

REPORT BY THE TRUSTEE

of the

CUSTOMS AND EXCISE SERVICE

CHILDREN'S EDUCATION TRUST FUND

FOR THE YEAR

1 APRIL 2018 To 31 MARCH 2019

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**Report by the Trustee
of the Customs and Excise Service Children's Education Trust Fund
for the year from 1 April 2018 to 31 March 2019**

INTRODUCTION

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

2. In accordance with section 4 of the Ordinance, the Commissioner of Customs and Excise shall be the Trustee of the Customs and Excise Service Children's Education Trust Fund (the Fund). As required by section 11 of the Ordinance, I take pleasure in presenting to the President and Honourable Members of the Legislative Council a copy of the signed and audited statement of accounts, the Director of Audit's report and my report on administration of the Fund for the year running from 1 April 2018 to 31 March 2019.

3. The Fund was started with a generous donation of \$300,000 granted by the Board of Management of the Chinese Permanent Cemeteries in September 1997. Over the years, individual donors have contributed an additional sum of \$8,050,000 towards operation of the Fund.

OBJECTS OF THE FUND

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

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

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

THE COMMITTEE AND THE INVESTMENT ADVISORY BOARD

5. The Committee was formed in accordance with section 6 of the Ordinance for management of the Fund. The Financial Secretary appointed Mr. Benedict SIN Ngayan as the Chairman, together with, Mr. Howard YEUNG Ping-leung, Mr. Alexander WONG and Ms. KAN Kit-sing as members of the Committee for a period of two years with effect from 1 August 2018. A membership list is at **Appendix I**.

6. The Investment Advisory Board (the Board) was formed in accordance with section 10 of the Ordinance to guide the Trustee on placing of money drawn from the Fund in investments other than those authorized under the Trustee Ordinance (Cap.29). The Financial Secretary appointed Mr. Steve LAU Hon-wah as the Chairman, together with Mr. Martin LEE Ka-shing, Mr. Stephen TAN, Ms. Wendy YUEN Miu-ling and Mr. Karson CHOI Ka-tsan as members of the Board for a period of two years with effect

from 1 August 2018. A membership list is at **Appendix II**.

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

MEETING

8. With major decisions having made by circulation, the Committee met on 24 September 2018 to review the administration of the Fund.

GRANTS

9. From 1 April 2018 to 31 March 2019, a total sum of \$669,500 was approved and distributed to 130 eligible applicants, including \$302,500 to 121 eligible applicants in the form of higher education grants, \$295,000 to 14 eligible applicants in the form of scholarship and \$72,000 to nine eligible applicants as special grant for their handicapped children.

10. Balance of the Fund as at 31 March 2019 amounted to \$4,324,449 with \$8,350,000 in the capital account and an accumulated deficit of \$4,025,551.

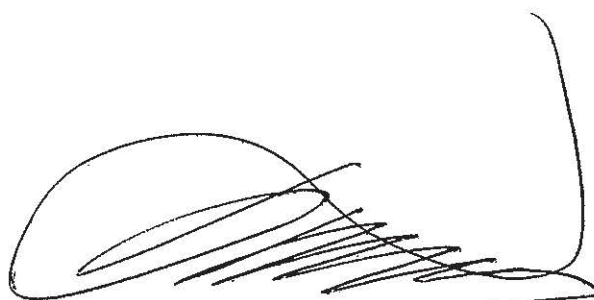
AUDITOR

11. The Director of Audit was appointed as auditor of the Fund in accordance with

section 11(4) of the Ordinance. The signed and audited statement of accounts as well as the Director's report are at **Appendix III**.

VOTE OF THANKS

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

A handwritten signature in black ink, appearing to be 'Hermes Tang', written in a cursive style with a large loop at the end.

