

## LI PO CHUN CHARITABLE TRUST FUND

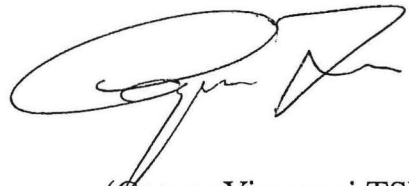
### Report of the Li Po Chun Charitable Trust Fund Committee on the administration of the Fund for the year ended 31 August 2020

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

2. The Fund is managed by the Li Po Chun Charitable Trust Fund Committee constituted under Section 5 of the Li Po Chun Charitable Trust Fund Ordinance. The membership list of the Committee for the year under report is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretariat and accounting work of the Fund. The Director of Audit is the auditor of the Fund's accounts.

3. During the reporting period, the total income of the Fund was HK\$2.2 million and the total expenditure was HK\$12.3 million. The Fund recorded a deficit of HK\$10.1 million for 2019-20. As at 31 August 2020, the capital of the Fund was HK\$55.5 million and the accumulated surplus was HK\$31.7 million. The audited Financial Statements of the Fund for the year ended 31 August 2020 is at Appendix II.

4. In 2019-20, 155 scholarship awards and one training and conference grant in a total of HK\$1.2 million were granted and details are set out at Appendix III. In addition, social relief payments in a total of HK\$0.8 million were disbursed through the Director of Social Welfare, with details set out at Appendix IV.



(Caspar Ying-wai TSUI)  
Secretary for Home Affairs Incorporated  
Trustee  
Li Po Chun Charitable Trust Fund

26 January 2021

**LI PO CHUN CHARITABLE TRUST FUND**

**Membership of the Li Po Chun Charitable Trust Fund Committee  
(1.9.2019 – 31.8.2020)**

Secretary for Home Affairs	(Chairman)
Mr LI Sui-chee, Alwin	
Director of Social Welfare	
Head, Working Family and Student Financial Assistance Agency	
Mr FUNG Wei-lung, Brian	up to 29.2.2020
Ms LEE Kam-ha, Melaine	
Mr LEE Ming-gin	as from 1.3.2020



Li Po Chun Charitable Trust Fund

Financial statements for the year ended 31 August 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 Li Po Chun Charitable Trust Fund set out on pages 4 to 18, which comprise the balance sheet as at 31 August 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 Li Po Chun Charitable Trust Fund as at 31 August 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 11(1) of the Li Po Chun Charitable Trust Fund Ordinance (Cap. 1110).

### *Basis for opinion*

I conducted my audit in accordance with section 11(2) of the Li Po Chun Charitable Trust Fund Ordinance and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Li Po Chun Charitable Trust Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### *Responsibilities of the Secretary for Home Affairs Incorporated for the financial statements*

The Secretary for Home Affairs Incorporated is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and section 11(1) of the Li Po Chun Charitable Trust Fund Ordinance, and for such



internal control as the Secretary for Home Affairs Incorporated determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary for Home Affairs Incorporated is responsible for assessing the Li Po Chun Charitable Trust Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### *Auditor's responsibilities for the audit of the financial statements*

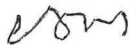
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Li Po Chun Charitable Trust Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Home Affairs Incorporated;
- conclude on the appropriateness of the Secretary for Home Affairs Incorporated's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Li Po Chun Charitable Trust Fund's ability to

continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Li Po Chun Charitable Trust Fund to cease to continue as a going concern; and

