

GENERAL CHINESE CHARITIES FUND

Report of the Chinese Temples Committee on the administration of the Fund for the year ended 31 March 2020

The General Chinese Charities Fund (“the Fund”) was established by the Chinese Temples Committee (“the Committee”) under Section 8 of the Chinese Temples Ordinance (Cap. 153) (“the Ordinance”). In accordance with section 9(1) of the Ordinance, the Committee may, at its own discretion, apply the Fund for payment of the necessary staff and the other expenses incurred by the Committee in the exercise of its powers under the Ordinance; and for the purposes of any Chinese charity in Hong Kong.

2. The Fund is administered by the Committee. The membership of the Committee for the year under report is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretariat and accounting work of the Fund. The Director of Audit is the auditor of the Fund’s accounts.

3. During the reporting period, the total income of the Fund was HK\$36.17 million (mainly including investment income and transfer from the Chinese Temples Fund, etc.), and the total expenditure of the Fund was HK\$64.74 million (mainly including net revaluation losses on investments measured at fair value, staff costs and operating expenses, etc.). The Fund recorded a deficit of HK\$28.57 million for 2019-20.

4. The audited Financial Statements of the Fund for the year ended 31 March 2020 is at Appendix II.



(Caspar Ying-wai TSUI)
Secretary for Home Affairs
Chairman

Chinese Temples Committee
1 December 2020

GENERAL CHINESE CHARITIES FUND

**Membership of the Chinese Temples Committee
(1.4.2019 - 31.3.2020)**

Secretary for Home Affairs	(Chairman)
Dr TSOI Wing-sing, Ken Chairman of the Board of Directors of Tung Wah Group of Hospitals	(from 1.4.2019 to 31.3.2020)
Dr LEE Ka-cheung	
Miss CHEN Ning-ning, BBS, JP	
Mr SO Yiu-wing	
Mr YIP Chun-to, Adrian, BBS, MH, JP	
Dr LEE Yuk-lun, BBS, JP	
Mr TSANG Chung-nam	



General Chinese Charities Fund

Financial statements for the year ended 31 March 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 General Chinese Charities Fund set out on pages 4 to 23, which comprise the balance sheet as at 31 March 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 General Chinese Charities Fund as at 31 March 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 paragraph 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B).

Basis for opinion

I conducted my audit in accordance with paragraph 9(2) of the General Chinese Charities Fund Directions 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 General Chinese Charities Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Secretary for Home Affairs for the financial statements

The Secretary for Home Affairs is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and paragraph 9(1) of the General Chinese Charities Fund Directions, and for such internal control as the Secretary for Home Affairs determines is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary for Home Affairs is responsible for assessing the General Chinese Charities 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

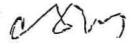
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 General Chinese Charities Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Home Affairs;
- conclude on the appropriateness of the Secretary for Home Affairs' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the General Chinese Charities 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 General Chinese Charities 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

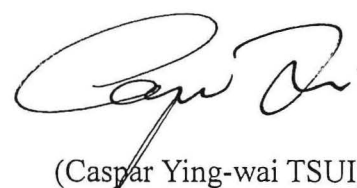
Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

GENERAL CHINESE CHARITIES FUND

BALANCE SHEET AS AT 31 MARCH 2020

	Note	2020 HK\$	2019 HK\$
NON-CURRENT ASSETS			
Right-of-use assets	3	6,770,478	-
Financial assets measured at fair value through income and expenditure account	4	109,883,368	152,621,257
		<u>116,653,846</u>	<u>152,621,257</u>
CURRENT ASSETS			
Accounts receivable	5	952,523	1,554,622
Prepayments		218,913	194,256
Cash and cash equivalents	6	91,628,513	73,904,355
		<u>92,799,949</u>	<u>75,653,233</u>
CURRENT LIABILITIES			
Lease liabilities	7	(2,598,095)	-
Provision for staff gratuity	8	(1,379,973)	(327,232)
Provision for untaken leave		(266,649)	(234,567)
Accounts payable and accrued charges	9	(6,039,708)	(3,827,394)
		<u>(10,284,425)</u>	<u>(4,389,193)</u>
NET CURRENT ASSETS		<u>82,515,524</u>	<u>71,264,040</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>199,169,370</u>	<u>223,885,297</u>
NON-CURRENT LIABILITIES			
Lease liabilities	7	(4,193,162)	-
Provision for staff gratuity	8	(505,480)	(840,100)
		<u>(4,698,642)</u>	<u>(840,100)</u>
NET ASSETS		<u>194,470,728</u>	<u>223,045,197</u>
ACCUMULATED FUND			
Accumulated surplus		194,470,728	223,045,197
		<u>194,470,728</u>	<u>223,045,197</u>