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

18 September 2019

Customs and Excise Service Children's Education Trust Fund Committee

(as at 31 March 2019)

- Chairman : Mr. Benedict SIN Nga-yan
(appointed by the Financial Secretary)
- Members : Commissioner of Customs and Excise
- Mr. Hermes TANG Yi-hoi, C.M.S.M.
- Officer in charge of Service Welfare Division in the Customs and Excise Department
- Mr. LEE Chi-ming, Simon
- Representative of the Customs Officers
- Ms. KAN Kit-sing
(appointed by the Financial Secretary)
- Mr. Howard YEUNG Ping-leung
(appointed by the Financial Secretary)
- Mr. Alexander WONG
(appointed by the Financial Secretary)
- Honorary Treasurer : Ms. Nancy HO King-chi, Senior Treasury Accountant
(Customs and Excise Department)
- Honorary Secretary : Ms. Phoenix LEE Wai-yin, Executive Officer (Staff Relations)
(Customs and Excise Department)

Customs and Excise Service Children's Education Trust Fund

Investment Advisory Board

(as at 31 March 2019)

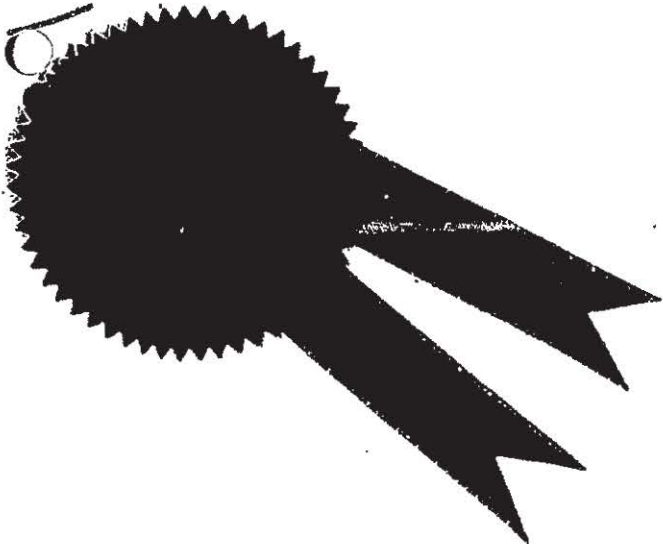
Chairman : Mr. Steve LAU Hon-wah, S.B.S., J.P.
(appointed by the Financial Secretary)

Members : Mr. Martin LEE Ka-shing, J.P.
(appointed by the Financial Secretary)

Mr. Stephen TAN
(appointed by the Financial Secretary)

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

Mr. Karson CHOI Ka-tsan, B.B.S.
(appointed by the Financial Secretary)



Customs and Excise Service
Children's Education Trust Fund

Financial statements for the year ended 31 March 2019

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 Customs and Excise Service Children's Education Trust Fund set out on pages 4 to 16, which comprise the balance sheet as at 31 March 2019, 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 Customs and Excise Service Children's Education Trust Fund as at 31 March 2019, 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 11(1) to 11(3) of the Customs and Excise Service Children's Education Trust Fund Ordinance (Cap. 551).

Basis for opinion

I conducted my audit in accordance with section 11(4) of the Customs and Excise Service Children's Education Trust Fund Ordinance and the Audit Commission auditing standards. 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 Customs and Excise Service Children's Education Trust 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 Commissioner of Customs and Excise for the financial statements

The Commissioner of Customs and Excise 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 11(1) to 11(3) of the Customs and Excise Service Children's Education Trust Fund Ordinance, and for such internal control as the Commissioner of Customs and Excise determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioner of Customs and Excise is responsible for assessing the Customs and Excise Service Children's Education Trust 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 Customs and Excise Service Children's Education Trust Fund's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner of Customs and Excise;
- conclude on the appropriateness of the Commissioner of Customs and Excise'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 Customs and Excise Service Children's Education Trust 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 Customs and Excise Service Children's Education Trust 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

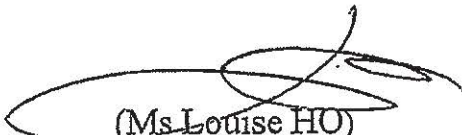
26 June 2019


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

Customs and Excise Service Children's Education Trust Fund
Balance Sheet as at 31 March 2019

	Note	2019 HK\$	2018 HK\$
Current assets			
Accounts receivable		9,531	11,321
Bank deposits		4,302,575	4,406,053
Cash and cash equivalents	3	12,343	3,595
		4,324,449	4,420,969
 Accumulated fund			
Capital		8,350,000	7,750,000
Accumulated deficit		(4,025,551)	(3,329,031)
		4,324,449	4,420,969

