

CHINESE TEMPLES COMMITTEE

Report on the administration of the Chinese Temples Fund for the year ended 31 March 2008

The Chinese Temples Fund (the Fund) was established by the Chinese Temples Committee (the Committee) under Section 8(1) of the Chinese Temples Ordinance (Cap. 153) for the due observance of the customary ceremonies at temples and the maintenance of temple buildings and temple properties. Under Section 8(2) of the Ordinance, the Committee may, at its own discretion, transfer any surplus of the Fund to the General Chinese Charities Fund for the purpose of any Chinese charity in Hong Kong.

2. The Fund is administered by the Committee. A membership list for the year under review is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretarial and accounting work of the Fund. The Director of Audit is the auditor of the Fund's account.

3. Surplus revenue from controlled and administered temples during the period under report amounted to HK\$28.62 million, representing an increase of HK\$1.63 million as compared with that of HK\$26.99 million in 2006-07.

4. During the period under report, the total expenditure incurred on repairs and maintenance of the temples controlled and administered by the Committee amounted to HK\$3.63 million. The renovation of Che Kung Temple in Shatin was commenced in December 2007 and completed in August 2008. On Tin Hau Temple in Joss House Bay, the renovation work would commence in 2009-10.

5. The audited Financial Statements of the Fund for the year ended 31 March 2008 is at Appendix II.

(Tsang Tak-sing)
Secretary for Home Affairs
Chairman
Chinese Temples Committee
10 December 2008

**Membership of the Chinese Temples Committee
(1.4.2007-31.3.2008)**

1. Secretary for Home Affairs (Chairman)
Dr Patrick C P HO, JP (up to 30.6.2007)
Mr TSANG Tak-sing, JP (as from 1.7.2007)
2. The Chairman of the Board of Directors (up to 31.3.2008)
of Tung Wah Group of Hospitals
(Mr ONG Ka-lueng, Peter)
3. Ms TING Yuk-chee, Christina, SBS, BBS, JP
4. Mr CHEUNG Wai-kou, Lawrence, JP
5. Dr CHAN Yuk-kit
6. Dr TANG Lap-kwong
7. Dr LO Wai-cheung, Anthony
8. Mr TONG Wai-ki, MH

CHINESE TEMPLES FUND

BALANCE SHEET AS AT 31 MARCH 2008

	Note	2008 HK\$	2007 HK\$
NON-CURRENT ASSETS			
Available-for-sale financial assets	4	510,584,636	400,151,270
		-----	-----
CURRENT ASSETS			
Utilities deposits		203,600	203,600
Stock of worshipping items		13,931	48,912
Accounts receivable	5	3,442,916	3,915,336
Time deposits	6	109,909,699	115,311,475
Cash with the Director of Accounting Services		8,136,944	2,900,049
Cash at banks		2,230,710	5,932,598
Prepayments		-	4,749
		123,937,800	128,316,719
CURRENT LIABILITIES			
Contractors' retention money		474,113	509,070
Deposits from temple-keepers		3,257,219	3,742,854
Advance receipts		6,755,675	4,076,954
Accounts payable	7	907,311	1,088,005
		11,394,318	9,416,883
NET CURRENT ASSETS		112,543,482	118,899,836
		-----	-----
TOTAL NET ASSETS		623,128,118	519,051,106
		=====	=====
ACCUMULATED FUND		192,893,480	146,215,759
RESERVE FOR THE MAINTENANCE OF TO CHI FAT SHE AT VICTORIA ROAD		1,243,651	1,102,553
RESERVE FOR THE MAINTENANCE OF TEMPLES		250,000,000	250,000,000
INVESTMENT REVALUATION RESERVE		178,990,987	121,732,794
		623,128,118	519,051,106
		=====	=====

The accompanying notes 1 to 15 form part of these financial statements.

