

**J. E. JOSEPH TRUST FUND REPORT**  
**FOR THE PERIOD 1 APRIL 2020 TO 31 MARCH 2021**

This Report is submitted in accordance with section 6(3) of the J. E. Joseph Trust Fund Ordinance (Cap. 1067).

2. The Fund was established in 1954 under J. E. Joseph Trust Fund Ordinance for the purpose of encouraging and improving agriculture in the New Territories. It issues loans to farmers' co-operative societies and farmers for use either as development or working capital. The societies may re-lend the money to their members at low interest rates. The Fund is vested in the Registrar of Co-operative Societies (currently the Director of Agriculture, Fisheries and Conservation) as the Trustee and administered by the Agriculture, Fisheries and Conservation Department.

3. The Fund has a capital of \$4,261,107 with \$459,554 being the original amount paid to the Trustee in 1954, \$1,553 being a further payment made by the Hong Kong and Shanghai Banking (Trustee) Ltd. in 1961, \$750,000 contributed by the Hong Kong Government in July 1957 as a special relief fund following the disastrous floods in May that year, \$3,000,000 donated by a private individual in 1991 and \$50,000 donated by the agricultural industry in 1996/97. Income derived from interest on loans and on bank deposits during the year under review amounted to \$186,403. The Fund, including the aggregate surpluses of \$16,158,341 stood at \$20,419,448 on 31 March 2021.

4. In November 2018, the Government set up a special loan scheme to assist pig farmers to stop using kitchen and catering waste as feed and adopt other suitable feeds with a view to reducing the risk of outbreak of African Swine Fever in local pig farms. One loan amounting to \$390,000 was issued to a pig farmer in 2019/20. No special loan was issued in 2020/21.

5. Since the inception of the Fund, 16 195 loans had been issued to 60 634 borrowers. The accumulated total amount of loans issued up to 31 March 2021 stood at \$195,839,199. A total of 6 loans amounting to \$1,130,000 were approved and lent to farmers in 2020/21. As at 31 March 2021, the total outstanding balance stood at \$925,000.

6. A copy of the signed and audited Statement of Accounts of the Fund for the year is attached herewith.

Dr LEUNG Siu-fai  
Registrar of Co-operative Societies  
Trustee, J. E. Joseph Trust Fund

Encl.



## J. E. Joseph Trust Fund

Financial statements for the year ended 31 March 2021

# 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 J. E. Joseph Trust Fund set out on pages 4 to 12, which comprise the balance sheet as at 31 March 2021, 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 of the J. E. Joseph Trust Fund are prepared, in all material respects, in accordance with section 6(1) of the J. E. Joseph Trust Fund Ordinance (Cap. 1067) and the accounting policies set out in note 2 to the financial statements.

### ***Basis for opinion***

I conducted my audit in accordance with section 6(2) of the J. E. Joseph 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 J. E. Joseph 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 Director of Agriculture, Fisheries and Conservation for the financial statements***

The Director of Agriculture, Fisheries and Conservation is responsible for the preparation of the financial statements in accordance with section 6(1) of the J. E. Joseph Trust Fund Ordinance and the accounting policies set out in note 2 to the financial statements, and for

such internal control as the Director of Agriculture, Fisheries and Conservation 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 Director of Agriculture, Fisheries and Conservation is responsible for assessing the J. E. Joseph 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.

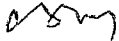
### *Auditor's responsibilities for the audit of the financial statements*

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 J. E. Joseph Trust Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director of Agriculture, Fisheries and Conservation; and
- conclude on the appropriateness of the Director of Agriculture, Fisheries and Conservation'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 J. E. Joseph 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 J. E. Joseph Trust Fund to cease to continue as a going concern.



S. M. CHOI  
Principal Auditor  
for Director of Audit

10 June 2021

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

## J. E. JOSEPH TRUST FUND

### Balance Sheet as at 31 March 2021

	Note	2021 HK\$	2020 HK\$
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Loans receivable	3	65,000	195,000
<b>Current Assets</b>			
Loans receivable	3	860,000	520,000
Interest receivable	4	24,610	94,175
Time deposits with original maturities over 3 months		17,936,824	19,020,450
Cash and cash equivalents	5	1,533,014	403,420
		<u>20,419,448</u>	<u>20,233,045</u>
<b>FUND BALANCE</b>			
Capital		4,261,107	4,261,107
Accumulated surplus		16,158,341	15,971,938
		<u>20,419,448</u>	<u>20,233,045</u>

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



(Dr LEUNG Siu-fai)

Director of Agriculture, Fisheries and Conservation  
Trustee of the J. E. Joseph Trust Fund

10 June 2021

**J. E. JOSEPH TRUST FUND**

**Income and Expenditure Account  
for the year ended 31 March 2021**

	<b>2021 HK\$</b>	<b>2020 HK\$</b>
<b>INCOME</b>		
Loan interest	282	694
Bank interest	186,121	345,846
	<u>186,403</u>	<u>346,540</u>
<b>EXPENDITURE</b>	-	-
	<u>186,403</u>	<u>346,540</u>
<b>SURPLUS FOR THE YEAR</b>	186,403	346,540
<b>OTHER COMPREHENSIVE INCOME</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>186,403</u>	<u>346,540</u>

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

## J. E. JOSEPH TRUST FUND

### Statement of Changes in Equity for the year ended 31 March 2021

	Capital HK\$	Accumulated Surplus HK\$	Total HK\$
Balance at 1 April 2019	4,261,107	15,625,398	19,886,505
Total comprehensive income for 2019-20	-	346,540	346,540
Balance at 31 March 2020	4,261,107	15,971,938	20,233,045
Total comprehensive income for 2020-21	-	186,403	186,403
Balance at 31 March 2021	4,261,107	16,158,341	20,419,448

