

AIDS Trust Fund Annual Report 2019-20



**Council for the AIDS Trust Fund
Hong Kong Special Administrative Region**

AIDS Trust Fund Annual Report 2019-20

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Introduction

Background

The AIDS Trust Fund (the Fund) was established in April 1993 with a commitment of \$350 million approved by the Finance Committee (FC) of the Legislative Council (LegCo) to provide assistance to HIV-infected haemophiliacs and generally to strengthen medical and support services and public education on AIDS. A one-off injection of \$350 million was approved by the FC in 2013-14 to support applications under the Fund.

The Fund is administered on the advice of the Council for the AIDS Trust Fund (the Council). Chairperson and Members (except ex-officio Member from the Food and Health Bureau) of the Council are appointed by the Chief Executive. Three sub-committees are set up under the Council to process the applications for funding. They are the Ex-gratia Payment Sub-Committee, the Medical and Support Services Sub-Committee, and the Publicity and Public Education Sub-Committee.

Areas of financial support

The Fund provides financial support in the following areas:

- Ex-gratia payment to those who are Hong Kong residents and have been infected with HIV through transfusion of blood or blood products in Hong Kong prior to August 1985.
- Medical and support services for HIV-infected patients to augment the existing services provided by the Hospital Authority and the Department of Health as well as researches on HIV/AIDS.
- Publicity and public education which remains the most effective way to combat the spread of HIV and AIDS.

This 2019-20 Annual Report of the Fund summarises the work done related to the operation of the Fund in 2019-20.



Membership and Terms of Reference

Council for the AIDS Trust Fund

Chairperson: Dr LAI Sik-to, Thomas

Members: Mr CHEUNG Hing-wah, B.B.S.
Dr LEE Cheuk-kwong
Dr LEE Man-po
Ms LEE Hoi Lun, Leonie (ex-officio Member from Food and Health Bureau)

Secretary: Dr LIN Wai-chi, Ada

Ex-gratia Payment Sub-Committee

Chairperson: Mr CHEUNG Hing-wah, B.B.S.

Members: Prof Albert LEE
Mr LIU Wing-ting, Stephen, J.P.
Mr NGAN Man-por

Secretary: Dr LAU Tin-wai, Winnie (till June 2019)
Dr YU Wing-man, Joan (June 2019 onwards)

Medical and Support Services Sub-Committee

Chairperson: Dr LEE Man-po

Members: Dr HO King-man
Dr HO Sai-yin, Daniel
Prof HUNG Fan-ngai, Ivan
Dr TSANG Tak-yin, Owen
Prof TSE Shu-ki, Samson

Secretary: Dr LAU Tin-wai, Winnie (till June 2019)
Dr YU Wing-man, Joan (June 2019 onwards)

Publicity and Public Education Sub-Committee

Chairperson: Dr LEE Cheuk-kwong

Members: Mr CHEUNG Tat-ming, Eric
Ms FONG Oi-wah, Rosa
Dr HO Sai-yin, Daniel
Mr NGAN Man-por
Dr NGAN Po-lun, Allan
Prof SHIU Tak-ying, Ann
Mr TONG Tai-wai, Raphael, M.H.

Secretary: Dr LAU Tin-wai, Winnie (till June 2019)
Dr YU Wing-man, Joan (June 2019 onwards)



Terms of Reference

Council for the AIDS Trust Fund

Subject to the provision of the Declaration of the Trust Fund, to determine all matters whatsoever touching the administration of the Fund and the fulfillment of the purposes thereof.

Ex-gratia Payment Sub-Committee

To consider claims for ex-gratia payment, and to make recommendations to the Council.

Medical and Support Services Sub-Committee

To consider applications for project grants for researches on HIV/AIDS, provision of additional medical and support services for those with HIV/AIDS and to make recommendations to the Council.

Publicity and Public Education Sub-Committee

To consider applications for project grants for publicity and public education on AIDS, and to make recommendations to the Council.

