

CHINESE TEMPLES FUND

Report of the Chinese Temples Committee on the administration of the Fund for the year ended 31 March 2023

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) (“the Ordinance”) for the due observance of the customary ceremonies 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 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\$92.83 million (mainly including surplus from self-administered and delegated temples and investment income, etc.). The losses on investment were HK\$46.19 million. The total expenditure of the Fund was HK\$58.62 million (mainly including repairs and maintenance of self-administered and delegated temples, grants for religious ceremonies and transfer to General Chinese Charities Fund, etc.). The Fund recorded a deficit of HK\$11.98 million for 2022-23.

4. The audited Financial Statements of the Fund for the year ended 31 March 2023 is at Appendix II.



(Miss Alice MAK)

Secretary for Home and Youth Affairs
Chairman

Chinese Temples Committee

29 November 2023

CHINESE TEMPLES FUND

**Membership of the Chinese Temples Committee
(1.4.2022 - 31.3.2023)**

Secretary for Home and Youth Affairs	(Chairman)
Mr MA Ching-yeung, Philip Chairman of the Board of Directors of Tung Wah Group of Hospitals	(from 1.4.2022 to 31.3.2023)
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	



Chinese Temples Fund

Financial statements for the year ended 31 March 2023

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 Chinese Temples Fund set out on pages 4 to 22, which comprise the balance sheet as at 31 March 2023, 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 Chinese Temples Fund as at 31 March 2023, 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 regulation 10(1) of the Chinese Temples Fund Regulations (Cap. 153 sub. leg. A).

Basis for opinion

I conducted my audit in accordance with regulation 10(2) of the Chinese Temples Fund Regulations 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 Chinese Temples Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Secretary for Home and Youth Affairs is responsible for the other information. The other information comprises all the information included in the Report of the Chinese

Temples Committee on the administration of the Chinese Temples Fund, other than the financial statements and my auditor's report thereon.

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

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

Responsibilities of the Secretary for Home and Youth Affairs for the financial statements

The Secretary for Home and Youth 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 regulation 10(1) of the Chinese Temples Fund Regulations, and for such internal control as the Secretary for Home and Youth 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 and Youth Affairs is responsible for assessing the Chinese Temples 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 Chinese Temples 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 and Youth Affairs;
- conclude on the appropriateness of the Secretary for Home and Youth 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 Chinese Temples 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 Chinese Temples 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 and Youth 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 2023

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

CHINESE TEMPLES FUND

BALANCE SHEET AS AT 31 MARCH 2023

	Note	2023 HK\$	2022 HK\$
NON-CURRENT ASSETS			
Financial assets measured at fair value through income and expenditure account	3	426,377,571	470,736,970
Debt securities measured at amortised cost	4	44,779,907	44,962,375
		471,157,478	515,699,345
CURRENT ASSETS			
Utilities deposits		256,340	244,040
Stock of worshipping items		13,538	36,213
Accounts receivable	5	4,972,740	1,222,539
Prepayments		256,425	274,282
Time deposits with original maturities over three months		235,499,708	248,079,291
Cash and cash equivalents	6	257,299,301	226,830,866
		498,298,052	476,687,231
CURRENT LIABILITIES			
Contractors' retention money		(1,967,828)	(1,592,715)
Deposits from temple keepers and other deposits		(10,778,165)	(12,180,470)
Deferred revenue	7	(10,323,197)	(8,244,085)
Accounts payable	8	(13,897,961)	(25,953,365)
Provision for legal expenses		(1,485,298)	(1,485,298)
		(38,452,449)	(49,455,933)
NET CURRENT ASSETS		459,845,603	427,231,298
TOTAL ASSETS LESS CURRENT LIABILITIES		931,003,081	942,930,643
NON-CURRENT LIABILITIES			
Deferred revenue	7	(5,273,148)	(5,221,218)
NET ASSETS		925,729,933	937,709,425
Representing:			
ACCUMULATED FUND		787,179,436	791,281,548
RESERVE FOR THE MAINTENANCE OF TEMPLES		138,550,497	146,427,877
		925,729,933	937,709,425

The accompanying notes 1 to 17 form part of these financial statements.