The accompanying notes 1 to 16 form part of these financial statements.



(Caspar Ying-wai TSUI)
Secretary for Home Affairs
Chairman
Chinese Temples Committee
1 December 2020

GENERAL CHINESE CHARITIES FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 HK\$	2019 HK\$
INCOME			
Donation		50,000	-
Dividend income		4,886,039	6,679,484
Interest income		1,250,277	907,336
Transfer from Chinese Temples Fund		24,426,194	22,918,947
Transfer from Board of Management of the Chinese Permanent Cemeteries		5,555,160	5,557,656
Net realised and revaluation gains on financial assets measured at fair value through income and expenditure account		-	5,478,456
		36,167,670	41,541,879
EXPENDITURE			
Transfer to Tung Wah Group of Hospitals		(4,426,194)	(2,918,947)
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account		(33,897,809)	-
Grants	10	(4,803,072)	(6,566,186)
Staff costs	11	(17,567,370)	(16,275,409)
Depreciation on right-of-use assets	3	(1,092,013)	-
Rental and related charges		(1,690,220)	(2,580,749)
Interest on lease liabilities		(44,530)	-
Other operating expenses		(1,220,652)	(1,657,272)
Net exchange losses		(279)	(299)
		(64,742,139)	(29,998,862)
(DEFICIT)/SURPLUS FOR THE YEAR		(28,574,469)	11,543,017
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(28,574,469)	11,543,017

The accompanying notes 1 to 16 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

HK\$

ACCUMULATED SURPLUS

Balance at 1 April 2018	211,502,180
Total comprehensive income for 2018-19	11,543,017
	<hr/>
Balance at 31 March 2019	223,045,197
Total comprehensive loss for 2019-20	(28,574,469)
	<hr/>
Balance at 31 March 2020	194,470,728
	<hr/> <hr/>

The accompanying notes 1 to 16 form part of these financial statements.

**GENERAL CHINESE CHARITIES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/Surplus for the year		(28,574,469)	11,543,017
Adjustments for :			
Depreciation on right-of-use assets		1,092,013	-
Dividend income		(4,886,039)	(6,679,484)
Interest income		(1,250,277)	(907,336)
Interest on lease liabilities		44,530	-
Net realised and revaluation losses/(gains) on financial assets measured at fair value through income and expenditure account		33,897,809	(5,478,456)
Net exchange losses		279	299
Transfer from Chinese Temples Fund		(4,426,194)	(2,918,947)
Transfer to Tung Wah Group of Hospitals		4,426,194	2,918,947
Increase in accounts receivable		(204,531)	(12,515)
Increase in prepayments		(24,657)	(127,754)
Increase in provision for staff gratuity		718,121	87,196
Increase in provision for untaken leave		32,082	61,706
Increase in accounts payable and accrued charges		2,212,314	1,889,411
NET CASH FROM OPERATING ACTIVITIES		<u>3,057,175</u>	<u>376,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		17,616,758	-
Acquisition of financial assets measured at fair value through income and expenditure account		(8,776,678)	(5,551,859)
Dividend received		5,709,073	6,124,433
Interest received		1,233,594	834,670
NET CASH FROM INVESTING ACTIVITIES		<u>15,782,747</u>	<u>1,407,244</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments		(1,115,764)	-
NET CASH USED IN FINANCING ACTIVITIES		<u>(1,115,764)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,724,158	1,783,328
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		73,904,355	72,121,027
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	<u><u>91,628,513</u></u>	<u><u>73,904,355</u></u>

The accompanying notes 1 to 16 form part of these financial statements.