Summary of Meetings, Applications and Funding Approved

Based on the “Recommended HIV/AIDS Strategies for Hong Kong 2017-2021” issued by the Hong Kong Advisory Council on AIDS (ACA), higher funding priorities would be accorded to the applications to the Fund for programme targeted at the six high risk groups, namely:-

- (i) Men who have sex with men (MSM);
- (ii) People living with HIV (PLHIV);
- (iii) People who inject drugs (PWID);
- (iv) Ethnic minorities (EM);
- (v) Male-to-female transgender (TG); and
- (vi) Female sex workers (FSW) and their male clients (MCFSW)

Meetings held for processing applications in 2019-20

From 1 April 2019 to 31 March 2020, 1 meeting of the Council and 4 meetings of the 3 Sub-Committees (i.e. Ex-gratia Payments: 1; Medical and Support Services (MSS): 1; and Publicity and Public Education (PPE): 2) were held.

Number of applications processed

During the period, a total of 48 applications (additional ex-gratia payment: 24, MSS: 17 and PPE: 7) were processed by the Council, of which 40 applications (83%) were approved. Excluding the 24 applications for additional ex-gratia payments, 16 out of 24 (67%) applications were approved. Details of breakdown are at **Table 1**.

**Table 1: Number of applications processed by the Council
(from 1 April 2019 to 31 March 2020)**

Types of Applications	Applications Withdrawn	Applications Rejected	Applications Approved	Applications Approved Subject to Conditions	Total
Additional Ex-gratia Payment	0	0	24	0	24
Medical and Support Services	0	8	9	0	17
Publicity and Public Education	0	0	7	0	7
Total	0	8	40	0	48

Summary of funding approved

The total funding amount approved for the 40 applications (additional ex-gratia payment: 24, MSS: 9 and PPE: 7) was around \$49.57 million (additional ex-gratia payment: \$8.79 million, MSS: \$13.24 million, PPE: \$27.54 million). Details of breakdown are at **Table 2**.

**Table 2: Number of applications and amount of funding approved by the Council
(from 1 April 2019 to 31 March 2020)**

Financial Year	2019-20	
	Number of applications	Amount (\$HK million) (Note)
Additional Ex-gratia Payment	24	8.79
MSS	9	13.24
PPE	7	27.54
Total	40	49.57

Note: There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

Applications and funding approved by high risk groups

A breakdown of applications and amount of funding approved from 1 April 2019 to 31 March 2020 by the six high risk groups recommended by ACA were shown at **Annexes Ia, Ib and Ic**.

From 1 April 2019 to 31 March 2020, the amount granted for MSM projects / programmes topped the list at \$16.42 million (**Annex Ia**). For MSS, the amount of granted for MSM topped the list of MSS research project grants at around \$1.84 million (**Annex Ib**). For PPE, the amount granted for MSM project / programme topped the list of PPE grants at \$14.58 million (**Annex Ic**).

Audited accounts in 2019-20

The Director of Accounting Services is responsible for keeping the accounts of the Fund which are also audited annually by the Director of Audit. Relevant information extracted from the audited accounts of the Fund in 2019-20 are at **Table 3**.

Table 3: Information extracted from audited accounts of the Fund (2019-20)

Financial Year	2019-20 (HK\$'000)
Capital (\$) (a)	700,000
INCOME (\$)	
Interest on deposits and bank balances	3,408
Interest on placement with the Exchange Fund	2,766
Refund of grants	1,411
Other Income*	1,465
Total (b)	9,050
EXPENDITURE (\$) **	
Publicity and Public Education	27,624
Medical and Support Services	13,293
Ex-gratia Payment	8,792
Total (c)	49,709
Deficit for the year (b-c)	(40,659)
Accumulated Expenditure at end of year*** (d)	(535,020)
Fund Balance (\$) (a) - (d)	164,980

* Other income includes the amount of the approved projects / programmes which the balance was no longer required.

** There might be a difference between the audited expenditure and the amount of funding approved at **Table 2** since the amount of funding approved did not include the extra cost incurred from auditing a grant approved by the Fund (in terms of auditors' remuneration) which may be claimed on a reimbursement basis.

*** Accumulated expenditure at the end of year represented the expenditure brought forward from the beginning of the fund to the current financial year end.

