

CHINESE TEMPLES FUND

Report of the Chinese Temples Committee on the administration of the Fund for the year ended 31 March 2018

The Chinese Temples Fund (the Fund) was established by the Chinese Temples Committee (the Committee) under Section 8(1) of the Chinese Temples Ordinance (Cap. 153) for the due observance of the customary ceremonies and the maintenance of temple buildings and temple properties. Under Section 8(2) of the Ordinance, the Committee may, at its own discretion, transfer any surplus of the Fund to the General Chinese Charities Fund for the purposes of any Chinese charity in Hong Kong.

2. The Fund is administered by the Committee. The membership 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\$95.37 million (mainly including surplus from self-administered and delegated temples and investment income, etc.), and the total expenditure of the Fund was HK\$61.15 million (mainly including repairs and maintenance of self-administered and delegated temples, grants for religious ceremonies and repairs to temples, and transfer to General Chinese Charities Fund, etc.). The Fund recorded a surplus of HK\$34.22 million for 2017-18.

4. The audited Financial Statements of the Fund for the year ended 31 March 2018 is at Appendix II.



(LAU Kong-wah)
Secretary for Home Affairs
Chairman
Chinese Temples Committee
4 December 2018

CHINESE TEMPLES FUND

**Membership of the Chinese Temples Committee
(1.4.2017-31.3.2018)**

1. Secretary for Home Affairs (Chairman)
2. Dr LEE Yuk-lun, JP
Chairman of the Board of Directors
of Tung Wah Group of Hospitals
3. Miss CHEN Ning-ning, BBS, JP (as from 21.10.2017)
4. Mr IP Cheung-ching
5. Mr KWOK Ngok-chung, Dick
6. Dr LEE Ka-cheung
7. Mr LO Wai-kon
8. Ms TONG Kei-yuk, Judy (up to 20.10.2017)
9. Mr WONG Luen-cheung, Andrew, MH



Chinese Temples Fund

Financial statements for the year ended 31 March 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 Chinese Temples Fund set out on pages 4 to 19, which comprise the balance sheet as at 31 March 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 Chinese Temples Fund 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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with regulation 10(1) of the Chinese Temples Fund Regulations (Cap. 153 sub. leg. A).

Basis for opinion

I conducted my audit in accordance with regulation 10(2) of the Chinese Temples Fund Regulations 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 Chinese Temples 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 for the financial statements

The Secretary for Home Affairs is responsible for the preparation of the financial statements that give a true and fair view in accordance with regulation 10(1) of the Chinese Temples Fund Regulations and HKFRSs issued by the HKICPA, and for such internal control as the Secretary for Home Affairs 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 is responsible for assessing the Chinese Temples 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 Chinese Temples 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;
- conclude on the appropriateness of the Secretary for Home Affairs' 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 Chinese Temples 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 Chinese Temples 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

**CHINESE TEMPLES FUND
BALANCE SHEET AS AT 31 MARCH 2018**

	Note	2018 HK\$	2017 HK\$
NON-CURRENT ASSETS			
Available-for-sale financial assets	3	625,904,474	545,201,434
CURRENT ASSETS			
Utilities deposits		214,600	208,300
Stock of worshipping items		7,197	12,926
Accounts receivable	4	1,271,471	1,193,210
Prepayment		521,229	136,724
Time deposits with original maturity over three months		-	10,050,411
Cash and cash equivalents	5	375,338,558	312,510,447
		377,353,055	324,112,018
CURRENT LIABILITIES			
Contractors' retention money		(1,911,578)	(1,837,442)
Deposits from temple-keepers and other deposits		(7,422,238)	(4,758,371)
Advance receipts		(12,115,538)	(8,551,246)
Accounts payable	6	(22,934,129)	(14,642,363)
Provision for legal expenses		(1,485,298)	(1,485,298)
		(45,868,781)	(31,274,720)
NET CURRENT ASSETS		331,484,274	292,837,298
		957,388,748	838,038,732
ACCUMULATED FUND		579,899,634	541,060,831
RESERVE FOR THE MAINTENANCE OF TO CHI FAT SHE AT VICTORIA ROAD		-	1,321,867
RESERVE FOR THE MAINTENANCE OF TEMPLES		176,666,321	179,958,740
INVESTMENT REVALUATION RESERVE		200,822,793	115,697,294
		957,388,748	838,038,732

The accompanying notes 1 to 15 form part of these financial statements.