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


 (Ms. Louise HO)
 Acting Commissioner of Customs and Excise
 Trustee
 Customs and Excise Service Children's
 Education Trust Fund
 26 June 2019


 (SIN Nga-yan, Benedict)
 Chairman
 Customs and Excise Service Children's
 Education Trust Fund Committee
 26 June 2019

Customs and Excise Service Children's Education Trust Fund
Income and Expenditure Account
For the year ended 31 March 2019

	2019	2018
	HK\$	HK\$
Income		
Bank interest	96,103	96,616
Other income	2,000	2,000
Exchange gains	-	202,373
	<u>98,103</u>	<u>300,989</u>
 Expenditure		
Special education grant/Higher education grant/ Book grant/Scholarships to Service members	(669,500)	(399,500)
Exchange losses	(125,123)	-
	<u>(794,623)</u>	<u>(399,500)</u>
Deficit for the year	(696,520)	(98,511)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(696,520)</u>	<u>(98,511)</u>

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

Customs and Excise Service Children's Education Trust Fund
Statement of Changes in Equity
For the year ended 31 March 2019

	Capital HK\$	Accumulated deficit HK\$	Total HK\$
Balance at 1 April 2017	7,450,000	(3,230,520)	4,219,480
Donations received during 2017-18	300,000	-	300,000
Total comprehensive loss for 2017-18	-	(98,511)	(98,511)
Balance at 31 March 2018	<u>7,750,000</u>	<u>(3,329,031)</u>	<u>4,420,969</u>
Donations received during 2018-19	600,000	-	600,000
Total comprehensive loss for 2018-19	-	(696,520)	(696,520)
Balance at 31 March 2019	<u><u>8,350,000</u></u>	<u><u>(4,025,551)</u></u>	<u><u>4,324,449</u></u>

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

Customs and Excise Service Children's Education Trust Fund
Statement of Cash Flows
For the year ended 31 March 2019

	Note	2019 HK\$	2018 HK\$
Cash flows from operating activities			
Deficit for the year		(696,520)	(98,511)
Adjustments for:			
Bank interest		(96,103)	(96,616)
Exchange losses /(gains)		125,123	(202,373)
Net cash used in operating activities		<u>(667,500)</u>	<u>(397,500)</u>
Cash flows from investing activities			
Bank interest received		97,226	95,793
Net increase in bank deposits with original maturities over three months		<u>(20,978)</u>	<u>(792)</u>
Net cash from investing activities		<u>76,248</u>	<u>95,001</u>
Cash flows from financing activities			
Donations received		<u>600,000</u>	<u>300,000</u>
Net cash from financing activities		<u>600,000</u>	<u>300,000</u>
Net increase /(decrease) in cash and cash equivalents		8,748	(2,499)
Cash and cash equivalents at beginning of year		<u>3,595</u>	<u>6,094</u>
Cash and cash equivalents at end of year	3	<u><u>12,343</u></u>	<u><u>3,595</u></u>

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

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

1. General

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

2. Significant accounting policies

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with section 11(1) to 11(3) of the Customs and Excise Service Children's Education Trust Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of

assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund. Of these, the Fund has adopted the requirements of HKFRS 9 "Financial Instruments" from 1 April 2018.

HKFRS 9 replaces Hong Kong Accounting Standard (HKAS) 39 "Financial Instruments: Recognition and Measurement". It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Fund has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements without restating comparative information (i.e. the comparative information continues to be reported under HKAS 39). The carrying amounts of the items at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification of financial assets

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables,

available-for-sale financial assets and financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The Fund's financial assets, comprising cash and cash equivalents, bank deposits and accounts receivable, were previously classified as loans and receivables carried at amortised cost under HKAS 39. These were reclassified to financial assets measured at amortised cost under HKFRS 9. The carrying amounts at 31 March 2018 were the same as those at 1 April 2018.

For an explanation of how the Fund classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in note 2(d)(ii).

(ii) Credit losses and impairment

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" model. The expected credit loss model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises expected credit losses earlier than under the "incurred loss" accounting model in HKAS 39. The Fund applies the new expected credit loss model to the financial assets measured at amortised cost. The initial application of the new impairment requirements had no impact on the carrying amounts of the financial assets at 1 April 2018.

For further details on the Fund's new accounting policy for impairment, see note 2(d)(v).

