

**Report by the Commissioner of Correctional Services of  
Hong Kong Incorporated on the Administration of the  
Correctional Services Department Welfare Fund  
for the year ended 31 March 2019**

---

Introduction

The Correctional Services Department Welfare Fund (hereafter known as “the Fund”) was established under Section 24C to 24M of the Prisons Ordinance (Chapter 234).

2. In accordance with Section 24G of the Ordinance, the Fund shall be administered by the Commissioner of Correctional Services of Hong Kong Incorporated, and as required by Prison Rule 264B, I take pleasure to present to the President and Honourable Members of the Legislative Council a copy of the signed and audited statement of accounts, the Auditor’s report and my report on the administration of the Fund for the year ended 31 March 2019.

3. The Fund was established with the purpose of offering financial assistance to officers in need, as well as providing and subsidizing recreational and welfare facilities for all staff of the Department. The Fund consists of :-

- (a) any donations made to the Fund;
- (b) proceeds from the sale of souvenirs and the disposal of other property held for the purposes of the Fund;
- (c) all money received from the letting of holiday premises, or the hire of recreational facilities, held for the purposes of the Fund;
- (d) all fees collected from social, educational and recreational activities organized by or on behalf of the Commissioner for the purposes of the Fund;
- (e) money derived from the investment of the Fund;
- (f) money accruing as interest on loans made from the Fund;
- (g) gifts of money required under the notice from time to time given by the Chief Executive for the purposes of section 3 of the Prevention of Bribery Ordinance (Cap. 201) to be disposed of by being paid into the Fund;
- (h) any money voted to the Fund by the Legislative Council;
- (i) money held in the Fund immediately before the commencement of Schedule 3 to the Disciplined Services Welfare Funds Legislation (Amendment) Ordinance 1999 (58 of 1999) and money which was, immediately before that commencement, recoverable for the Fund and which is subsequently paid to, or recovered for, the Fund after that commencement;
- (j) money paid or payable to the credit of the Fund from any other lawful source.

### Objects of the Fund

4. In accordance with Section 24H(1) of the Ordinance, the Fund may be used for any of the following purposes :-

- (a) providing and maintaining amenities for the use and enjoyment of Correctional Services employees and former Correctional Services employees;
- (b) acquiring real and personal property for the purpose specified in paragraph (a);
- (c) making payments to the corporation's employees in respect of their employment;
- (d) making payments for the services of the corporation's agents;
- (e) making loans to Correctional Services employees and former Correctional Services employees;
- (f) granting financial assistance to dependants of deceased persons who, at the time of death, were Correctional Services employees or former Correctional Services employees in order to meet the funeral expenses of those employees or former employees;
- (g) making grants, allowances and gifts to beneficiaries for purposes other than the purpose mentioned in paragraph (f);
- (h) making or acquiring souvenirs for sale to beneficiaries and others;
- (i) making donations to charitable or community organizations;
- (j) paying interest that is payable on loans made to the corporation or the Fund.

### Operating Results

5. The Fund amounted to a total of \$5,734,996 as at 31 March 2019. During the year under review, the total income was \$1,000,151.

6. The Fund has been utilized to provide benefits for staff, with particular attention given to the promotion of staff welfare as well as recreational facilities. An annual subsidy of \$30 per staff member was provided to all institutional Staff Messes to subsidize functions and activities beneficial to staff.

7. The Fund provides financial assistance to staff families who are in need. At present, family members of the deceased officers are granted a sum of money towards the payment of funeral expenses. During the year under review, a total of \$70,000 was granted.

8. In addition, loans are made to staff members at an interest rate not exceeding 5% per annum. No amount was loaned to staff during the year under review. This facility is appreciated by staff who are in need of contingency relief, or who wish to procure reasonable utilities and comforts which they would not normally feel free to do.

9. The Fund also makes grant as retirement gift to staff who have served not less than 20 years and are retired from the service as well as other welfare grants. During the year under review, a total amount of \$260,670 was granted.

#### Auditor

10. In accordance with Prison Rule 264A, the Director of Audit was appointed as the Auditor of the Fund.

11. An audited statement of accounts for the Fund has been prepared. The Auditor's Report and signed statement of accounts are attached at the Appendix.

#### Director of Accounting Services

12. In accordance with Prison Rule 257, the maintenance of the Fund is vested with the Director of Accounting Services. All moneys due to the Fund are immediately paid in full to the Director of Accounting Services, who shall credit such sum or sums to the Correctional Services Department Welfare Fund account and render to this Department a monthly return showing all transactions of the Fund. All payments with regard to the Fund are made by the Director of Accounting Services on the request of the Department.

#### Vote of Thanks

13. I take this opportunity to extend my thanks to the Director of Accounting Services, the Director of Audit and all other officers concerned for their assistance in making the Fund function in the best interest of the staff of Correctional Services Department. The Fund will continue to be utilized in the most beneficial way for the greatest number of staff possible.



