

BREWIN TRUST FUND

Report of the Brewin Trust Fund Committee on the administration of the Fund for the year ended 30 June 2020

The Brewin Trust Fund (“the Fund”) was established under the Brewin Trust Fund Ordinance (Chapter 1077) (“the Ordinance”). The purpose of the Fund is to provide financial assistance for the maintenance and benefit of -

- (a) widows, widowers and orphans who, being residents in Hong Kong, appear to the Brewin Trust Fund Committee (“the Committee”) to require such maintenance and benefit; and
- (b) workmen, which expression shall include females, who having been employed in Hong Kong and become wholly or in part incapacitated for work by reason of age, sickness, disablement or otherwise, appear to the Committee to require such maintenance and benefit.

2. The Fund is managed by the Committee constituted under Section 5 of the Ordinance. The membership list of the Committee for the year under report is at Appendix I. The secretariat and accounting work of the Fund is undertaken by the Trust Funds and Temples Joint Secretariat. The Director of Audit is the auditor of the Fund’s accounts. UBS AG has been appointed as the investment manager of the Fund since April 2015 and is responsible for the day-to-day investment management.

3. During the reporting period, the total income of the Fund was HK\$18.01 million and the total expenditure was HK\$11.17 million. The Fund recorded a surplus of HK\$6.84 million for 2019-20. As at 30 June 2020, the capital of the Fund was HK\$60 million and the accumulated surplus was HK\$241.41 million. The audited Financial Statements of the Fund for the year ended 30 June 2020 is at Appendix II.

4. In 2019-20, grants of HK\$7.54 million in total were disbursed as follows -

| | <u>HK\$</u> |
|--|-------------|
| (a) Grants through the Director of Social Welfare to individuals and families in need of immediate financial assistance. | 2,067,290 |
| (b) Grants through the Commissioner for Labour to - | |
| (i) Needy family members of deceased employees in fatal employees’ compensation cases. | 3,024,000 |

/ (ii)...

HK\$

- | | | |
|--------|---|---------|
| (ii) | Employees, or family members of deceased employees, who are incapacitated for work or died as a result of a work-related disease (other than pneumoconiosis, mesothelioma and occupational deafness) but are not eligible for compensation under the Employees' Compensation Ordinance. | 0 |
| (iii) | Family members of deceased mesothelioma sufferers (with date of death falling after the Pneumoconiosis and Mesothelioma (Compensation) Ordinance took effect) or deceased pneumoconiotics who are not eligible for any compensation under the Pneumoconiosis (Compensation) Ordinance and the Pneumoconiosis and Mesothelioma (Compensation) Ordinance or any benefits under the Pneumoconiosis Ex Gratia Scheme, and grant from the Brewin Trust Fund has not been made before on account of mesothelioma or pneumoconiosis. | 174,660 |
| (iv) | Employees who have been dismissed or forced to resign due to old age, sickness or redundancy before they qualify for long service payment or severance payment and are not entitled to remedies under Part VIA of the Employment Ordinance. | 0 |
| (v) | Elderly employees or employees certified as permanently unfit to continue with their work who are unable to receive long service payment or terminal payment or severance payment under the Employment Ordinance by default of their employers. | 53,688 |
| (vi) | Family members of persons who died in work accidents and are alleged to be self-employed. | 0 |
| (vii) | Mesothelioma sufferers for meeting the medical expenses for the use of self-financed drugs in the Hospital Authority Drug Formulary for the treatment of mesothelioma. | 686,154 |
| (viii) | Employees of non-fatal employees' compensation cases who are in need of financial assistance due to non-payment of periodical payment by employers and, as a result, have applied for legal aid or filed claim at court in order to pursue the employees' compensation claims. | 300,000 |

/ (ix)...

HK\$

- (ix) Injured employees of non-fatal employees' compensation cases for reimbursing the charges for medical reports from registered medical practitioners or registered dentists or registered Chinese medicine practitioners in private practice required in the processing of employees' compensation cases. 1,237,187

Total : 7,542,979



(Caspar Ying-wai TSUI)
Secretary for Home Affairs
Chairman
Brewin Trust Fund Committee

1 December 2020

BREWIN TRUST FUND

**Membership of the Brewin Trust Fund Committee
(1.7.2019 – 30.6.2020)**

Secretary for Home Affairs (Chairman and ex-officio)

Commissioner for Labour

Director of Social Welfare

Chairman, Board of Directors, Po Leung Kuk -

Mr MA Ching-nam, CStJ, JP (up to 31.3.2020)

Ms HO Chiu-fung, Daisy (from 1.4.2020)