GENERAL CHINESE CHARITIES FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The General Chinese Charities Fund (the Fund) was established under section 8 of the Chinese Temples Ordinance (Cap. 153) and may in the discretion of the Chinese Temples Committee (the Committee) be applied:

- (a) to the pay of the necessary staff and the other expenses incurred by the Committee in the exercise of its powers; and
- (b) for the purposes of any Chinese charity in Hong Kong,

in accordance with section 9(1) of the Chinese Temples Ordinance.

The address of the Fund's principal place of business is 34th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with paragraph 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B) 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. Of these, the Fund has adopted HKFRS 16 "Leases" from 1 April 2019 (see note 2(c)).

(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.

Apart from judgements made by management in the application of HKFRS 16 “Leases” as disclosed in note 2(c), there are no other 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) Changes in accounting policies

HKFRS 16 “Leases”

HKFRS 16 replaces Hong Kong Accounting Standard (HKAS) 17 “Leases”. The Fund previously charged the rental payments made under an operating lease to the income and expenditure account on a straight-line basis over the lease term. On adoption of HKFRS 16, a lease is recognised in the balance sheet as a right-of-use asset with a corresponding liability recognised at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and any impairment losses (note 2(j)).

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Fund’s incremental borrowing rate as of the date of recognition. The incremental borrowing rate is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The lease payment is allocated between the liability and finance cost. The finance cost is charged to the income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis. The renewal option is included in the lease term if it is reasonably certain that the lease will be renewed.

Determination on lease term of contract with renewal option

The Fund has applied its judgement to determine the lease term of the office premises lease contract which includes a renewal option. The assessment of whether the Fund is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Impacts on transition

On adoption of HKFRS 16, the Fund has elected to apply the modified retrospective approach where the comparative figures were not restated, and there was no cumulative effect of initial application required to be recognised as an adjustment to the Fund's accumulated surplus as at 1 April 2019.

The Fund has applied the practical expedients as permitted by HKFRS 16: (i) using hindsight in determining the lease term where the contract contains an option to renew the lease; and (ii) electing not to apply the requirements of HKFRS 16 in respect of the recognition of right-of-use assets and lease liabilities to the lease for which the remaining lease term ended within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ended on or before 31 March 2020. As such, as at 1 April 2019, no right-of-use assets and lease liabilities were recognised for the lease classified as an operating lease under HKAS 17 (see note 2(g)(i)).

The table below reconciles the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 (note 14(b)) to the opening balance for lease liabilities recognised under HKFRS 16 in the balance sheet as at 1 April 2019.

	HK\$
Operating lease commitments as at 31 March 2019	1,433,925
Less: non-lease components	(170,975)
Less: short-term lease not recognised as lease liabilities	(1,262,950)
Lease liabilities recognised as at 1 April 2019	<hr/> - <hr/> <hr/>

(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 12(b). 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

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

Financial assets measured at amortised cost

These comprise cash and cash equivalents and accounts receivable. 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 lease liabilities and 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 cash and cash equivalents and accounts receivable, 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 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) 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 on an accrual basis using the effective interest method. Dividend income is recognised when the Fund's right to receive payment is established. Donation income is recognised once the amount is received.

(g) Leases

(i) Leases (applicable from 1 April 2019)

A tenancy agreement had been entered into for leasing of office premises at fixed lease payments for a term from 1 November 2016 to 31 October 2019 with an option to renew for a further term of three years. The Fund did not exercise the option to renew the lease agreement and elected not to apply the requirements of HKFRS 16 in respect of the recognition of right-of-use assets and lease liabilities to the lease for which the remaining lease term ended within 12 months from the date of initial application of HKFRS 16 (see note 2 (c)). Accordingly, the lease was accounted for as short-term lease and the lease payments were charged to the income and expenditure account on a straight-line basis over the remaining lease term.

A new tenancy agreement has been entered into for its office premises of which the lease term is from 1 November 2019 to 31 October 2022 (with an option to renew for a further term of three years). All the lease payments are fixed.