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



S. M. CHOI  
Principal Auditor  
for Director of Audit

26 January 2021

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

**LI PO CHUN CHARITABLE TRUST FUND**

**BALANCE SHEET AS AT 31 AUGUST 2020**

	Note	2020 HK\$	2019 HK\$
<b>NON-CURRENT ASSETS</b>			
Financial assets measured at fair value through income and expenditure account	3	65,815,259	67,666,478
<b>CURRENT ASSETS</b>			
Investments in debt securities	4	-	10,629,443
Accounts receivable		432,481	647,707
Time deposits		9,784,541	11,740,977
Cash and cash equivalents	5	11,401,250	6,864,749
		21,618,272	29,882,876
<b>CURRENT LIABILITIES</b>			
Provision for staff gratuity	6	(23,409)	(40,931)
Provision for untaken leave		(10,781)	(8,459)
Accounts payable		(203,161)	(222,206)
		(237,351)	(271,596)
<b>NET CURRENT ASSETS</b>		21,380,921	29,611,280
<b>NON-CURRENT LIABILITIES</b>			
Provision for staff gratuity	6	(24,365)	(9,035)
<b>NET ASSETS</b>		87,171,815	97,268,723
<b>ACCUMULATED FUND</b>			
Capital		55,481,378	55,481,378
Accumulated surplus		31,690,437	41,787,345
		87,171,815	97,268,723

The accompanying notes 1 to 10 form part of these financial statements.



(Caspar Ying-wai TSUI)  
Secretary for Home Affairs Incorporated  
Trustee

Li Po Chun Charitable Trust Fund

26 January 2021

**LI PO CHUN CHARITABLE TRUST FUND**

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2020**

	Note	2020 HK\$	2019 HK\$
<b>INCOME</b>			
Dividend income		1,560,470	2,509,042
Interest income	7	534,071	519,195
Net exchange gains		18,510	-
Other income		82,837	28,485
		<u>2,195,888</u>	<u>3,056,722</u>
<b>EXPENDITURE</b>			
Scholarship awards		(1,164,500)	(1,236,500)
Social relief grants		(788,852)	(968,520)
Staff costs		(906,120)	(816,057)
Training and conference grants		(24,300)	(133,350)
Net exchange losses		-	(127,998)
Miscellaneous		(25,675)	(25,506)
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account		(9,383,349)	(7,923,789)
		<u>(12,292,796)</u>	<u>(11,231,720)</u>
<b>DEFICIT FOR THE YEAR</b>		<u>(10,096,908)</u>	<u>(8,174,998)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>(10,096,908)</u>	<u>(8,174,998)</u>

The accompanying notes 1 to 10 form part of these financial statements.



LI PO CHUN CHARITABLE TRUST FUND

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2020

	Capital HK\$	Accumulated Surplus HK\$	Total HK\$
Balance at 1 September 2018	55,441,378	49,962,343	105,403,721
Donation received during 2018-19	40,000	-	40,000
Total comprehensive loss for 2018-19	-	(8,174,998)	(8,174,998)
Balance at 31 August 2019	<u>55,481,378</u>	<u>41,787,345</u>	<u>97,268,723</u>
Total comprehensive loss for 2019-20	-	(10,096,908)	(10,096,908)
Balance at 31 August 2020	<u>55,481,378</u>	<u>31,690,437</u>	<u>87,171,815</u>

The accompanying notes 1 to 10 form part of these financial statements.

**LI PO CHUN CHARITABLE TRUST FUND**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 AUGUST 2020**

	Note	2020 HK\$	2019 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit for the year		(10,096,908)	(8,174,998)
Adjustments for :			
Dividend income		(1,560,470)	(2,509,042)
Interest income		(534,071)	(519,195)
Net exchange (gains)/losses		(18,510)	127,998
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account		9,383,349	7,923,789
Increase in accounts receivable		(182,746)	(4,063)
(Decrease)/Increase in provision for staff gratuity		(2,192)	18,828
Increase in provision for untaken leave		2,322	4,004
Decrease in accounts payable		(19,045)	(86,215)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(3,028,271)</b>	<b>(3,218,894)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets measured at fair value through income and expenditure account		(7,532,130)	-
Acquisition of investments in debt securities		-	(6,389,968)
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		-	3,857,412
Proceeds from redemption of debt securities		10,570,040	2,330,600
Decrease/(Increase) in time deposits with original maturities over three months		1,985,436	(5,618,224)
Dividend received		1,844,846	2,504,877
Interest received		692,747	424,015
<b>NET CASH FROM /(USED IN) INVESTING ACTIVITIES</b>		<b>7,560,939</b>	<b>(2,891,288)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Donation received		-	40,000
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>40,000</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,532,668</b>	<b>(6,070,182)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>6,864,749</b>	<b>12,953,117</b>
Effect of exchange rate changes on cash and cash equivalents		3,833	(18,186)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>5</b>	<b>11,401,250</b>	<b>6,864,749</b>

The accompanying notes 1 to 10 form part of these financial statements.

