

CHINESE TEMPLES FUND

Report of the Chinese Temples Committee on the administration of the Fund for the year ended 31 March 2019

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) (“the Ordinance”) 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\$79.61 million (mainly including surplus from self-administered and delegated temples and investment income, etc.), and the total expenditure of the Fund was HK\$46.48 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\$33.13 million for 2018-19.

4. The audited Financial Statements of the Fund for the year ended 31 March 2019 is at Appendix II.



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

29 November 2019

CHINESE TEMPLES FUND

**Membership of the Chinese Temples Committee
(1.4.2018 - 31.3.2019)**

Secretary for Home Affairs	(Chairman)
Mr Vinci WONG Chairman of the Board of Directors of Tung Wah Group of Hospitals	(from 1.4.2018 to 31.3.2019)
Mr KWOK Ngok-chung, Dick	(up to 31.5.2018)
Mr IP Cheung-ching	(up to 31.12.2018)
Mr LO Wai-kon	(up to 31.12.2018)
Mr WONG Luen-cheung, Andrew, MH	(up to 31.7.2018)
Dr LEE Ka-cheung	
Miss CHEN Ning-ning, BBS, JP	
Mr SO Yiu-wing	(from 1.6.2018)
Mr YIP Chun-to, Adrian, BBS, MH, JP	(from 1.8.2018)
Dr LEE Yuk-lun, BBS, JP	(from 1.1.2019)
Mr TSANG Chung-nam	(from 1.1.2019)



Chinese Temples 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 Chinese Temples Fund set out on pages 4 to 27, which comprise the balance sheet as at 31 March 2019, 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 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 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


29 November 2019

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

**CHINESE TEMPLES FUND
BALANCE SHEET AS AT 31 MARCH 2019**

	Note	2019 HK\$	2018 HK\$
NON-CURRENT ASSETS			
Financial assets measured at fair value through income and expenditure account	3	613,266,539	-
Debt securities measured at amortised cost	4	6,486,354	-
Available-for-sale financial assets	5	-	625,904,474
		619,752,893	625,904,474
CURRENT ASSETS			
Utilities deposits		214,600	214,600
Stock of worshipping items		12,210	7,197
Accounts receivable	6	3,140,894	1,271,471
Prepayment		264,350	521,229
Cash and cash equivalents	7	413,493,657	375,338,558
		417,125,711	377,353,055
CURRENT LIABILITIES			
Contractors' retention money		(1,217,014)	(1,911,578)
Deposits from temple keepers and other deposits		(7,029,263)	(7,422,238)
Deferred revenue	8	(9,866,597)	(9,370,974)
Accounts payable	9	(23,791,675)	(22,934,129)
Provision for legal expenses		(1,485,298)	(1,485,298)
		(43,389,847)	(43,124,217)
NET CURRENT ASSETS		373,735,864	334,228,838
TOTAL ASSETS LESS CURRENT LIABILITIES		993,488,757	960,133,312
NON-CURRENT LIABILITIES			
Deferred revenue	8	(2,914,472)	(2,744,564)
NET ASSETS		990,574,285	957,388,748
ACCUMULATED FUND		819,955,560	579,899,634
RESERVE FOR THE MAINTENANCE OF TEMPLES		170,618,725	176,666,321
INVESTMENT REVALUATION RESERVE		-	200,822,793
		990,574,285	957,388,748

The accompanying notes 1 to 18 form part of these financial statements.