(Miss Alice MAK)
Secretary for Home and Youth Affairs
Chairman
Chinese Temples Committee
29 November 2023

CHINESE TEMPLES FUND
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 HK\$	2022 HK\$
INCOME			
Surplus for the year from self-administered and delegated temples	9	50,391,773	41,081,248
Surplus for the year from temples administered by Tung Wah Group of Hospitals	10	7,741,162	3,460,878
Gains on sale of worshipping items	11	429,867	419,384
Donations		1,270	19,705
Dividend income		19,106,975	20,352,487
Interest income	12	10,781,679	3,230,342
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account		(44,359,400)	(81,009,748)
Net exchange (losses)/gains		(1,832,139)	1,375,500
Other income		4,378,725	5,346,913
		46,639,912	(5,723,291)
EXPENDITURE			
Repairs and maintenance of self-administered and delegated temples		(26,781,538)	(19,866,259)
Grants for religious ceremonies and repairs to temples		(554,707)	(3,806)
Expenses for Temples Culture Festival		(22,500)	(2,017,280)
Transfer to General Chinese Charities Fund		(27,741,162)	(23,460,878)
Contract fulfillment rewards		(1,833,032)	(1,740,717)
Legal expenses		(888,100)	(579,900)
Miscellaneous		(798,365)	(1,134,780)
		(58,619,404)	(48,803,620)
DEFICIT FOR THE YEAR		(11,979,492)	(54,526,911)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(11,979,492)	(54,526,911)

The accompanying notes 1 to 17 form part of these financial statements.

CHINESE TEMPLES FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Accumulated Fund HK\$	Reserve for the maintenance of Temples HK\$	Total HK\$
Balance at 1 April 2021	837,670,774	154,565,562	992,236,336
Transfer from Reserve for the maintenance of Temples	8,137,685	(8,137,685)	-
Total comprehensive loss for 2021-22	(54,526,911)	-	(54,526,911)
Balance at 31 March 2022	791,281,548	146,427,877	937,709,425
Transfer from Reserve for the maintenance of Temples	7,877,380	(7,877,380)	-
Total comprehensive loss for 2022-23	(11,979,492)	-	(11,979,492)
Balance at 31 March 2023	787,179,436	138,550,497	925,729,933

The accompanying notes 1 to 17 form part of these financial statements.

CHINESE TEMPLES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 HK\$	2022 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(11,979,492)	(54,526,911)
Adjustments for:			
Dividend income		(19,106,975)	(20,352,487)
Interest income		(10,781,679)	(3,230,342)
Surplus for the year from temples administered by Tung Wah Group of Hospitals		(7,741,162)	(3,460,878)
Transfer to General Chinese Charities Fund		7,741,162	3,460,878
Net exchange losses/(gains)		1,832,139	(1,375,500)
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account		44,359,400	81,009,748
Increase in utilities and other deposits		(12,300)	(9,040)
Decrease/(Increase) in stock of worshipping items		22,675	(27,155)
(Increase)/Decrease in accounts receivable		(1,648,142)	265,219
Decrease in prepayments		17,857	154,819
Increase in contractors' retention money		375,113	201,821
(Decrease)/Increase in deposits from temple keepers and other deposits		(1,402,305)	4,992,546
Increase in deferred revenue		2,131,042	494,278
(Decrease)/Increase in accounts payable		(12,055,404)	3,091,062
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		<u>(8,248,071)</u>	<u>10,688,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of debt securities measured at amortised cost		-	(24,202,427)
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		-	9,807,793
Proceeds from disposal of debt securities measured at amortised cost		-	24,394,283
Decrease in time deposits with original maturities over three months		12,579,583	44,790,518
Bank interest received		7,718,545	1,747,592
Debt securities interest received		1,286,333	1,858,803
Dividends received		19,077,021	20,328,605
NET CASH FROM INVESTING ACTIVITIES		<u>40,661,482</u>	<u>78,725,167</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		32,413,411	89,413,225
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		226,830,866	136,770,180
Effects of exchange rate changes on cash and cash equivalents		(1,944,976)	647,461
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	<u>257,299,301</u>	<u>226,830,866</u>

The accompanying notes 1 to 17 form part of these financial statements.

CHINESE TEMPLES FUND

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Chinese Temples Fund (the Fund) was 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 at 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 of the Fund have been prepared in accordance with regulation 10(1) of the Chinese Temples Fund Regulations (Cap. 153 sub. leg. A) 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 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.

Certain comparative figures for 2022 have been reclassified to conform with the current year's presentation of the Fund's financial statements.

