REPORT BY THE TRUSTEE

of the

CUSTOMS AND EXCISE SERVICE CHILDREN'S EDUCATION TRUST FUND

FOR THE YEAR

1 APRIL 2024 To 31 MARCH 2025

Report by the Trustee
of the Customs and Excise Service Children's Education Trust Fund
for the year from 1 April 2024 to 31 March 2025

INTRODUCTION

The Customs and Excise Service Children's Education Trust Fund Ordinance (the Ordinance) (Cap. 551) came into operation on 21 July 2000.

2. In accordance with section 4 of the Ordinance, the Commissioner of Customs and Excise shall be the Trustee of the Customs and Excise Service Children's Education Trust Fund (the Fund). As required by section 11 of the Ordinance, I take pleasure in presenting to the President and Honourable Members of the Legislative Council a copy of the signed and audited statement of accounts, the Director of Audit's report and my report on administration of the Fund for the year running from 1 April 2024 to 31 March 2025.

3. The Fund was started with a generous donation of $300,000 granted by the Board of Management of the Chinese Permanent Cemeteries in September 1997. Over the years, individual donors have contributed an additional sum of $36,953,333 towards operation of the Fund.

OBJECTS OF THE FUND

4. In accordance with section 5 of the Ordinance, the Trustee shall apply the Fund

in such manner and to such extent as the Customs and Excise Service Children's Education Trust Fund Committee (the Committee) may, in its absolute discretion, direct for the following objects :-

(a) to provide assistance in, and facilities for, the higher education of the children of customs officers;

(b) to provide assistance in, and facilities for, the education and training of handicapped children of customs officers; and

(c) such other objects ancillary or incidental to the objects referred to in paragraphs (a) and (b) as the Committee may consider appropriate.

THE COMMITTEE AND THE INVESTMENT ADVISORY BOARD

5. The Committee was formed in accordance with section 6 of the Ordinance for management of the Fund. The Financial Secretary appointed Mr. Stephen TAN as the Chairman, together with, Mr. Karson CHOI Ka-tsan, Ms. Maggie LIN Mei-zhen and Ms. MO Shuk-ki as members of the Committee for a period of two years with effect from 1 August 2024. A membership list is at **Appendix I**.

6. The Investment Advisory Board (the Board) was formed in accordance with section 10 of the Ordinance to guide the Trustee on placing of money drawn from the Fund in investments other than those authorized under the Trustee Ordinance (Cap. 29). The Financial Secretary appointed Mr. Benedict SIN Nga-yan as the Chairman, together with Mr. Alexander WONG, Dr. Eric CHENG Kam-chung, Mr. Jimmy LIU Tsee-ming and Ms. Teresa HO Si-ni as members of the Board for a period of two years with effect

from 1 August 2024. A membership list is at **Appendix II**.

7. Under section 9 of the Ordinance, the Trustee may, subject to prior approval of the Committee, place any money drawn from the Fund in investments authorized under the Trustee Ordinance (Cap. 29) or recommended by the Board.

MEETING

8. With major decisions having made by circulation, the Committee met on 24 October 2024 to review the administration of the Fund.

9. Members of the Committee and Investment Advisory Board exchanged views from time to time during the year to decide on investment matters. A summary of investments is at **Appendix III**.

GRANTS

10. From 1 April 2024 to 31 March 2025, a total sum of $1,661,793 was approved and distributed to 162 eligible applicants, including $828,000 to 143 eligible applicants in the form of higher education grants, $524,993 to 28 eligible applicants in the form of scholarship, $168,000 to 18 eligible applicants as special grant for their handicapped children, and $140,800 to three children of a deceased Senior Customs Officer as caring grants for supporting their education.

11. Balance of the Fund as at 31 March 2025 amounted to $28,390,634 with

$37,253,333 in the capital account[1] and an accumulated deficit[2] of $8,862,699.

AUDITOR

12. The Director of Audit was appointed as auditor of the Fund in accordance with section 11(4) of the Ordinance. The signed and audited statement of accounts as well as the Director's report are at **Appendix IV**.

