

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL
COLLEGE CHARITABLE TRUST

Report and Financial Statements
For the year ended 31st August 2017

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF THE COUNCIL OF
ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

Opinion

We have audited the financial statements of St. Paul's Co-educational College Charitable Trust (the "Trust") set out on pages 4 to 32, which comprise the statement of financial position as at 31st August 2017, and the statement of profit or loss and other comprehensive income, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Trust as at 31st August 2017, and of its financial performance and its 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").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Trustees for the Financial Statements

The Trustees 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 for such internal control as the Trustees determine 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 Trustees is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intends to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF THE COUNCIL OF
ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST - continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion solely to you in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- 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.

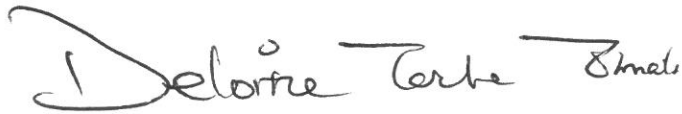
INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF THE COUNCIL OF
ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the trust audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu". The signature is written in a cursive, flowing style.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9th April, 2018

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST AUGUST 2017

	<u>NOTE</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Income			
Donations		25,810,703	92,547,524
Gain on disposal of available-for-sale financial assets		2,174,691	-
Interest income from investments		345,871	550,641
Dividend income		367,950	308,550
Interest on bank deposits		273,038	186,497
		<u>28,972,253</u>	<u>93,593,212</u>
Expenditure			
Administrative expenses		37,766	123,607
Grants awarded	4	7,388,795	5,086,682
General fund raising expenses		251,117	300,907
Exchange losses		276,641	743,771
		<u>7,954,319</u>	<u>6,254,967</u>
Surplus for the year		21,017,934	87,338,245
Other comprehensive income (loss) for the year			
<i>Items subsequently may be reclassified to profit or loss</i>			
- change in fair value of available-for-sale financial assets		33,592,959	7,718,778
- reclassification adjustment upon disposal of available- for-sale financial assets		<u>(2,558,682)</u>	<u>-</u>
Total comprehensive income for the year		<u><u>52,052,211</u></u>	<u><u>95,057,023</u></u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 31ST AUGUST 2017