(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 14. 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, utilities deposits, accounts receivable and debt securities. 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, deposits and contractors' retention money. 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.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

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) Donation income is recognised once the amount is received.
- (ii) Dividend income is recognised when the Fund's right to receive payment is established.
- (iii) Interest income is recognised as it accrues using the effective interest method.
- (iv) The Fund recognises revenue from contracts with customers when it satisfies a performance obligation by transferring a promised good or service to a customer, at the amount of consideration to which the Fund expects to be entitled in exchange for the good or service.
 - (1) The Committee contracts temple keepers to provide temple management service (including revenue-generating activities), with the temple keeper required to pay fixed amounts of temple management contract fees in advance of providing the service. The Fund recognises the temple management contract fees over time on a straight-line basis as the service is rendered.
 - (2) Revenue from sale of worshipping items is recognised at point of sale.
 - (3) The Committee charges customers a fixed amount of fee in advance for providing ancestral tablet service over a period. The Fund recognises the ancestral tablet service fee over time on a straight-line basis as the service is rendered.
 - (4) The Committee charges customers in advance a fee for making an ancestral tablet. The Fund recognises the ancestral tablet production fee upon the customer's acceptance of the ancestral tablet produced.

(g) Deferred revenue

If a customer pays consideration, or the Fund has an unconditional right to consideration, before the Fund transfers a good or service to the customer, the Fund recognises its contract liability as deferred revenue. The Fund derecognises the deferred revenue and recognises revenue when the Fund transfers the good or service and, therefore, satisfies its performance obligation.

(h) 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.

(i) **Transfer and grants**

Transfer to General Chinese Charities Fund is recognised as expenditure when it is approved by the Committee while the grants are recognised when the amounts can be measured reliably.

(j) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash with the Treasury, cash at banks, deposits with banks and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

(k) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when there is a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

	2023	2022
	HK\$	HK\$
Equity securities – at fair value		
Listed in Hong Kong	426,377,571	470,736,970
	=====	=====

4. DEBT SECURITIES MEASURED AT AMORTISED COST

	2023 HK\$	2022 HK\$
Debt securities – at amortised cost		
Unlisted	44,779,907	44,962,375
	=====	=====

5. ACCOUNTS RECEIVABLE

	2023 HK\$	2022 HK\$
Interest receivable on bank deposits	2,637,433	565,578
Interest receivable on debt securities	336,754	336,504
Dividend receivable	183,654	153,700
Others	1,814,899	166,757
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	4,972,740	1,222,539
	=====	=====

6. CASH AND CASH EQUIVALENTS

	2023 HK\$	2022 HK\$
Time deposits with original maturities within three months	161,826,183	125,386,004
Cash with the Director of Accounting Services	62,519,681	54,293,983
Cash at banks	32,343,981	47,097,997
Cash on hand	609,456	52,882
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	257,299,301	226,830,866
	=====	=====

7. DEFERRED REVENUE

The Fund's obligation to provide services to customers for which the Fund has received advance payments from the customers are presented as deferred revenue in the balance sheet. The deferred revenue balance represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the reporting date. For temple management contract fees, the Fund expects to recognise the deferred revenue as revenue within two years and for ancestral tablet service fees, within ten years. No consideration from contracts with customers is not included in the transaction price.

Significant changes in the balances of deferred revenue during the year are shown below:

	2023 HK\$	2022 HK\$
Decrease due to recognition as revenue during the year that was included in the balances of deferred revenue at beginning of year	(8,242,416)	(9,320,090)
Increase due to advance payments received during the year	10,373,458	9,814,368

8. ACCOUNTS PAYABLE

	2023 HK\$	2022 HK\$
Repairs and maintenance to temples	9,028,160	14,902,550
Accrual for contract fulfillment rewards	2,635,162	4,424,365
Expenditure on self-administered and delegated temples	756,038	1,073,537
Others	1,478,601	5,552,913
	<u>13,897,961</u>	<u>25,953,365</u>

9. SURPLUS FOR THE YEAR FROM SELF-ADMINISTERED AND DELEGATED TEMPLES

	2023 HK\$	2022 HK\$
Income for the year		
Temple management contract fees	27,549,129	28,938,394
Donations	26,473,868	15,479,693
Ancestral tablet service fees	1,091,946	919,746
Ancestral tablet production fees	50,250	44,000
Other income	4,852	15,792
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	55,170,045	45,397,625
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Less: Expenditure for the year		
Maintenance and cleaning	(1,586,423)	(2,082,454)
Insurance	(588,965)	(610,937)
Security and causal workers wages	(1,401,987)	(800,176)
Utilities	(383,115)	(350,148)
Other operating expenses	(817,782)	(472,662)
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	(4,778,272)	(4,316,377)
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Surplus for the year	50,391,773	41,081,248
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10. SURPLUS FOR THE YEAR FROM TEMPLES ADMINISTERED BY TUNG WAH GROUP OF HOSPITALS

	2023 HK\$	2022 HK\$
Income for the year	20,567,277	16,556,841
Less: Expenditure for the year	(12,826,115)	(13,095,963)
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	7,741,162	3,460,878
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11. GAINS ON SALE OF WORSHIPPING ITEMS