Note: The audited accounts will be uploaded onto the Fund's website.

Completed projects/programmes in 2019-20

In order to enhance transparency, accountability and access to information by the public, grantees are required to submit an executive summary and publication list for each completed project / programme which would be posted on the Fund's website for public information.

Project/ Programme Code	Project/ Programme Title
MSS 243 R	Characterization of the pattern and trends of HIV spread among newly diagnosed patients in Hong Kong
MSS 262 R	Exploration of the harm reduction effects of methadone treatment in Hong Kong
MSS 274 R	A pilot needs assessment of men who have sex with men (MSM) who obtain pre-exposure prophylaxis (PrEP) in Bangkok, Thailand and use it in Hong Kong (“PrEP tourists”)
MSS 276 R	An exploratory study of pharmacologic measure of Tenofovir diphosphate and Emtricitabine triphosphate in dried blood spots as adherence testing for monitoring pre-exposure prophylaxis
MSS 301 PM	Public acceptance, prevention, care & support, and capacity building for people at risks and people living with HIV/AIDS
MSS 302 R	A modelling study for assessing the effect of expanded HCV testing and direct-acting antiviral therapy on the HCV epidemic among HIV-positive MSM in Hong Kong
PPE 681 PM	Maintaining Low Prevalence -- HIV Combination Prevention for Female Sex Workers
PPE 682 PM	Integrated Community-Based Interventions for the Prevention
PPE 683 PM	Comprehensive HIV/STI Program with Sex Workers
PPE 684 PM	SARDA Comprehensive HIV/AIDS Prevention and Caring Scheme for Drug Users
PPE 686 PM	Translating recommendations and findings into effective actions – maintaining Hong Kong's low HIV prevalence
PPE 687 PM	Inside and Out: Building the community response to HIV by enhancing the link between HIV prevention, testing, treatment and care
PPE 692 PJ	"Holistic Health of HIV!" - HIV Intervention for MSM and PLHIV Services Programme
PPE 695 PM	Our Garden



New Initiatives

Review of ATF Guidelines

In order to optimize fund usage, enhance the monitoring and auditing procedures, the Council for the AIDS Trust Fund reviewed the Medical and Support Services and Publicity and Public Education Application Guidelines (ATF Guidelines):-

- i. The auditor must express an opinion as to whether the Grantee has complied with, in all material respects, the requirements set by the Government, that:- 1) books and records are proper to prove the funded programme / project is carried out according to the grant agreement; and 2) income and expenditure account is proper; and 3) the salary of ATF supported staff complied with the requirements of minimum academic / qualification as stated in the "Pricing Standards for applications to ATF"; and 4) double funding support of item, including salary of staff, from other funding source has not occurred; and 5) all other terms and conditions as specified in the Grant Agreement, the Application Guidelines and the Government's requirements, directions and orders relating to the programme/project prescribed or made in writing during the duration of the programme/project have been satisfied. (Clause 74)

- ii. Grantees must indemnify and pay their own auditors. Should the auditing of a ATF grant incur extra cost (in terms of auditors' remuneration), the extra cost may be claimed on a reimbursement basis from the ATF (not as part of the grant for the programme/project) with a ceiling of \$8,000 for project, and \$16,000 for programme, subject to approval by the Council. (Clause 77)

Communication with Stakeholders

Visits to grantees

To monitor the performance of grantees and to facilitate information exchange between grantees and the Council, two visits were organised for the Council's Members and Secretariat in July 2019 to the following two grantees:

1. Hong Kong AIDS Concern Foundation Limited
2. Community Health Organisation for Intervention, care and Empowerment Limited (CHOICE)



Visit to Hong Kong AIDS Concern Foundation Limited



Visit to Community Health Organisation for Intervention, care and Empowerment Limited (CHOICE)

Sharing session

A sharing session was held on 7 January 2020. The session served as a platform for grantees to share their experience on HIV prevention and control in priority communities, as well as AIDS-related research through their programmes supported by the Fund.



