

GENERAL CHINESE CHARITIES FUND

Report of the Chinese Temples Committee on the administration of the Fund for the year ended 31 March 2022

The General Chinese Charities Fund (“the Fund”) was established by the Chinese Temples Committee (“the Committee”) under Section 8 of the Chinese Temples Ordinance (Cap. 153) (“the Ordinance”). In accordance with section 9(1) of the Ordinance, the Committee may, at its own discretion, apply the Fund for payment of the necessary staff and the other expenses incurred by the Committee in the exercise of its powers under the Ordinance; and for the purposes of any Chinese charity in Hong Kong.

2. The Fund is administered by the Committee. The membership of the Committee for the year under report is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretariat and accounting work of the Fund. The Director of Audit is the auditor of the Fund’s accounts.

3. During the reporting period, the total income of the Fund (before losses on investment) was HK\$45.04 million (mainly including investment income, and transfer from the Chinese Temples Fund and Board of Management of the Chinese Permanent Cemeteries, etc.). The losses on investment were HK\$9.65 million. The total expenditure of the Fund was HK\$28.19 million (mainly including staff costs and operating expenses, etc.). The Fund recorded a surplus of HK\$7.21 million for 2021-22.

4. The audited Financial Statements of the Fund for the year ended 31 March 2022 is at Appendix II.



(Miss Alice MAK)

Secretary for Home and Youth Affairs

Chairman

Chinese Temples Committee

29 November 2022

GENERAL CHINESE CHARITIES FUND

**Membership of the Chinese Temples Committee
(1.4.2021 - 31.3.2022)**

Secretary for Home and Youth Affairs	(Chairman)
Mr TAM Chun-kwok, Kazaf Chairman of the Board of Directors of Tung Wah Group of Hospitals	(from 1.4.2021 to 31.3.2022)
Dr LEE Ka-cheung	(up to 31.12.2021)
Mr SO Yiu-wing	
Mr YIP Chun-to, Adrian, BBS, MH, JP	
Dr LEE Yuk-lun, BBS, JP	
Mr TSANG Chung-nam	
Mr NG Hok-ming, Angus	
Mr LAM Hon-wan, Nelson	(from 1.1.2022)



General Chinese Charities Fund

Financial statements for the year ended 31 March 2022

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 General Chinese Charities Fund set out on pages 4 to 21, which comprise the balance sheet as at 31 March 2022, 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 General Chinese Charities Fund as at 31 March 2022, 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 paragraph 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B).

Basis for opinion

I conducted my audit in accordance with paragraph 9(2) of the General Chinese Charities Fund Directions 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 General Chinese Charities 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 Secretary for Home Affairs (currently known as the Secretary for Home and Youth Affairs) for the financial statements

The Secretary for Home Affairs 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 paragraph 9(1) of the General Chinese Charities Fund Directions, and for such internal control as the Secretary for Home Affairs 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 Secretary for Home Affairs is responsible for assessing the General Chinese Charities 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.

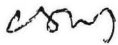
As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 General Chinese Charities Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Home Affairs;
- conclude on the appropriateness of the Secretary for Home Affairs' 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 General Chinese Charities 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 General Chinese Charities 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 Secretary for Home Affairs 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.



S. M. CHOI
Principal Auditor
for Director of Audit

29 November 2022

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

GENERAL CHINESE CHARITIES FUND
BALANCE SHEET AS AT 31 MARCH 2022

	Note	2022 HK\$	2021 HK\$
NON-CURRENT ASSETS			
Right-of-use assets	3	1,528,818	4,149,648
Financial assets measured at fair value through income and expenditure account	4	120,296,368	129,661,923
		121,825,186	133,811,571
CURRENT ASSETS			
Accounts receivable	5	736,134	334,023
Prepayments		134,024	185,705
Sundry deposits		132,755	-
Time deposits with original maturities over three months		49,802,799	45,857,562
Cash and cash equivalents	6	79,045,544	68,336,732
		129,851,256	114,714,022
CURRENT LIABILITIES			
Lease liabilities	7	(1,556,301)	(2,636,861)
Provision for staff gratuity	8	(542,618)	(1,062,533)
Provision for untaken leave		(474,789)	(409,260)
Accounts payable and accrued charges	9	(1,731,053)	(3,313,825)
		(4,304,761)	(7,422,479)
NET CURRENT ASSETS		125,546,495	107,291,543
TOTAL ASSETS LESS CURRENT LIABILITIES		247,371,681	241,103,114
NON-CURRENT LIABILITIES			
Lease liabilities	7	-	(1,556,301)
Provision for staff gratuity	8	(1,193,458)	(577,913)
		(1,193,458)	(2,134,214)
NET ASSETS		246,178,223	238,968,900
Representing:			
ACCUMULATED FUND		246,178,223	238,968,900

