

Trustee's Report

on the Administration of the Education Scholarships Fund

for the year ended 31 August 2021

The Permanent Secretary for Education, Trustee of the Education Scholarships Fund, has pleasure in presenting this report and the statement of the accounts of the Fund for the year ended 31 August 2021.

2. During the year, net current assets of the Fund increased by \$7,541 to \$6,468,441 as at 31 August 2021. Of this figure, \$6,400,000 (99%) was in fixed deposits.

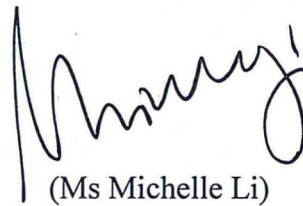
3. Income from deposits amounting to \$65,451, represented a decrease of 58% as compared with \$155,983 for last year. The decrease in income was attributed to the relatively low fixed deposit interest rates during the year. The table below summarizes the income from deposits covering the scholarships referred to in Parts I & II and Part III of the Register for these two years : -

| Source | Register | Income | |
|------------------------|--------------|------------------------------|------------------------------|
| | | Year ended 31 August 2021 | Year ended 31 August 2020 |
| Interest from deposits | Parts I & II | HK\$ 35,516 | HK\$ 84,532 |
| | Part III | <u>29,935</u> | <u>71,451</u> |
| | Total : | <u>65,451</u> | <u>155,983</u> |

4. As at 31 August 2021, the total number of scholarships under the Fund's administration stood at 181 (169 in Parts I & II of the Register and 12 in Part III of the Register).

5. During the year, 23 awards amounting to \$12,260 were given to students under Parts I & II and 57 awards amounting to \$45,850 were given under Part III of the Register.

6. The financial statements for the year ended 31 August 2021 have been audited by the Director of Audit.



(Ms Michelle Li)

Permanent Secretary for Education
Trustee of the Education Scholarships Fund

Date : 31 DEC 2021



Education Scholarships Fund

Financial statements for the year ended 31 August 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 Education Scholarships Fund set out on pages 4 to 15, which comprise the balance sheet as at 31 August 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 give a true and fair view of the financial position of the Education Scholarships Fund as at 31 August 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 section 9(4) of the Education Scholarships Fund Ordinance (Cap. 1085).

Basis for opinion

I conducted my audit in accordance with section 9(5) of the Education Scholarships 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 Education Scholarships 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 Permanent Secretary for Education for the financial statements

The Permanent Secretary for Education 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 9(4) of the Education Scholarships Fund Ordinance, and for such internal control as the Permanent Secretary for Education 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 Permanent Secretary for Education is responsible for assessing the Education Scholarships 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 Education Scholarships Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Permanent Secretary for Education;
- conclude on the appropriateness of the Permanent Secretary for Education'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 Education Scholarships 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 Education Scholarships 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.

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S. M. CHOI
Principal Auditor
for Director of Audit


31 December 2021

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

EDUCATION SCHOLARSHIPS FUND
BALANCE SHEET AS AT 31 AUGUST 2021

| | | 2021 | | 2020 | |
|--|------|------------------|------------------|------------------|------------------|
| | Note | Parts I & II | Part III | Total | Total |
| | | HK\$ | HK\$ | HK\$ | HK\$ |
| Current Assets | | | | | |
| Bank interest receivable | | 19,658 | 16,428 | 36,086 | 122,009 |
| Time deposits with original maturities over three months | | 3,486,451 | 2,913,549 | 6,400,000 | 6,290,000 |
| Cash and cash equivalents | 3 | 2,381 | 29,974 | 32,355 | 114,521 |
| | | <u>3,508,490</u> | <u>2,959,951</u> | <u>6,468,441</u> | <u>6,526,530</u> |
| Current Liabilities | | | | | |
| Accounts payable | | - | - | - | (65,630) |
| Net Current Assets | | <u>3,508,490</u> | <u>2,959,951</u> | <u>6,468,441</u> | <u>6,460,900</u> |
| Capital and Reserves | | | | | |
| General Capital | 5 | 3,317,673 | - | 3,317,673 | 3,317,673 |
| Separate Capital | 6 | - | 2,516,004 | 2,516,004 | 2,516,004 |
| General Reserve Fund | 7 | 190,817 | - | 190,817 | 167,361 |
| Separate Reserve Fund | 8 | - | 443,947 | 443,947 | 459,862 |
| | | <u>3,508,490</u> | <u>2,959,951</u> | <u>6,468,441</u> | <u>6,460,900</u> |

The accompanying notes 1 to 11 form part of these financial statements.