WOO Ying-ming  
Commissioner of Correctional Services of  
Hong Kong Incorporated  
9 October 2019

## Appendix



### Correctional Services Department Welfare 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 Correctional Services Department Welfare Fund set out on pages 4 to 15, 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 Correctional Services Department Welfare 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 rule 264(1)(b) of the Prison Rules (Cap. 234 sub. leg. A).

### ***Basis for opinion***

I conducted my audit in accordance with rule 264A(3) of the Prison Rules 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 Correctional Services Department Welfare 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 Correctional Services of Hong Kong Incorporated for the financial statements***

The Commissioner of Correctional Services of Hong Kong 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 rule 264(1)(b) of the Prison Rules, and for such internal control as the Commissioner of Correctional Services of Hong Kong 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 Commissioner of Correctional Services of Hong Kong Incorporated is responsible for assessing the Correctional Services Department Welfare 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 Correctional Services Department Welfare 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 Correctional Services of Hong Kong Incorporated;

- conclude on the appropriateness of the Commissioner of Correctional Services of Hong Kong 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 Correctional Services Department Welfare 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 Correctional Services Department Welfare 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

20 September 2019

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

**Correctional Services Department Welfare Fund**  
**Balance Sheet as at 31 March 2019**

	Note	2019 HK\$	2018 HK\$
<b>Current Assets</b>			
Stock of souvenir items		113,054	107,910
Stock of souvenir plaques		27,625	27,775
Accrued bank interest		22,384	15,290
Advance payments and deposit		4,217	4,578
Bank deposit with original maturity over 3 months		500,000	500,000
Cash and cash equivalents	3	5,122,272	5,327,506
		<u>5,789,552</u>	<u>5,983,059</u>
<b>Current Liabilities</b>			
Sundry creditors		(52,536)	(137,933)
Advance receipts		(2,020)	(900)
		<u>(54,556)</u>	<u>(138,833)</u>
<b>Net Assets</b>		<u>5,734,996</u>	<u>5,844,226</u>
<b>Accumulated Fund</b>			
Capital	5	500,000	500,000
Accumulated surplus		5,234,996	5,344,226
		<u>5,734,996</u>	<u>5,844,226</u>

The accompanying notes 1 to 7 form part of these financial statements.



WOO Ying-ming  
Commissioner of Correctional Services of  
Hong Kong Incorporated  
20 September 2019



**Correctional Services Department Welfare Fund**  
**Income and Expenditure Account for the year ended 31 March 2019**

	2019 HK\$	2018 HK\$
<b>Income</b>		
Proceeds from sale of souvenir items	138,973	134,465
Cost of souvenir items sold	(110,292)	(102,995)
Gross gain on sale of souvenir items	<u>28,681</u>	<u>31,470</u>
Government grants	364,440	358,440
Bank interest	75,490	36,928
Donations and voluntary contributions	500,000	100,000
Electricity and maintenance charges for holiday premises	31,540	31,560
	<u>1,000,151</u>	<u>558,398</u>
<b>Expenditure</b>		
Amenities and staff welfare grants	(777,671)	(1,338,654)
Financial assistance for employees' or former employees' funeral expenses	(70,000)	(40,000)
Other welfare grants	(260,670)	(291,696)
Operating expenses of the Hong Kong Correctional Services Museum Souvenir Shop	(1,040)	(1,040)
	<u>(1,109,381)</u>	<u>(1,671,390)</u>
<b>Deficit for the year</b>	<u>(109,230)</u>	<u>(1,112,992)</u>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive loss for the year</b>	<u><u>(109,230)</u></u>	<u><u>(1,112,992)</u></u>

The accompanying notes 1 to 7 form part of these financial statements.

**Correctional Services Department Welfare Fund**  
**Statement of Changes in Equity for the year ended 31 March 2019**

	<b>Capital</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Balance at 1 April 2017	500,000	6,457,218	6,957,218
Total comprehensive loss for 2017-18	-	(1,112,992)	(1,112,992)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	500,000	5,344,226	5,844,226
Total comprehensive loss for 2018-19	-	(109,230)	(109,230)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	<u>500,000</u>	<u>5,234,996</u>	<u>5,734,996</u>

The accompanying notes 1 to 7 form part of these financial statements.

**Correctional Services Department Welfare Fund**  
**Statement of Cash Flows for the year ended 31 March 2019**

	Note	2019 HK\$	2018 HK\$
<b>Cash flows from operating activities</b>			
Deficit for the year		(109,230)	(1,112,992)
Adjustments for:			
Bank interest		(75,490)	(36,928)
(Increase)/Decrease in stock of souvenir items		(5,144)	10,545
Decrease in stock of souvenir plaques		150	9,520
Decrease in advance payments and deposit		361	-
(Decrease)/Increase in sundry creditors		(85,397)	108,375
Increase/(Decrease) in advance receipts		1,120	(2,280)
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>		(273,630)	(1,023,760)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Bank interest received		68,396	34,527
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		68,396	34,527
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		(205,234)	(989,233)
<b>Cash and cash equivalents at beginning of year</b>		5,327,506	6,316,739
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	3	5,122,272	5,327,506
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes 1 to 7 form part of these financial statements.