 (Lau Kong-wah)
 Secretary for Home Affairs
 Chairman
 Chinese Temples Committee

29 November 2019

CHINESE TEMPLES FUND

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 HK\$	2018 HK\$
INCOME			
Surplus for the year from self-administered and delegated temples	10	46,823,376	39,201,317
Surplus for the year from temples administered by Tung Wah Group of Hospitals	11	2,918,947	9,737,544
Gains on sale of worshipping items	12	738,753	712,286
Donations		104,530	37,730
Dividend income		21,835,562	24,236,200
Interest income	13	7,183,955	3,615,528
Gains on disposal of available-for-sale financial assets		-	15,595,062
Net exchange gains		-	2,237,843
		79,605,123	95,373,510
EXPENDITURE			
Repairs and maintenance of self-administered and delegated temples		(11,757,460)	(18,099,837)
Grants for religious ceremonies and repairs to temples		(333,019)	(1,333,787)
Expenses for Temples Culture Festival		(883,940)	-
Transfer to General Chinese Charities Fund		(22,918,947)	(39,737,544)
Contract fulfillment rewards		(1,576,303)	(1,442,210)
Legal expenses		(308,600)	(45,000)
Net exchange losses		(1,491,931)	-
Net revaluation losses on financial assets measured at fair value through income and expenditure account		(6,219,210)	-
Miscellaneous		(989,201)	(490,615)
		(46,478,611)	(61,148,993)
SURPLUS FOR THE YEAR		33,126,512	34,224,517

The accompanying notes 1 to 18 form part of these financial statements.

CHINESE TEMPLES FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	2019 HK\$	2018 HK\$
SURPLUS FOR THE YEAR	33,126,512	34,224,517
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
Reclassification adjustment for amounts released from investment revaluation reserve upon disposal	-	(9,265,195)
	-	85,125,499
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	33,126,512	119,350,016

The accompanying notes 1 to 18 form part of these financial statements.

CHINESE TEMPLES FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	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 2017	541,060,831	1,321,867	179,958,740	115,697,294	838,038,732
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	579,899,634	-	176,666,321	200,822,793	957,388,748
Adjustment on initial application of HKFRS 9 (note 2(c)(i)(c))	200,881,818	-	-	(200,822,793)	59,025
Balance at 1 April 2018, as adjusted	780,781,452	-	176,666,321	-	957,447,773
Transfer from Reserve for the maintenance of Temples	6,047,596	-	(6,047,596)	-	-
Total comprehensive income for 2018-19	33,126,512	-	-	-	33,126,512
Balance at 31 March 2019	819,955,560	-	170,618,725	-	990,574,285

The accompanying notes 1 to 18 form part of these financial statements.

CHINESE TEMPLES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK\$	2018 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		33,126,512	34,224,517
Adjustments for :			
Dividend income		(21,835,562)	(24,236,200)
Interest income		(7,183,955)	(3,615,528)
Surplus for the year from temples administered by Tung Wah Group of Hospitals		(2,918,947)	(9,737,544)
Transfer to General Chinese Charities Fund		2,918,947	9,737,544
Exchange losses/(gains)		1,491,931	(2,237,843)
Net revaluation losses on financial assets measured at fair value through income and expenditure account		6,219,210	-
Gains on disposal of available-for-sale financial assets		-	(15,595,062)
Increase in utilities deposits		-	(6,300)
(Increase)/Decrease in stock of worshipping items		(5,013)	5,729
(Increase)/Decrease in accounts receivable		(1,038,867)	140,033
Decrease/(Increase) in prepayments		256,879	(384,505)
(Decrease)/Increase in contractors' retention money		(694,564)	74,136
(Decrease)/Increase in deposits from temple keepers and other deposits		(392,975)	2,663,867
Increase in deferred revenue		665,531	3,564,292
Increase in accounts payable		857,546	8,291,766
NET CASH FROM OPERATING ACTIVITIES		11,466,673	2,888,902
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
Net decrease in time deposits with original maturity over three months		-	10,050,411
Bank interest received		6,621,571	3,372,935
Debt securities interest received		122,621	-
Dividends received		21,436,030	24,259,744
NET CASH FROM INVESTING ACTIVITIES		28,180,222	57,701,312
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,646,895	60,590,214
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		375,338,558	312,510,447
Effects of exchange rates changes on cash and cash equivalents		(1,491,796)	2,237,897
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	413,493,657	375,338,558

The accompanying notes 1 to 18 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 (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 except that investments in equity securities 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.

Certain comparative figures have been reclassified to conform to the current year's presentation of the Fund's financial statements.