	2023 HK\$	2022 HK\$
Revenue from sale of worshipping items	584,692	558,276
Less: Cost of worshipping items	(154,825)	(138,892)
	<u>429,867</u>	<u>419,384</u>
	=====	=====

12. INTEREST INCOME

	2023 HK\$	2022 HK\$
Interest on bank deposits	9,790,295	1,932,340
Interest on debt securities	991,384	1,298,002
	<u>10,781,679</u>	<u>3,230,342</u>
	=====	=====

13. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include financial assets measured at fair value through income and expenditure account, debt securities measured at amortised cost, accounts receivable, time deposits, cash and cash equivalents, accounts payable, deposits and contractors' retention money. 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 balance with the Director of Accounting Services, 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:

	2023 HK\$	2022 HK\$
Time deposits and bank balances, by credit rating		
Aa1 to Aa3	166,228,781	62,548,637
A1 to A3	145,873,969	242,536,317
Baa1 to Baa3	117,567,122	115,478,338
	<u>429,669,872</u>	<u>420,563,292</u>
	=====	=====

To minimise the credit risk arising from debt securities, the Fund only invests in those classified under the investment grade by Moody's or Standard & Poor's. At the reporting date, the credit quality of debt securities, analysed by the lower of ratings designated by Moody's or Standard & Poor's, is as follows:

	2023 HK\$	2022 HK\$
Debt securities, by credit rating		
A1 to A3 / A+ to A-	39,616,121	39,677,180
Baa1 to Baa3 / BBB+ to BBB-	5,163,786	5,285,195
	<u>44,779,907</u>	<u>44,962,375</u>
	=====	=====

While the financial assets measured at amortised cost are subject to the impairment requirements, the Fund has estimated that their expected credit losses are minimal 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, interest rates and currency exchange 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.

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 was estimated that, as at the reporting date, if the market prices of the respective equity securities had been 15% (2022: 15%) higher/lower, the deficit of the Fund for the year would decrease/increase by HK\$63,957,000 (2022: HK\$70,611,000) and the accumulated fund would increase/decrease by HK\$63,957,000 (2022: HK\$70,611,000). 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 debt securities and deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus/deficit 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.

(iii) 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 dollars are exposed to currency risk.

(1) Exposure to currency risk

As at 31 March 2023, the Fund maintained financial assets denominated in United States dollars and Renminbi totalling USD6,042,520 (2022: USD5,921,805) and CNY22,475,092 (2022: CNY21,878,315) respectively. As Hong Kong dollar is pegged to 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 for Renminbi, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to currency exchange risk relating to this currency.

(2) Sensitivity analysis

It was estimated that, as at 31 March 2023, should the Renminbi strengthen/weaken by 5% (2022: 5%) against the Hong Kong dollar, with all other variables held constant, the deficit of the Fund for the year would decrease/increase by HK\$1,284,000 (2022: HK\$1,349,000) and the accumulated fund would increase/decrease by HK\$1,284,000 (2022: HK\$1,349,000). The above sensitivity analysis was based on the assumption that the change in currency exchange rates had occurred at the reporting date and for financial instruments in existence at that date.

(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 2023, 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 year or less (2022: one year or less).

14. 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”.

	2023		2022	
	Level 1	Total	Level 1	Total
	HK\$	HK\$	HK\$	HK\$
Assets				
Financial assets measured at fair value through income and expenditure account				
Equity securities				
– listed in Hong Kong	<u>426,377,571</u>	<u>426,377,571</u>	<u>470,736,970</u>	<u>470,736,970</u>

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 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.

15. CAPITAL MANAGEMENT

The capital structure of the Fund consists of accumulated fund and reserve for the maintenance of temples. The Fund's objectives when managing capital are:

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

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

16. COMMITMENTS

As at 31 March 2023, the Fund had financial commitments, so far as not provided for in the financial statements, as follows:

	2023 HK\$	2022 HK\$
Contracted repairs and maintenance of self-administered and delegated temples	57,962,747	36,979,438
Grants approved by the Committee for religious ceremonies	660,641	1,587,866
Rewards to temple keepers upon the satisfactory completion of temple management contracts	951,707	2,766,889
	<u>59,575,095</u>	<u>41,334,193</u>

17. CONTINGENT LIABILITIES

As at 31 March 2023, the Fund was a defendant in an outstanding legal claim of HK\$3.4 million (2022: HK\$3.4 million). The legal proceedings of this case have not yet been completed. Since the outcome of this case is uncertain, no provision has been made.