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Non-current assets			
Available-for-sale financial assets	5	340,820,829	242,483,620
Held-to-maturity investments	6	9,455,916	4,687,868
		<u>350,276,745</u>	<u>247,171,488</u>
Current assets			
Held-to-maturity investments	6	1,003,598	14,001,606
Other receivables		176,361	123,830
Bank balances and cash	7	33,947,015	72,054,584
		<u>35,126,974</u>	<u>86,180,020</u>
Current liabilities			
Accruals		10,000	10,000
		<u>10,000</u>	<u>10,000</u>
Net current assets		<u>35,116,974</u>	<u>86,170,020</u>
Net assets		<u><u>385,393,719</u></u>	<u><u>333,341,508</u></u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Designated Fund Accounts			
The Lam Ngar Sheung Fund		500,000	500,000
The Li Wai Chun Fund		1,600,000	1,600,000
The Providence Foundation Limited Fund		500,000	500,000
The Lee Wong Lan Fong Endowment Fund		1,000,000	1,000,000
The S H Ho Foundation Fund		500,000	500,000
The Dr. Henry H L Chan Endowment Fund		500,000	500,000
The Abraham T. Lee Bursary Fund		1,000,000	1,000,000
The Primasia Endowment Fund		1,000,000	1,000,000
The Dr. and Mrs. Tai Hon-Sham Memorial Endowment Fund		1,000,000	1,000,000
The Mr. Foo Chi Hing General Endowment Fund		500,000	500,000
The Extra-curricular Activities Fund		5,150,000	5,150,000
The Li Kwan Hung Community Services Fund		600,000	600,000
The Mr. Donald Siao Chee-Yuen Memorial Fund		580,700	580,700
The Dr. B M Kotewall Fund for Staff Development		3,437,383	3,437,383
The 何添夫人陳淑芳 Music Fund	8	1,050,000	1,000,000
The St. Paul's Co-educational College Alumni Association General Endowment Fund		1,000,000	1,000,000
The Li Fook-wo Memorial Fund		500,000	500,000
The Mrs. Christina Yung Memorial General Endowment Fund	9	1,500,000	1,500,000
The Lee Hysan Foundation Endowment Fund		10,000,000	10,000,000
The Anonymous Extra-curricular Activities Fund	10	1,000,000	1,000,000
The L C Wong Fund		1,000,000	1,000,000
The Beloved Parents Care Fund		2,713,000	2,713,000
The Vine Fund		500,000	500,000
The Anonymous Endowment fund		500,000	500,000
The Kenneth Lam Fund		500,000	500,000
The Douglas Fang Fund		500,000	500,000
The Music Endowment Fund	11	1,536,065	1,231,065
The Watt Shun Sun Tong Fund		800,000	800,000
The Sports Endowment Fund	12	504,900	503,700
The Leadership & Experiential Learning Endowment Fund	13	1,251,200	1,150,000
The CTC Edu Foundation Limited Fund		500,000	500,000
The Spencer Fung Fund	14	500,000	400,000
The Dr. Lancelot Lam Arts & Music Fund		736,730	736,730
The Ruth Kan-Tai Chan Financial Aid Fund		3,000,000	3,000,000
The Mr. Patrick Wong & Mrs. Sherry Wong Fund	15	400,000	300,000
The Martin Lau Fund		1,000,000	1,000,000
The Tang Family Fund	16	600,000	400,000
The Ronald Kwok Arts & Culture Fund	17	300,000	200,000

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Designated Fund Accounts - continued			
The Au Tsun Leadership Fund	18	360,000	240,000
The Gloria Pong Memorial Fund	19	1,000,000	700,000
The Chen Wai Wai Vivien Foundation e-Learning and e-Library Fund	20	50,000,000	50,000,000
The Jean E. Salata and Melanie Pong Mung Yee Education Fund	21	5,000,000	2,000,000
The Yeung Ming Hong Harrison & Yeung Ming Yee Irene Fund	22	500,000	440,000
The Chang Wong Yiu Ho Fund	23	575,835	575,835
The Mr. Robert Lai and Mrs. Maria Lai Fund	24	600,000	300,000
The Tai Wing Keung Fund	25	500,000	500,000
The Mrs. Betty Tung Chiu Hung Ping Fund	26	500,000	500,000
The Selina Chow Fund for English and Drama	27	200,000	100,000
The Goodwin and Yama Gaw Sports Fund	28	500,000	250,000
The Teresa Yang Ming Yen Fund	29	165,000	165,000
The Natasha Cheng Sin Yan Experiential Learning Fund	30	165,000	165,000
The Sharon Cheng Sin Man Arts and Culture Fund	31	165,000	165,000
The Cheng Chun Yin Sports Fund	32	165,000	165,000
The Cheng Sin Yee Music Fund	33	165,000	-
The Cheng Sin Ting Sports Fund	34	165,000	-
The Cheng Chun Yan Sports Fund	35	165,000	-
The Cheng Chun Lam Sports Fund	36	165,000	-
The Mr. Zeth Hung and Mrs. Alma Hung Fund	37	100,000	-
The Laws Family Foundation Fund	38	500,000	-
The Sun Family Fund	39	100,000	-
The Dr. Anissa Chan Scholarship Fund for Student of the Year Awards	40	750,000	-
		<u>112,265,813</u>	<u>105,068,413</u>
The General Fund		242,871,502	229,050,968
Investments revaluation reserve		30,256,404	(777,873)
Total funds		<u><u>385,393,719</u></u>	<u><u>333,341,508</u></u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31ST AUGUST 2017

