

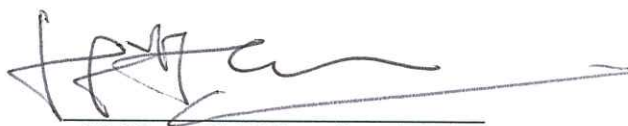
Samaritan Fund

Financial Statements for the year ended 31 March 2021

REPORT ON THE SAMARITAN FUND

The Samaritan Fund has been taken over by the Hospital Authority (“HA”) from the Hospital Services Department since 1 December 1991 and administered by the HA since then. Its financial support depends mainly on donations from charitable organizations and grants from the Government. The purpose of the Fund is to provide short-term relief to needy patients and their families when assistance cannot be readily obtained from other sources. On the recommendation of Medical Social Workers, financial assistance will be given to those needy patients and their families who experience difficulties as a result of illness, injury, child-birth, death and other medical or social situation.

Included in the income of HK\$843,704,214 for the year ended 31 March 2021 are general donations received of HK\$3,230,000, Government grants of HK\$698,130,439, reimbursements of HK\$76,366,128 from the Social Welfare Department, interest income of HK\$63,689,240, and other income of HK\$2,288,407 (e.g. subsidies recovered after post approval checking). The expenditure for the same period amounted to HK\$843,704,214 which represents financial assistance provided to needy patients and their families.



Mr Henry FAN Hung-ling, SBS, JP
Chairman

Hospital Authority
18 November 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 Samaritan Fund set out on pages 4 to 16, which comprise the balance sheet as at 31 March 2021, and the income and expenditure account, statement of changes in fund 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 Samaritan Fund as at 31 March 2021, 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 item 5(1) of the Schedule to the Resolution of the Legislative Council on the Samaritan Fund (L.N. 70 of 1969).

Basis for opinion

I conducted my audit in accordance with item 5(2) of the Schedule to the Resolution of the Legislative Council on the Samaritan Fund 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 Samaritan 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.

Other information

The Hospital Authority is responsible for the other information. The other information comprises all the information included in the Report on the Samaritan Fund for the year ended 31 March 2021, other than the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Hospital Authority for the financial statements

The Hospital Authority 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 item 5(1) of the Schedule to the Resolution of the Legislative Council on the Samaritan Fund, and for such internal control as the Hospital Authority 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 Hospital Authority is responsible for assessing the Samaritan 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 Samaritan Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Hospital Authority;
- conclude on the appropriateness of the Hospital Authority'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 Samaritan 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 Samaritan 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

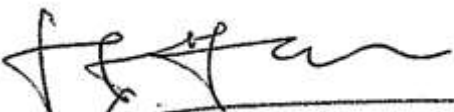
18 November 2021

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

**SAMARITAN FUND
BALANCE SHEET
AS AT 31 MARCH 2021**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
NON-CURRENT ASSETS			
Balance with Hospital Authority	3	<u>6,000,000,000</u>	<u>6,000,000,000</u>
CURRENT ASSETS			
Accounts receivable	4	106,079,926	114,338,648
Balance with Hospital Authority	3	520,712,731	273,200,990
Time deposits with original maturity over three months		4,113,629,611	4,487,074,823
Cash and cash equivalents	5	<u>198,027</u>	<u>138,786,083</u>
		<u>4,740,620,295</u>	<u>5,013,400,544</u>
CURRENT LIABILITIES			
Accounts payable and accruals	6	(37,204,678)	(25,804,883)
Provisions	7	(722,944,823)	(556,506,169)
Deferred income - government grants	8	<u>(3,980,470,794)</u>	<u>(4,431,089,492)</u>
		<u>(4,740,620,295)</u>	<u>(5,013,400,544)</u>
NET CURRENT LIABILITIES		<u>-</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,000,000,000	6,000,000,000
NON-CURRENT LIABILITY			
Deferred income - government grants	8	<u>(6,000,000,000)</u>	<u>(6,000,000,000)</u>
NET ASSETS		<u>-</u>	<u>-</u>
FUND			
ACCUMULATED FUND		<u>-</u>	<u>-</u>
TOTAL FUND		<u>-</u>	<u>-</u>