 (Ms Michelle Li)
 Permanent Secretary for Education
 Trustee,

Education Scholarships Fund


 (Ms Cora Wong)
 Treasurer,

Date : 31 DEC. 2021

**EDUCATION SCHOLARSHIPS FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2021**

| | 2021 | | | 2020 |
|---|----------------------|------------------------|---------------------|------------------------|
| | Parts I & II | Part III | Total | Total |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| Income | | | | |
| Interest | 35,516 | 29,935 | 65,451 | 155,983 |
| Refund of awards | 200 | - | 200 | - |
| | <u>35,716</u> | <u>29,935</u> | <u>65,651</u> | <u>155,983</u> |
| Expenditure | | | | |
| Payment of awards | <u>(12,260)</u> | <u>(45,850)</u> | <u>(58,110)</u> | <u>(210,610)</u> |
| Surplus / (Deficit) for the year | 23,456 | (15,915) | 7,541 | (54,627) |
| Other comprehensive income | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total comprehensive income / (loss) for the year | <u><u>23,456</u></u> | <u><u>(15,915)</u></u> | <u><u>7,541</u></u> | <u><u>(54,627)</u></u> |

The accompanying notes 1 to 11 form part of these financial statements.

EDUCATION SCHOLARSHIPS FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021

| | General Capital HK\$ | Separate Capital HK\$ | General Reserve Fund HK\$ | Separate Reserve Fund HK\$ | Total HK\$ |
|--|-------------------------------------|--------------------------------------|--|---|-------------------------|
| Balance at 1 September 2019 | 3,317,673 | 2,516,004 | 249,389 | 432,461 | 6,515,527 |
| Total comprehensive (loss) / income for 2019-20 | <u>-</u> | <u>-</u> | <u>(82,028)</u> | <u>27,401</u> | <u>(54,627)</u> |
| Balance at 31 August 2020 | 3,317,673 | 2,516,004 | 167,361 | 459,862 | 6,460,900 |
| Total comprehensive income / (loss) for 2020-21 | <u>-</u> | <u>-</u> | <u>23,456</u> | <u>(15,915)</u> | <u>7,541</u> |
| Balance at 31 August 2021 | <u><u>3,317,673</u></u> | <u><u>2,516,004</u></u> | <u><u>190,817</u></u> | <u><u>443,947</u></u> | <u><u>6,468,441</u></u> |

The accompanying notes 1 to 11 form part of these financial statements.

**EDUCATION SCHOLARSHIPS FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021**

| | | 2021 | | | 2020 |
|---|------|-----------------|-----------------|------------------|------------------|
| | Note | Parts I & II | Part III | Total | Total |
| | | HK\$ | HK\$ | HK\$ | HK\$ |
| Cash flows from operating activities | | | | | |
| Surplus / (Deficit) for the year | | 23,456 | (15,915) | 7,541 | (54,627) |
| Adjustments for : | | | | | |
| Interest | | (35,516) | (29,935) | (65,451) | (155,983) |
| (Decrease) / Increase in accounts payable | | (35,630) | (30,000) | (65,630) | 65,630 |
| Net cash used in operating activities | | <u>(47,690)</u> | <u>(75,850)</u> | <u>(123,540)</u> | <u>(144,980)</u> |
| Cash flows from investing activities | | | | | |
| Net (increase) / decrease in time deposits | | | | | |
| with original maturities over three months | | (89,744) | (20,256) | (110,000) | 60,000 |
| Interest received | | 81,745 | 69,629 | 151,374 | 175,588 |
| Net cash (used in) / from investing activities | | <u>(7,999)</u> | <u>49,373</u> | <u>41,374</u> | <u>235,588</u> |
| Net (decrease) / increase in cash and cash equivalents | | (55,689) | (26,477) | (82,166) | 90,608 |
| Cash and cash equivalents at beginning of year | | 58,070 | 56,451 | 114,521 | 23,913 |
| Cash and cash equivalents at end of year | 3 | <u>2,381</u> | <u>29,974</u> | <u>32,355</u> | <u>114,521</u> |

The accompanying notes 1 to 11 form part of these financial statements.