VOTE OF THANKS

13. I would like to thank those serving on the Committee and the Board for steering the Fund through yet another year of successful operation. My gratitude also goes to the Director of Audit for carrying out a thorough examination on financial statements of the Fund.

(CHAN Tsz-tat)
Commissioner of Customs and Excise
Trustee,
Customs and Excise Service Children's
Education Trust Fund

18 September 2025

[1] The capital account represents the accumulated donations received by the Fund.

[2] The accumulated deficit represents the cumulative amount of grants and scholarships disbursed by the Fund.

Appendix I

Customs and Excise Service Children's Education Trust Fund Committee

(as at 31 March 2025)

Chairman	:	Mr. Stephen TAN (appointed by the Financial Secretary)
Members	:	Commissioner of Customs and Excise Mr. CHAN Tsz-tat, C.D.S.M.
		Officer in charge of Service Welfare Division in the Customs and Excise Department Ms. Fannie CHAN Pui-fan
		Representative of the Customs Officers Ms. MO Shuk-ki (appointed by the Financial Secretary)
		Mr. Karson CHOI Ka-tsan, B.B.S., J.P. (appointed by the Financial Secretary)
		Ms. Maggie LIN Mei-zhen (appointed by the Financial Secretary)
Honorary Treasurer	:	Ms. Alice CHAU Pui-tin, Senior Treasury Accountant (Customs and Excise Department)
Honorary Secretary	:	Mr. Harry LI Wing-kwun, Executive Officer (Staff Relations) (Customs and Excise Department)

Appendix II

Customs and Excise Service Children's Education Trust Fund

Investment Advisory Board

(as at 31 March 2025)

Chairman	:	Mr. Benedict SIN Nga-yan (appointed by the Financial Secretary)
Members	:	Mr. Alexander WONG (appointed by the Financial Secretary)
		Dr. Eric CHENG Kam-chung, S.B.S., M.H., J.P. (appointed by the Financial Secretary)
		Mr. Jimmy LIU Tsee-ming (appointed by the Financial Secretary)
		Ms. Teresa HO Si-ni (appointed by the Financial Secretary)

Appendix III

Customs and Excise Service Children's Education Trust Fund
Summary of Investments as at 31 March 2025

Equities

Equity name	No. of shares	Market Price / Unit (HKD)	Total Market Value (HKD)
CLP Holdings Limited (0002.HK)	8,500	63.40	538,900
The Hong Kong and China Gas Company Limited (0003.HK)	71,000	6.69	474,990
China Mobile Limited (0941.HK)	7,000	83.75	586,250
HK Electric Investments and HK Electric Investments Limited (2638.HK)	100,000	5.36	536,000
HSBC Holdings PLC (0005.HK)	10,000	88.10	881,000
China Telecom Corporation Limited (0728.HK)	152,000	5.84	887,680
CNOOC Limited (0883.HK)	35,000	18.52	648,200
Sub-total:			4,553,020

Appendix IV

Customs and Excise Service
Children's Education Trust Fund

Financial statements for the year ended 31 March 2025

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 Customs and Excise Service Children's Education Trust Fund set out on pages 4 to 18, which comprise the balance sheet as at 31 March 2025, 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 material accounting policy information.

In my opinion, the financial statements give a true and fair view of the financial position of the Customs and Excise Service Children's Education Trust Fund as at 31 March 2025, and of its financial performance and cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with section 11(1) to 11(3) of the Customs and Excise Service Children's Education Trust Fund Ordinance (Cap. 551).

Basis for opinion

I conducted my audit in accordance with section 11(4) of the Customs and Excise Service Children's Education 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 Customs and Excise Service Children's Education 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 Commissioner of Customs and Excise for the financial statements

The Commissioner of Customs and Excise is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and section 11(1) to 11(3) of the Customs and Excise Service Children's Education Trust Fund Ordinance, and for such internal control as the Commissioner of Customs and Excise 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 Commissioner of Customs and Excise is responsible for assessing the Customs and Excise Service Children's Education 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 Customs and Excise Service Children's Education Trust Fund's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner of Customs and Excise;

— conclude on the appropriateness of the Commissioner of Customs and Excise'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 Customs and Excise Service Children's Education 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 Customs and Excise Service Children's Education 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.

