

GENERAL CHINESE CHARITIES FUND

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

The General Chinese Charities Fund (the Fund) was established by the Chinese Temples Committee under Section 9 of the Chinese Temples Ordinance (Cap. 153). The Committee may, at its own discretion, apply the Fund for payment of the necessary staff and the other expenses incurred by the Committee in the exercise of its powers under the Ordinance; and 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\$49.1 million (mainly including investment income and transfer from Chinese Temples Fund, etc.), and the total expenditure of the Fund was HK\$32.1 million (mainly including staff costs and operating expenses, etc.). The Fund recorded a surplus of HK\$17 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

GENERAL CHINESE CHARITIES 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



General Chinese Charities 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 General Chinese Charities Fund set out on pages 4 to 16, 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 General Chinese Charities 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 paragraph 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B).

Basis for opinion

I conducted my audit in accordance with paragraph 9(2) of the General Chinese Charities Fund Directions 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 General Chinese Charities 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 paragraph 9(1) of the General Chinese Charities Fund Directions 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 General Chinese Charities 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 General Chinese Charities 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 General Chinese Charities 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 General Chinese Charities 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

GENERAL CHINESE CHARITIES FUND
BALANCE SHEET AS AT 31 MARCH 2018

	Note	2018 HK\$	2017 HK\$
NON-CURRENT ASSETS			
Available-for-sale financial assets	3	141,590,942	127,000,518
CURRENT ASSETS			
Accounts receivable	4	914,689	900,428
Prepayments		66,502	6,684
Cash and cash equivalents	5	72,121,027	53,088,299
		73,102,218	53,995,411
CURRENT LIABILITIES			
Provision for staff gratuity	6	(1,080,136)	(1,918,841)
Provision for untaken leave		(172,861)	(242,632)
Accounts payable and accrued charges	7	(1,937,983)	(867,853)
		(3,190,980)	(3,029,326)
NET CURRENT ASSETS		69,911,238	50,966,085
		211,502,180	177,966,603
ACCUMULATED FUND			
Accumulated surplus		164,597,676	147,604,103
Investment revaluation reserve		46,904,504	30,362,500
		211,502,180	177,966,603

The accompanying notes 1 to 13 form part of these financial statements.


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

GENERAL CHINESE CHARITIES FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 HK\$	2017 HK\$
INCOME			
Dividends		5,467,167	5,426,773
Interest		325,469	161,215
Transfer from Chinese Temples Fund		39,737,544	36,776,167
Transfer from Board of Management of the Chinese Permanent Cemeteries		38,200	38,200
Gains on disposal of available-for-sale financial assets		3,528,747	-
Exchange gains		-	164
		49,097,127	42,402,519
EXPENDITURE			
Transfer to Tung Wah Group of Hospitals		(9,737,544)	(6,776,167)
Grants	8	(3,154,024)	(1,614,743)
Staff costs	9	(15,491,222)	(14,545,914)
Rental and related charges		(2,576,370)	(2,302,037)
Other operating expenses		(1,143,947)	(1,157,935)
Exchange losses		(447)	-
		(32,103,554)	(26,396,796)
SURPLUS FOR THE YEAR		16,993,573	16,005,723

The accompanying notes 1 to 13 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	HK\$	HK\$
SURPLUS FOR THE YEAR	16,993,573	16,005,723
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to surplus or deficit :		
Available-for-sale financial assets		
Fair value changes on revaluation	19,711,424	15,792,136
Reclassification adjustment for amounts released from investment revaluation reserve upon disposal	(3,169,420)	-
	16,542,004	15,792,136
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	33,535,577	31,797,859
	=====	=====

The accompanying notes 1 to 13 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND

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

	Accumulated Surplus HK\$	Investment Revaluation Reserve HK\$	Total HK\$
Balance at 1 April 2016	131,598,380	14,570,364	146,168,744
Total comprehensive income for 2016-17	16,005,723	15,792,136	31,797,859
Balance at 31 March 2017	147,604,103	30,362,500	177,966,603
Total comprehensive income for 2017-18	16,993,573	16,542,004	33,535,577
Balance at 31 March 2018	164,597,676	46,904,504	211,502,180

The accompanying notes 1 to 13 form part of these financial statements.

**GENERAL CHINESE CHARITIES 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		16,993,573	16,005,723
Adjustments for :			
Dividends		(5,467,167)	(5,426,773)
Interest		(325,469)	(161,215)
Gains on disposal of available-for-sale financial assets		(3,528,747)	-
Exchange losses/(gains)		447	(164)
Transfer from Chinese Temples Fund		(9,737,544)	(6,776,167)
Transfer to Tung Wah Group of Hospitals		9,737,544	6,776,167
Decrease in accounts receivable		61	160,207
(Increase)/Decrease in prepayments		(59,818)	1,775
(Decrease)/Increase in provision for staff gratuity		(838,705)	719,879
(Decrease)/Increase in provision for untaken leave		(69,771)	46,181
Increase in accounts payable and accrued charges		1,070,130	138,247
NET CASH FROM OPERATING ACTIVITIES		<u>7,774,534</u>	<u>11,483,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		5,480,327	-
Dividends received		5,540,456	5,425,092
Interest received		237,411	157,546
NET CASH FROM INVESTING ACTIVITIES		<u>11,258,194</u>	<u>5,582,638</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,032,728	17,066,498
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		53,088,299	36,021,801
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	<u>72,121,027</u>	<u>53,088,299</u>

