

LI PO CHUN CHARITABLE TRUST FUND

Report of the Li Po Chun Charitable Trust Fund Committee on the administration of the Fund for the year ended 31 August 2019

The Li Po Chun Charitable Trust Fund (the Fund) was established under the Li Po Chun Charitable Trust Fund Ordinance (Chapter 1110). The Fund is to be applied for provision of assistance for educational purposes and for payment to the Director of Social Welfare for the relief of distress in cases for which no adequate assistance is available from other sources. The Fund was established with the shares donated by the late Mr Li Po-chun.

2. The Fund is managed by the Li Po Chun Charitable Trust Fund Committee constituted under Section 5 of the Li Po Chun Charitable Trust Fund Ordinance. The membership list 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\$3.2 million and the total expenditure was HK\$11.4 million. The Fund recorded a deficit of HK\$8.2 million for 2018-19. As at 31 August 2019, the capital of the Fund was HK\$55.5 million and the accumulated surplus was HK\$41.8 million. The audited Financial Statements of the Fund for the year ended 31 August 2019 is at Appendix II.

4. In 2018-19, 153 scholarship awards and 6 training and conference grants in a total of HK\$1.4 million were granted and details are set out at Appendix III. In addition, social relief payments in a total of HK\$1 million were disbursed through the Director of Social Welfare, with details set out at Appendix IV.



(LAU Kong-wah)

Secretary for Home Affairs Incorporated
Trustee

Li Po Chun Charitable Trust Fund

3 March 2020

LI PO CHUN CHARITABLE TRUST FUND

**Membership of the Li Po Chun Charitable Trust Fund Committee
(1.9.2018 – 31.8.2019)**

Secretary for Home Affairs (Chairman)

Mr LI Sui-chee, Alwin

Director of Social Welfare

Head, Working Family and Student Financial Assistance Agency

Mr FUNG Wei-lung, Brian

Ms LEE Kam-ha, Melaine

Li Po Chun Charitable Trust Fund

Financial statements for the year ended 31 August 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 Li Po Chun Charitable Trust Fund set out on pages 4 to 22, which comprise the balance sheet as at 31 August 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 Li Po Chun Charitable Trust Fund as at 31 August 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) of the Li Po Chun Charitable Trust Fund Ordinance (Cap. 1110).

Basis for opinion

I conducted my audit in accordance with section 11(2) of the Li Po Chun Charitable 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 Li Po Chun Charitable 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 Secretary for Home Affairs Incorporated for the financial statements

The Secretary for Home Affairs 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 section 11(1) of the Li Po Chun Charitable Trust Fund Ordinance, and for such

internal control as the Secretary for Home Affairs 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 Secretary for Home Affairs Incorporated is responsible for assessing the Li Po Chun Charitable 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 Li Po Chun Charitable Trust 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 Incorporated;
- conclude on the appropriateness of the Secretary for Home Affairs 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 Li Po Chun Charitable 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 Li Po Chun Charitable 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.



Frankie Lau
Acting Principal Auditor
for Director of Audit

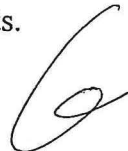
3 March 2020

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

LI PO CHUN CHARITABLE TRUST FUND
BALANCE SHEET AS AT 31 AUGUST 2019

	Note	2019 HK\$	2018 HK\$
NON-CURRENT ASSETS			
Financial assets measured at fair value through income and expenditure account	3	67,666,478	-
Available-for-sale financial assets	4	-	79,447,679
Held-to-maturity investments	6	-	4,423,821
		67,666,478	83,871,500
CURRENT ASSETS			
Investments in debt securities	5	10,629,443	-
Held-to-maturity investments	6	-	2,291,981
Accounts receivable		647,707	508,384
Time deposits		11,740,977	6,122,753
Cash and cash equivalents	7	6,864,749	12,953,117
		29,882,876	21,876,235
CURRENT LIABILITIES			
Provision for staff gratuity	8	(40,931)	(31,138)
Provision for untaken leave		(8,459)	(4,455)
Accounts payable		(222,206)	(308,421)
		(271,596)	(344,014)
NET CURRENT ASSETS		29,611,280	21,532,221
NON-CURRENT LIABILITIES			
Provision for staff gratuity	8	(9,035)	-
NET ASSETS		97,268,723	105,403,721
ACCUMULATED FUND			
Capital		55,481,378	55,441,378
Accumulated surplus		41,787,345	46,130,247
Investment revaluation reserve		-	3,832,096
		97,268,723	105,403,721