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



Mr Henry FAN Hung-ling, SBS, JP
Chairman, Hospital Authority
18 November 2021

**SAMARITAN FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2021**

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
INCOME			
Donations from:			
Tung Wah Group of Hospitals		2,000,000	2,000,000
The Hospital Authority Charitable Foundation		1,230,000	200,000
Others		-	659
		3,230,000	2,200,659
Government grants	8	698,130,439	495,305,833
Reimbursements from Social Welfare Department		76,366,128	56,051,644
Interest income		63,689,240	121,310,760
Other income	9	2,288,407	2,281,443
		<u>843,704,214</u>	<u>677,150,339</u>
EXPENDITURE			
Grants to needy patients for temporary maintenance, travelling and incidental expenses		(31,655)	(38,335)
Purchase of medical or surgical appliances:			
Percutaneous Transluminal Coronary Angioplasty (PTCA) and other consumables for interventional cardiology		(209,647,587)	(147,831,279)
Pacemakers		(21,681,415)	(17,474,410)
Wheelchairs		(383,241)	(175,350)
Equipment for home use		(250,870)	(501,110)
Orthopaedic appliances		(2,742,215)	(1,628,222)
Intraocular lenses		(206,720)	(1,264,868)
Automatic implantable cardioverter defibrillators		(30,942,970)	(28,423,442)
		(265,855,018)	(197,298,681)
Gamma knife surgeries		-	(326,800)
Cost of harvesting bone marrow in overseas countries		(177,612)	(3,186,937)
Drugs		(577,639,929)	(476,299,586)
		<u>(843,704,214)</u>	<u>(677,150,339)</u>
Surplus for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

**SAMARITAN FUND
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 31 MARCH 2021**

	<u>2021</u> HK\$	<u>2020</u> HK\$
Total fund at beginning of year	-	-
Total comprehensive income	-	-
Total fund at end of year	<u>-</u>	<u>-</u>

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

SAMARITAN FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Cash flows from operating activities			
Surplus for the year		-	-
Adjustments for:			
Interest income		(63,689,240)	(121,310,760)
(Increase)/decrease in accounts receivable		(19,693,041)	1,414,779
Increase in accounts payable and accruals		11,399,795	10,846,751
Increase in provisions		166,438,654	116,674,584
Transfer from deferred income - government grants		(698,130,439)	(495,305,833)
Net cash used in operating activities		<u>(603,674,271)</u>	<u>(487,680,479)</u>
Cash flows from investing activities			
Interest received		91,641,003	117,789,514
Net decrease in time deposits with original maturity over three months		373,445,212	504,201,433
Net cash from investing activities		<u>465,086,215</u>	<u>621,990,947</u>
Net (decrease)/increase in cash and cash equivalents		(138,588,056)	134,310,468
Cash and cash equivalents at beginning of year		<u>138,786,083</u>	<u>4,475,615</u>
Cash and cash equivalents at end of year	5	<u>198,027</u>	<u>138,786,083</u>

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

SAMARITAN FUND

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

The Samaritan Fund (the Fund) was established for the purpose of providing monetary grants for the benefit of needy patients. The administration of the Fund was transferred from the Hospital Services Department to the Hospital Authority (HA) on 1 December 1991 upon the take-over of the management and control of public hospitals by the HA under the Hospital Authority Ordinance (Cap. 113). The address of the Fund's principal place of business is Hospital Authority Building, 147B Argyle Street, Kowloon.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with item 5(1) of the Schedule to the Resolution of the Legislative Council (L.N. 70 of 1969) and all applicable 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

These financial statements have been prepared on going concern and accrual bases, and under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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 judgments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Impact of new and revised HKFRSs

The HKICPA has issued certain new or revised HKFRSs which are first 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) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the Income and Expenditure Account as follows:

(i) Donation income

Donation income is recognised as income upon receipt.

(ii) Government grants

Government grants are recognised in the Income and Expenditure Account over the period necessary to match them with the costs they are intended to compensate.

(iii) Interest income

Interest income on the government grants received and placed with the Exchange Fund through HA is recognised as deferred income - government grants in the Balance Sheet. Other interest income is recognised as it accrues using the effective interest method.

(iv) Reimbursements from Social Welfare Department

Expenditure incurred for patients who are recipients of the Comprehensive Social Security Assistance are reimbursed by the Social Welfare Department. The reimbursements are recognised as income and receivable when the entitlement is earned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial assets

Financial assets comprise cash and cash equivalents, time deposits, accounts receivable and balance with HA. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. Financial assets 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 and subsequently measured at amortised cost using the effective interest method, net of allowance for expected credit losses, if any. 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.

(f) Cash and cash equivalents

Cash and cash equivalents include cash at bank and deposits with banks with original maturity of three months or less from the date of placement.