Number of ALL approved projects and amount of funding by high risk groups (from 1 April 2017 to 31 March 2020)

Target groups		Six higher funding priorities areas (Recommended HIV/AIDS Strategies for Hong Kong 2017 - 2021)						Others		Sub-total	Additional EGP (PLHIV)	Total
		MSM	FSW/ MCFSW	PWID	EM	TG	PLHIV	Multiple Target Groups*	Others #			
Apr 2019 - Mar 2020	Number of approved applications	9	3	2	1	1	5	2	1	24	24	48
	Amount approved for applications	\$16,420,152	\$5,617,379	\$2,517,861	\$1,914,501	\$963,741	\$10,077,983	\$1,323,053	\$1,943,006	\$40,777,676	\$8,792,000	\$49,569,676
Apr 2017 - Mar 2020	Number of approved applications	32	8	4	4	3	23	2	2	78	76	154
	Amount approved for applications	\$56,255,780	\$16,280,040	\$5,651,690	\$5,574,262	\$1,625,319	\$29,110,221	\$1,323,053	\$5,688,788	\$121,509,153	\$26,880,000	\$148,389,153
	Resource allocation (%) ^	46%	13%	5%	5%	1%	24%	1%	5%	100%		

Note: MSM – Men who have sex with men, FSW/MCFSW – Female sex worker and their male clients, PWID – Injecting drug users, EM – Ethnic minorities, TG – Transgender, PLHIV – People living with HIV.

^ There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

* EM and PLHIV (1); MSM, FSW, MCFSW and TG (1).

Others include Prisoners (2).

Number of MSS approved projects and amount of funding by high risk groups (from 1 April 2017 to 31 March 2020)

Target groups		MSS (research)								MSS (non-research)	Total
		Research								Service	
		Six higher funding priorities areas (Recommended HIV/AIDS Strategies for Hong Kong 2017 - 2021)						Others	Sub-total	People living with HIV	
		MSM	FSW/MCFSW	PWID	EM	TG	PLHIV	Multiple Target Groups*			
Apr 2019 - Mar 2020	Number of approved applications	3	0	0	0	0	0	2	5	5	10
	Amount approved for applications	\$1,835,769	\$0	\$0	\$0	\$0	\$0	\$1,323,053	\$3,158,822	\$10,077,983	\$13,236,805
Apr 2017 - Mar 2020	<i>Number of approved applications</i>	<i>10</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>11</i>	<i>2</i>	<i>23</i>	<i>9</i>	<i>32</i>
	<i>Amount approved for applications</i>	<i>\$9,655,982</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$6,487,490</i>	<i>\$1,323,053</i>	<i>\$17,466,524</i>	<i>\$18,020,505</i>	<i>\$35,487,029</i>
	<i>Resource allocation (%)^</i>	<i>27%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>18%</i>	<i>4%</i>	<i>49%</i>	<i>51%</i>	<i>100%</i>

Note: MSM – Men who have sex with men, FSW/MCFSW – Female sex worker and their male clients, PWID – Injecting drug users, EM – Ethnic minorities, TG – Transgender, PLHIV – People living with HIV.

* EM and PLHIV (1); MSM, FSW, MCFSW and TG (1).

^ There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

Number of PPE approved projects and amount of funding by high risk groups (from 1 April 2017 to 31 March 2020)

Target groups		PPE							Total
		Six higher funding priorities areas (Recommended HIV/AIDS Strategies for Hong Kong 2017 - 2021)						Others #	
		MSM	FSW/ MCFSW	PWID	EM	TG	PLHIV		
Apr 2019 - Mar 2020	Number of approved applications	6	3	2	1	1	0	1	14
	Amount approved for applications	\$14,584,383	\$5,617,379	\$2,517,861	\$1,914,501	\$963,741	\$0	\$1,943,006	\$27,540,871
Apr 2017 - Mar 2020	<i>Number of approved applications</i>	<i>22</i>	<i>8</i>	<i>4</i>	<i>4</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>46</i>
	<i>Amount approved for applications</i>	<i>\$46,599,799</i>	<i>\$16,280,040</i>	<i>\$5,651,690</i>	<i>\$5,574,262</i>	<i>\$1,625,319</i>	<i>\$4,602,227</i>	<i>\$5,688,788</i>	<i>\$86,022,124</i>
	<i>Resource allocation (%)^</i>	<i>54%</i>	<i>19%</i>	<i>7%</i>	<i>6%</i>	<i>2%</i>	<i>5%</i>	<i>7%</i>	<i>100%</i>

Note: MSM – Men who have sex with men, FSW/MCFSW – Female sex worker and their male clients, PWID – Injecting drug users, EM – Ethnic minorities, TG – Transgender, PLHIV – People living with HIV.