I communicate with the Commissioner of Customs and Excise regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Ms Elaine Chang
Principal Auditor (Acting)
for Director of Audit

27 June 2025

Audit Commission
6th Floor, High Block
Queensway Government Offices
66 Queensway
Hong Kong

Customs and Excise Service Children's Education Trust Fund
Balance Sheet as at 31 March 2025

	Note	2025 HK$	2024 HK$
Non-current assets			
Financial assets measured at fair value through income and expenditure account	3	**4,553,020**	1,907,880
Current assets			
Accounts receivable		**146,093**	352,549
Time deposits with original maturities over three months		**4,419,565**	8,780,850
Cash and cash equivalents	4	**20,933,749**	15,795,293
		25,499,407	24,928,692
Current liabilities			
Accounts payable		**(1,661,793)**	(1,563,800)
Net current assets		**23,837,614**	23,364,892
Net assets		**28,390,634**	25,272,772
Accumulated fund			
Capital		**37,253,333**	34,053,333
Accumulated deficit		**(8,862,699)**	(8,780,561)
		28,390,634	25,272,772

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

(WOO Wai-kwan)
Acting Commissioner of Customs and Excise
The Trustee of the
Customs and Excise Service Children's
Education Trust Fund
27 June 2025

(TAN Stephen)
Chairman
Customs and Excise Service Children's
Education Trust Fund Committee
27 June 2025

Customs and Excise Service Children's Education Trust Fund
Income and Expenditure Account
For the year ended 31 March 2025

	2025 HK$	2024 HK$
Income		
Bank interest income	**876,087**	743,873
Other income	**8,000**	-
Dividend income	**150,074**	95,880
Net realised and revaluation gains/(losses) on financial assets measured at fair value through income and expenditure account	**639,920**	(67,230)
Net exchange losses	**(94,426)**	(266,674)
	1,579,655	505,849
Expenditure		
Special education grants/ Higher education grants/ Scholarships	**(1,661,793)**	(1,563,800)
Deficit for the year	**(82,138)**	(1,057,951)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(82,138)**	(1,057,951)

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

Customs and Excise Service Children's Education Trust Fund
Statement of Changes in Equity
For the year ended 31 March 2025

	Capital HK$	Accumulated deficit HK$	Total HK$
Balance at 1 April 2023	25,600,000	(7,722,610)	17,877,390
Donations received during 2023-24	8,453,333	-	8,453,333
Total comprehensive loss for 2023-24	-	(1,057,951)	(1,057,951)
Balance at 31 March 2024 and 1 April 2024	34,053,333	(8,780,561)	25,272,772
Donations received during 2024-25	3,200,000	-	3,200,000
Total comprehensive loss for 2024-25	-	(82,138)	(82,138)
Balance at 31 March 2025	**37,253,333**	**(8,862,699)**	**28,390,634**

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

Customs and Excise Service Children's Education Trust Fund
Statement of Cash Flows
For the year ended 31 March 2025

	Note	2025 HK$	2024 HK$
Cash flows from operating activities			
Deficit for the year		**(82,138)**	(1,057,951)
Adjustments for:			
Bank interest income		**(876,087)**	(743,873)
Dividend income		**(150,074)**	(95,880)
Net realised and revaluation (gains)/losses on financial assets measured at fair value through income and expenditure account		**(639,920)**	67,230
Net exchange (gains)/losses		**(77,931)**	40,928
Decrease/(Increase) in accounts receivable		**12,818**	(13,168)
Increase in accounts payable		**97,993**	91,300
Net cash used in operating activities		**(1,715,339)**	(1,711,414)
Cash flows from investing activities			
Acquisition of financial assets measured at fair value through income and expenditure account		**(2,005,220)**	(1,975,110)
Decrease/(Increase) in time deposits with original maturities over three months		**4,407,524**	(8,838,570)
Bank interest received		**1,097,495**	411,631
Dividends received		**122,304**	95,880
Net cash from/(used in) investing activities		**3,622,103**	(10,306,169)
Cash flows from financing activities			
Donations received		**3,200,000**	8,453,333
Net cash from financing activities		**3,200,000**	8,453,333
Net increase/(decrease) in cash and cash equivalents		**5,106,764**	(3,564,250)
Cash and cash equivalents at beginning of year		**15,795,293**	19,342,751
Effect of exchange rate changes on cash and cash equivalents		**31,692**	16,792
Cash and cash equivalents at end of year	4	**20,933,749**	15,795,293