(g) Financial liabilities

Financial liabilities comprise accounts payables and accruals. They are initially stated at fair value and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

(h) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Where the Fund expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain.

(i) Related parties

For the purposes of these financial statements, parties are considered to be related to the Fund if the party has the ability, directly or indirectly, to control the Fund or exercise significant influence over the Fund in making financial and operating decisions, or vice versa, or where the Fund and the party are subject to common control or common significant influence.

3. BALANCE WITH HOSPITAL AUTHORITY

In June 2012, the Finance Committee of the Legislative Council approved a grant of HK\$10 billion to support the continued operation of the Fund. In September 2012, the grant was received by the HA. Of the HK\$10 billion grant received, the Government directed that HK\$4 billion be vested immediately in the Fund, and HK\$6 billion be passed to the HA for placement with the Exchange Fund. Upon its maturity on 8 November 2018, HA has renewed HK\$6 billion placement with the Exchange Fund for the Samaritan Fund for another six years. All the interest earned up to 7 November 2018 of HK\$1,661,548,858 had been withdrawn and transferred to the Fund. Under the new placement terms, the HA may make one single withdrawal of not more than HK\$3 billion during the period from 1 April 2022 to 31 March 2023. Interest on the placement is at a rate determined annually in January and payable annually in arrears on 31 December. The rate is the average annual rate of return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year government bond in 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 January to December 2020 and 4.7% per annum for January to December 2021.

The balance with HA is analysed as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Balance of the placement with the Exchange Fund		
(i) Placement with the Exchange Fund	6,000,000,000	6,000,000,000
(ii) Interest earned but not withdrawn at the end of the reporting period	<u>446,009,660</u>	<u>216,017,030</u>
	6,446,009,660	6,216,017,030
Accrued interest	<u>74,703,071</u>	<u>57,183,960</u>
Balance at end of year	<u><u>6,520,712,731</u></u>	<u><u>6,273,200,990</u></u>
Classified as:		
Non-current asset	6,000,000,000	6,000,000,000
Current asset	<u>520,712,731</u>	<u>273,200,990</u>
	<u><u>6,520,712,731</u></u>	<u><u>6,273,200,990</u></u>

The interest earned but not withdrawn and the accrued interest stated above, amounted to HK\$520,712,731 (2020: HK\$273,200,990) was classified as current asset and recognised and recorded as deferred income - government grants in the Balance Sheet, as shown in note 8 below. It is the intention of the management of the Fund not to withdraw the interest generated from the Exchange Fund during the term of the placement (i.e. rollover the principal and interest) if the required cash outflows could be supported by the existing fund balance.

4. ACCOUNTS RECEIVABLE

	<u>2021</u> HK\$	<u>2020</u> HK\$
Reimbursements from Social Welfare Department:		
(a) amount billed	13,675,336	13,075,856
(b) amount not yet billed	74,568,473	58,279,108
	88,243,809	71,354,964
Interest receivable	14,360,789	42,312,552
Other receivables	3,475,328	671,132
	<u>106,079,926</u>	<u>114,338,648</u>
Balance at end of year	<u>106,079,926</u>	<u>114,338,648</u>

The Fund considers that the above receivables are neither past due nor impaired. The credit quality of these receivables is disclosed in note 11(b)(i). The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables mentioned above.

5. CASH AND CASH EQUIVALENTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Cash at bank	198,027	185,112
Time deposits with original maturity within three months	-	138,600,971
	<u>198,027</u>	<u>138,786,083</u>
Balance at end of year	<u>198,027</u>	<u>138,786,083</u>

As at 31 March 2021, the Fund did not hold short-term bank deposits. Last year, the effective interest rate on short-term bank deposits was between 2.70% and 2.78%. These deposits had an average maturity of 89 days.

6. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Percutaneous Transluminal Coronary Angioplasty (PTCA) and other consumables for interventional cardiology	8,947,820	7,011,635
Pacemakers	2,998,214	2,423,950
Wheelchairs	115,709	34,148
Equipment for home use	22,230	7,300
Orthopaedic appliances	3,475	10,850
Intraocular lenses	10,640	1,520
Automatic implantable cardioverter defibrillators	2,964,783	3,153,300
Drugs	22,140,922	13,154,706
Miscellaneous	885	7,474
	<u>37,204,678</u>	<u>25,804,883</u>
Balance at end of year	<u>37,204,678</u>	<u>25,804,883</u>

The balance included accounts payable to HA hospitals of HK\$31,574,582 as at 31 March 2021 (2020: HK\$20,255,298).