 (LAU Kong-wah)
 Secretary for Home Affairs
 Chairman
 Chinese Temples Committee
 4 December 2018

CHINESE TEMPLES FUND

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

	Note	2018 HK\$	2017 HK\$
INCOME			
Surplus for the year from self-administered and delegated temples	7	39,201,317	40,656,181
Surplus from temples administered by Tung Wah Group of Hospitals	8	9,737,544	6,776,167
Gains on sale of worshipping items	9	712,286	686,603
Donations		37,730	17,792
Dividends		24,236,200	24,896,860
Interest	10	3,615,528	2,797,681
Gains on disposal of available-for-sale financial assets		15,595,062	357,185
Exchange gains		2,237,843	-
		95,373,510	76,188,469
EXPENDITURE			
Repairs and maintenance of self-administered and delegated temples		(18,099,837)	(20,473,085)
Grants for religious ceremonies and repairs to temples		(1,333,787)	(451,000)
Deficit from temple fair	11	-	(39,000)
Expenses for Temples Culture Festival		-	(2,222,315)
Transfer to General Chinese Charities Fund		(39,737,544)	(36,776,167)
Contract fulfillment rewards		(1,442,210)	(2,310,331)
Legal expenses		(45,000)	(42,658)
Exchange losses		-	(1,295,023)
Miscellaneous		(490,615)	(557,620)
		(61,148,993)	(64,167,199)
SURPLUS FOR THE YEAR		34,224,517	12,021,270

The accompanying notes 1 to 15 form part of these financial statements.

CHINESE TEMPLES FUND

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

	2018 HK\$	2017 HK\$
SURPLUS FOR THE YEAR	34,224,517	12,021,270
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to surplus or deficit :		
Available-for-sale financial assets		
Fair value changes on revaluation	94,390,694	71,828,877
Reclassification adjustment for amounts released from investment revaluation reserve upon disposal	(9,265,195)	(378,696)
	85,125,499	71,450,181
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	119,350,016	83,471,451

The accompanying notes 1 to 15 form part of these financial statements.

CHINESE TEMPLES FUND

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

	Accumulated Fund HK\$	Reserve for the maintenance of To Chi Fat She at Victoria Road HK\$	Reserve for the maintenance of Temples HK\$	Investment Revaluation Reserve HK\$	Total HK\$
Balance at 1 April 2016	518,037,951	1,321,867	190,960,350	44,247,113	754,567,281
Transfer from Reserve for the maintenance of Temples	11,001,610	-	(11,001,610)	-	-
Total comprehensive income for 2016-17	12,021,270	-	-	71,450,181	83,471,451
Balance at 31 March 2017	<u>541,060,831</u>	<u>1,321,867</u>	<u>179,958,740</u>	<u>115,697,294</u>	<u>838,038,732</u>
Transfer from Reserve for the maintenance of To Chi Fat She at Victoria Road	1,321,867	(1,321,867)	-	-	-
Transfer from Reserve for the maintenance of Temples	3,292,419	-	(3,292,419)	-	-
Total comprehensive income for 2017-18	34,224,517	-	-	85,125,499	119,350,016
Balance at 31 March 2018	<u><u>579,899,634</u></u>	<u><u>-</u></u>	<u><u>176,666,321</u></u>	<u><u>200,822,793</u></u>	<u><u>957,388,748</u></u>

The accompanying notes 1 to 15 form part of these financial statements.

CHINESE TEMPLES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 HK\$	2017 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		34,224,517	12,021,270
Adjustments for :			
Dividends		(24,236,200)	(24,896,860)
Interest		(3,615,528)	(2,797,681)
Surplus from temples administered by Tung Wah Group of Hospitals		(9,737,544)	(6,776,167)
Transfer to General Chinese Charities Fund		9,737,544	6,776,167
Exchange (gains)/losses		(2,237,843)	1,295,023
Gains on disposal of available-for-sale financial assets		(15,595,062)	(357,185)
Increase in utilities deposits		(6,300)	-
Decrease in stock of worshipping items		5,729	7,335
Decrease/(Increase) in accounts receivable		140,033	(225,026)
Increase in prepayments		(384,505)	(95,714)
Increase in contractors' retention money		74,136	76,147
Increase in deposits from temple-keepers and other deposits		2,663,867	186,300
Increase/(Decrease) in advance receipts		3,564,292	(979,542)
Increase in accounts payable		8,291,766	7,304,253
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		2,888,902	(8,461,680)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		(22,421,188)	-
Proceeds from disposal of available-for-sale financial assets		42,439,410	357,185
Net decrease/(increase) in time deposits with original maturity over three months		10,050,411	(10,050,411)
Bank interest received		3,372,935	2,743,730
Dividends received		24,259,744	24,871,286
NET CASH FROM INVESTING ACTIVITIES		57,701,312	17,921,790
NET INCREASE IN CASH AND CASH EQUIVALENTS		60,590,214	9,460,110
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		312,510,447	304,345,239
Effects of exchange rates changes on cash and cash equivalents		2,237,897	(1,294,902)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	375,338,558	312,510,447

The accompanying notes 1 to 15 form part of these financial statements.