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

Customs and Excise Service Children's Education Trust Fund
Notes to the Financial Statements

1. General

The Customs and Excise Service Children's Education Trust Fund (the Fund) was established mainly to provide assistance in, and facilities for, the higher education of the children of customs officers and for the education and training of handicapped children of customs officers in accordance with section 5 of the Customs and Excise Service Children's Education Trust Fund Ordinance (Cap. 551). The address of the Fund's principal place of business is 29^{th} and 31^{st} floors of the Customs Headquarters Building, 222 Java Road, North Point, Hong Kong.

2. Material accounting policies

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with section 11(1) to 11(3) of the Customs and Excise Service Children's Education Trust Fund Ordinance and all applicable HKFRS Accounting Standards, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). Material accounting policies adopted by the Fund are 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 except that financial assets measured at fair value through income and expenditure account are stated at fair value as explained in the accounting policies set out in note 2(d) below.

The preparation of financial statements in conformity with HKFRS Accounting Standards 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 historical 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 HKFRS Accounting Standards

The HKICPA has issued certain new or revised HKFRS Accounting Standards which are first effective or available for early adoption for the current accounting period of the Fund. 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. These include the following which may be relevant to the Fund.

	Effective for accounting periods beginning on or after
HKFRS 18 "Presentation and Disclosure in Financial Statements"	1 January 2027

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 financial statements.

(d) Financial assets and financial liabilities

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial assets or the issue of the financial liabilities, except for those financial instruments measured at fair value through income and expenditure account for which transaction costs are recognised directly in the income and expenditure account. An explanation of how the Fund determines the fair value of financial instruments is set out in note 7. Purchases and sales of financial instruments are recognised on trade date, the date on which the Fund commits to purchase or sell the instruments.

(ii) Classification and subsequent measurement

Financial assets measured at fair value through income and expenditure account

These comprise equity securities. They are subsequently measured at fair value. Changes in fair value are recognised in the income and expenditure account in the period in which they arise.

The Fund's financial assets measured at fair value through income and expenditure account are classified as non-current assets unless the Customs and Excise Service Children's Education Trust Fund Committee (the Committee) intends to dispose of the investments within the 12 months after the reporting date.

Financial assets measured at amortised cost

These comprise accounts receivable, time deposits and cash and cash equivalents. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. They are subsequently measured at amortised cost 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

These comprise 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.

A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or 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. Financial assets measured at fair value through income and expenditure account are not subject to the expected credit loss assessment.

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

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

- lifetime expected credit losses (for financial instruments for which there has been a significant increase in credit risk since initial recognition): these are losses that are expected to result from all possible default events over the expected life of the financial 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.

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and time deposits with original maturities within three months.

(f) Foreign currency translation

Hong Kong dollar is the currency of the primary economic environment in which the Fund operates. Foreign currency transactions during the year are translated into Hong Kong dollars using the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the closing exchange rates at the reporting date. Exchange gains and losses are dealt with in the income and expenditure account.

(g) Donations

Donation is credited to the accumulated fund – capital account once the amount is received and approval for acceptance is obtained.

(h) Revenue recognition

Bank interest is recognised as it accrues using the effective interest method. Dividend income from listed equity securities is recognised when the share price is quoted ex-dividend.

(i) Grants and scholarships

Grants and scholarships are recognised as expenditure when they are approved by the Committee.