(Tsang Tak-sing)
Secretary for Home Affairs
Chairman
Chinese Temples Committee
10 December 2008

CHINESE TEMPLES FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 HK\$	2007 HK\$
INCOME			
Surplus revenue from controlled and administered temples	8	26,022,190	23,460,751
Surplus revenue from 'One Tile One Wish' donation program	9	1,897,732	2,702,764
Surplus revenue from delegated temples	10	5,477,935	4,343,494
Donations		68,000	25,700
Dividends		9,384,888	10,123,002
Interest	11	7,269,956	3,897,594
Gains on disposal of available-for-sale financial assets		8,541,265	142,241,758
Sale of worshipping items		703,364	824,255
Other income	12	78,343	57,189
		<hr/>	<hr/>
		59,443,673	187,676,507
		<hr/>	<hr/>
EXPENDITURE			
Repairs and maintenance to controlled and administered temples		3,634,414	7,690,266
Grants for religious ceremonies and repairs to temples		2,835,870	884,000
Transfer to General Chinese Charities Fund		5,477,935	4,343,494
Legal expenses		188,425	96,850
Cost of worshipping items		167,146	164,754
Exchange losses		11,161	-
Miscellaneous		309,903	245,211
		<hr/>	<hr/>
		12,624,854	13,424,575
		<hr/>	<hr/>
SURPLUS FOR THE YEAR		46,818,819	174,251,932
		=====	=====

The accompanying notes 1 to 15 form part of these financial statements.

CHINESE TEMPLES FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008**

	Accumulated Fund HK\$	Reserve for the maintenance of To Chi Fat She at Victoria Road HK\$	Reserve for the maintenance of Temples HK\$	Investment Revaluation Reserve HK\$	Total HK\$
Balance at 1 April 2006	222,838,896	227,484	-	188,565,175	411,631,555
Net fair value gains on available-for-sale financial assets	-	-	-	71,700,954	71,700,954
Net fair value gains transferred to income and expenditure account on disposal	-	-	-	(138,533,335)	(138,533,335)
Transfer to Reserve for the maintenance of To Chi Fat She at Victoria Road	(875,069)	875,069	-	-	-
Transfer to Reserve for the maintenance of Temples	(250,000,000)	-	250,000,000	-	-
Surplus for the year 2006-07	174,251,932	-	-	-	174,251,932
Balance at 1 April 2007	146,215,759	1,102,553	250,000,000	121,732,794	519,051,106
Net fair value gains on available-for-sale financial assets	-	-	-	65,239,556	65,239,556
Net fair value gains transferred to income and expenditure account on disposal	-	-	-	(7,981,363)	(7,981,363)
Transfer to Reserve for the maintenance of To Chi Fat She at Victoria Road	(141,098)	141,098	-	-	-
Surplus for the year 2007-08	46,818,819	-	-	-	46,818,819
Balance at 31 March 2008	192,893,480	1,243,651	250,000,000	178,990,987	623,128,118

The accompanying notes 1 to 15 form part of these financial statements.

**CHINESE TEMPLES FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	2008 HK\$	2007 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	46,818,819	174,251,932
Dividend income	(9,384,888)	(10,123,002)
Interest income	(7,269,956)	(3,897,594)
Surplus revenue from delegated temples	(5,477,935)	(4,343,494)
Gains on disposal of available-for-sale financial assets	(8,541,265)	(142,241,758)
Transfer to General Chinese Charities Fund	5,477,935	4,343,494
Increase in utilities deposits	-	(11,680)
Decrease/(Increase) in stock of worshipping items	34,981	(16,083)
Decrease/(Increase) in accounts receivable	562,743	(748,961)
Decrease/(Increase) in prepayments	4,749	(4,749)
Decrease in contractors' retention money	(34,957)	(426,370)
(Decrease)/Increase in deposits from temple-keepers	(485,635)	3,046
Increase/(Decrease) in advance receipts	2,678,721	(1,155,758)
Decrease in accounts payable	(180,694)	(1,606,215)
NET CASH FROM OPERATING ACTIVITIES	24,202,618	14,022,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(79,080,949)	(285,617,367)
Sale proceeds from disposal of available-for-sale financial assets	34,447,042	299,176,400
Net increase in time deposits with original maturity over 3 months	(26,992,523)	-
Bank interest received	4,451,377	3,001,668
Bonds interest received	2,228,441	878,649
Dividends received	9,884,702	11,206,542
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(55,061,910)	28,645,892
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(30,859,292)	42,668,700
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	124,144,122	81,475,422
CASH AND CASH EQUIVALENTS AT END OF YEAR	93,284,830	124,144,122
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Time deposits with original maturity within 3 months	82,917,176	115,311,475
Cash with the Director of Accounting Services	8,136,944	2,900,049
Cash at banks	2,230,710	5,932,598
	93,284,830	124,144,122

The accompanying notes 1 to 15 form part of these financial statements.