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



(Miss Alice MAK)
Secretary for Home and Youth Affairs
Chairman
Chinese Temples Committee
29 November 2022

GENERAL CHINESE CHARITIES FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 HK\$	2021 HK\$
INCOME			
Dividend income		4,905,440	4,113,918
Interest income		272,869	566,531
Transfer from Chinese Temples Fund		23,460,878	27,384,472
Transfer from Board of Management of the Chinese Permanent Cemeteries		16,404,155	-
Net realised and revaluation (losses)/gains on financial assets measured at fair value through income and expenditure account		(9,648,098)	44,416,481
Net exchange losses		(229)	-
		35,395,015	76,481,402
EXPENDITURE			
Transfer to Tung Wah Group of Hospitals		(3,460,878)	(7,384,472)
Grants	10	(316,236)	(479,145)
Staff costs	11	(20,161,357)	(18,755,450)
Depreciation on right-of-use assets	3	(2,620,830)	(2,620,830)
Rates, management fees and other charges		(412,643)	(431,804)
Interest expense on lease liabilities		(40,973)	(79,739)
Other operating expenses		(1,172,775)	(2,231,790)
		(28,185,692)	(31,983,230)
SURPLUS FOR THE YEAR		7,209,323	44,498,172
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,209,323	44,498,172

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

GENERAL CHINESE CHARITIES FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	HK\$
ACCUMULATED FUND	
Balance at 1 April 2020	194,470,728
Total comprehensive income for 2020-21	44,498,172
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Balance at 31 March 2021	238,968,900
Total comprehensive income for 2021-22	7,209,323
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Balance at 31 March 2022	246,178,223
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The accompanying notes 1 to 15 form part of these financial statements.

**GENERAL CHINESE CHARITIES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 HK\$	2021 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		7,209,323	44,498,172
Adjustments for :			
Depreciation on right-of-use assets		2,620,830	2,620,830
Dividend income		(4,905,440)	(4,113,918)
Interest income		(272,869)	(566,531)
Interest expense on lease liabilities		40,973	79,739
Net realised and revaluation losses/(gains) on financial assets measured at fair value through income and expenditure account		9,648,098	(44,416,481)
Net exchange losses		229	-
Transfer from Chinese Temples Fund		(3,460,878)	(7,384,472)
Transfer to Tung Wah Group of Hospitals		3,460,878	7,384,472
(Increase)/Decrease in accounts receivable		(329,048)	174,212
Decrease in prepayments		51,681	33,208
Increase in sundry deposits		(132,755)	-
Increase/(Decrease) in provision for staff gratuity		95,630	(245,007)
Increase in provision for untaken leave		65,529	142,611
Decrease in accounts payable and accrued charges		(1,582,772)	(2,725,883)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		<u>12,509,409</u>	<u>(4,519,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		4,540,041	34,567,226
Acquisition of financial assets measured at fair value through income and expenditure account		(4,469,000)	(9,929,300)
Increase in time deposits with original maturities over three months		(3,945,237)	(45,857,562)
Dividend received		4,498,385	4,398,859
Interest received		253,048	725,878
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		<u>877,237</u>	<u>(16,094,899)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities		(2,677,834)	(2,677,834)
NET CASH USED IN FINANCING ACTIVITIES		<u>(2,677,834)</u>	<u>(2,677,834)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,708,812	(23,291,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		68,336,732	91,628,513
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	<u>79,045,544</u>	<u>68,336,732</u>

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

GENERAL CHINESE CHARITIES FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The General Chinese Charities Fund (the Fund) was established under section 8 of the Chinese Temples Ordinance (Cap. 153) and may in the discretion of the Chinese Temples Committee (the Committee) be applied:

- (a) to the pay of the necessary staff and the other expenses incurred by the Committee in the exercise of its powers; and
- (b) for the purposes of any Chinese charity in Hong Kong,

in accordance with section 9(1) 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 paragraph 9(1) of the General Chinese Charities Fund Directions (Cap. 153 sub. leg. B) 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 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 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.

Apart from judgements made by management in the application of HKFRS 16 “Leases” as disclosed in note 2(h), there are no other 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 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. 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 stated at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets or issue of 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 13. Purchases and sales of financial instruments are recognised using trade date accounting.

(ii) Classification and subsequent measurement

Financial assets measured at fair value through income and expenditure account

This category comprises 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.

Financial assets measured at amortised cost

These comprise cash and cash equivalents, time deposits, sundry deposits and accounts receivable. 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 lease liabilities, accounts payable and accrued charges. 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 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) 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 using the closing exchange rates at the reporting date. Exchange gains and losses are dealt with in the income and expenditure account.