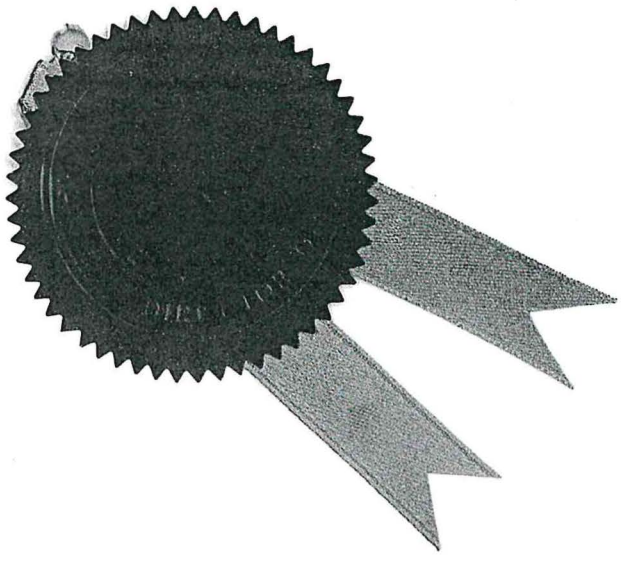
Ms KAN Wai-mun, Carmen

Ms POON Wing-yin, Peggy

Mr CHEN Chung-nin, Rock, SBS, JP

Mr KUNG Lin-cheng, Leo, GBS, JP

Miss SO Hoi-yan, Crystal



Brewin Trust Fund

Financial statements for the year ended 30 June 2020

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 Brewin Trust Fund set out on pages 4 to 19, which comprise the balance sheet as at 30 June 2020, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the Brewin Trust Fund as at 30 June 2020, 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 10(1) of the Brewin Trust Fund Ordinance (Cap. 1077).

Basis for opinion

I conducted my audit in accordance with section 10(2) of the Brewin 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 Brewin 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 10(1) of the Brewin 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 Brewin 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

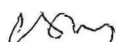
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 Brewin 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 Brewin 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 Brewin 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.



S. M. CHOI
Principal Auditor
for Director of Audit

1 December 2020

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

BREWIN TRUST FUND

BALANCE SHEET AS AT 30 JUNE 2020

| | Note | 2020 HK\$ | 2019 HK\$ |
|--|------|--------------|--------------|
| CURRENT ASSETS | | | |
| Financial assets measured at fair value through income and expenditure account | 3 | 276,418,624 | 266,896,618 |
| Accounts receivable | 4 | 6,551,928 | 1,867,557 |
| Cash and cash equivalents | 5 | 18,547,127 | 25,896,722 |
| | | <hr/> | <hr/> |
| | | 301,517,679 | 294,660,897 |
| CURRENT LIABILITIES | | | |
| Provision for staff gratuity | 6 | (28,734) | (10,369) |
| Provision for untaken leave | | (6,350) | (3,813) |
| Accounts payable | 7 | (60,499) | (58,262) |
| | | <hr/> | <hr/> |
| | | (95,583) | (72,444) |
| NET CURRENT ASSETS | | | |
| | | <hr/> | <hr/> |
| | | 301,422,096 | 294,588,453 |
| NON-CURRENT LIABILITIES | | | |
| Provision for staff gratuity | 6 | (8,423) | (12,127) |
| | | <hr/> | <hr/> |
| NET ASSETS | | | |
| | | <hr/> | <hr/> |
| | | 301,413,673 | 294,576,326 |
| ACCUMULATED FUND | | | |
| Capital reserve | | 60,000,000 | 60,000,000 |
| Accumulated surplus | | 241,413,673 | 234,576,326 |
| | | <hr/> | <hr/> |
| | | 301,413,673 | 294,576,326 |
| | | <hr/> | <hr/> |

The accompanying notes 1 to 12 form part of these financial statements.



(Caspar Ying-wai TSUI)
Secretary for Home Affairs Incorporated
Trustee
Brewin Trust Fund
1 December 2020