(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" and HKFRS 15 "Revenue from Contracts with Customers" from 1 April 2018.

(i) HKFRS 9 "Financial Instruments"

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 as 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 as at 1 April 2018 have not been impacted by the initial application of HKFRS 9 except for the carrying amounts of investments in debt securities, investment revaluation reserve and accumulated fund.

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

a. 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 following table shows the classification categories for the Fund's financial assets under HKAS 39 and HKFRS 9.

Financial assets	Classification under HKAS 39	Classification under HKFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Accounts receivable	Loans and receivables	Financial assets at amortised cost
Investments in debt securities	Available-for-sale financial assets	Financial assets at amortised cost
Investments in equity securities	Available-for-sale financial assets	Financial assets at fair value through income and expenditure account (Note)

Note: This is equivalent to the term “fair value through profit or loss” under HKFRS 9.

Financial assets previously classified as loans and receivables carried at amortised costs were reclassified to financial assets measured at amortised cost. The carrying amounts as at 1 April 2018 were the same as those as at 31 March 2018.

Investments in equity securities amounting to HK\$619,485,749 as at 31 March 2018 previously classified as available-for-sale financial assets carried at fair value were reclassified to financial assets measured at fair value through income and expenditure account (note 3) because they are held within a business model in which they are managed and their performance is evaluated on a fair value basis. The related cumulative gain of HK\$200,881,818 was transferred from the investment revaluation reserve to accumulated fund as at 1 April 2018. The carrying amounts of investments in equity securities as at 1 April 2018 were the same as those as at 31 March 2018.

Investments in debt securities amounting to HK\$6,418,725 as at 31 March 2018 previously classified as available-for-sale financial assets carried at fair value were reclassified to debt securities measured at amortised cost (note 4). The Fund intends to hold these securities to collect contractual cash flows which consist solely of payments of principal and interest. Investments in debt securities were remeasured at amortised cost and the related cumulative loss of HK\$59,025 previously recognised in the investment revaluation reserve was reversed and added back to the carrying amounts of investments in debt securities as at 1 April 2018.

Had the investments in debt securities not been reclassified to financial assets measured at amortised cost, the total of fair values of the investments in debt securities as at 31 March 2019 would be HK\$6,481,600 and the resulting fair value gain of HK\$54,271 would have been recognised in other comprehensive income in the current accounting period.

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).

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

b. 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 as at 1 April 2018.

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

c. Impact on investments in debt securities, investment revaluation reserve and accumulated fund on adoption of HKFRS 9

The impact on investments in debt securities, investment revaluation reserve and accumulated fund due to the adoption of HKFRS 9 is as follows:

	HK\$
Investments in debt securities	
Balance as at 1 April 2018	6,418,725
Remeasurement of financial assets from available-for-sale to amortised cost	59,025
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Balance as at 1 April 2018, as adjusted	6,477,750
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Investment revaluation reserve	
Balance as at 1 April 2018	200,822,793
Reclassification of financial assets from available-for-sale to fair value through income and expenditure account	(200,881,818)
Remeasurement of financial assets from available-for-sale to amortised cost	59,025
	<hr/>
Balance as at 1 April 2018, as adjusted	-
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Accumulated fund	
Balance as at 1 April 2018	579,899,634
Reclassification of financial assets from available-for-sale to fair value through income and expenditure account	200,881,818
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Balance as at 1 April 2018, as adjusted	780,781,452
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(ii) HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers, replacing HKAS 18 “Revenue” and HKAS 11 “Construction Contracts”. HKFRS 15 also introduces additional disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In accordance with the transition requirements, the Fund has elected to apply HKFRS 15 retrospectively only to contracts that were not completed before 1 April 2018 without restating comparative information. The initial application of HKFRS 15 has not impacted the carrying amounts of any items as at 1 April 2018.

The accounting policies for revenue adopted under HKFRS 15 (note 2(f)) have not affected the amounts of any items in the year ended 31 March 2019 compared to the previous accounting policies.