(f) Revenue recognition

- (i) Interest income is recognised as it accrues using the effective interest method.
- (ii) Dividend income is recognised when the Fund's right to receive payment is established.
- (iii) Transfer from Chinese Temples Fund (except for the surplus revenue from temples managed by the Tung Wah Group of Hospitals which is recognised when the amount can be measured reliably) is recognised when it is approved by the Committee.
- (iv) Transfer from Board of Management of the Chinese Permanent Cemeteries is recognised when the amount is received.

(g) Transfer and grants

Transfer to Tung Wah Group of Hospitals is recognised as expenditure when the corresponding income is recognised (note 2(f)(iii)) while the grants are recognised when the amounts can be measured reliably.

(h) Leases

A lease is recognised in the balance sheet as a right-of-use asset with a corresponding liability recognised at the lease commencement date, except that variable lease payments and payments associated with short-term leases having a lease term of 12 months or less and leases of low-value assets are charged to the income and expenditure account on a straight-line basis over the lease term.

(i) Right-of-use asset

A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses (note 2(k)). The right-of-use asset is depreciated over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis.

(ii) Lease liability

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to the income and expenditure account over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Determination on lease term of contract with renewal option

The Fund has applied its judgement to determine the lease term of the office premises lease contract which includes a renewal option. The assessment of whether the Fund is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The right-of-use assets are depreciated over the lease term on a straight-line basis. The renewal option is not included in the lease term of the lease liabilities as the Fund considers it not reasonably certain that the lease will be renewed.

(i) **Employee benefits**

Contract gratuities, salaries and annual leave entitlements are accrued and recognised as expenditure in the year in which associated services are rendered by the staff. Staff on-costs, including pension, Government's contribution to the Civil Servant Provident Fund Scheme and housing and medical benefits provided to the seconded staff by the Government, are charged as expenditure in the year in which the services are rendered.

(j) **Cash and cash equivalents**

Cash and cash equivalents include cash at banks, deposits with banks, cash with government departments 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.

(k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognised in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognised in prior periods. Reversals of impairment charges are credited to surplus or deficit in the period in which the reversals are recognised.

3. RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets and the movements during the year are as follows:

Office premises

	2022 HK\$	2021 HK\$
Cost		
Balance at beginning and end of year	7,862,491	7,862,491
	<hr/>	<hr/>
Accumulated depreciation		
Balance at beginning of year	3,712,843	1,092,013
Charge for the year	2,620,830	2,620,830
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Balance at end of year	6,333,673	3,712,843
	<hr/>	<hr/>
Net book value		
Balance at end of year	1,528,818	4,149,648
	=====	=====
Balance at beginning of year	4,149,648	6,770,478
	=====	=====

The Fund entered into a tenancy agreement for its office premises for a lease term of three years (with an option to renew for a further term of three years). All the lease payments are fixed.

4. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME AND EXPENDITURE ACCOUNT

	2022 HK\$	2021 HK\$
Equity securities listed in Hong Kong, at fair value	120,296,368	129,661,923

5. ACCOUNTS RECEIVABLE

	2022 HK\$	2021 HK\$
Interest receivable	52,362	32,541
Dividend receivable	308,295	255,053
Others	375,477	46,429
	<u>736,134</u>	<u>334,023</u>

6. CASH AND CASH EQUIVALENTS

	2022 HK\$	2021 HK\$
Time deposits with original maturities within three months	31,926,287	50,230,798
Cash with government departments	5,969,922	6,949,931
Cash at banks	41,149,335	11,156,003
	<u>79,045,544</u>	<u>68,336,732</u>

7. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year, including both cash and non-cash changes, are as follows:

	2022 HK\$	2021 HK\$
Balance at beginning of year	4,193,162	6,791,257
Non-cash changes:		
Interest expense on lease liabilities	40,973	79,739
Changes from financing cash flows:		
Lease payments	(2,677,834)	(2,677,834)
Balance at end of year	<u>1,556,301</u>	<u>4,193,162</u>
	=====	=====
Classified as:		
Current liabilities	1,556,301	2,636,861
Non-current liabilities	-	1,556,301
	<u>1,556,301</u>	<u>4,193,162</u>
	=====	=====
Maturity profile (contractual undiscounted cash flows):		
- within 1 year	1,562,069	2,677,834
- after 1 year but within 2 years	-	1,562,069
	<u>1,562,069</u>	<u>4,239,903</u>
	=====	=====

Expense items in relation to the lease recognised in the income and expenditure account:

