

Pneumoconiosis Ex Gratia Fund

Annual Report

by the

Commissioner for Labour

for the Year

from 1 April 2018 to 31 March 2019

Report on the Pneumoconiosis Ex Gratia Fund for the Year from 1 April 2018 to 31 March 2019

The Fund

The Government introduced the Pneumoconiosis Ex Gratia Scheme (“the Ex Gratia Scheme”) in 1993 to provide lifelong quarterly payments to persons who were diagnosed before 1981 as suffering from pneumoconiosis. In this regard, the Pneumoconiosis Ex Gratia Fund (“the Fund”) has been established by the Government out of general revenue to support the Ex Gratia Scheme. Before then, the Government had paid a lump sum ex gratia payment to these pneumoconiotics.

2. The recurrent income of the Fund comes from investment of its reserves. The expenditure items comprise ex gratia payments made to the pneumoconiotics and their family members (which account for some 97% of the total expenditure) and administrative expenses charged by the Pneumoconiosis Compensation Fund Board (“PCFB”)¹.

Management of the Fund

3. Under a Memorandum of Understanding signed by the Government and PCFB, the Labour Department processes all applications and determines eligibility for payments while PCFB manages the funds under the Ex Gratia Scheme and disburses payments to eligible persons.

4. Membership of PCFB as at 31 March 2019 was as follows:

Chairman	Ir CHAN Sau-kit, Allan
Members	Ir TSUI Wai-tim
	Mr CHAN Chi-hung, Dave
	Mr WONG Kam-pui, J.P.
	Dr SO Kit-ying, Loletta
	Ir LAU Chi-kin
	Mr WONG Ping
	Mr WONG Leung-chi
	Senior Treasury Accountant (Fund Management), Treasury
	Assistant Commissioner (Employees’ Rights and Benefits),
	Labour Department

¹ PCFB is a statutory body set up under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance to, inter alia, administer the Pneumoconiosis Compensation Fund for the purpose of providing compensation to persons who are diagnosed on or after 1 January 1981 as suffering from pneumoconiosis; and persons diagnosed as suffering from mesothelioma on or after 18 April 2008. It is also appointed by the Government as the paying agent for the Ex Gratia Scheme.

Disbursement of Ex Gratia Payments

5. The Ex Gratia Scheme provides a full range of ex gratia payments as follows:

- (a) Ex gratia payment for incapacity and pain, suffering and loss of amenities arising from pneumoconiosis payable on a quarterly basis to all pneumoconiotics until death.
- (b) Ex gratia payment for care and attention payable on a quarterly basis to pneumoconiotics whose incapacity is of such a nature that they are unable to perform the essential actions of life without the care and attention of others.
- (c) Medical expenses payable for medical treatments in connection with pneumoconiosis.
- (d) Expenses for approved medical appliances (i.e. wheelchair, oxygen concentrator and its accessories, and oxygen cylinder and its accessories) that are necessary for the incapacity arising from pneumoconiosis.
- (e) Death grant payable to family members of pneumoconiotics who die as a result of pneumoconiosis.
- (f) Funeral expenses payable on a reimbursement basis to any person who has incurred expenses for the funeral of a pneumoconiotic who dies as a result of pneumoconiosis.

6. As at 31 March 2019, there were 36 pneumoconiotics surviving under the Ex Gratia Scheme. During the year, ex gratia payments made out of the Fund amounted to \$5.26 million and the corresponding figure for the previous year was \$5.89 million. Breakdown by categories of ex gratia payment is shown as follows:

	2018-19 (\$ million)	2017-18 (\$ million)
Ex gratia payment for incapacity and pain, suffering and loss of amenities	3.49	4.20
Ex gratia payment for care and attention	0.22	0.20
Medical expenses	0.04	0.04
Expenses for medical appliances	0.02	0.03
Death grant	0.96	0.89
Funeral expenses	0.53	0.53
Total Payment	5.26	5.89

Financial Position

7. Income for the year was \$0.33 million which was all derived from interest on bank deposits while expenditure was \$5.40 million including the payout of \$5.26 million as ex gratia payments. As at 31 March 2019, the Fund's accumulated balance stood at \$18.02 million. Income and expenditure in the past 2 years are as follows:

	Total Income (\$ million)	Total Expenditure (\$ million)	Fund Balance (\$ million)
2017-18	10.06*	6.04	23.09
2018-19	0.33	5.40	18.02

* inclusive of 9.9 million government grant injected to the fund

8. The audited statement of accounts of the Fund for the year and the Report of the Director of Audit are shown at Appendix.