	The General <u>Fund</u> HK\$	Designated Fund <u>Accounts</u> HK\$	Investments Revaluation <u>Reserve</u> HK\$	<u>Total</u> HK\$
Balance as at 1st September 2015	173,298,558	73,482,578	(8,496,651)	238,284,485
Transferred from statement of profit or loss and comprehensive income				
The 何添夫人陳淑芳 Music Fund	-	50,000	-	50,000
The Mrs. Christina Yung Memorial General Endowment Fund	-	100,000	-	100,000
The Anonymous Extra-curricular Activities Fund	-	125,000	-	125,000
The Music Endowment Fund	-	5,000	-	5,000
The Leadership & Experiential Learning Fund	-	100,000	-	100,000
The Spencer Fung Fund	-	100,000	-	100,000
The Mr. Patrick Wong & Mrs. Sherry Wong Fund	-	100,000	-	100,000
The Tang Family Fund	-	200,000	-	200,000
The Ronald Kwok Arts & Culture Fund	-	100,000	-	100,000
The Au Tsun Leadership Fund	-	80,000	-	80,000
The Gloria Pong Memorial Fund	-	300,000	-	300,000
The Chen Wai Wai Vivien Foundation e-Learning and e-Library Fund	-	25,000,000	-	25,000,000
The Jean E. Salata and Melanie Pong Mung Yee Education Fund	-	2,000,000	-	2,000,000
The Yeung Ming Hong Harrison & Yeung Ming Yee Irene Fund	-	440,000	-	440,000
The Chang Wong Yiu Ho Fund	-	575,835	-	575,835
The Mr. Robert Lai and Mrs. Maria Lai Fund	-	300,000	-	300,000
The Tai Wing Keung Fund	-	500,000	-	500,000
The Mrs. Betty Tung Chiu Hung Ping Fund	-	500,000	-	500,000
The Selina Chow Fund for English and Drama	-	100,000	-	100,000
The Goodwin and Yama Gaw Sports Fund	-	250,000	-	250,000
The Teresa Yang Ming Yen Fund	-	165,000	-	165,000
The Natasha Cheng Sin Yan Experiential Learning Fund	-	165,000	-	165,000
The Sharon Cheng Sin Man Arts and Culture Fund	-	165,000	-	165,000
The Cheng Chun Yin Sports Fund	-	165,000	-	165,000
The General Fund	55,752,410	-	-	55,752,410
Surplus for the year transfer from statement of profit or loss	55,752,410	31,585,835	-	87,338,245
Other comprehensive income:				
- change in fair value of available-for-sale financial assets	-	-	7,718,778	7,718,778
Total comprehensive income	55,752,410	31,585,835	7,718,778	95,057,023
Balance as at 31st August 2016	229,050,968	105,068,413	(777,873)	333,341,508