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


 (LAU Kong-wah)
 Secretary for Home Affairs Incorporated
 Trustee
 Li Po Chun Charitable Trust Fund
 3 March 2020

LI PO CHUN CHARITABLE TRUST FUND

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

	Note	2019 HK\$	2018 HK\$
INCOME			
Dividend income		2,509,042	2,565,654
Interest income	9	519,195	431,084
Gains on disposal of financial assets measured at fair value through income and expenditure account		122,662	-
Gains on disposal of available-for-sale financial assets		-	1,308,324
Exchange gains		-	89,171
Other income		28,485	-
		<u>3,179,384</u>	<u>4,394,233</u>
EXPENDITURE			
Scholarship awards		(1,236,500)	(1,235,816)
Social relief grants		(968,520)	(992,249)
Staff costs		(816,057)	(823,236)
Training and conference grants		(133,350)	(199,935)
Exchange losses		(127,998)	-
Miscellaneous		(25,506)	(25,494)
Net revaluation losses on financial assets measured at fair value through income and expenditure account		(8,046,451)	-
		<u>(11,354,382)</u>	<u>(3,276,730)</u>
(DEFICIT)/SURPLUS FOR THE YEAR		<u><u>(8,174,998)</u></u>	<u><u>1,117,503</u></u>

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

LI PO CHUN CHARITABLE TRUST FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2019

	2019	2018
	HK\$	HK\$
(DEFICIT)/SURPLUS FOR THE YEAR	(8,174,998)	1,117,503
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to surplus or deficit :		
Available-for-sale financial assets		
Fair value changes on revaluation	-	336,265
Reclassification adjustment for amounts released from investment revaluation reserve upon disposal	-	(1,440,141)
	-	(1,103,876)
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TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(8,174,998)	13,627

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

LI PO CHUN CHARITABLE TRUST FUND

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

	Capital HK\$	Accumulated Surplus HK\$	Investment Revaluation Reserve HK\$	Total HK\$
Balance as at 1 September 2017	55,441,378	45,012,744	4,935,972	105,390,094
Total comprehensive income for 2017-18	-	1,117,503	(1,103,876)	13,627
Balance as at 31 August 2018	55,441,378	46,130,247	3,832,096	105,403,721
Adjustment on initial application of HKFRS 9 (note 2(c)(iii))	-	3,832,096	(3,832,096)	-
Balance as at 1 September 2018, as adjusted	55,441,378	49,962,343	-	105,403,721
Donation received during 2018-19	40,000	-	-	40,000
Total comprehensive loss for 2018-19	-	(8,174,998)	-	(8,174,998)
Balance as at 31 August 2019	55,481,378	41,787,345	-	97,268,723

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

LI PO CHUN CHARITABLE TRUST FUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	2019 HK\$	2018 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/Surplus for the year		(8,174,998)	1,117,503
Adjustments for :			
Dividend income		(2,509,042)	(2,565,654)
Interest income		(519,195)	(431,084)
Gains on disposal of financial assets measured at fair value through income and expenditure account		(122,662)	-
Gains on disposal of available-for-sale financial assets		-	(1,308,324)
Exchange losses		127,998	163,949
Net revaluation losses on financial assets measured at fair value through income and expenditure account		8,046,451	-
Increase in accounts receivable		(4,063)	(32,304)
Increase/(Decrease) in provision for staff gratuity		18,828	(29,575)
Increase/(Decrease) in provision for untaken leave		4,004	(771)
(Decrease)/Increase in accounts payable		(86,215)	288,586
NET CASH USED IN OPERATING ACTIVITIES		(3,218,894)	(2,797,674)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		-	(4,995,634)
Purchase of investments in debt securities		(6,389,968)	-
Purchase of held-to-maturity investments		-	(6,885,168)
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		3,857,412	-
Proceeds from disposal of available-for-sale financial assets		-	7,097,497
Proceeds from redemption of debt securities		2,330,600	-
Net (increase)/decrease in time deposits with original maturities over three months		(5,618,224)	8,921,419
Dividend received		2,504,877	2,396,225
Interest received		424,015	431,721
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(2,891,288)	6,966,060
CASH FLOWS FROM FINANCING ACTIVITIES			
Donation received		40,000	-
NET CASH FROM FINANCING ACTIVITIES		40,000	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,070,182)	4,168,386
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,953,117	8,787,502
Effect of exchange rate changes on cash and cash equivalents		(18,186)	(2,771)
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	6,864,749	12,953,117