BREWIN TRUST FUND**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2020**

| | Note | 2020 HK\$ | 2019 HK\$ |
|--|-------------|----------------------|----------------------|
| INCOME | | | |
| Dividend income | | 2,235,994 | 2,191,475 |
| Interest income | 8 | 6,197,123 | 6,163,256 |
| Net realised and revaluation gains on financial assets measured at fair value through income and expenditure account | | 9,568,390 | 13,491,338 |
| Refund of grants | | 6,342 | - |
| Other income | | - | 19,426 |
| | | <hr/> | <hr/> |
| | | 18,007,849 | 21,865,495 |
| EXPENDITURE | | | |
| Grants | | (7,542,979) | (7,363,617) |
| Staff costs | | (550,285) | (478,467) |
| Investment management fees | | (1,449,779) | (1,347,405) |
| Other operating expenses | | (1,853) | (21,912) |
| Net exchange losses | | (1,625,606) | (930,508) |
| | | <hr/> | <hr/> |
| | | (11,170,502) | (10,141,909) |
| SURPLUS FOR THE YEAR | | | |
| | | 6,837,347 | 11,723,586 |
| OTHER COMPREHENSIVE INCOME | | | |
| | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | | |
| | | <hr/> | <hr/> |
| | | 6,837,347 | 11,723,586 |
| | | ===== | ===== |

The accompanying notes 1 to 12 form part of these financial statements.

BREWIN TRUST FUND**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

| | Capital Reserve HK\$ | Accumulated Surplus HK\$ | Total HK\$ |
|---|-------------------------------------|---|-----------------------|
| Balance at 1 July 2018 | 60,000,000 | 222,852,740 | 282,852,740 |
| Total comprehensive income for 2018-19 | - | 11,723,586 | 11,723,586 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2019 | 60,000,000 | 234,576,326 | 294,576,326 |
| Total comprehensive income for 2019-20 | - | 6,837,347 | 6,837,347 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2020 | 60,000,000 | 241,413,673 | 301,413,673 |
| | ===== | ===== | ===== |

The accompanying notes 1 to 12 form part of these financial statements.

BREWIN TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 HK\$ | 2019 HK\$ |
|--|------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus for the year | | 6,837,347 | 11,723,586 |
| Adjustments for : | | | |
| Dividend income | | (2,235,994) | (2,191,475) |
| Interest income | | (6,197,123) | (6,163,256) |
| Net exchange losses | | 1,566,940 | 845,842 |
| Net realised and revaluation gains on financial assets measured at fair value through income and expenditure account | | (9,568,390) | (13,491,338) |
| Acquisition of financial assets measured at fair value through income and expenditure account | | (66,361,213) | (89,753,303) |
| Proceeds from disposal of financial assets measured at fair value through income and expenditure account | | 61,277,379 | 80,488,881 |
| (Increase)/Decrease in accounts receivable | | (688,721) | 683,281 |
| Increase/(Decrease) in provision for staff gratuity | | 14,661 | (947) |
| Increase in provision for untaken leave | | 2,537 | 963 |
| Increase in accounts payable | | 2,237 | 9,542 |
| NET CASH USED IN OPERATING ACTIVITIES | | (15,350,340) | (17,848,224) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Dividends received | | 2,233,384 | 2,189,469 |
| Interest received | | 5,969,548 | 5,714,661 |
| Decrease in time deposits with original maturities over three months | | - | 14,331,585 |
| NET CASH FROM INVESTING ACTIVITIES | | 8,202,932 | 22,235,715 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (7,147,408) | 4,387,491 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 25,896,722 | 21,667,835 |
| Effect of exchange rate changes on cash and cash equivalents | | (202,187) | (158,604) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 5 | 18,547,127 | 25,896,722 |

The accompanying notes 1 to 12 form part of these financial statements.

BREWIN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Brewin Trust Fund (the Fund) provides assistance for the maintenance and benefit of widows, widowers and orphans who, being resident in Hong Kong, appear to the Brewin Trust Fund Committee (the Committee) to require such maintenance and benefit; and the maintenance and benefit of workmen, which expression shall include females, who having been employed in Hong Kong and become wholly or in part incapacitated for work by reason of age, sickness, disablement or otherwise, appear to the Committee to require such maintenance and benefit in accordance with section 4 of the Brewin Trust Fund Ordinance (Cap. 1077).

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 10(1) of the Brewin Trust Fund Ordinance and all 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 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.

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.

Certain comparative figures for 2019 have been reclassified to conform to the current year's presentation of the Fund's financial statements.

(c) Impact of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs which are effective for the current accounting period. There have been no changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

(d) Financial assets and financial liabilities

(i) Initial recognition

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contractual provisions of the financial instrument. 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. An explanation of how the Fund determines the fair value of financial instruments is set out in note 10. Purchases and sales of investments are recognised using trade date accounting.

(ii) Categorisation and subsequent measurement

Financial assets measured at fair value through income and expenditure account

These comprise equity securities and debt 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 accounts receivable 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)(iv)).

Financial liabilities measured at amortised cost

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

(iii) 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.

(iv) Impairment of financial assets

For accounts receivable 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.

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(e) Grants

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

(f) 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.

(g) 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.