7. PROVISIONS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Balance at beginning of year	556,506,169	439,831,585
Provisions made	643,947,952	504,745,272
Provisions utilised	<u>(477,509,298)</u>	<u>(388,070,688)</u>
Balance at end of year	<u>722,944,823</u>	<u>556,506,169</u>

Provisions were made at end of year for expenditure to be incurred on approved financial assistance to patients for purchase of drugs, medical and surgical items.

8. DEFERRED INCOME - GOVERNMENT GRANTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Balance at beginning of year	10,431,089,492	10,737,223,304
Transfer to Income and Expenditure Account	(698,130,439)	(495,305,833)
Interest income from the placement with the Exchange Fund	<u>247,511,741</u>	<u>189,172,021</u>
Balance at end of year	<u>9,980,470,794</u>	<u>10,431,089,492</u>
Classified as:		
Non-current liability	6,000,000,000	6,000,000,000
Current liability	<u>3,980,470,794</u>	<u>4,431,089,492</u>
	<u>9,980,470,794</u>	<u>10,431,089,492</u>

HK\$698,130,439 (2020: HK\$495,305,833) of government grants have been transferred to the Income and Expenditure Account to cover expenditure incurred in the current financial year.

9. OTHER INCOME

	<u>2021</u> HK\$	<u>2020</u> HK\$
Subsidies recovered after post-approval checking	1,467,482	1,552,031
Others	<u>820,925</u>	<u>729,412</u>
	<u>2,288,407</u>	<u>2,281,443</u>

10. RELATED PARTY TRANSACTIONS

Significant related party transactions with the government and HA include balance with HA (note 3), reimbursements from Social Welfare Department (note 4), accounts payable to HA hospitals (note 6) and government grants (note 8).

11. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

Reliance of the Fund on income from government grants and donations, increasing expenditure due to continuous advancement in medical technology and rising demand from the aging population, and investment activities are primary areas of risks. These risks are limited by the Fund's financial management practices. The Fund mitigates its financial risks by closely monitoring the income and expenditure and investing funds in excess of its cash flow requirements at reasonable rates of return.

(b) Financial Instruments

The Fund's major financial assets are accounts receivable, balance with HA (i.e. placement with the Exchange Fund), time deposits and cash and cash equivalents. The major risks associated with these financial assets are set out below.

(i) Credit risk/counterparty 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 is exposed to credit risk arising from accounts receivable, balance with HA (i.e. placement with the Exchange Fund) and deposits with banks as follows:

- the accounts receivable of the Fund comprise mainly reimbursements due from the Social Welfare Department for recipients of Comprehensive Social Security Assistance. The Fund has considered the credit risk involved not significant;
- for the balance with HA (i.e. placement with the Exchange Fund), the credit risk is considered to be low; and
- the credit risk from bank deposits is limited because the Fund's bank deposits are placed with reputable licensed banks in Hong Kong.

While the financial assets measured at amortised cost are subject to the impairment requirements, the Fund has estimated that their expected credit losses on these financial assets are immaterial and considers that no loss allowance is required.

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

Surplus funds are currently placed in a number of banks to mitigate the exposure to counterparty risk.

11. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial Instruments (Continued)

(i) Credit risk/counterparty risk (Continued)

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

	<u>2021</u>	<u>2020</u>
	HK\$	HK\$
Cash and cash equivalents and time deposits, by credit rating		
Aa1 to Aa3	1,344,631,607	1,617,555,686
A1 to A3	<u>2,769,196,031</u>	<u>3,008,305,220</u>
	<u>4,113,827,638</u>	<u>4,625,860,906</u>

(ii) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rate. 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 the Fund's deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's accumulated fund.

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

(iii) Liquidity risk

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

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effect of fluctuations in cash flows.

As at 31 March 2021, 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 month or less (2020: one month or less).

11. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial Instruments (Continued)

(iv) Currency risk

The Fund's financial assets and liabilities are denominated in Hong Kong dollar, the Fund's functional and presentation currency, and hence will not be exposed to currency risk.

(v) Other financial risk

The Fund is exposed to financial risk arising from balance with HA due to changes in the interest rate on the placement with the Exchange Fund which is determined every January (note 3). It was estimated that, as at 31 March 2021, a 50 basis point increase/decrease in the interest rates for 2020 and 2021, with all other variables held constant, would increase/decrease the deferred income - government grants by HK\$32.2 million (2020: HK\$31.1 million).

12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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