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

LI PO CHUN CHARITABLE TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Li Po Chun Charitable Trust Fund (the Fund) provides assistance for:

- (a) educational purposes, including the establishment or endowment of educational institutions in Hong Kong; and
- (b) the relief of distress in cases for which no adequate assistance is available from other sources,

in accordance with section 6(1) of the Li Po Chun Charitable Trust Fund Ordinance (Cap. 1110).

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 section 11(1) of the Li Po Chun Charitable 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 except that financial assets measured at fair value through income and expenditure account are stated at fair value as explained in the accounting policies set out in note 2(d) below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) **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 September 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 as at 1 September 2018 in accordance with the transition requirements without restating comparative information (i.e. the comparative information continues to be reported under HKAS 39). While initial application of HKFRS 9 has no impact on the carrying amounts of the financial assets, the cumulative fair value gain is reclassified from investment revaluation reserve to accumulated surplus.

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 (i) amortised cost; (ii) at fair value through other comprehensive income; and (iii) 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
Time deposits	Loans and receivables	Financial assets at amortised cost
Accounts receivable	Loans and receivables	Financial assets at amortised cost
Investments in debt securities	Held-to-maturity investments	Financial assets at amortised cost
Investments in equity securities and investment funds	Available-for-sale financial assets	Financial assets measured 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.

The carrying amounts of the Fund’s financial assets as at 1 September 2018 were the same as those as at 31 August 2018.

Investments in equity securities and investment funds amounting to HK\$79,447,679 as at 31 August 2018 were reclassified from available-for-sale financial assets 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\$3,832,096 was transferred from the investment revaluation reserve to accumulated surplus as at 1 September 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 September 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 as at 1 September 2018.

(iii) Impact on investment revaluation reserve and accumulated surplus on adoption of HKFRS 9

The impact on investment revaluation reserve and accumulated surplus due to the adoption of HKFRS 9 is as follows:

	HK\$
Investment revaluation reserve	
Balance as at 1 September 2018	3,832,096
Reclassification of financial assets from available-for-sale to fair value through income and expenditure account	(3,832,096)
Balance as at 1 September 2018, as adjusted	<u><u>-</u></u>
Accumulated surplus	
Balance as at 1 September 2018	46,130,247
Reclassification of financial assets from available-for-sale to fair value through income and expenditure account	3,832,096
Balance as at 1 September 2018, as adjusted	<u><u>49,962,343</u></u>

(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 income and expenditure account. An explanation of how the Fund determines the fair value of financial instruments is set out in note 11. Purchases and sales of investments are recognised using trade date accounting.

(ii) Categorisation and subsequent measurement from 1 September 2018

Financial instruments measured at fair value through income and expenditure account

These comprise investments in equity securities and investment funds. 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 investments in debt securities, accounts receivable, time 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)).

The Fund's investments in debt securities are classified as non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Financial liabilities measured at amortised cost

These comprise accounts payable. They are subsequently measured at amortised cost.

(iii) Categorisation and subsequent measurement before 1 September 2018

The Fund's financial assets and financial liabilities included available-for-sale financial assets, held-to-maturity investments, accounts receivable, time deposits, cash and cash equivalents and accounts payable. Available-for-sale financial assets were initially recognised at fair value plus transaction costs. At each reporting date, the fair value was re-measured and any unrealised holding gain or loss arising from the change in fair value was 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.

Held-to-maturity investments were non-derivative financial assets with fixed or determinable payments and fixed maturity which the Fund had the positive intention and ability to hold to maturity. Held-to-maturity investments were carried at amortised cost using the effective interest method less impairment losses, if any (note 2(d)(vi)).

Other financial assets and financial liabilities comprised accounts receivable, time deposits, cash and cash equivalents and accounts payable. Other financial assets were carried at amortised cost using the effective interest method, less impairment losses, if any. Financial liabilities were carried 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 September 2018

For investments in debt securities, accounts receivable, time deposits and cash and cash equivalents, 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.