(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 except for those financial instruments measured at fair value through income and expenditure account for which transaction costs are recognised directly in the income and expenditure account. For an explanation of how the Fund determines fair value of financial instruments, see note 14(b). Purchases and sale of investments are recognised using trade date accounting.

(ii) Categorisation and subsequent measurement from 1 April 2018

Financial instruments measured at fair value through income and expenditure account

These comprise investments in equity securities. They are held within a business model in which they are managed and their performance is evaluated on a fair value basis. They are subsequently measured at fair value. Changes in fair value are recognised in the income and expenditure account in the period in which they arise.

Financial assets measured at amortised cost

These comprise cash and cash equivalents, accounts receivable and investments in debt securities. 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

These comprise accounts payable, deposits and contractors' retention money. They are subsequently measured at amortised cost.

(iii) Categorisation and subsequent measurement before 1 April 2018

The Fund's financial assets and financial liabilities included available-for-sale financial assets, accounts receivable, time deposits, cash and cash equivalents, accounts payable, deposits and contractors' retention money. Except for available-for-sale financial assets, all other 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.

Available-for-sale financial assets were subsequently measured at fair value. Unrealised gains or losses arising from changes in fair value were recognised in other comprehensive income and accumulated separately in the investment revaluation reserve. When available-for-sale financial assets were sold, gains or losses on disposal included 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.

(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 cash and cash equivalents, accounts receivable and investments in debt securities, the Fund measures the expected credit losses to determine the loss allowance required to be recognised. Financial assets measured at fair value through income and expenditure account are not subject to the expected credit loss assessment.

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.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

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 Fund assessed at each reporting date whether there was objective evidence that a financial asset was 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 – was removed from the investment revaluation reserve and recognised in the income and expenditure account. Impairment losses for equity securities were not reversed through the income and expenditure account. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

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

(e) 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.

(f) Revenue recognition

From 1 April 2018, after the adoption of HKFRS 15 “Revenue from Contracts with Customers” (note 2(c)(ii)), the Fund recognises revenue from contracts with customers when it satisfies a performance obligation by transferring promised goods or services to a customer, at the amount of consideration to which the Fund expects to be entitled in exchange for the goods or services. Prior to 1 April 2018, such revenue was recognised upon the sale of goods or provision of services.

- (i) Donation income is recognised once the amount is received.
- (ii) Dividend income is recognised when the Fund’s right to receive payment is established.
- (iii) Interest income is recognised on an accrual basis using the effective interest method.
- (iv) The Committee contracts temple keepers to provide temple management service (including revenue-generating activities), with the temple keeper required to pay fixed amounts of temple management contract fees in advance of providing the service. The Fund recognises the temple management contract fees over time on a straight-line basis as the service is rendered.
- (v) Revenue from sale of worshipping items is recognised at point of sale.
- (vi) The Committee charges customers a fixed amount of fee in advance for providing ancestral tablet service over a period. The Fund recognises the ancestral tablet service fee over time on a straight-line basis as the service is rendered.
- (vii) The Committee charges customers in advance a fee for making an ancestral tablet. The Fund recognises the ancestral tablet production fee upon the customer’s acceptance of the ancestral tablet produced.

(g) Deferred revenue

If a customer pays consideration, or the Fund has an unconditional right to consideration, before the Fund transfers goods or services to the customer, the Fund recognises its contract liability as deferred revenue. The Fund derecognises the deferred revenue and recognises revenue when the Fund transfers the goods or services and, therefore, satisfies its performance obligation.