(h) Cash and cash equivalents

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

(i) Employee benefits

Contract gratuities, salaries and annual leave entitlements are accrued and recognised as expenditure in the year in which associated services are rendered by the staff. Staff on-costs, including pension and housing benefits provided to the staff by the Government, are charged as expenditure in the year in which the services are rendered.

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

| | 2020 HK\$ | 2019 HK\$ |
|----------------------------------|----------------------|----------------------|
| Equity securities, at fair value | | |
| Listed in Hong Kong | 27,190,001 | 23,885,054 |
| Listed outside Hong Kong | 65,881,724 | 67,318,643 |
| | 93,071,725 | 91,203,697 |
| Debt securities, at fair value | | |
| Unlisted | 183,346,899 | 175,692,921 |
| | <u>276,418,624</u> | <u>266,896,618</u> |
| | ===== | ===== |

4. ACCOUNTS RECEIVABLE

| | 2020 HK\$ | 2019 HK\$ |
|---|----------------------|----------------------|
| Dividend receivable | 248,020 | 245,401 |
| Interest receivable | 1,357,222 | 1,382,155 |
| Amount due from Director of Social Welfare Incorporated | 939,002 | 239,971 |
| Proceeds receivable from sale of investments | 4,007,129 | - |
| Others | 555 | 30 |
| | <u>6,551,928</u> | <u>1,867,557</u> |
| | ===== | ===== |

5. CASH AND CASH EQUIVALENTS

| | 2020 HK\$ | 2019 HK\$ |
|--|----------------------|----------------------|
| Deposits and balances with an investment manager | 4,583,784 | 16,238,249 |
| Time deposits with original maturities within three months | - | 7,064,611 |
| Cash at banks | 13,963,343 | 2,593,862 |
| | <u>18,547,127</u> | <u>25,896,722</u> |
| | ===== | ===== |

6. PROVISION FOR STAFF GRATUITY

| | 2020 HK\$ | 2019 HK\$ |
|------------------------------|----------------------|----------------------|
| Balance at beginning of year | 22,496 | 23,443 |
| Provision for the year | 40,685 | 24,613 |
| Payment during the year | (26,024) | (15,885) |
| Provision written back | - | (9,675) |
| | <hr/> | <hr/> |
| Balance at end of year | 37,157 | 22,496 |
| | ===== | ===== |
| Classified as: | | |
| Current liabilities | 28,734 | 10,369 |
| Non-current liabilities | 8,423 | 12,127 |
| | <hr/> | <hr/> |
| Balance at end of year | 37,157 | 22,496 |
| | ===== | ===== |

7. ACCOUNTS PAYABLE

| | 2020 HK\$ | 2019 HK\$ |
|--|----------------------|----------------------|
| Staff costs payable to the General Chinese Charities Fund | 60,499 | 58,262 |
| | ===== | ===== |

The Fund's staff costs represent its share of costs of staff employed by the Trust Funds and Temples Joint Secretariat and the Government, which are firstly paid by the General Chinese Charities Fund and then reimbursed by the Fund.

8. INTEREST INCOME

| | 2020 HK\$ | 2019 HK\$ |
|-----------------------------|----------------------|----------------------|
| Interest on bank deposits | 163,013 | 175,579 |
| Interest on debt securities | 6,034,110 | 5,987,677 |
| | <hr/> | <hr/> |
| | 6,197,123 | 6,163,256 |
| | ===== | ===== |

9. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include financial assets measured at fair value through income and expenditure account, accounts receivable 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 Fund's maximum exposure to credit risk 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 cash and cash equivalents, all placements of cash are made with reputable financial institutions and licensed banks in Hong Kong. Hence, the credit risk associated with cash and cash equivalents is considered to be low.

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | HK\$ | HK\$ |
| Cash and cash equivalents, by credit rating | | |
| Aa1 to Aa3 | 18,547,127 | 18,832,111 |
| A1 to A3 | - | 7,064,611 |
| | <u>18,547,127</u> | <u>25,896,722</u> |
| | ===== | ===== |

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

| | 2020 | 2019 |
|-----------------------------------|--------------------|--------------------|
| | HK\$ | HK\$ |
| Debt securities, by credit rating | | |
| Aaa / AAA | 5,802,599 | 5,211,995 |
| Aa1 to Aa3 / AA+ to AA- | 48,472,958 | 38,467,345 |
| A1 to A3 / A+ to A- | 129,071,342 | 132,013,581 |
| | <u>183,346,899</u> | <u>175,692,921</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) Market risk

The Fund is exposed to market risk due to changes in market variables such as equity prices, interest rates and exchange rates. The Fund has appointed a professional investment manager to manage market risk and maintains a diversified portfolio of investments. The Committee monitors management of the portfolio to ensure that the appropriate investment strategy is adopted and implemented.