CHINESE TEMPLES FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The financial statements of the accounts of the Chinese Temples Fund (the Fund) are prepared in accordance with regulation 10(1) of the Chinese Temples Fund Regulations (Cap. 153 sub. leg. A). The Fund has been established for the due observance of the customary ceremonies at temples and the maintenance of temple buildings and temple properties in accordance with section 8(1) of the Chinese Temples Ordinance (Cap. 153). Any surplus of income may be transferred to the General Chinese Charities Fund for the purposes of any Chinese charity in Hong Kong in the discretion of the Chinese Temples Committee (the Committee) in accordance with section 8(2) of the Chinese Temples Ordinance.

The address of the Fund's principal place of business is 34th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

(b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except that available-for-sale financial assets are stated at fair value as explained in the accounting policy set out in note 2(d) below.

(c) Adoption of new/revised HKFRSs

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period.

The Fund has not early applied any HKFRS that is not yet effective for the current accounting period. The Fund has considered that these HKFRSs may not have a significant impact on its results of operations and financial position.

(d) Available-for-sale financial assets

The Fund's available-for-sale financial assets are classified as non-current assets unless the Committee intends to dispose of the investments within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date on which the Fund is committed to the transactions. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At each balance sheet date, the fair value is re-measured and any unrealised holding gain or loss arising from the change in fair value is included in the investment revaluation reserve.

When available-for-sale financial assets are sold, the gains or losses from the investments are dealt with in the income and expenditure account.

The fair values of quoted investments are based on current bid-prices.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure account – is removed from the investment revaluation reserve and recognised in the income and expenditure account. Such impairment losses are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses for debt securities are recognised in the income and expenditure account. Reversals of impairment losses for equity securities are recognised directly in the investment revaluation reserve.

(e) 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 at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income and expenditure account.

(f) Revenue recognition

Interest income is recognised on an accrual basis. Dividend income is recognised when the Fund's right to receive payment is established.

(g) Valuation of stock

The cost of stock sold is calculated on a first-in-first-out basis. The value of stock at year end is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's major financial instruments include available-for-sale financial assets, bank deposits and cash with the Director of Accounting Services. The major risks associated with these financial instruments are set out below.

(a) Credit risk

The Fund's maximum exposure to credit risk as at the balance sheet date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet. The Fund limits its exposure to credit risk by transacting with well-established investment counterparties and banks with high credit ratings. For the cash balance with the Director of Accounting Services, credit risk is considered to be minimal.

(b) Market risk

The Fund is exposed to market risk due to changes in market variables such as equity prices and interest rates.

(i) Equity price risk

The Fund maintains a diversified portfolio of investments. The Committee monitors the performance of the portfolio and regularly reviews the investment strategy of the fund to manage the equity price risk. It is estimated that if the market prices of the respective equity securities had been 19% (2007: 52%) higher/lower, the investment revaluation reserve of the Fund for the year would have increased/decreased by about HK\$79,238,000 (2007: about HK\$182,474,000). The sensitivity analysis was based on the carrying amount of equity securities held by the Fund as at the balance sheet date and on the assumption that all other variables were held constant.