3. Financial assets measured at fair value through income and expenditure account

	2025 HK$	2024 HK$
Equity securities - at fair value		
Listed in Hong Kong	**4,553,020**	1,907,880

4. Cash and cash equivalents

	2025 HK$	2024 HK$
Time deposits with original maturities within three months	**20,590,227**	10,899,250
Cash at banks	**343,522**	4,896,043
	20,933,749	15,795,293

5. Donation for the children of a deceased Senior Customs Officer

A separate account is kept for recording a donation of HK$150,000 received by the Fund in January 2021 and the payments made for supporting the education of the children of a deceased Senior Customs Officer. The movements of the account during the year are as follows:

	2025	2024
	HK$	HK$
Balance at beginning of year	**108,100**	118,900
Payments made during the year	**(10,800)**	(10,800)
Balance at end of year	**97,300**	108,100

6. Financial risk management

The Fund's financial instruments include financial assets measured at fair value through income and expenditure account, accounts receivable, time deposits, 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 maximum exposure to credit risk of the financial assets of the Fund at the reporting date is equal to their carrying amounts.

To minimise the credit risk arising from time deposits and cash and cash equivalents, all time deposits and bank balances are placed with reputable licensed banks in Hong Kong. Hence, the Fund's exposure to credit risk is considered to be limited.

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

	2025	2024
	HK$	HK$
Time deposits and cash and cash equivalents, by credit rating		
Aa1 to Aa3	**12,783,377**	12,098,844
A1 to A3	**12,569,937**	12,477,299
	25,353,314	24,576,143

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

(b) Equity price risk

Equity price risk is the risk of loss arising from changes in equity prices. The Fund's investment in equity securities are subject to the equity price risk inherent in all equity securities i.e. the value of holdings may fall as well as rise.

The Fund maintains a diversified portfolio of investments. The Committee and the Customs and Excise Service Children's Education Trust Fund Investment Advisory Board monitor the performance of the portfolio and regularly review the investment strategy of the Fund to manage the equity price risk. As at 31 March 2025, it is estimated that a 10% (2024: 10%) increase/decrease in market prices of the equity securities, with all other variables held constant, would have decreased/increased the deficit for the year by HK$455,000 (2024: HK$191,000).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 the Fund's time deposits 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 surplus/deficit for the year.

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.

(d) 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 exposures to liquidity risk.

As at 31 March 2025, 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 (2024: one month or less).

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in currency exchange rates. The Fund's financial instruments denominated in currencies other than Hong Kong dollar are exposed to currency risk.

(i) Exposure to currency risk

The Fund maintained financial assets denominated in Renminbi and the United States dollar totalling CNY4,152,451 (2024: CNY4,059,585) and USD1,117,944 (2024: USD1,068,586) respectively at the reporting date. As Hong Kong dollar is pegged to the United States dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. Since no foreign currency rate hedging is made by the Fund, the carrying amounts of the financial assets in Renminbi represent the maximum exposure of the Fund to currency exchange risk in respect of Renminbi.

(ii) Sensitivity analysis

As at 31 March 2025, it is estimated that a 5% (2024: 5%) increase/decrease in exchange rate of Renminbi against the Hong Kong dollar, with all other variables held constant, would have decreased/increased the deficit for the year by HK$222,000 (2024: HK$220,000).

The sensitivity analysis above is based on the assumption that the change in exchange rate had occurred at the reporting date and had been applied to the financial assets denominated in Renminbi in existence at that date.

7. Fair value measurement

(a) Fair value hierarchy of financial instruments

The following table presents the carrying value of financial instruments measured at fair value at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 ''Fair Value Measurement''.

	2025		2024	
	Level 1	**Total**	Level 1	Total
	HK$	**HK$**	HK$	HK$
Financial assets measured at fair value through income and expenditure account				
Equity securities				
- Listed in Hong Kong	**4,553,020**	**4,553,020**	1,907,880	1,907,880

No financial instruments were classified under Level 2 or 3. There were no transfers between levels during the reporting years.

The three levels of the fair value hierarchy are:

Level 1: fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values are determined with inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair values are determined with inputs that are not based on observable market data (unobservable inputs).

(b) Valuation techniques and key inputs

The fair value of financial instruments classified under Level 1 is based on the quoted market prices of these financial instruments at the reporting date, without any deduction for estimated future selling costs.

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

8. Capital management

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

- to comply with the Customs and Excise Service Children's Education Trust Fund Ordinance; and
- to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

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

9. Cost of administration of the Fund

The cost of administration of the Fund was borne by the Government of the Hong Kong Special Administrative Region in accordance with section 12 of the Customs and Excise Service Children's Education Trust Fund Ordinance.