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

1. General

The Education Scholarships Fund (the Fund) was established for the payment of scholarships in accordance with section 4 of the Education Scholarships Fund Ordinance (Cap. 1085). The Fund consists of three parts:

- (a) Part I refers to 29 scholarships which were donated before the vesting day (1 April 1956) in respect of which the amounts donated and the conditions of award as laid down by the donors are unknown.
- (b) Part II refers to:
 - (i) 16 scholarships which were donated before the vesting day and one scholarship which was donated after the vesting day, of which the amounts donated and the conditions of award as laid down by the donors are known; and
 - (ii) 123 scholarships transferred from Part III since 1 September 1990.
- (c) Part III refers to the Fung Ping Shan Scholarship and eleven scholarships which were donated after the vesting day.

The address of the Fund's principal place of business is 12th Floor, Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

2. Significant Accounting Policies

(a) Statement of compliance

The financial statements have been prepared in accordance with section 9(4) of the Education Scholarships Fund Ordinance 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

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

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

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) Impact of new and revised HKFRSs

The HKICPA has issued certain new or revised HKFRSs which are first effective or available for early adoption 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 and measurement

Financial assets and financial liabilities are recognised on the date the Fund

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

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.

(ii) Classification and subsequent measurement

Financial assets measured at amortised cost

These comprise bank interest 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 using the effective interest method. The measurement of loss allowances for these financial assets is based on the expected credit loss model as described in note 2(d)(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 cash flows by considering all contractual terms of the financial instrument 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

This category comprises accounts payable. They are 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.

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

(iv) Impairment of financial assets

For bank interest receivable, time deposits and cash and cash equivalents, 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; 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.

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

(e) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

(f) Awards

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

(g) Cash and cash equivalents

Cash and cash equivalents include cash at banks and 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. Cash and Cash Equivalents

| | 2021 | | 2020 | | |
|----------------------|------------------|---------------|---------------|----------------|--|
| Parts I & II HK\$ | Part III HK\$ | Total HK\$ | Total HK\$ | | |
| Cash at banks | <u>2,381</u> | <u>29,974</u> | <u>32,355</u> | <u>114,521</u> | |

4. Financial Risk Management

The Fund's major financial instruments include time deposits, interest receivable, cash and cash equivalents and accounts payable. 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 bank deposits, all deposits are placed with reputable licensed banks in Hong Kong. Hence, the credit risk associated with

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

bank deposits is considered to be low.

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

| | Parts I & II | 2021 | Total | 2020 |
|---|-------------------------|------------------|------------------|------------------|
| | HK\$ | Part III | HK\$ | Total |
| | | HK\$ | HK\$ | HK\$ |
| Time deposits and cash at banks, by credit rating | | | | |
| Aa1 to Aa3 | 1,743,225 | 1,456,775 | 3,200,000 | 3,145,010 |
| A1 to A3 | 1,745,607 | 1,486,748 | 3,232,355 | 3,259,511 |
| | <u>3,488,832</u> | <u>2,943,523</u> | <u>6,432,355</u> | <u>6,404,521</u> |

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

(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 fair value of a financial instrument will fluctuate because of changes in market interest rates. Since all the Fund's time deposits with banks 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 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 material cash flow interest rate risk because interest income from financial instruments bearing interest at a floating rate is not significant.

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

(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 2021, the Fund did not have any financial liabilities. 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 two months or less.

5. General Capital

General Capital is the moneys and assets from which the income is available for payment of the scholarships under Parts I and II.

6. Separate Capital

Separate Capital is the moneys and assets from which the income is available for payment of the scholarships under Part III.

7. General Reserve Fund

General Reserve Fund is for scholarships under Parts I and II.

8. Separate Reserve Fund

Separate Reserve Fund is for scholarships under Part III.

9. Capital Management

The capital structure of the Fund consists of the General Capital, the Separate Capital, the General Reserve Fund and the Separate Reserve Fund. The Fund's objectives when

EDUCATION SCHOLARSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS

managing capital are:

- (a) to comply with the Education Scholarships Fund Ordinance; and
- (b) to maintain a strong capital base for carrying out the purposes of the Fund as stated in note 1 above.

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

10. Cost of Administration

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 21 of the Education Scholarships Fund Ordinance.

11. Fair Values of Financial Assets and Financial Liabilities

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