surplus or deficit :		
Available-for-sale financial assets		
Fair value changes on revaluation	2,271,342	8,918,616
Reclassification adjustment for amounts released from investment revaluation reserve upon disposal	2,825,502	(756,428)
	5,096,844	8,162,188
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	8,640,020	21,721,747

The accompanying notes 1 to 8 form part of these financial statements.

**GRANTHAM SCHOLARSHIPS FUND**

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

	<b>Capital HK\$</b>	<b>Accumulated Surplus HK\$</b>	<b>Investment Revaluation Reserve HK\$</b>	<b>Total HK\$</b>
Balance at 1 September 2016	76,182,248	62,251,804	95,382,610	233,816,662
Total comprehensive income for 2016-17	-	13,559,559	8,162,188	21,721,747
Balance at 31 August 2017	76,182,248	75,811,363	103,544,798	255,538,409
Total comprehensive income for 2017-18	-	3,543,176	5,096,844	8,640,020
Balance at 31 August 2018	76,182,248	79,354,539	108,641,642	264,178,429

The accompanying notes 1 to 8 form part of these financial statements.

**GRANTHAM SCHOLARSHIPS FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 HK\$	2017 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		3,543,176	13,559,559
Adjustments for :			
Dividends		(8,720,777)	(15,588,960)
Interest		(2,555,806)	(2,166,026)
Gains on disposal of available-for-sale financial assets		(942,413)	(1,181,588)
(Increase)/Decrease in accounts receivable		(5,290)	2,134
Decrease in provision for staff gratuity		(30,199)	(46,188)
Decrease in provision for untaken leave		(811)	(3,669)
Increase/(Decrease) in accounts payable		269,398	(409,738)
Exchange losses/(gains)		1,927,543	(1,207,583)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<u>(6,515,179)</u>	<u>(7,042,059)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of available-for-sale financial assets		(19,974,000)	(4,480,650)
Sale proceeds from disposal of available-for-sale financial assets		23,938,066	9,747,800
Dividends received		12,877,523	11,229,445
Interest received		2,322,590	2,006,153
Decrease in time deposit with original maturity over three months		14,559,633	35,493,561
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>33,723,812</u>	<u>53,996,309</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		27,208,633	46,954,250
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		63,187,619	15,025,786
Effect of exchange rate changes on cash and cash equivalents		<u>(1,927,543)</u>	<u>1,207,583</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	4	<u>88,468,709</u>	<u>63,187,619</u>

The accompanying notes 1 to 8 form part of these financial statements.

# GRANTHAM SCHOLARSHIPS FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL

The Grantham Scholarships Fund (the Fund) provides scholarships and maintenance grants for students in primary schools, secondary schools, pre-vocational schools, technical schools and institutions of higher education in Hong Kong in accordance with sections 5 and 6 of the Grantham Scholarships Fund Ordinance (Cap. 1076).

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements have been prepared in accordance with section 10(1) of the Grantham Scholarships Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

#### (b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except that available-for-sale financial assets are stated at fair value as explained in the accounting policy set out in note 2(d) below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Adoption of new/revised HKFRSs**

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's result of operations and financial position, except for HKFRS 9 Financial Instruments which is effective for accounting periods beginning on or after 1 January 2018. The adoption of HKFRS 9 is expected to lead to a change in the classification and measurement of the Fund's financial assets. The Fund has yet to assess the impact of the standard on its financial statements.

**(d) Available-for-sale financial assets**

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

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

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

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

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure account – is removed from the investment revaluation reserve and recognised in the income and expenditure account. Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses for debt securities are recognised in the income and expenditure account. Impairment losses for equity securities are not reversed through the income and expenditure account. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

**(e) Other financial assets and financial liabilities**

Other financial assets and financial liabilities include accounts receivable, time deposits, cash at banks and accounts payable. Other financial assets are carried at amortised cost using the effective interest method, less impairment losses (if any). Financial liabilities are carried at amortised cost using the effective interest method.

**(f) Awards, scholarships and maintenance grants**

Awards, scholarships and maintenance grants are recognised as expenditure when they are approved by the Committee and due for payment.

**(g) Foreign currency translation**

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

**(h) Revenue recognition**

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

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

**3. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>2018</b>	<b>2017</b>
	<b>HK\$</b>	<b>HK\$</b>
Equity Securities - at fair value		
Listed in Hong Kong	150,765,261	168,270,277
Debt Securities - at fair value		
Bonds - Unlisted	24,040,000	4,453,650
Fair value at end of year	<u>174,805,261</u>	<u>172,723,927</u>

#### 4. CASH AND CASH EQUIVALENTS

	<b>2018</b> <b>HK\$</b>	<b>2017</b> <b>HK\$</b>
Time deposits with original maturity within three months	67,964,087	54,796,454
Cash at banks	20,504,622	8,391,165
	<hr/>	<hr/>
	88,468,709	63,187,619
	=====	=====