(i) Equity price risk

It was estimated that, as at 30 June 2020, if the market prices of the respective equity securities had been 15% (2019: 15%) higher/lower, the surplus of the Fund for the year would increase/decrease by HK\$13,961,000 (2019: HK\$13,681,000) and the accumulated surplus would increase/decrease by HK\$13,961,000 (2019: HK\$13,681,000). The sensitivity analysis was based on the carrying amount of equity securities held by the Fund at the reporting date with all other variables 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.

For the Fund's investments in debt securities, their fair values will fall when market interest rates increase. It was estimated that, as at 30 June 2020, a general increase/decrease of 25 basis points (2019: 25 basis points) in interest rates, with all other variables held constant, would decrease/increase the surplus of the Fund for the year by HK\$2,009,000 (2019: HK\$2,196,000) and would decrease/increase the accumulated surplus by HK\$2,009,000 (2019: HK\$2,196,000).

As regards the bank deposits, since 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.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in currency exchange rates.

- Exposure to currency risk

The Fund's financial instruments denominated in foreign currencies are exposed to currency risk. The Fund's exposure to currency risk is handled in accordance with a documented risk management and investment strategy, and the Fund monitors the risk on a continuous basis.

As Hong Kong dollar is pegged to the US dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. The Fund's net exposure to each currency at the reporting date arising from recognised assets and liabilities is shown below:

| | 2020 | 2019 |
|------------------|-------------|-------------|
| | HK\$ | HK\$ |
| Hong Kong dollar | 44,109,810 | 34,640,514 |
| US dollar | 239,789,962 | 236,528,668 |
| Euro | 8,860,316 | 9,663,998 |
| Swiss Franc | 3,108,911 | 3,098,899 |
| Pound Sterling | 2,080,324 | 3,932,720 |
| Japanese Yen | 1,983,323 | 2,313,961 |
| Singapore dollar | 1,481,027 | 4,397,566 |
| | <hr/> | <hr/> |
| | 301,413,673 | 294,576,326 |
| | ===== | ===== |

- Sensitivity analysis

It was estimated that, as at the reporting date, should foreign currencies other than US dollar strengthen/weaken by 10 % (2019: 10%) against the Hong Kong dollar, with all other variables held constant, the surplus of the Fund for the year would increase/decrease by HK\$1,751,000 (2019: HK\$2,341,000) and the accumulated surplus would increase/decrease by HK\$1,751,000 (2019: HK\$2,341,000).

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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. Hence, the Fund does not have significant exposure to liquidity risk.

As at 30 June 2020, the remaining contractual maturities of all financial liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were three months or less (2019: three months or less).

10. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy of financial instruments

The following table presents the carrying value 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”.

| | 2020 | | |
|---|-----------------|-----------------|---------------|
| | Level 1 HK\$ | Level 2 HK\$ | Total HK\$ |
| Financial assets measured at fair value through income and expenditure account | | | |
| Equity securities: | | | |
| Listed in Hong Kong | 27,190,001 | - | 27,190,001 |
| Listed outside Hong Kong | 65,881,724 | - | 65,881,724 |
| | 93,071,725 | - | 93,071,725 |
| Debt securities: | | | |
| Unlisted | - | 183,346,899 | 183,346,899 |
| | 93,071,725 | 183,346,899 | 276,418,624 |

| | 2019 | | |
|---|-------------------------|-------------------------|-----------------------|
| | Level 1 HK\$ | Level 2 HK\$ | Total HK\$ |
| Financial assets measured at fair value through income and expenditure account | | | |
| Equity securities: | | | |
| Listed in Hong Kong | 23,885,054 | - | 23,885,054 |
| Listed outside Hong Kong | 67,318,643 | - | 67,318,643 |
| | 91,203,697 | - | 91,203,697 |
| Debt securities: | | | |
| Unlisted | - | 175,692,921 | 175,692,921 |
| | 91,203,697 | 175,692,921 | 266,896,618 |

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 values are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair values of financial instruments are determined with inputs that are not based on observable market data (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 value of unlisted financial instruments classified under Level 2 is determined using quotation from the investment manager.

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.

11. CAPITAL MANAGEMENT

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

- to comply with the Brewin 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 grants and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

12. COMMITMENTS

As at 30 June 2020, the Fund had financial commitments for grants of HK\$11,051,780 (2019: HK\$9,469,780) approved by the Committee for allocation in 2020/2021.