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

	The General Fund HK\$	Designated Fund Accounts HK\$	Investments Revaluation Reserve HK\$	Total HK\$
Balance as at 1st September 2016	229,050,968	105,068,413	(777,873)	333,341,508
Transferred from statement of profit or loss and comprehensive income				
The 何添夫人陳淑芳 Music Fund	-	50,000	-	50,000
The Music Endowment Fund	-	305,000	-	305,000
The Sports Endowment Fund	-	1,200	-	1,200
The Leadership & Experiential Learning Fund	-	101,200	-	101,200
The Spencer Fung Fund	-	100,000	-	100,000
The Mr Patrick Wong & Mrs Sherry Wong Fund	-	100,000	-	100,000
The Tang Family Fund	-	200,000	-	200,000
The Ronald Kwok Arts & Culture Fund	-	100,000	-	100,000
The Au Tsun Leadership Fund	-	120,000	-	120,000
The Gloria Pong Memorial Fund	-	300,000	-	300,000
The Jean E. Salata and Melanie Pong Mung Yee Education Fund	-	3,000,000	-	3,000,000
The Yeung Ming Hon Harrison & Yeung Ming Yan Irene Fund	-	60,000	-	60,000
The Mr. Robert Lai and Mrs Maria Lai Fund	-	300,000	-	300,000
The Selina Chow Fund for English and Drama	-	100,000	-	100,000
The Goodwin and Yama Gaw Sports Fund	-	250,000	-	250,000
The Cheng Sin Yee Music Fund	-	165,000	-	165,000
The Cheng Sin Ting Sports Fund	-	165,000	-	165,000
The Cheng Chun Yan Sports Fund	-	165,000	-	165,000
The Cheng Chun Lam Sports Fund	-	165,000	-	165,000
The Mr. Zeth Hung and Mrs Alma Hung Fund	-	100,000	-	100,000
The Laws Family Foundation Fund	-	500,000	-	500,000
The Sun Family Fund	-	100,000	-	100,000
The Dr. Anissa Chan Scholarship Fund for Student of the Year Awards	-	750,000	-	750,000
The General Fund	13,820,534	-	-	13,820,534
Surplus for the year transfer from statement of comprehensive income	13,820,534	7,197,400	-	21,017,934
Other comprehensive income:				
- change in fair value of available-for-sale financial assets	-	-	33,592,959	33,592,959
- reclassification adjustment upon disposal of available-for-sale financial asset	-	-	(2,558,682)	(2,558,682)
Total comprehensive income	13,820,534	7,197,400	31,034,277	52,052,211
Balance as at 31st August 2017	242,871,502	112,265,813	30,256,404	385,393,719

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST AUGUST 2017

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
OPERATING ACTIVITIES			
Surplus for the year		21,017,934	87,338,245
Adjustments for:			
Gain on disposal of available-for-sale financial assets		(2,174,691)	-
Interest income		(618,909)	(737,138)
Dividend income		(367,950)	(308,550)
		<hr/>	<hr/>
Surplus before changes in working capital		17,856,384	86,292,557
(Increase) decrease in other receivables		(63,526)	22,997
Decrease in amounts due to St. Paul's Co-educational College and St. Paul's Co-educational College Primary School		-	(1,323,040)
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		17,792,858	84,992,514
INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		(77,870,000)	(87,280,081)
Purchase of held-to-maturity investments	6	(5,792,196)	-
Proceeds from redemption of held-to-maturity investments	6	14,001,606	16,751,001
Proceeds from disposal of available-for-sale financial assets		12,741,759	-
Interest received		650,454	1,134,278
Dividends received		367,950	308,550
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(55,900,427)	(69,086,252)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(38,107,569)	15,906,262
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		72,054,584	56,148,322
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	33,947,015	72,054,584
		<hr/> <hr/>	<hr/> <hr/>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2017

1. GENERAL INFORMATION

The Council of St. Paul's Co-educational College Charitable Trust (the "Trust") was established under a trust deed dated 9th January 1999. The address of its registered office is 33, Macdonnell Road, Hong Kong. The objectives of the Trust are:

- (a) To support The Council of St. Paul's Co-educational College (the "Council") in its objectives in advancing education and promoting Christian faith; and
- (b) To support the Council by providing support to St. Paul's Co-educational College and St. Paul's Co-educational College Primary School in their respective operations and activities in advancing education and promoting Christian faith.

The Trustees who served during the year were as follows:

Dr. Mak Hoi Hung, Michael
Dr. Lee Chien
Mr. Tsoi Hak Kong, Herbert
Dr. Yam Chi Kwong, Joseph
Ms. Yang Ming Yen, Teresa
Mr. Auyang Pak Hong, Bernard
Mr. Yiu Kin Wah, Stephen
Dr. Cheng Mo Chi, Moses
Mr. Poon Siu Chi (appointed on 1st September 2017)
Dr. Chan Wong Lai Kuen, Anissa (retired on 1st September 2017)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are effective for the current year

The Trust has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Trust's financial performance and positions for the current and prior years and/or disclosures set out in these financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and revised HKFRSs in issue but not yet effective

The Trust has not early applied the following new and amendments HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1st January 2018

² Effective for annual periods beginning on or after 1st January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1st January 2017

⁵ Effective for annual periods beginning on or after 1st January 2017 or 1st January 2018, as appropriate

The Trustees anticipate that the application of the new and revised HKFRSs will have no material impact on the financial statements of the Trust.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. The financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Trust takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. For the year ended 31st August 2017, there are no critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

The principle accounting policies are set out below.