(d) Financial assets

(i) Initial recognition

Financial assets are recognised on the date the Fund becomes party to the contractual provisions of the financial instruments. They are initially stated at fair value plus directly attributable transaction costs.

(ii) Categorisation and subsequent measurement from 1 April 2018

Financial assets measured at amortised cost

These comprise cash at bank, bank deposits and accounts receivable. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. They are subsequently measured at amortised cost, net of loss allowance, if any (note 2(d)(v)).

(iii) Categorisation and subsequent measurement before 1 April 2018

Loans and receivables

The Fund's financial assets included accounts receivable, bank deposits and cash and cash equivalents. They were initially measured at fair value plus transaction costs that were directly attributable to the acquisition of the assets, and subsequently measured at amortised cost using the effective interest method, less impairment losses (if any).

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

(v) Impairment of financial assets from 1 April 2018

For cash at bank, bank deposits and accounts receivable, the Fund measures the expected credit losses to determine the loss allowance required to be recognised.

Expected credit losses are a probability-weighted estimate of credit losses. They are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. They are measured on either of the following bases:

- 12-month expected credit losses for financial instruments for which there has not been a significant increase in credit risk since initial recognition: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or

- lifetime expected credit losses for financial instruments for which there has been a significant increase in credit risk since initial recognition: these are losses that are expected to result from all possible default events over the expected life of the financial instrument.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Fund compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(vi) Impairment of financial assets before 1 April 2018

The carrying amounts of loans and receivables were reviewed at each reporting date to determine whether there was objective evidence of impairment. If any such evidence existed, an impairment loss was 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through surplus or deficit. A reversal of impairment losses was limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(e) Grants and scholarships

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

(f) Donations

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

(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 reporting date. Exchange gains and losses are dealt with in the income and expenditure account.

(h) Revenue recognition

Bank interest is recognised as it accrues using the effective interest method.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and deposits with banks with original maturities of three months or less from the date of placement.

3. Cash and cash equivalents

	2019	2018
	HK\$	HK\$
Cash at bank	<u>12,343</u>	<u>3,595</u>

4. Financial risk management

The Fund's major financial instruments include bank deposits and cash at bank. The main risks associated with these financial instruments are set out below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an

obligation and cause the other party to incur a financial loss. The Fund's maximum exposure to credit risk at the reporting date in relation to the financial instruments is the carrying amount of these assets as stated in the balance sheet. The Fund limits its exposure to credit risk by transacting with reputable licensed banks in Hong Kong. Hence, the credit risk associated with bank deposits and bank balances is considered to be low. As such, the credit risk on these financial instruments is assessed as not having increased significantly since initial recognition and the Fund determines the loss allowance required to be recognised based on 12-month expected credit losses.

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

	2019 HK\$	2018 HK\$
Cash at bank and deposits with banks, by credit rating		
Aa1 to Aa3	979,915	670,162
A1 to A3	<u>3,335,003</u>	<u>3,739,486</u>
	<u>4,314,918</u>	<u>4,409,648</u>

The Fund has estimated that 12-month expected credit losses on these financial instruments are immaterial and considers that no loss allowance is required.

(b) Interest rate risk

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

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

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to cash flow interest rate risk as it has no financial instruments bearing interest at floating rates.

(c) Liquidity risk

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

(d) Currency risk

(i) Exposure to currency risk

The Fund maintained net exposure to financial instruments denominated in US dollar and Renminbi of US\$184,204 (2018: US\$228,603) and CNY1,623,381 (2018: CNY 1,565,581) respectively at the reporting date. As Hong Kong dollar is pegged to the US dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. Since no foreign currency rate hedging is made by the Fund, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign currency risk in respect of Renminbi.

(ii) Sensitivity analysis

It was estimated that as at 31 March 2019, should the Renminbi strengthen/weaken by 5% (2018: 5%) against the Hong Kong dollar, with all other variables being held constant, the deficit of the Fund would decrease/increase by HK\$95,000 (2018: HK\$98,000).

5. Capital management

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

- to comply with the Customs and Excise Service Children's Education Trust Fund Ordinance; and

- to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

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

6. Cost of administering the Fund

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

7. Fair values of financial assets

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

8. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019

Up to the date of issue of financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 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.