(1) Right-of-use assets

The right-of-use assets are depreciated over the shorter of the estimated useful lives of the assets and the lease term (estimated at three years) on a straight-line basis.

(2) Lease liabilities

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Fund's incremental borrowing rate as of 1 November 2019. The incremental borrowing rate applied to the lease liabilities on 1 November 2019 was 1.482%. The lease payment is allocated between the liabilities and finance cost. The finance cost is charged to the income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period. The renewal option (3 years extension) is not included in the lease term of the lease liabilities as the Fund considers it not reasonably certain that the lease will be renewed.

(ii) Operating leases (applicable before 1 April 2019)

Leases in which a significant portion of the risks and rewards of ownership was retained by the lessors were classified as operating leases. Rental payments made under operating leases (net of any incentives received from the lessors) were charged to the income and expenditure account on a straight-line basis over the period of the relevant leases.

(h) 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.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash with government departments and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

(j) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognised in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognised in prior periods. Reversals of impairment charges are credited to surplus or deficit in the period in which the reversals are recognised.

3. RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets and the movements during the year are as follows:

Office premises

	HK\$
Cost	
At 1 April 2019	-
Addition during the year	7,862,491
	<hr/>
At 31 March 2020	7,862,491
	<hr/>
Accumulated depreciation	
At 1 April 2019	-
Charge for the year	1,092,013
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At 31 March 2020	1,092,013
	<hr/>
Net book value	
At 31 March 2020	6,770,478
	=====
At 31 March 2019	-
	=====

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

	2020 HK\$	2019 HK\$
Equity securities listed in Hong Kong, at fair value	109,883,368	152,621,257

5. ACCOUNTS RECEIVABLE

	2020 HK\$	2019 HK\$
Interest receivable	191,888	175,205
Dividend receivable	539,994	1,363,307
Others	220,641	16,110
	<u>952,523</u>	<u>1,554,622</u>

6. CASH AND CASH EQUIVALENTS

	2020 HK\$	2019 HK\$
Time deposits with original maturity within three months	52,763,873	57,182,959
Cash with government departments	5,669,982	8,628,370
Cash at banks	33,194,658	8,093,026
	<u>91,628,513</u>	<u>73,904,355</u>

7. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year, including both cash and non-cash changes, are as follows:

	HK\$
At 1 April 2019	-
Non-cash changes:	
Increase in lease liabilities relating to a new lease	7,862,491
Interest expense on lease liabilities	44,530
Changes from financing cash flows:	
Lease payments	(1,115,764)
At 31 March 2020	<u>6,791,257</u>

	2020
	HK\$
Classified as:	
Current liabilities	2,598,095
Non-current liabilities	4,193,162
	<u>6,791,257</u>

Maturity profile (contractual undiscounted cash flows):

- within 1 year	2,677,834
- after 1 year but within 2 years	2,677,834
- after 2 years but within 5 years	1,562,069
	<u>6,917,737</u>

Expense items in relation to the lease recognised in the income and expenditure account:

	2020
	HK\$
Interest expense on lease liabilities	44,530
Expense relating to short-term lease	1,262,950
Total cash outflow for leases:	
Lease liabilities	1,115,764
Short-term lease	1,262,950
	<u>2,378,714</u>

8. PROVISION FOR STAFF GRATUITY

	2020 HK\$	2019 HK\$
Balance at beginning of year	1,167,332	1,080,136
Provision for the year	1,225,151	942,906
Payments during the year	(507,030)	(855,710)
	<hr/>	<hr/>
Balance at end of year	1,885,453	1,167,332
	<hr/> <hr/>	<hr/> <hr/>
Classified as:		
Current liabilities	1,379,973	327,232
Non-current liabilities	505,480	840,100
	<hr/>	<hr/>
	1,885,453	1,167,332
	<hr/> <hr/>	<hr/> <hr/>

9. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2020 HK\$	2019 HK\$
Staff costs	929,514	104,637
Accrued rental and related charges	24,994	24,425
Grants	4,920,018	2,819,850
Other operating expenses	165,182	878,482
	<hr/>	<hr/>
	6,039,708	3,827,394
	<hr/> <hr/>	<hr/> <hr/>