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 September 2018

The Fund assesses at each reporting date whether there was objective evidence that a financial asset was impaired. 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 in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses for debt securities were recognised in the income and expenditure account. Impairment losses for equity securities and investment funds 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.

(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

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised when the Fund's right to receive payment is established.

(g) Awards and grants

Awards and grants are recognised as expenditure when they are approved by the Committee and due for payment.

(h) Cash and cash equivalents

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

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	42,008,644	-
Investment funds – at fair value		
Unlisted	25,657,834	-
	<u>67,666,478</u>	<u>-</u>

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	2019 HK\$	2018 HK\$
Equity securities – at fair value		
Listed in Hong Kong	-	54,597,629
Investment funds – at fair value		
Unlisted	-	24,850,050
	<u>-</u>	<u>79,447,679</u>
5. INVESTMENTS IN DEBT SECURITIES	2019 HK\$	2018 HK\$
Debt securities – at amortised cost	<u>10,629,443</u>	<u>-</u>
6. HELD-TO-MATURITY INVESTMENTS	2019 HK\$	2018 HK\$
Debt securities – at amortised cost	<u>-</u>	<u>6,715,802</u>
Classified as :		
Non-current assets	-	4,423,821
Current assets	-	2,291,981
	<u>-</u>	<u>6,715,802</u>
7. CASH AND CASH EQUIVALENTS	2019 HK\$	2018 HK\$
Time deposits with original maturities within three months	4,500,000	9,559,036
Cash at banks	2,364,749	3,394,081
	<u>6,864,749</u>	<u>12,953,117</u>

8. PROVISION FOR STAFF GRATUITY

	2019 HK\$	2018 HK\$
Balance at beginning of year	31,138	60,713
Provision for the year	42,166	54,163
Payment for the year	(13,796)	(72,316)
Provision written back	(9,542)	(11,422)
	<hr/>	<hr/>
Balance at end of year	49,966	31,138
	<hr/> <hr/>	<hr/> <hr/>
Classified as :		
Current liabilities	40,931	31,138
Non-current liabilities	9,035	-
	<hr/>	<hr/>
	49,966	31,138
	<hr/> <hr/>	<hr/> <hr/>

9. INTEREST INCOME

	2019 HK\$	2018 HK\$
Interest on time deposits and savings accounts	283,022	297,696
Interest on debt securities	236,173	133,388
	<hr/>	<hr/>
	519,195	431,084
	<hr/> <hr/>	<hr/> <hr/>

10. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include financial assets measured at fair value through income and expenditure account, investments in debt securities, accounts receivable, time deposits and cash and cash equivalents. The major 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 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.

To minimise the credit risk arising from time deposits and cash and cash equivalents, all time deposits and bank balances are placed with reputable licensed banks in Hong Kong. To minimise the credit risk arising from investments in debt securities, the Fund only invests in those classified under the investment grade by Moody's, Standard & Poor's or Fitch. Hence, the credit risk associated with these financial instruments 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 Fund has estimated that 12-month expected credit losses on these financial instruments are immaterial and consider that no loss allowance is required.

The credit quality of time deposits and cash and cash equivalents, analysed by the ratings designated by Moody's, at the reporting date is shown below:

	2019	2018
	HK\$	HK\$
Time deposits and cash and cash equivalents, by credit rating		
Aa1 to Aa3	2,123,212	5,094,122
A1 to A3	16,482,514	13,981,748
	<u>18,605,726</u>	<u>19,075,870</u>

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

	2019	2018
	HK\$	HK\$
Debt securities, by credit rating		
A1 to A3 / A+ to A-	10,629,443	6,715,802
	<u>10,629,443</u>	<u>6,715,802</u>

(b) Market risk

The Fund's investments and bank deposits are exposed to market risk due to changes in market variables such as interest rates, market prices of investments and exchange rates. To manage the risk, the Committee regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund.

(i) Equity price risk

The Fund maintains a diversified portfolio of investments. The Committee monitors the performance of the portfolio and regularly reviews the investment strategy of the Fund in order to manage the equity price risk. It is estimated that if the market prices of the respective equity securities had been 10% (2018: 10%) higher/lower, the deficit of the Fund would have decreased/increased by about HK\$4,200,000 (2018: other comprehensive income and investment revaluation reserve would have increased/decreased by about HK\$5,460,000). The sensitivity analysis was based on the carrying amounts of the Fund's equity securities as at the reporting date and on the assumption that all other variables were held constant.