Pneumoconiosis Ex Gratia Fund

Financial statements for the year ended 31 March 2019



Audit Commission

The Government of the Hong Kong Special Administrative Region

Independent Auditor's Report

To the Secretary for Labour and Welfare

Opinion

I have audited the financial statements of the Pneumoconiosis Ex Gratia Fund set out on pages 4 to 17, which comprise the statement of assets and liabilities as at 31 March 2019, and the statement of income and expenditure, 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 Pneumoconiosis Ex Gratia 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 clause 8 of the Memorandum of Understanding signed between the Pneumoconiosis Compensation Fund Board and the Government.

Basis for opinion

I conducted my audit in accordance with clause 8 of the Memorandum of Understanding 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 Pneumoconiosis Ex Gratia 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 Pneumoconiosis Compensation Fund Board for the financial statements

The Pneumoconiosis Compensation Fund Board 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 clause 8 of the Memorandum of Understanding, and for such internal control as the Pneumoconiosis Compensation Fund Board 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 Pneumoconiosis Compensation Fund Board is responsible for assessing the Pneumoconiosis Ex Gratia 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 Pneumoconiosis Ex Gratia Fund’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Pneumoconiosis Compensation Fund Board;
- conclude on the appropriateness of the Pneumoconiosis Compensation Fund Board’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 Pneumoconiosis Ex Gratia 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 Pneumoconiosis Ex Gratia 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

23 September 2019

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

PNEUMOCONIOSIS EX GRATIA FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 MARCH 2019

	Note	2019 HK\$	2018 HK\$
CURRENT ASSETS			
Interest receivable		199,138	35,783
Fixed deposits	3	15,700,000	10,500,000
Cash and cash equivalents	4	<u>2,268,372</u>	<u>12,701,810</u>
		18,167,510	23,237,593
CURRENT LIABILITIES			
Accounts payable		<u>(147,106)</u>	<u>(145,603)</u>
NET ASSETS		<u>18,020,404</u>	<u>23,091,990</u>
REPRESENTING:			
OPERATING FUND		<u>18,020,404</u>	<u>23,091,990</u>

Approved by the Pneumoconiosis Compensation Fund Board on 23 September 2019.

Chan Sau Kit Allan
Chairman

Law Shiu Hung
Secretary General

The accompanying notes 1 to 9 form part of these financial statements.

PNEUMOCONIOSIS EX GRATIA FUND
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK\$	2018 HK\$
INCOME			
Government grant		-	9,900,000
Interest income	5	<u>328,760</u>	<u>163,953</u>
		<u>328,760</u>	<u>10,063,953</u>
EXPENDITURE			
Ex gratia payments		(5,259,127)	(5,894,996)
Administrative expenses		(139,004)	(138,148)
Bank charges		<u>(2,215)</u>	<u>(2,067)</u>
		<u>(5,400,346)</u>	<u>(6,035,211)</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(5,071,586)	4,028,742
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(5,071,586)</u>	<u>4,028,742</u>

The accompanying notes 1 to 9 form part of these financial statements.

PNEUMOCONIOSIS EX GRATIA FUND

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

OPERATING FUND

	2019	2018
	HK\$	HK\$
Balance at beginning of the year	23,091,990	19,063,248
Total comprehensive (loss)/income for the year	(5,071,586)	4,028,742
Balance at end of the year	<u>18,020,404</u>	<u>23,091,990</u>

The accompanying notes 1 to 9 form part of these financial statements.

PNEUMOCONIOSIS EX GRATIA FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019	2018
		HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/Surplus for the year		(5,071,586)	4,028,742
Interest income		(328,760)	(163,953)
Increase/(Decrease) in accounts payable		<u>1,503</u>	<u>(15,136)</u>
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		<u>(5,398,843)</u>	<u>3,849,653</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (increase)/decrease in fixed deposits with original maturities over three months		(5,200,000)	4,700,000
Interest received		<u>165,405</u>	<u>191,673</u>
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		<u>(5,034,595)</u>	<u>4,891,673</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(10,433,438)	8,741,326
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>12,701,810</u>	<u>3,960,484</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	<u><u>2,268,372</u></u>	<u><u>12,701,810</u></u>

The accompanying notes 1 to 9 form part of these financial statements.