**LI PO CHUN CHARITABLE TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL**

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with section 11(1) of the Li Po Chun Charitable Trust Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

**(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 9. 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 investment funds. They are held within a business model in which they are managed and their performance is evaluated on a fair value basis. They are subsequently measured at fair value. Changes in fair value are recognised in the income and expenditure account in the period in which they arise.

*Financial assets measured at amortised cost*

These comprise investments in debt securities, accounts receivable, time deposits and cash and cash equivalents. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. They are subsequently measured at amortised cost, net of loss allowance, if any (note 2(d)(iv)).

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

*Financial liabilities measured at amortised cost*

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

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

Expected credit losses are a probability-weighted estimate of credit losses. They are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. They are measured on either of the following bases:

- 12-month expected credit losses (for financial instruments for which there has not been a significant increase in credit risk since initial recognition): these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime expected credit losses (for financial instruments for which there has been a significant increase in credit risk since initial recognition): these are losses that are expected to result from all possible default events over the expected life of the financial instrument.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Fund compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

**(g) Awards and grants**

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

**(h) Cash and cash equivalents**

Cash and cash equivalents include bank balances and other short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

**(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**

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Equity securities – at fair value		
Listed in Hong Kong	31,805,480	42,008,644
Investment funds – at fair value		
Unlisted	34,009,779	25,657,834
	<u>65,815,259</u>	<u>67,666,478</u>

<b>4. INVESTMENTS IN DEBT SECURITIES</b>		
	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Debt securities – at amortised cost	<u>-</u>	<u>10,629,443</u>
<b>5. CASH AND CASH EQUIVALENTS</b>		
	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Time deposits with original maturities within three months	3,419,074	4,500,000
Cash at banks	7,982,176	2,364,749
	<u>11,401,250</u>	<u>6,864,749</u>
<b>6. PROVISION FOR STAFF GRATUITY</b>		
	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance at beginning of year	49,966	31,138
Provision for the year	60,544	42,166
Payment for the year	(62,736)	(13,796)
Provision written back	-	(9,542)
	<u>47,774</u>	<u>49,966</u>
Balance at end of year		
Classified as :		
Current liabilities	23,409	40,931
Non-current liabilities	24,365	9,035
	<u>47,774</u>	<u>49,966</u>
<b>7. INTEREST INCOME</b>		
	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Interest on time deposits and savings accounts	343,057	283,022
Interest on debt securities	191,014	236,173
	<u>534,071</u>	<u>519,195</u>

## 8. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include financial assets measured at fair value through income and expenditure account, investments in debt securities, accounts receivable, time deposits and cash and cash equivalents. The major risks associated with these financial instruments are set out below.

### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The 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 time deposits and cash and cash equivalents, all time deposits and bank balances are placed with reputable licensed banks in Hong Kong. Hence, the credit risk associated with these financial instruments is considered to be low.

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

	2020 HK\$	2019 HK\$
Time deposits and cash and cash equivalents, by credit rating		
Aa1 to Aa3	7,740,502	2,123,212
A1 to A3	13,445,289	16,482,514
	<u>21,185,791</u>	<u>18,605,726</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, Standard & Poor's or Fitch. At the reporting date, the credit quality of investments in debt securities, analysed by the lower of ratings designated by Moody's or Standard & Poor's, is as follows:

	2020 HK\$	2019 HK\$
Debt securities, by credit rating		
A1 to A3 / A+ to A-	<u>-</u>	<u>10,629,443</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's investments and bank deposits are exposed to market risk due to changes in market variables such as interest rates, market prices of investments and exchange rates. To manage the risk, the Committee administering the Fund regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund.

**(i) Equity price risk**

The Fund maintains a diversified portfolio of investments. The Committee monitors the performance of the portfolio and regularly reviews the investment strategy of the Fund to manage the equity price risk. It was estimated that, as at 31 August 2020, if the market prices of the respective equity securities had been 10% (2019: 10%) higher/lower, the deficit of the Fund for the year would decrease/increase by HK\$3,181,000 (2019: HK\$4,200,000) and the accumulated surplus would increase/decrease by HK\$3,181,000 (2019: HK\$4,200,000). The sensitivity analysis was based on the carrying amounts of the Fund's equity securities 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. Since all the Fund's deposits with banks and investments in debt securities bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's deficit and equity.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to cash flow interest rate risk is immaterial as interest income from financial instruments bearing interest at a floating rate is not significant.