(ii) Interest rate risk

As at 31 March 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Fund's surplus by approximately HK\$1,028,000 (2007: HK\$852,000). The sensitivity analysis was determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to interest-bearing financial instruments in existence at that date. The 50 basis point increase/decrease represents the Fund's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

(c) Liquidity risk

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

	2008 HK\$	2007 HK\$
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Equity Securities		
Listed in Hong Kong	417,042,336	350,911,170
Debt Securities		
Listed in Hong Kong	18,342,000	24,544,100
Listed outside Hong Kong	75,200,300	24,696,000
	93,542,300	49,240,100
	<hr/>	<hr/>
Fair value at 31 March 2008	510,584,636	400,151,270
	<hr/> <hr/>	<hr/> <hr/>
5. ACCOUNTS RECEIVABLE		
Interest	1,108,697	518,560
Dividends	1,984,372	2,484,186
Revenue from controlled and administered temples	309,347	899,721
Revenue from “One Tile One Wish” donation program	-	12,500
Sale of worshipping items	-	369
Miscellaneous	40,500	-
	<hr/>	<hr/>
	3,442,916	3,915,336
	<hr/> <hr/>	<hr/> <hr/>
6. TIME DEPOSITS		
Time deposits with original maturity over 3 months	26,992,523	-
Time deposits with original maturity within 3 months	82,917,176	115,311,475
	<hr/>	<hr/>
	109,909,699	115,311,475
	<hr/> <hr/>	<hr/> <hr/>
7. ACCOUNTS PAYABLE		
Repairs and maintenance to temples	542,552	851,669
Deposits from temple-keepers	87,700	11,450
Expenditure on controlled and administered temples	230,651	151,469
Expenditure on “One Tile One Wish” donation program	-	30,216
Miscellaneous	46,408	43,201
	<hr/>	<hr/>
	907,311	1,088,005
	<hr/> <hr/>	<hr/> <hr/>

	2008 HK\$	2007 HK\$
8. SURPLUS REVENUE FROM CONTROLLED AND ADMINISTERED TEMPLES		
Receipts during the year	28,289,385	25,589,076
Less: Expenditure	(2,267,195)	(2,128,325)
	<u>26,022,190</u>	<u>23,460,751</u>
	=====	=====
9. SURPLUS REVENUE FROM ONE TILE ONE WISH DONATION PROGRAM		
Receipts during the period	2,211,159	2,815,104
Less: Expenditure	(313,427)	(112,340)
	<u>1,897,732</u>	<u>2,702,764</u>
	=====	=====
10. SURPLUS REVENUE FROM DELEGATED TEMPLES		
Receipts during the year	11,020,898	10,170,152
Less: Expenditure	(5,542,963)	(5,826,658)
	<u>5,477,935</u>	<u>4,343,494</u>
	=====	=====
11. INTEREST		
Interest on bank deposits	4,703,114	2,865,985
Interest on bonds	2,566,842	1,031,609
	<u>7,269,956</u>	<u>3,897,594</u>
	=====	=====
12. OTHER INCOME		
Administrative fees for film shootings at temples	24,000	5,000
Miscellaneous	54,343	52,189
	<u>78,343</u>	<u>57,189</u>
	=====	=====

13. CAPITAL MANAGEMENT

The capital structure of the Fund consists of accumulated fund, reserve for the maintenance of To Chi Fat She at Victoria Road, reserve for the maintenance of temples and investment revaluation reserve. The Fund's objectives when managing capital are to comply with the Chinese Temples Ordinance and 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 grants and expenditure, taking into account projected cash flow requirements, future financial obligations and commitments.

14. COMMITMENTS

As at 31 March 2008, the financial commitments for approved or contracted out repairs to temples were HK\$12,598,053 (2007: HK\$3,444,245).

The financial commitment for a grant to the HKSAR 10th Anniversary cum Memorial Ceremony for Sacrificing Confucius Committee for organising celebrating activities was HK\$1,500,000 (2007: Nil).

The financial commitment for a grant to the Shatin Tai Wai Village Da Jiao Committee for organising the Shatin Tai Wai Village Da Jiao Festival was HK\$68,000 (2007: Nil).

The financial commitment for a grant to the Hong Kong Taoist Association for organising the Luotian Dajiao was HK\$850,000 (2007: Nil).

The financial commitments for rewards to temple-keepers upon the satisfactory completion of their temple management contracts were HK\$2,034,000 (2007: Nil).

15. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the current year's presentation.