#### 5. PROVISION FOR STAFF GRATUITY

	<b>2018</b> <b>HK\$</b>	<b>2017</b> <b>HK\$</b>
Balance at beginning of year	62,558	108,746
Provision for the year	57,985	49,422
Payment for the year	(74,477)	(58,452)
Provision written back	(13,707)	(37,158)
	<hr/>	<hr/>
Balance at end of year	32,359	62,558
	=====	=====

#### 6. INTEREST

	<b>2018</b> <b>HK\$</b>	<b>2017</b> <b>HK\$</b>
Interest on bank deposits	2,184,830	2,090,993
Interest on debt securities	370,976	75,033
	<hr/>	<hr/>
	2,555,806	2,166,026
	=====	=====

#### 7. FINANCIAL RISK MANAGEMENT

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

##### (I) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.



To minimise credit risks arising from bank deposits and cash at banks, all time deposits and bank balances are placed with reputable licensed banks in Hong Kong.

To minimise credit risks arising from investments in bonds, the Fund only invests in those classified under the investment grade by Moody's or Standard & Poor's. At the balance sheet date, the credit quality of investments in bonds, analysed by the lower of ratings designated by Moody's or Standard & Poor's, was as follows:

	<b>2018</b>	<b>2017</b>
	<b>HK\$</b>	<b>HK\$</b>
Bonds by credit rating		
A1 to A3 / A+ to A-	24,040,000	4,453,650
	=====	=====

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

The maximum exposure to credit risk as at the balance sheet date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

## (II) Market risk

The Fund is exposed to market risk due to changes in market variables such as equity prices, interest rates and exchange rates.

### (i) Equity price risk

The Fund maintains a diversified portfolio of investments. The Committee monitors the performance of the portfolio and regularly reviews the investment strategy of the Fund to manage the equity price risk. It is estimated that if the market prices of the respective equity securities had been 10% higher/lower (2017: 10%), the balance of the investment revaluation reserve of the Fund would have increased/decreased by about HK\$15,080,000 (2017: HK\$16,830,000). The sensitivity analysis was based on the carrying amount of equity securities held by the Fund as at the balance sheet date and on the assumption that all other variables were held constant.

(ii) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Since the Fund's deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and equity.

For the Fund's investments in bonds, their fair values will fall when market interest rates increase. It is estimated that, as at 31 August 2018, a general increase/decrease of 25 basis points (2017: 25 basis points) in interest rates, with all other variables held constant, would decrease/increase the investment revaluation reserve by about HK\$230,000 (2017: HK\$43,000). The sensitivity analysis was determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to bonds in existence at that date. The 25 basis points increase/decrease represents the Fund's assessment of a reasonably possible change in interest rates over the period until the next balance sheet date.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to material cash flow interest rate risk because interest income from financial instruments bearing interest at a floating rate is not significant.

(iii) Foreign currency risk

(a) Exposure to currency risk

The Fund maintained net financial instruments denominated in United States dollars and Renminbi totaling USD7,168 (2017: USD7,168) and CNY48,122,654 (2017: CNY46,429,524) respectively at the balance sheet date. As Hong Kong dollar is pegged to the United States dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. Since no foreign currency rate hedging is made by the Fund, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign currency risk in respect of Renminbi.

(b) Sensitivity analysis

It is estimated that at 31 August 2018, should the Renminbi strengthen/weaken by 5% (2017: 5%) against the Hong Kong dollar, with all other variables being held constant, the surplus of the Fund for the year would increase/decrease by HK\$2,760,000 (2017: HK\$2,754,000).

**(III) Liquidity risk**

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

**(b) Fair value of financial instruments**

**(I) Fair value hierarchy**

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

	2018			2017		
	Level 1 HK\$	Level 2 HK\$	Total HK\$	Level 1 HK\$	Level 2 HK\$	Total HK\$
<b>Available-for-sale financial assets</b>						
Equity securities – listed	150,765,261	-	150,765,261	168,270,277	-	168,270,277
Debt securities Bonds - unlisted	-	24,040,000	24,040,000	-	4,453,650	4,453,650
	<u>150,765,261</u>	<u>24,040,000</u>	<u>174,805,261</u>	<u>168,270,277</u>	<u>4,453,650</u>	<u>172,723,927</u>
	=====	=====	=====	=====	=====	=====

No financial instruments were classified under Level 3. During the year, there were no transfers between instruments in Level 1 and Level 2.

The three levels of the fair value hierarchy are:

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

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

Level 3: fair value measured using significant unobservable inputs.

The fair value of unlisted bonds classified under Level 2 was determined using quotation from the custodian bank.

## **(II) Fair values of financial assets and financial liabilities**

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

## **8. CAPITAL MANAGEMENT**

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

- to comply with the Grantham Scholarships Fund Ordinance; and
- to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

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