^ There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

Others include Prisoners (2).



AIDS Trust 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 have audited the financial statements of the AIDS Trust Fund set out on pages 4 to 14, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the AIDS Trust 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 Clause 12 of the Declaration of Trust made by the Financial Secretary Incorporated on 30 April 1993.

Basis for opinion

I conducted my audit in accordance with Clause 12 of the Declaration of Trust 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 AIDS 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.

Financial Secretary Incorporated's responsibilities for the financial statements

The Financial Secretary Incorporated, as the Trustee of the AIDS Trust Fund, is responsible for the preparation of the financial statements that give a true and fair view in accordance with Clause 12 of the Declaration of Trust and HKFRSs issued by the HKICPA, and for such internal control as the Financial Secretary 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 Financial Secretary Incorporated is responsible for assessing the AIDS 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

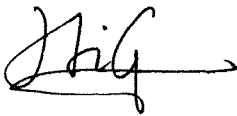
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 AIDS Trust Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Financial Secretary Incorporated;

- conclude on the appropriateness of the Financial Secretary 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 AIDS 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 AIDS 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.



Ms Hildy Chan
Assistant Director of Audit
for Director of Audit

1 April 2021

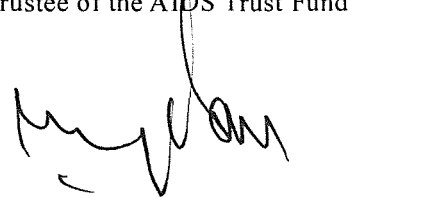
Audit Commission
26th Floor
Immigration Tower
7 Gloucester Road
Wanchai, Hong Kong

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Cash at bank		2	1
Deposits with banks	3	116,171	151,589
Interest receivable	4	1,678	1,687
Placement with the Exchange Fund	5	90,888	88,327
Total assets		208,739	241,604
LIABILITIES			
Grants payable - due within one year	6	(24,252)	(22,630)
Grants payable - due after one year	6	(19,507)	(13,335)
Total liabilities		(43,759)	(35,965)
Net assets		164,980	205,639
Representing:			
FUND BALANCE			
Capital		700,000	700,000
Accumulated deficit		(535,020)	(494,361)
		164,980	205,639

The accompanying Notes 1 to 14 form part of these financial statements.

The Financial Secretary Incorporated
The Trustee of the AIDS Trust Fund



Paul M P CHAN
Financial Secretary

1 April 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$'000	2019 HK\$'000
Income	7	9,050	8,563
Expenditure	8	(49,709)	(38,165)
Deficit for the year		(40,659)	(29,602)
Other comprehensive income		—	—
Total comprehensive loss for the year		(40,659)	(29,602)

The accompanying Notes 1 to 14 form part of these financial statements.

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

	Capital HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
Balance at 1 April 2018	700,000	(464,759)	235,241
Total comprehensive loss for the year 2018-19	—	(29,602)	(29,602)
Balance at 31 March 2019	<u>700,000</u>	<u>(494,361)</u>	<u>205,639</u>
Total comprehensive loss for the year 2019-20	—	(40,659)	(40,659)
Balance at 31 March 2020	<u><u>700,000</u></u>	<u><u>(535,020)</u></u>	<u><u>164,980</u></u>

The accompanying Notes 1 to 14 form part of these financial statements.