(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. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME AND EXPENDITURE ACCOUNT

	2019	2018
	HK\$	HK\$
Equity securities – at fair value		
Listed in Hong Kong	613,266,539	-
	=====	=====

4. DEBT SECURITIES MEASURED AT AMORTISED COST

	2019 HK\$	2018 HK\$
Debt securities – at amortised cost		
Unlisted	6,486,354	-
	=====	=====

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2019 HK\$	2018 HK\$
Equity securities – at fair value		
Listed in Hong Kong	-	619,485,749
Debt securities – at fair value		
Unlisted	-	6,418,725
	-----	-----
	-	625,904,474
	=====	=====

6. ACCOUNTS RECEIVABLE

	2019 HK\$	2018 HK\$
Interest receivable on bank deposits	990,833	590,427
Interest receivable on debt securities	43,279	12,600
Interest purchased on debt securities	-	30,294
Dividend receivable	567,193	167,722
Temple management contract fees receivable from temple keepers	1,453,012	360,514
Others	86,577	109,914
	-----	-----
	3,140,894	1,271,471
	=====	=====

7. CASH AND CASH EQUIVALENTS

	2019 HK\$	2018 HK\$
Time deposits with original maturity within 3 months	334,360,228	279,210,941
Cash with the Director of Accounting Services	31,103,805	18,057,431
Cash at banks	47,701,228	77,945,557
Cash on hand	328,396	124,629
	<u>413,493,657</u>	<u>375,338,558</u>
	=====	=====

8. DEFERRED REVENUE

The Fund's obligation to provide services to customers for which the Fund has received advance payments from the customers are presented as deferred revenue in the balance sheet. The deferred revenue balance represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the reporting date. For temple management contract fees, the Fund expects to recognise the deferred revenue as revenue within two years and for ancestral tablet service fees, within ten years. No consideration from contracts with customers is not included in the transaction price.

Significant changes in the balances of deferred revenue during the year are shown below:

	2019 HK\$	2018 HK\$
Decrease due to recognition as revenue during the year that was included in the balances of deferred revenue at beginning of year	(9,370,974)	(7,332,257)
	=====	=====
Increase due to advance payments received during the year	10,036,505	10,896,548
	=====	=====

9. ACCOUNTS PAYABLE

	2019 HK\$	2018 HK\$
Repairs and maintenance to temples	17,566,805	17,533,491
Accrual for contract fulfillment rewards	2,750,754	3,752,541
Expenditure on self-administered and delegated temples	672,436	777,821
Others	2,801,680	870,276
	<u>23,791,675</u>	<u>22,934,129</u>
	=====	=====

10. SURPLUS FOR THE YEAR FROM SELF-ADMINISTERED AND DELEGATED TEMPLES

	2019 HK\$	2018 HK\$
Income for the year		
Temple management contract fees	28,153,906	26,113,458
Donations	21,746,139	17,794,612
Ancestral tablet service fees	418,211	273,695
Ancestral tablet production fees	47,500	25,500
Other income	2,177	1,284
	<hr/>	<hr/>
	50,367,933	44,208,549
	<hr/>	<hr/>
Less: Expenditure for the year		
Maintenance and cleaning	(1,024,105)	(1,852,014)
Insurance	(630,105)	(864,651)
Security	(529,018)	(752,121)
Utilities	(360,012)	(356,833)
Wages	(325,225)	(341,670)
Other operating expenses	(676,092)	(839,943)
	<hr/>	<hr/>
	(3,544,557)	(5,007,232)
	<hr/>	<hr/>
Surplus for the year	46,823,376	39,201,317
	=====	=====

11. SURPLUS FOR THE YEAR FROM TEMPLES ADMINISTERED BY TUNG WAH GROUP OF HOSPITALS

	2019 HK\$	2018 HK\$
Income for the year	17,119,684	15,274,618
Less : Expenditure for the year	(14,200,737)	(5,537,074)
	<hr/>	<hr/>
	2,918,947	9,737,544
	=====	=====

12. GAINS ON SALE OF WORSHIPPING ITEMS

	2019 HK\$	2018 HK\$
Revenue from sale of worshipping items	930,780	915,335
Less : Cost of worshipping items	(192,027)	(203,049)
	<hr/>	<hr/>
	738,753	712,286
	=====	=====

13. INTEREST INCOME

	2019 HK\$	2018 HK\$
Interest on bank deposits	7,022,051	3,602,228
Interest on debt securities	<u>161,904</u>	<u>13,300</u>
	<u>7,183,955</u>	<u>3,615,528</u>
	=====	=====

14. FINANCIAL RISK MANAGEMENT

- (a) The Fund's major financial instruments include financial assets measured at fair value through income and expenditure account, debt securities measured at amortised cost, 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.