(iii) Currency risk

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. The Fund's financial instruments denominated in foreign currencies are exposed to currency risk.

- Exposure to currency risk

The Fund maintained financial instruments denominated in Renminbi and the United States dollar totalling CNY2,543,060 (2019: CNY2,476,404) and USD4,301,587 (2019: USD3,750,019) respectively at the reporting date. As Hong Kong dollar is pegged to the United States dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. Since no foreign currency rate hedging is made by the Fund, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign exchange risk relating to Renminbi.

- Sensitivity analysis

It was estimated that, as at 31 August 2020, should the Renminbi strengthen/weaken by 5% (2019: 5%) against the Hong Kong dollar, with all other variables held constant, the deficit of the Fund for the year would decrease/increase by HK\$144,000 (2019: HK\$136,000) and the accumulated surplus would increase/decrease by HK\$144,000 (2019: HK\$136,000).

(iv) Other price risk

The Fund is exposed to financial risk arising from changes in market prices of the investment funds. It was estimated that, as at 31 August 2020, if the market prices of the investment funds had been 10% (2019: 10%) higher/lower, with all other variables held constant, the deficit of the Fund for the year would decrease/increase by HK\$3,401,000 (2019: HK\$2,566,000) and the accumulated surplus would increase/decrease by HK\$3,401,000 (2019: HK\$2,566,000).

(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 31 August 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 one year or less (2019: one year or less).

## 9. 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”.

	Level 1 HK\$	2020 Level 2 HK\$	Total HK\$
<b>Financial assets measured at fair value through income and expenditure account</b>			
Equity securities – Listed in Hong Kong	31,805,480	-	31,805,480
Investment funds – Unlisted	-	34,009,779	34,009,779
	<u>31,805,480</u>	<u>34,009,779</u>	<u>65,815,259</u>
	Level 1 HK\$	2019 Level 2 HK\$	Total HK\$
<b>Financial assets measured at fair value through income and expenditure account</b>			
Equity securities – Listed in Hong Kong	42,008,644	-	42,008,644
Investment funds – Unlisted	-	25,657,834	25,657,834
	<u>42,008,644</u>	<u>25,657,834</u>	<u>67,666,478</u>

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 investment funds classified under Level 2 is determined using quotation from custodian banks.

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

**10. CAPITAL MANAGEMENT**

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

- to comply with the Li Po Chun Charitable Trust Fund Ordinance; and
- to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

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

**Li Po Chun Charitable Trust Fund**

**Scholarship Awards and Training and Conference Grants  
for the year ended 31.8.2020**

<u>Categories</u>	<u>No. of Awards</u>	<u>Amount HK\$</u>
Local Secondary Schools Scholarships	28	39,200
Local Undergraduate Scholarships	87	609,000
Local Postgraduate Scholarships	16	168,000
United World Colleges Scholarships	3	321,000
Vocational Training Council Scholarships	21	27,300
Training and Conference Grants	1	24,300
Total:	<u>156</u>	<u>1,188,800</u>

**Li Po Chun Charitable Trust Fund**

**Social Relief Payments through the Director of Social Welfare  
for the year ended 31.8.2020**

<u>Categories</u>	<u>Amount</u> HK\$
Removal and re-accommodation grants	144,839
Grants for rent and other related requirements	341,059
Grants for the welfare of the applicant in coping with special needs arising from crisis or unexpected circumstances	95,290
Grants for medical treatment and assessment	6,642
Burial grants for needy non-natural disaster victims	61,930
Grants for purchase of spectacles, dentures and medical/rehabilitation appliances on medical recommendations and repair service of the same	9,110
Grants for purchase of necessary items for needy cases under special circumstances	66,883
Special grants which the Director of Social Welfare considers appropriate	63,099
	<hr/>
	788,852
	<hr/>