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

	Note	2020 HK\$'000	2019 HK\$'000
Net cash used in operating activities	9	(39,039)	(35,214)
Net cash from investing activities	10	46,340	28,714
Net increase/(decrease) in cash and cash equivalents		<u>7,301</u>	<u>(6,500)</u>
Cash and cash equivalents at beginning of year		3,701	10,201
Cash and cash equivalents at end of year	11	<u><u>11,002</u></u>	<u><u>3,701</u></u>

The accompanying Notes 1 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The AIDS Trust Fund (the Fund) was established on 30 April 1993 by a Declaration of Trust (the Trust) made by The Financial Secretary Incorporated (the Trustee) following the Finance Committee of the Legislative Council (the Finance Committee)'s approval of a grant of HK\$350 million on 16 April 1993 to set up the Fund. The principal activities of the Fund are the financing of ex-gratia payments for persons infected with the HIV through the transfusion in Hong Kong of blood products prior to August 1985, medical and support services for HIV-infected patients and publicity and public education on AIDS. In 1993, the Council for the AIDS Trust Fund (the Council) started providing one-off payments to eligible HIV-infected persons in line with the ex-gratia payment scheme approved by the Finance Committee. The Council also endorsed in April 2005 the payment of additional recurrent supplements within the ambit and funding approved for the Fund. On 6 December 2013, the Finance Committee approved an injection of HK\$350 million into the Fund. The financial statements of the Fund are prepared in accordance with Clause 12 of the Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Fund is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

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

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

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Financial assets and financial liabilities

(i) Initial recognition and measurement

The Fund's financial assets comprise cash at bank, deposits with banks, interest receivable and placement with the Exchange Fund.

The Fund's financial liabilities comprise grants payable.

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets and the issue of financial liabilities.

(ii) Classification and subsequent measurement

Financial assets measured at amortised cost

The Fund classifies all financial assets as subsequently measured at amortised cost using the effective interest method, on the basis that they are held within a business model whose objective is to hold them for collection of contractual cash flows which represent solely payments of principal and interest. The measurement of loss allowances for financial assets is based on the expected credit loss model as described in Note 2(c)(iv).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates the expected cash flows by considering all contractual terms of the financial instruments but does not consider the expected credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Financial liabilities measured at amortised cost

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest method.

(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 when it expires.

(iv) Impairment of financial assets

For financial assets measured at amortised cost, the Fund measures the expected credit losses to determine the loss allowance required to be recognised.

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

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

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Fund compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(d) Interest income recognition

Interest income is recognised on an accrual basis using the effective interest method. The interest rates on deposits with banks and placement with the Exchange Fund represent the effective interest rates on such interest-bearing assets.

(e) Grants recognition

Grants, including multi-year grants, are recognised as expenses and payables when they are approved.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and deposits with banks having a maturity of three months or less when placed.

3. DEPOSITS WITH BANKS

These are Hong Kong dollar deposits placed with licensed banks in Hong Kong for investment under Clause 5 of the Trust.

4. INTEREST RECEIVABLE

	2020 HK\$'000	2019 HK\$'000
Interest accrued on deposits and bank balances	841	1,055
Interest accrued on placement with the Exchange Fund	837	632
	1,678	1,687

5. PLACEMENT WITH THE EXCHANGE FUND

These represent the principal sum placed with the Exchange Fund and interest paid but not yet withdrawn at the reporting date:

	2020 HK\$'000	2019 HK\$'000
Principal sum	80,000	80,000
Interest paid but not yet withdrawn	10,888	8,327
	90,888	88,327

The term of the placement is six years from the date of placement, during which the principal sum cannot be withdrawn.

AIDS Trust Fund

Interest on the placement is payable at a fixed rate determined every January. The rate is the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year Government Bond for the previous year subject to a minimum of zero percent, whichever is the higher. The interest rate has been fixed at 3.7% per annum for the calendar year 2020 and at 2.9% per annum for the calendar year 2019.