**PNEUMOCONIOSIS EX GRATIA FUND
NOTES TO THE FINANCIAL STATEMENTS**

1. GENERAL

The Pneumoconiosis Ex Gratia Scheme was established by the Government on 9 July 1993 to make ex gratia payments from the Pneumoconiosis Ex Gratia Fund (the Fund) to those people who were diagnosed before 1 January 1981 to be suffering from pneumoconiosis and have received an ex gratia lump sum payment from the Government in respect of the disease.

Payments are made quarterly to these pneumoconiotics. If they die as a result of pneumoconiosis, a funeral expense allowance will be paid from the Fund. Medical appliances, including wheelchairs, oxygen concentrators and oxygen cylinders and their accessories, are provided to those pneumoconiotics who are in need of these appliances. The pneumoconiotics are entitled to receive an allowance for medical treatment, including medical expenses for Chinese medicine in connection with pneumoconiosis, and payments for care and attention. The spouse and children of pneumoconiotics can apply for a death grant if the pneumoconiotics are determined to have died as a result of pneumoconiosis.

The Pneumoconiosis Compensation Fund Board (the Board) has been appointed to act as the paying agent of the Pneumoconiosis Ex Gratia Scheme under the Memorandum of Understanding between the Government and the Board on the Pneumoconiosis Ex Gratia Scheme.

The address of the Board is 15/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements of the fund have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

(b) Basis of preparation of the financial statements

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, fixed deposits and interest receivable, were previously classified as loans and receivables carried at amortised cost under HKAS 39. These were reclassified to financial assets measured at amortised cost under HKFRS 9. The carrying amounts at 31 March 2018 were the same as those at 1 April 2018.

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

These comprise interest receivable, fixed 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

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

(iii) Categorisation and subsequent measurement before 1 April 2018

Financial assets and financial liabilities

The Fund's financial assets and financial liabilities included interest receivable, fixed deposits, cash and cash equivalents and accounts payable. 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 measured at amortised cost using the effective interest method, less impairment losses, if any. 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 interest receivable, fixed 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 reassessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(vi) Impairment of financial assets before 1 April 2018

The carrying amounts of 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 surplus or deficit as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If in a subsequent period, the amount of such impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through surplus or deficit. A reversal of impairment losses was limited to the asset's carrying amount that would have been determined had no impairment losses been recognised in prior years.

(e) Revenue recognition

- (i) Government grants are recognised as income in the period in which they are receivable.
- (ii) Interest income is recognised as it accrues using the effective interest method.

(f) Cash and cash equivalents

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

3. FIXED DEPOSITS

	2019	2018
	HK\$	HK\$
Bank deposits with original maturities over three months	<u>15,700,000</u>	<u>10,500,000</u>

4. CASH AND CASH EQUIVALENTS

	2019	2018
	HK\$	HK\$
Cash at bank	<u>2,268,372</u>	<u>12,701,810</u>

5. INTEREST INCOME

	2019	2018
	HK\$	HK\$
Interest on fixed deposits	312,454	140,963
Interest on current account	<u>16,306</u>	<u>22,990</u>
	<u>328,760</u>	<u>163,953</u>

6. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include bank deposits and receivables. The Board monitors the management of the portfolio to ensure that an appropriate investment strategy is implemented in a timely and effective manner. The main risks associated with these financial instruments are set out below.

(a) Credit risk

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

The Fund limits its exposure to credit risk by transacting with reputable licensed banks in Hong Kong. The credit quality of fixed deposits and bank balances, analysed by the ratings designated by Moody's or their equivalents, at the reporting date is shown below:

	2019	2018
	HK\$	HK\$
Cash at bank and fixed deposits with banks, by credit rating		
Aa1 to Aa3	2,268,372	12,701,810
A1 to A3	<u>15,700,000</u>	<u>10,500,000</u>
	<u>17,968,372</u>	<u>23,201,810</u>

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 considers that no loss allowance is required.

(b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Since the Fund's investment in fixed deposits bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised costs, 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 deemed adequate to finance its operations and mitigate the effects 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 seven months or less (2018: eight months or less).

7. CAPITAL MANAGEMENT

The capital of the Fund consists solely of the operating fund. The Fund's objectives when managing capital are:

- (a) to comply with the Memorandum of Understanding signed between the Government and the Board in July 1993 and the Administrative Arrangements agreed by both parties; and
- (b) to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

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

8. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

9. 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.