The accompanying notes 1 to 13 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The General Chinese Charities Fund (the Fund) was established under section 8 of the Chinese Temples Ordinance (Cap. 153) and may in the discretion of the Chinese Temples Committee (the Committee) be applied:

- (a) to the pay of the necessary staff and the other expenses incurred by the Committee in the exercise of its powers; and
- (b) for the purposes of any Chinese charity in Hong Kong,

in accordance with section 9(1) 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 paragraph 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B) 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 :

- (i) 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; and
- (ii) HKFRS 16 Leases which is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16 will primarily affect the Fund's accounting as a lessee of the lease for premises which is currently classified as an operating lease. The adoption of HKFRS 16 is expected to lead to an increase in both assets and liabilities and affect the timing of expense recognition in the income and expenditure account over the period of the lease.

The Fund has yet to assess the impact of the standards 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, cash and cash equivalents and accounts payable. 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.

(h) 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

	2018	2017
	HK\$	HK\$
Equity securities listed in Hong Kong, at fair value	141,590,942	127,000,518
	=====	=====

4. ACCOUNTS RECEIVABLE

	2018 HK\$	2017 HK\$
Interest	102,539	14,481
Dividends	808,555	882,291
Others	3,595	3,656
	<hr/>	<hr/>
	914,689	900,428
	=====	=====

5. CASH AND CASH EQUIVALENTS

	2018 HK\$	2017 HK\$
Time deposits with original maturity within three months	55,145,511	19,909,314
Cash with government departments	6,911,562	5,927,438
Cash at banks	10,063,954	27,251,547
	<hr/>	<hr/>
	72,121,027	53,088,299
	=====	=====

6. PROVISION FOR STAFF GRATUITY

	2018 HK\$	2017 HK\$
Balance at beginning of year	1,918,841	1,198,962
Provision for the year	1,042,818	822,638
Payments during the year	(1,881,523)	(102,759)
	<hr/>	<hr/>
Balance at end of year	1,080,136	1,918,841
	=====	=====

7. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2018 HK\$	2017 HK\$
Staff costs	79,271	106,222
Accrued rental and related charges	24,425	23,884
Grants	1,458,813	565,737
Other operating expenses	375,474	172,010
	<hr/>	<hr/>
	1,937,983	867,853
	=====	=====

8. GRANTS

	2018 HK\$	2017 HK\$
Home Affairs Department's emergency relief grants	1,223,000	506,500
Charity programmes (including write back of provision)	1,787,024	1,108,243
Scholarships for temple management courses	144,000	-
	<hr/> 3,154,024 <hr/>	<hr/> 1,614,743 <hr/>

9. STAFF COSTS

Staff costs for the year include an amount of HK\$3,269,192 (2017: HK\$3,232,479) charged by the Government for civil servants seconded to the Trust Funds and Temples Joint Secretariat, the executive arm of the Committee.

10. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk

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

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

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

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

(ii) Market risk

(1) Equity price risk

To manage the risk due to fluctuation in equity prices, the Committee regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund. It is estimated that, as at the balance sheet date, if the market prices of the respective equity securities had been 14% (2017: 14%) higher/lower, other comprehensive income and the balance of the Fund's investment revaluation reserve would have increased/decreased by about HK\$20,000,000 (2017: HK\$18,000,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the balance sheet date and on the assumption that all other variables were held constant.

(2) Interest rate risk

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

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's bank deposits bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus/deficit and equity.

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

(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 hierarchy of financial instruments

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

	2018		2017	
	Level 1	Total	Level 1	Total
	HK\$	HK\$	HK\$	HK\$
Assets				
Available-for-sale financial assets				
- Listed equity securities	141,590,942	141,590,942	127,000,518	127,000,518
	=====	=====	=====	=====

No financial instruments were classified under Level 2 or Level 3.

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).

11. CAPITAL MANAGEMENT

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

- (a) to comply with section 9(1) of the Chinese Temples Ordinance; and
- (b) to maintain a strong capital base for the purposes of any Chinese charity in Hong Kong.

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

12. COMMITMENTS

(a) Financial commitments

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

	2018 HK\$	2017 HK\$
Grants for charity programmes	5,370,136	2,262,784
Contracted purchases	733,471	-
	<hr/>	<hr/>
	6,103,607	2,262,784
	<hr/> <hr/>	<hr/> <hr/>

(b) Lease commitments

As at 31 March 2018, the total future minimum lease payments under non-cancellable operating leases of premises were payable as follows:

	2018 HK\$	2017 HK\$
Not later than one year	2,458,156	2,451,669
In the second to fifth year inclusive	1,433,925	3,881,810
	<hr/>	<hr/>
	3,892,081	6,333,479
	<hr/> <hr/>	<hr/> <hr/>

13. 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.