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



## J. E. JOSEPH TRUST FUND

### Statement of Cash Flows for the year ended 31 March 2021

	Note	2021 HK\$	2020 HK\$
<b>Cash flows from operating activities</b>			
Surplus for the year		186,403	346,540
Adjustments for:			
Loan interest		(282)	(694)
Bank interest		(186,121)	(345,846)
Loan interest received		467	466
(Increase) / Decrease in loans receivable		(210,000)	35,000
<b>Net cash (used in) / from operating activities</b>		<u>(209,533)</u>	<u>35,466</u>
<b>Cash flows from investing activities</b>			
Net decrease / (increase) in time deposits with original maturities over 3 months		1,083,626	(226,701)
Bank interest received		255,501	326,701
<b>Net cash from investing activities</b>		<u>1,339,127</u>	<u>100,000</u>
<b>Net increase in cash and cash equivalents</b>		1,129,594	135,466
<b>Cash and cash equivalents at beginning of year</b>		<u>403,420</u>	<u>267,954</u>
<b>Cash and cash equivalents at end of year</b>	5	<u>1,533,014</u>	<u>403,420</u>

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

# **J. E. JOSEPH TRUST FUND**

## **Notes to the financial statements**

### **1. GENERAL**

The J. E. Joseph Trust Fund (the Fund) was established for the purpose of encouraging and improving agriculture in the New Territories by making loans to Farmers' Co-operative Societies in accordance with section 5 of the J. E. Joseph Trust Fund Ordinance (Cap. 1067) and to individual farmers in accordance with the direction made by the then Secretary for Economic Services under delegated authority under section 8 of the J. E. Joseph Trust Fund Ordinance.

The address of the Fund's principal place of business is 5<sup>th</sup> Floor, Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Financial reporting framework**

The Fund has adopted a financial reporting framework incorporating the accounting policies approved by the Kadoorie Agricultural Aid Loan Fund Committee and applicable requirements of Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). A summary of the significant accounting policies adopted by the Fund is set out below.

#### **(b) Basis of preparation of the financial statements**

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with the Fund's financial reporting framework 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) 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) Recognition of income**

- (i) Interest income from loans is recognised in accordance with the terms set out in the individual loan agreements.
- (ii) Interest income from bank deposits is recognised as it accrues using the effective interest method.

**(e) Financial assets**

The Fund's financial assets include time deposits, cash and cash equivalents, loans receivable and interest receivable, and are recognised when the Fund becomes a party to the contractual provisions of the instrument. Loans receivable are stated at cost. Other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets, and subsequently measured at amortised cost, net of loss allowance, if any.

Where the repayment of a loan becomes doubtful, a provision is made and charged to the income and expenditure account. A financial asset is derecognised when the rights to receive cash flows from the asset expire or the Fund has transferred substantially all the risks and rewards of ownership of the asset.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash at banks 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.

### 3. LOANS RECEIVABLE

	2021 HK\$	2020 HK\$
Balance at beginning of year	715,000	750,000
Loans issued during the year	1,130,000	1,040,000
	<u>1,845,000</u>	<u>1,790,000</u>
Loans repaid during the year	(920,000)	(1,075,000)
Balance at end of year	<u>925,000</u>	<u>715,000</u>
Classified as :		
Non-current assets	65,000	195,000
Current assets	860,000	520,000
	<u>925,000</u>	<u>715,000</u>

In 2020-21, there was no such case where a loan was approved on or before 31 March 2021 but its loan agreement and payment were effected after the reporting date (2019-20: Nil).

### 4. INTEREST RECEIVABLE

	2021 HK\$	2020 HK\$
Loan interest receivable	78	263
Bank interest receivable	24,532	93,912
	<u>24,610</u>	<u>94,175</u>

### 5. CASH AND CASH EQUIVALENTS

	2021 HK\$	2020 HK\$
Time deposit with original maturity within 3 months	1,024,500	-
Cash at bank	508,514	403,420
	<u>1,533,014</u>	<u>403,420</u>

### 6. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include loans receivable, time deposits and cash at bank. 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 these assets as stated in the balance sheet. The Fund limits its exposure to credit risk arising from time deposits and bank balances by transacting with reputable licensed banks in Hong Kong.

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

	2021 HK\$	2020 HK\$
Time deposits and bank balances, by credit rating		
Aa1 to Aa3	9,712,385	9,786,452
A1 to A3	9,757,453	9,637,418
	<u>19,469,838</u>	<u>19,423,870</u>

The Fund closely monitors the granting of credit, and considers that adequate provision has been made, where necessary, for loan amounts the repayments of which become doubtful. Applicants for loans above HK\$200,000 (2019-20: HK\$130,000) are usually required to provide land-based properties as security. No loan was past due at the reporting date (2019-20: Nil).

**(b) Interest rate risk**

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

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

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to cash flow interest rate risk as it has no financial instruments bearing interest at a floating rate.

**(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.

## **7. CAPITAL MANAGEMENT**

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

- (a) to comply with the J. E. Joseph Trust Fund Ordinance; and
- (b) to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

The Fund manages its capital to ensure that the capital level is adequate to fund future issue of loans and expenditure, taking into account the projected cash flow requirements, future financial obligations and commitments.

## **8. ADMINISTRATION COST**

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 4 of the J. E. Joseph Trust Fund Ordinance.

## **9. FAIR VALUES OF FINANCIAL ASSETS**

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