10. GRANTS

	2020 HK\$	2019 HK\$
Home Affairs Department's emergency cash relief grants	774,500	3,762,000
Grants for charity programmes (net of write back)	3,729,572	2,490,186
Scholarships for temple management courses	299,000	314,000
	<hr/>	<hr/>
	4,803,072	6,566,186
	<hr/> <hr/>	<hr/> <hr/>

11. STAFF COSTS

Staff costs for the year include an amount of HK\$3,065,729 (2019: HK\$3,442,009) for civil servants seconded to the Trust Funds and Temples Joint Secretariat, the executive arm of the Committee.

12. FINANCIAL RISK MANAGEMENT

(a) The Fund's major financial instruments are financial assets measured at fair value through income and expenditure account, accounts receivable, cash and cash equivalents and lease liabilities. The major risks associated with these financial instruments are set out below.

(i) Credit risk

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

To minimise the credit risk arising from bank deposits, all deposits and bank balances are placed with reputable licensed banks in Hong Kong. For the cash balances placed with government departments, the credit risk is considered to be minimal.

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

	2020	2019
	HK\$	HK\$
Time deposits and bank balances, by credit rating		
Aa1 to Aa3 / AA+ to AA-	33,194,658	8,093,026
A1 to A3 / A+ to A-	35,967,266	40,765,052
Baa1 / BBB+	16,796,607	16,417,907
	<hr/>	<hr/>
	85,958,531	65,275,985
	=====	=====

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

The credit risk on time deposits, bank balances, cash balances with government departments and accounts receivable is assessed as not having increased significantly since initial recognition and the Fund determines the loss allowance required to be recognised based on 12-month expected credit losses. The Fund has estimated that 12-month expected credit losses on these financial instruments are immaterial and considers that no loss allowance is required.

The maximum exposure to credit risk at the reporting date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

(ii) Market risk

(1) Equity price risk

To manage the risk due to fluctuation in equity prices, the Committee regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund. It was estimated that, as at the reporting date, if the market prices of the respective equity securities had been 14% (2019: 14%) higher/lower, the deficit of the Fund for the year would decrease/increase by HK\$15,000,000 (2019: the surplus for the year would increase/decrease by HK\$21,000,000) and the accumulated surplus would increase/decrease by HK\$15,000,000 (2019: HK\$21,000,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the reporting date and on the assumption that all other variables were held constant.

(2) Interest rate risk

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

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's bank deposits bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus/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.

(iii) 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 effect of fluctuations in cash flows. Hence, the Fund does not have significant exposure to liquidity risk.

As at 31 March 2020, the remaining contractual maturities of all financial liabilities except for the lease 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 (2019: one year or less).

The maturity profile of the lease liabilities is disclosed in note 7.

(b) 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		2019	
	Level 1 HK\$	Total HK\$	Level 1 HK\$	Total HK\$
Assets				
Financial assets measured at fair value through income and expenditure account				
Equity securities				
- listed in Hong Kong	109,883,368	109,883,368	152,621,257	152,621,257
	=====	=====	=====	=====

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

The three levels of the fair value hierarchy are :

- Level 1: fair values are quoted prices (unadjusted) in active markets for identical 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).

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

13. CAPITAL MANAGEMENT

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

- (a) to comply with section 9(1) of the Chinese Temples Ordinance; and
- (b) to maintain a strong capital base for the purposes of any Chinese charity in Hong Kong.

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

14. COMMITMENTS

(a) Financial commitments

As at 31 March 2020, the financial commitments approved by the Committee, so far as not provided for in the financial statements, were as follows:

	2020 HK\$	2019 HK\$
Grants for charity programmes	2,181,607	5,119,271
	=====	=====

(b) Operating lease commitments

As at 31 March 2020, the total future minimum lease payments under non-cancellable operating leases of premises were nil (2019: HK\$1,433,925 payable not later than one year).

From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the balance sheet in accordance with the accounting policies as set out in note 2(g)(i)(2) and the details of the Fund's future lease payments are disclosed in note 7.

15. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

16. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020

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 2020 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 results of operations and financial position.