	2022 HK\$	2021 HK\$
Interest expense on lease liabilities	40,973	79,739
	=====	=====
Total cash outflow for leases:		
Lease liabilities	2,677,834	2,677,834
Short-term lease	6,051	-
	<u>2,683,885</u>	<u>2,677,834</u>
	=====	=====

8. PROVISION FOR STAFF GRATUITY

	2022 HK\$	2021 HK\$
Balance at beginning of year	1,640,446	1,885,453
Provision for the year	1,495,389	1,414,901
Payments during the year	(1,399,759)	(1,659,908)
	<hr/>	<hr/>
Balance at end of year	1,736,076	1,640,446
	<hr/> <hr/>	<hr/> <hr/>
Classified as:		
Current liabilities	542,618	1,062,533
Non-current liabilities	1,193,458	577,913
	<hr/>	<hr/>
	1,736,076	1,640,446
	<hr/> <hr/>	<hr/> <hr/>

9. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2022 HK\$	2021 HK\$
Staff costs	120,173	104,134
Accrued rates, management fees and other charges	24,994	24,994
Grants	1,412,762	2,632,593
Other operating expenses	173,124	552,104
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	1,731,053	3,313,825
	<hr/> <hr/>	<hr/> <hr/>

10. GRANTS

	2022 HK\$	2021 HK\$
Home Affairs Department's emergency cash relief grants	272,000	359,000
Grants for charity programmes (net of write back)	(139,764)	(21,855)
Scholarships for temple management courses	184,000	142,000
	<hr/>	<hr/>
	316,236	479,145
	<hr/> <hr/>	<hr/> <hr/>

11. STAFF COSTS

Staff costs for the year included an amount of HK\$2,600,108 (2021: HK\$2,516,898) for civil servants seconded to the Trust Funds and Temples Joint Secretariat, the executive arm of the Committee.

12. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments are financial assets measured at fair value through income and expenditure account, accounts receivable, time deposits, cash and cash equivalents, accounts payable and accrued charges and lease liabilities. 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.

For accounts receivable, the Committee believes that there is no material credit risk inherent in the Fund's outstanding balance because the counterparties have no history of default in the past.

To minimise the credit risk arising from time deposits and cash at banks, all deposits and bank balances are placed with reputable licensed banks in Hong Kong. For the cash balances placed with government departments, the credit risk is considered to be minimal.

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

	2022	2021
	HK\$	HK\$
Time deposits and bank balances,		
by credit rating		
Aa1 to Aa3	46,601,857	31,156,003
A1 to A3	50,459,693	57,066,981
Baa1	25,816,871	19,021,379
	<hr/>	<hr/>
	122,878,421	107,244,363
	=====	=====

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) Market risk

Market risk is the risk that changes in market variables such as equity prices and interest rates may affect the fair value or cash flows of a financial instrument.

(i) Equity price risk

Equity price risk is the risk of loss arising from changes in equity prices. The Fund's financial assets measured at fair value through income and expenditure account are subject to the price risk inherent in all such investments i.e. the value of holdings may fall as well as rise.

To manage the risk due to fluctuation in equity prices, the Committee regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund. It was estimated that, as at the reporting date, if the market prices of the respective equity securities had been 15% (2021: 15%) higher/lower, the surplus of the Fund for the year and the accumulated fund would increase/decrease by HK\$18,044,000 (2021: HK\$19,449,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the reporting date and on the assumption that all other variables were held constant.

(ii) 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 the Fund's bank 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 and 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 interest income from financial instruments bearing interest at a floating rate is not significant.

(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 effect of fluctuations in cash flows. Hence, the Fund does not have significant exposures to liquidity risk.

As at 31 March 2022, the remaining contractual maturities of all financial liabilities except for the lease liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were one year or less (2021: one year or less).

The maturity profile of the lease liabilities is disclosed in note 7.

13. 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”.

	2022		2021	
	Level 1 HK\$	Total HK\$	Level 1 HK\$	Total HK\$
Assets				
Financial assets measured at fair value through income and expenditure account				
Equity securities				
- listed in Hong Kong	120,296,368	120,296,368	129,661,923	129,661,923
	=====	=====	=====	=====

No financial instruments were classified under Level 2 or Level 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 of financial instruments 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.

14. CAPITAL MANAGEMENT

The capital of the Fund consists solely of accumulated fund. The Fund's objectives when managing capital are:

- (a) to comply with section 9(1) of the Chinese Temples Ordinance and the General Chinese Charities Fund Directions; 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 by monitoring its level to ensure that it is sufficient to fund future grants and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

15. COMMITMENTS

As at 31 March 2022, the financial commitments approved by the Committee, so far as not provided for in the financial statements, were as follows:

	2022	2021
	HK\$	HK\$
Grants for charity programmes	1,045,920	1,431,271
	=====	=====