Financial assets

The Trust classified its financial assets in the following categories: loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. The Trustees determine the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Trust's loans and receivables comprise 'other receivables' and 'bank balances and cash' in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial assets - continued

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Trustees intend to dispose of the investment within twelve months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Trustees have the positive intention and ability to hold to maturity. If the Trustees were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity investments are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets.

Regular way of purchases and sales of financial assets are recognised on the date on which the Trust commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Trust has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Trust's right to receive payments is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets

(i) Assets carried at amortised cost

The Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Trust may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(ii) Assets classified as available-for-sale

The Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists 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 profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Bank balances and cash

Bank balances and cash include cash in hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

Donations and gifts

All donations received are credited to the statement of comprehensive income as income in the period when the donations are received. The following donations received, after deduction of relevant grants made, during the year are transferred from the statement of comprehensive income to the relevant Designated Fund Accounts:

- donations designated for specific purposes;
- donations in support of certain specified activities; and
- donations of a substantial amount without any naming rights being afforded to the donor.

Grants

Grants are recognised in the statement of comprehensive income in the year when the cash is paid or constructive obligations to pay are established.

The following transfers are made from the Designated Fund Accounts to the statement of comprehensive income representing grants made less relevant donations received during the year:

- grants for specific purposes made out of donations designated for such purposes; and
- grants for specific activities out of donations in support of such specified activities.

Recognition of income

Donations and gifts in cash and cash equivalents are recognised when received.

Dividend income is recognised when the right to receive payment has been established.

Interest income is recognised on a time proportion basis, using the effective interest method.

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Expenditure

Expenditure is recognised as and when the relevant goods and services are received or accepted.

Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Trust operates (the "functional currency"). The financial statements are presented in Hong Kong dollars ("HKD"), which is the Trust's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

4. GRANTS AWARDED

	<u>2017</u> HK\$	<u>2016</u> HK\$
Student enrichment activities	2,906,460	2,059,973
e-Learning and e-Library	2,160,981	2,403,009
Re-development of secondary school premises at 33 MacDonnell Road	1,512,191	-
Additional social worker	474,974	441,700
Staff development programme	282,059	180,000
Scholarships and bursaries to students	52,130	2,000
	<u>7,388,795</u>	<u>5,086,682</u>

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	242,483,620	148,444,970
Additions during the year	77,870,000	86,319,872
Change in fair value of available-for-sale financial assets	33,592,959	7,718,778
Disposal during the year	(13,125,750)	-
At end of the year	<u>340,820,829</u>	<u>242,483,620</u>

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5. AVAILABLE-FOR-SALE FINANCIAL ASSETS - continued

	<u>2017</u> HK\$	<u>2016</u> HK\$
Available-for-sale financial assets are analysed below:		
Listed equity		
- Hong Kong listed equity, denominated in HKD	-	13,125,750
Unlisted fund		
- Overseas unlisted fund, denominated in USD	340,820,829	229,357,870
	<u>340,820,829</u>	<u>242,483,620</u>

6. HELD-TO-MATURITY INVESTMENTS

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	18,689,474	35,721,325
Additions during the year	5,792,196	-
Matured during the year	(14,001,606)	(16,751,001)
Amortisation for the year	(20,550)	(280,850)
At end of the year	<u>10,459,514</u>	<u>18,689,474</u>
Less: non-current portion	(9,455,916)	(4,687,868)
Current portion	<u>1,003,598</u>	<u>14,001,606</u>