CHINESE TEMPLES FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Chinese Temples Fund (the Fund) was established for the due observance of the customary ceremonies at temples and the maintenance of temple buildings and temple properties in accordance with section 8(1) of the Chinese Temples Ordinance (Cap. 153). Any surplus of income may be transferred to the General Chinese Charities Fund for the purposes of any Chinese charity in Hong Kong at the discretion of the Chinese Temples Committee (the Committee) in accordance with section 8(2) of the Chinese Temples Ordinance.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with regulation 10(1) of the Chinese Temples Fund Regulations (Cap. 153 sub. leg. A) 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) Financial assets and financial liabilities

The Fund's financial assets and financial liabilities include available-for-sale financial assets, accounts receivable, time deposits, cash and cash equivalents, accounts payable, deposits and contractors' retention money. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities. Except for available-for-sale financial assets, all other financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any (note 2(e)). Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses arising from changes in fair value are 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 Fund's available-for-sale financial assets are classified as non-current assets unless the Committee intends to dispose of the investments within 12 months of the balance sheet date.

(e) Impairment of financial assets

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

For available-for-sale financial assets, 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 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.

For other financial assets, the impairment loss is recognised in the income and expenditure account.

(f) Foreign currency translation

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

(g) Revenue recognition

Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised when the Fund's right to receive payment is established. Donation income is recognised once the amount is received.

(h) Valuation of stock

The cost of stock sold is calculated on a first-in-first-out basis. The value of stock at year end is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

(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.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when there is a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK\$	2017 HK\$
Equity securities – at fair value	619,485,749	545,201,434
Listed in Hong Kong		
Debt securities – at fair value	6,418,725	-
Unlisted		
	<u>625,904,474</u>	<u>545,201,434</u>
	=====	=====

4. ACCOUNTS RECEIVABLE

	2018 HK\$	2017 HK\$
Interest on bank deposits	590,427	361,105
Interest on debt securities	12,600	-
Interest purchased on debt securities	30,294	-
Dividends	167,722	191,350
Revenue from self-administered and delegated temples	360,514	479,520
Others	109,914	161,235
	<u>1,271,471</u>	<u>1,193,210</u>
	=====	=====

5. CASH AND CASH EQUIVALENTS

	2018 HK\$	2017 HK\$
Time deposits with original maturity within 3 months	279,210,941	263,598,554
Cash with the Director of Accounting Services	18,057,431	25,521,740
Cash at banks	77,945,557	22,634,036
Cash on hand	124,629	756,117
	<u>375,338,558</u>	<u>312,510,447</u>
	=====	=====

6. ACCOUNTS PAYABLE		
	2018	2017
	HK\$	HK\$
Repairs and maintenance to temples	17,533,491	11,425,341
Accrual for contract fulfillment rewards	3,752,541	2,310,331
Expenditure on self-administered and delegated temples	777,821	351,951
Others	870,276	554,740
	<hr/>	<hr/>
	22,934,129	14,642,363
	<hr/> <hr/>	<hr/> <hr/>
7. SURPLUS FOR THE YEAR FROM SELF-ADMINISTERED AND DELEGATED TEMPLES		
	2018	2017
	HK\$	HK\$
Income for the year	44,208,549	44,833,533
Less : Expenditure for the year	(5,007,232)	(4,177,352)
	<hr/>	<hr/>
	39,201,317	40,656,181
	<hr/> <hr/>	<hr/> <hr/>
8. SURPLUS FROM TEMPLES ADMINISTERED BY TUNG WAH GROUP OF HOSPITALS		
	2018	2017
	HK\$	HK\$
Income for the year	15,274,618	11,960,077
Less : Expenditure for the year	(5,537,074)	(5,183,910)
	<hr/>	<hr/>
	9,737,544	6,776,167
	<hr/> <hr/>	<hr/> <hr/>
9. GAINS ON SALE OF WORSHIPPING ITEMS		
	2018	2017
	HK\$	HK\$
Revenue from sale of worshipping items	915,335	892,665
Less : Cost of worshipping items	(203,049)	(206,062)
	<hr/>	<hr/>
	712,286	686,603
	<hr/> <hr/>	<hr/> <hr/>