At the reporting date, the credit quality of time deposits and bank balances, analysed by the lower of ratings designated by Moody's or Standard & Poor's, is as follows:

	2019 HK\$	2018 HK\$
Time deposits and bank balances, by credit rating		
Aa1 to Aa3 / AA+ to AA-	47,098,437	77,511,678
A1 to A3 / A+ to A-	277,791,715	255,611,876
Baa1 to Baa3 / BBB+ to BBB-	57,171,304	24,032,943
	<u>382,061,456</u>	<u>357,156,497</u>
	=====	=====

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 reporting date, the credit quality of investments in debt securities, analysed by the lower of ratings designated by Moody's or Standard & Poor's, is as follows :

	2019	2018
	HK\$	HK\$
Debt securities, by credit rating		
A1 to A3 / A+ to A-	6,486,354	6,418,725
	=====	=====

For accounts receivable, the Committee believes that there is no material credit risk inherent in the Fund's outstanding balance because the counterparties have no history of default in the past.

The credit risk on time deposits, bank balances, cash balance with the Director of Accounting Services, accounts receivable and investments in debt securities 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 Fund has estimated that 12-month expected credit losses on these financial instruments are immaterial and considers that no loss allowance is required.

The 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.

(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.

(1) 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 reporting date, if the market prices of the respective equity securities had been 10% (2018 : 10%) higher/lower, surplus of the Fund would have increased/decreased by about HK\$61,327,000 (2018 : other comprehensive income and the investment revaluation reserve would have increased/decreased by about HK\$61,949,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the reporting 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 investments in debt securities and 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.

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.

(3) Foreign currency risk

(a) Exposure to currency risk

As at 31 March 2019, the Fund maintained financial assets denominated in United States dollars and Renminbi totalling USD21,407 (2018 : USD21,637) and CNY20,247,169 (2018 : CNY19,413,366) 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 2019, should the Renminbi strengthen/weaken by 5% (2018 : 5%) against the Hong Kong dollar, with all other variables being held constant, the surplus of the Fund would increase/decrease by about HK\$1,184,000 (2018 : HK\$1,210,000).

(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.

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 one year or less (2018: one year or less).

(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 reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 “Fair Value Measurement”.

	2019		2018		
	Level 1	Total	Level 1	Level 2	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Financial assets measured at fair value through income and expenditure account					
Equity securities					
– listed	613,266,539	613,266,539	-	-	-
	=====	=====	=====	=====	=====
Available-for-sale financial assets					
Equity securities					
– listed	-	-	619,485,749	-	619,485,749
Debt securities					
– unlisted	-	-	-	6,418,725	6,418,725
	-----	-----	-----	-----	-----
	-	-	619,485,749	6,418,725	625,904,474
	=====	=====	=====	=====	=====

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 financial instruments classified under Level 1 is based on quoted market prices of these financial instruments at the reporting date.

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 amounts equal to or not materially different from their fair values.

15. CAPITAL MANAGEMENT

The capital structure of the Fund consists of accumulated fund and reserve for the maintenance of temples. 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.

16. COMMITMENTS

At 31 March 2019, the Fund had financial commitments, so far as not provided for in the financial statements, as follows:

	2019 HK\$	2018 HK\$
Contracted repairs and maintenance of self-administered and delegated temples	16,559,932	20,071,567
Renovation projects approved by the Committee for temples other than self-administered temples	1,530,000	2,000,000
Grants approved by the Committee for religious ceremonies	3,759,787	3,257,523
Rewards to temple keepers upon the satisfactory completion of their temple management contracts	792,906	2,369,209
	<u>22,642,625</u>	<u>27,698,299</u>
	=====	=====

17. CONTINGENT LIABILITIES

As at 31 March 2019, the Fund was a defendant in an outstanding legal claim of HK\$3.4 million (2018 : 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.

18. 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.