6. GRANTS PAYABLE

	2020 HK\$'000	2019 HK\$'000
Publicity and public education	30,319	26,532
Medical and support services	13,440	9,433
	<u>43,759</u>	<u>35,965</u>
Amount due within one year	24,252	22,630
Amount due after one year	19,507	13,335
	<u>43,759</u>	<u>35,965</u>

7. INCOME

	2020 HK\$'000	2019 HK\$'000
Interest on deposits and bank balances	3,408	3,371
Interest on placement with the Exchange Fund	2,766	3,558
Refund of grants	1,411	353
Other income	1,465	1,281
	<u>9,050</u>	<u>8,563</u>

8. EXPENDITURE

	2020 HK\$'000	2019 HK\$'000
Grants		
Publicity and public education	27,624	21,435
Medical and support services	13,293	7,550
Ex-gratia payment	8,792	9,180
	<u>49,709</u>	<u>38,165</u>

9. RECONCILIATION OF DEFICIT TO NET CASH USED IN OPERATING ACTIVITIES

	2020 HK\$'000	2019 HK\$'000
Deficit for the year	(40,659)	(29,602)
Interest income	(6,174)	(6,929)
Increase in grants payable	7,794	1,317
Net cash used in operating activities	<u>(39,039)</u>	<u>(35,214)</u>

10. NET CASH FROM INVESTING ACTIVITIES

	2020 HK\$'000	2019 HK\$'000
Interest received	6,183	7,031
Decrease in deposits with banks having a maturity of more than three months when placed	42,718	25,568
Increase in placement with the Exchange Fund	(2,561)	(3,885)
Net cash from investing activities	<u>46,340</u>	<u>28,714</u>

11. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash at bank	2	1
Deposits with banks having a maturity of three months or less when placed	11,000	3,700
	<u>11,002</u>	<u>3,701</u>

Reconciliation with the statement of financial position:

Amounts in the statement of financial position:

Cash at bank	2	1
Deposits with banks	116,171	151,589
	<u>116,173</u>	<u>151,590</u>
Less: Amounts having a maturity of more than three months when placed	(105,171)	(147,889)
Cash and cash equivalents in the statement of cash flows	<u>11,002</u>	<u>3,701</u>

12. CAPITAL RISK MANAGEMENT

The capital of the Fund, which may be expended specifically for the purposes of the Fund, is managed prudently to generate income for the purposes of the Fund. The financial risks in the Fund's investment portfolios are monitored on a continuous basis to ensure that such risks are covered before funding is considered for the purposes of the Fund.

13. FINANCIAL RISK MANAGEMENT

(a) Investment management and control

The Director of Accounting Services has been appointed as the agent for the Trustee to implement decisions concerning investments of the Fund and to generally manage such investments.

(b) 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 credit risk is primarily attributable to cash at bank, deposits with banks, interest receivable and placement with the Exchange Fund. The Fund has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis. To minimise credit risks, all fixed deposits are placed with licensed banks in Hong Kong. These financial assets are considered to have a low credit risk. The loss allowances are measured at amounts equal to 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 credit quality of cash at bank and deposits with banks, analysed by the ratings designated by Moody's or their equivalents, at the reporting date is shown below:

	2020 HK\$'000	2019 HK\$'000
Cash at bank and deposits with banks, by credit rating:		
Aa1 to Aa3	1	8,387
A1 to A3	116,172	143,203
	116,173	151,590

The maximum exposure to credit risk of the financial assets of the Fund is equal to their carrying amounts at the reporting date.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not have sufficient funds available to meet its obligations associated with financial liabilities. The Fund monitors the liquidity requirements on a continuous basis and maintains a level of short term deposits and cash to pay grants as necessary. Hence, the Fund does not have significant exposure to liquidity risk.

(d) Interest rate risk

Interest rate risk refers to 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 fair value of a financial instrument will fluctuate because of changes in market interest rates. Since all the Fund's deposits with banks bear interest at fixed rates and are all stated at amortised cost, their carrying amounts and the Fund's income and accumulated fund balance will not be affected by changes in market interest rates.

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 has no exposure to cash flow interest rate risk because it has no holding of financial instruments bearing interest at rates determined by reference to market interest rates.

(e) Other financial risk

The Fund is exposed to financial risk arising from changes in the interest rate on the placement with the Exchange Fund which is determined every January (Note 5). If the interest rate had increased/decreased by 50 basis points with all other variables held constant, the interest income on the placement for the year would have been increased/decreased by HK\$455,000 (2019: HK\$442,000).

(f) Fair values

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

14. 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 these 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 these 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 financial statements.