10. INTEREST

	2018 HK\$	2017 HK\$
Interest on bank deposits	3,602,228	2,797,681
Interest on debt securities	13,300	-
	<u>3,615,528</u>	<u>2,797,681</u>
	=====	=====

11. DEFICIT FROM TEMPLE FAIR

	2018 HK\$	2017 HK\$
Income for the year	-	-
Less : Expenditure for the year	-	(39,000)
	<u>-</u>	<u>(39,000)</u>
	=====	=====

12. FINANCIAL RISK MANAGEMENT

- (a) The Fund's major financial instruments include available-for-sale financial assets, accounts receivable, time deposits and cash and cash equivalents. 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. For the cash balance with the Director of Accounting Services, the credit risk is considered to be minimal.

To minimise credit risks arising from investments in debt securities, 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 debt securities, analysed by the lower of ratings designated by Moody's or Standard & Poor's, was as follows :

	2018	Total	2017	Total
	HK\$	HK\$	HK\$	HK\$
Debt securities				
by credit rating				
A1 to A3 / A+ to A-	6,418,725	6,418,725	-	-
	=====	=====	=====	=====

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, as at the balance sheet date, if the market prices of the respective equity securities had been 10% (2017 : 10%) higher/lower, other comprehensive income and the balance of the Fund's investment revaluation reserve would have increased/decreased by about HK\$61,949,000 (2017 : HK\$54,520,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the balance sheet date and on the assumption that all other variables were held constant.

(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 debt securities, their fair values will fall when market interest rates increase. It is estimated that, as at 31 March 2018, a general increase/decrease of 25 basis points (2017 : Nil) in interest rates, with all other variables held constant, would decrease/increase the investment revaluation reserve by about HK\$40,000 (2017 : Nil). The sensitivity analysis was determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to debt securities in existence at that date. The 25 basis points increase/decrease represents the Fund's assessment of a reasonably possible change in interest rates over the period until the next balance sheet date.

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

As at the balance sheet date, the Fund maintained financial assets denominated in United States dollars and Renminbi totalling USD21,637 (2017 : USD21,374) and CNY19,413,366 (2017 : CNY18,528,529) respectively. As Hong Kong dollar is pegged to United States dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. Since no foreign currency rate hedging is made by the Fund for Renminbi, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign currency risk.

(b) Sensitivity analysis

It is estimated that, as at 31 March 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 would increase/decrease by about HK\$1,210,000 (2017 : HK\$1,045,000).

(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 effect 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	Level 2	Total	Level 1	Level 2	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Available-for-sale						
financial assets						
Equity securities						
– listed	619,485,749	-	619,485,749	545,201,434	-	545,201,434
Debt securities						
- unlisted	-	6,418,725	6,418,725	-	-	-
	_____	_____	_____	_____	_____	_____
	619,485,749	6,418,725	625,904,474	545,201,434	-	545,201,434
	=====	=====	=====	=====	=====	=====

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

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

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

The fair value of unlisted debt securities 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 amount equal to or not materially different from their fair values.

13. CAPITAL MANAGEMENT

The capital structure of the Fund consists of accumulated fund, reserve for the maintenance of To Chi Fat She at Victoria Road, reserve for the maintenance of temples and investment revaluation reserve. The Fund's objectives when managing capital are :

- (a) to comply with the Chinese Temples Ordinance; and
- (b) to maintain a strong capital base for carrying out the purposes of the Fund as stated in note 1 above.

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

14. COMMITMENTS

At 31 March 2018, the Fund had financial commitments, so far as not provided for in the financial statements, as follows:

	2018 HK\$	2017 HK\$
Contracted repairs and maintenance of self-administered and delegated temples	20,071,567	20,554,021
Renovation projects approved by the Committee for temples other than self-administered temples	2,000,000	3,600,000
Grants approved by the Committee for religious ceremonies	3,257,523	2,897,711
Rewards to temple-keepers upon the satisfactory completion of their temple management contracts	2,369,209	721,139
	<hr/> 27,698,299 <hr/> <u>=====</u>	<hr/> 27,772,871 <hr/> <u>=====</u>

15. CONTINGENT LIABILITIES

As at 31 March 2018, the Fund was a defendant in an outstanding legal claim of HK\$3.4 million (2017 : HK\$3.4 million). The legal proceedings of this case have not yet been completed. Since the outcome of this case is uncertain, no provision has been made.