## **Correctional Services Department Welfare Fund**

### **Notes to the Financial Statements**

#### **1. General**

The Correctional Services Department Welfare Fund (the Fund) was established for the main purposes of providing and maintaining amenities for the use and enjoyment of, and making loans to Correctional Services employees and former Correctional Services employees; providing financial assistance and making grants, allowances and gifts to Correctional Services employees, former Correctional Services employees and dependants of deceased Correctional Services employees or former Correctional Services employees; and making souvenirs for sale to beneficiaries and others in accordance with section 24H of the Prisons Ordinance (Cap. 234).

The address of the Fund's principal place of business is 24/F, Wan Chai Tower, 12 Harbour Road, Hong Kong.

#### **2. Significant accounting policies**

##### **(a) Statement of compliance**

The financial statements have been prepared in accordance with rule 264(1)(b) of the Prison Rules (Cap. 234 sub. leg. A) 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 and financial liabilities

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 accrued bank interest, 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.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(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.

(d) Financial assets and financial liabilities

(i) Initial recognition

Financial assets and financial liabilities 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 or minus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities.

(ii) Categorisation and subsequent measurement from 1 April 2018

*Financial assets measured at amortised cost*

This category comprises accrued bank interest, bank deposits and cash and cash equivalents. 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)).

*Financial liabilities measured at amortised cost*

This category comprises sundry creditors. They are subsequently measured at amortised cost.

(iii) Categorisation and subsequent measurement before 1 April 2018

The Fund’s financial assets and financial liabilities include accrued bank interest, bank deposits, cash and cash equivalents and sundry creditors. They were initially measured at fair value plus or minus transaction costs that were directly attributable to the acquisition of financial assets or issue of financial liabilities. Financial assets were subsequently measured at amortised cost using the effective interest method, less impairment losses, if any (note 2(d)(vi)). Financial liabilities were subsequently measured at amortised cost using the effective interest method.



#### (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. A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

#### (v) Impairment of financial assets from 1 April 2018

For accrued bank interest, bank deposits and cash and cash equivalents, 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 assessment, 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 financial assets 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 the income and expenditure account 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 the income and expenditure account. A reversal of impairment losses was limited to the asset's carrying amount that would have been determined had no impairment losses been recognised in prior years.

(e) Interest on loans

At the discretion of the Commissioner of Correctional Services of Hong Kong Incorporated, loans are subject to the payment of interest at the rate of 5% per annum calculated monthly on the balance outstanding at the end of each month until the loan is repaid in full. The interest is payable within one month after the date on which the previous instalment became payable or upon default in the repayment of any monthly instalment. There were no such loans outstanding at the reporting date.

(f) Revenue recognition

- (i) Government grant is recognised in the income and expenditure account over the period necessary to match it with the costs it is intended to compensate.
- (ii) Interest income is recognised as it accrues using the effective interest method.
- (iii) Donation income is recognised once cash is received and the approval for acceptance is obtained.
- (iv) Sales of souvenir items are recognised when souvenir items are delivered and title has passed.
- (v) Charges for the use of holiday premises are recognised on an accrual basis.

(g) Valuation of stock of souvenir items and souvenir plaques

The cost of stock of souvenir items sold is calculated on a first-in-first-out basis and 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 the estimated selling expenses. Souvenir plaques for retirees are stated at historical cost.

(h) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cash in hand, cash with the Director of Accounting Services and cash at bank with original maturities of three months or less from the date of placement.

### 3. Cash and cash equivalents

	2019 HK\$	2018 HK\$
Bank deposits with original maturities within 3 months	4,374,515	4,662,018
Cash at the Hong Kong Correctional Services Museum Souvenir Shop	500	500
Cash with the Director of Accounting Services	250,515	190,876
Cash at bank	496,742	474,112
	<u>5,122,272</u>	<u>5,327,506</u>

### 4. Financial risk management

The Fund's major financial instruments include bank deposits and cash with the Director of Accounting Services and cash at bank. The 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 as at the reporting date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet. The Fund limits its exposure to credit risk by transacting with reputable banks in Hong Kong. Hence, the credit risk associated with bank deposits and cash at bank is considered to be low. The credit risk in respect of cash with the Director of Accounting Services is considered minimal. 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 deposits and bank balances, analysed by the ratings designated by Moody's or their equivalents, at the reporting date is shown below:

	2019 HK\$	2018 HK\$
Bank deposits and bank balances, by credit rating		
Aa1 to Aa3	496,742	474,112
A1 to A3	4,874,515	5,162,018
	<u>5,371,257</u>	<u>5,636,130</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) Market risk

The Fund's bank deposits are exposed to market risk due to changes in interest rates. 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 all the Fund's time 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 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 interest income from financial instruments bearing interest at a floating rate is not significant.

(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.

As at 31 March 2019, the remaining contractual maturities of all financial liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were three months or less (2018: three months or less).

5. **Capital management**

The capital structure of the Fund consists of the Fund's capital and accumulated surplus. The capital represents a donation made by the late Sir Shiu-kin TANG and, in accordance with his wish, only the interest income may be used. The Fund's objectives when managing capital are:

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

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



**6. 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.

**7. 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 the 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.