(ii) Interest rate risk

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

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Since all the Fund's deposits with banks and investments in debt securities 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's exposure to cash flow interest rate risk is immaterial as interest income from financial instruments bearing interest at a floating rate is not significant.

(iii) Currency risk

- Exposure to currency risk

The Fund maintained net financial instruments denominated in Renminbi and United States dollars totalling CNY2,476,404 (2018: CNY2,398,095) and USD3,750,019 (2018: USD3,629,924) respectively at the reporting date. As Hong Kong dollar is pegged to the 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, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign currency risk in respect of Renminbi.

- Sensitivity analysis

It was estimated that as at 31 August 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\$136,000 (2018: surplus of the Fund would increase/decrease by HK\$138,000).

(iv) Other price risk

The Fund is exposed to financial risk arising from changes in market price of the investment funds. It was estimated that if the market price of the investment funds had been 10% (2018: 10%) higher/lower, with all other variables held constant, the deficit of the Fund would have decreased/increased by about HK\$2,566,000 (2018: other comprehensive income and investment revaluation reserve would have increased/decreased by about HK\$2,485,000).

(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 effects of fluctuations in cash flows.

As at 31 August 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).

11. FAIR VALUE MEASUREMENT

(a) 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”.

	Level 1 HK\$	2019 Level 2 HK\$	Total HK\$
Financial assets measured at fair value through income and expenditure account			
Equity securities – Listed in Hong Kong	42,008,644	-	42,008,644
Investment funds – Unlisted	-	25,657,834	25,657,834
	<u>42,008,644</u>	<u>25,657,834</u>	<u>67,666,478</u>

	Level 1 HK\$	2018 Level 2 HK\$	Total HK\$
Available-for-sale financial assets			
Equity securities – Listed in Hong Kong	54,597,629	-	54,597,629
Investment funds – Unlisted	-	24,850,050	24,850,050
	<u>54,597,629</u>	<u>24,850,050</u>	<u>79,447,679</u>

No financial instruments were classified under Level 3. During the year, there were no transfers between financial instruments in Level 1 and Level 2.

The three levels of the fair value hierarchy are :

Level 1: fair value measured using only unadjusted quoted prices in active markets for identical financial instruments at the measurement date.

Level 2: fair value measured using observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: fair value measured using significant unobservable inputs.

(b) Valuation techniques and key 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 values of the unlisted investment funds classified under Level 2 were determined using quotation from custodian banks.

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

12. CAPITAL MANAGEMENT

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

- to comply with the Li Po Chun Charitable 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 capital to ensure that its level is sufficient to fund future awards, grants and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

13. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 AUGUST 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 August 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.

Li Po Chun Charitable Trust Fund

**Scholarship Awards and Training and Conference Grants
for the year ended 31.8.2019**

<u>Categories</u>	<u>No. of Awards</u>	<u>Amount HK\$</u>
Local Secondary Schools Scholarships	28	39,200
Local Undergraduate Scholarships	86	602,000
Local Postgraduate Scholarships	16	168,000
United World Colleges Scholarships	2	400,000
Vocational Training Council Scholarships	21	27,300
Training and Conference Grants	6	133,350
Total:	<u>159</u>	<u>1,369,850</u>

Li Po Chun Charitable Trust Fund

**Social Relief Payments through the Director of Social Welfare
for the year ended 31.8.2019**

<u>Categories</u>	<u>Amount</u> HK\$
Removal and re-accommodation grants	194,764
Grants for rent and other related requirements	464,287
Grants for the welfare of the applicant in coping with special needs arising from crisis or unexpected circumstances	77,090
Grants for medical treatment and assessment	30,755
Burial grants for needy non-natural disaster victims	76,800
Grants for purchase of spectacles, dentures and medical/rehabilitation appliances on medical recommendations and repair service of the same	43,245
Grants for purchase of necessary items for needy cases under special circumstances	48,669
Special grants which the Director of Social Welfare considers appropriate	32,910
	<hr/>
	968,520
	<hr/> <hr/>