Held-to-maturity investments represent overseas listed bonds and unlisted bonds which are stated at amortised cost as set out below:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Overseas listed bonds		
- Current	-	-
- Non-current	4,715,116	4,687,868
	<u>4,715,116</u>	<u>4,687,868</u>
Unlisted bonds		
- Current	1,003,598	14,001,606
- Non-current	4,740,800	-
	<u>5,744,398</u>	<u>14,001,606</u>
	<u>10,459,514</u>	<u>18,689,474</u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

6. HELD-TO-MATURITY INVESTMENTS - continued

	<u>2017</u> HK\$	<u>2016</u> HK\$
Denominated in:		
- HKD	1,003,598	12,061,845
- USD	4,715,116	5,465,124
- RMB	4,740,800	1,162,505
	<u>10,459,514</u>	<u>18,689,474</u>

The effective interest rate on the held-to-maturity investments was 4.05% (2016: 2.72%). These investments have an approximate range of maturity period from 1 year to 3 years (2016: 1 year to 3 years) from the end of the reporting period.

7. BANK BALANCES AND CASH

	<u>2017</u> HK\$	<u>2016</u> HK\$
Bank balances and cash	32,244,303	61,798,027
Bank deposits with maturity within 3 months	1,702,712	10,256,557
	<u>33,947,015</u>	<u>72,054,584</u>

The carrying values of bank balances and cash denominated in the following currencies:

	<u>2017</u> HK\$	<u>2016</u> HK\$
HKD	28,678,532	54,834,496
USD	5,268,235	975,765
RMB	248	16,244,323
	<u>33,947,015</u>	<u>72,054,584</u>

Bank balances and cash of the Trust comprise bank balances and short-term bank deposits that are interest-bearing at prevailing market saving rates and are with maturity of three months or less. Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits earned interest at the market rates ranged from 0.35% to 0.73% (2016: 0.19% to 8%) per annum for the year ended 31st August 2017.

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

8. THE 何添夫人陳淑芳 MUSIC FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	1,000,000	950,000
Donation received during the year	50,000	50,000
	<hr/>	<hr/>
Balance as at end of the year	<u>1,050,000</u>	<u>1,000,000</u>

9. THE MRS. CHRISTINA YUNG MEMORIAL GENERAL ENDOWMENT FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	1,500,000	1,400,000
Donation received during the year	-	100,000
	<hr/>	<hr/>
Balance as at end of the year	<u>1,500,000</u>	<u>1,500,000</u>

10. THE ANONYMOUS EXTRA-CURRICULAR ACTIVITIES FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	1,000,000	875,000
Donation received during the year	-	125,000
	<hr/>	<hr/>
Balance as at end of the year	<u>1,000,000</u>	<u>1,000,000</u>

11. THE MUSIC ENDOWMENT FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	1,231,065	1,226,065
Donation received during the year	305,000	5,000
	<hr/>	<hr/>
Balance as at end of the year	<u>1,536,065</u>	<u>1,231,065</u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

12. THE SPORTS ENDOWMENT FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	503,700	503,700
Donation received during the year	1,200	-
Balance as at end of the year	<u>504,900</u>	<u>503,700</u>

13. THE LEADERSHIP & EXPERIENTIAL LEARNING ENDOWMENT FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	1,150,000	1,050,000
Donation received during the year	101,200	100,000
Balance as at end of the year	<u>1,251,200</u>	<u>1,150,000</u>

14. THE SPENCER FUNG FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	400,000	300,000
Donation received during the year	100,000	100,000
Balance as at end of the year	<u>500,000</u>	<u>400,000</u>

15. THE MR. PATRICK WONG & MRS. SHERRY WONG FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	300,000	200,000
Donation received during the year	100,000	100,000
Balance as at end of the year	<u>400,000</u>	<u>300,000</u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

16.	THE TANG FAMILY FUND	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	400,000	200,000
	Donation received during the year	200,000	200,000
	Balance as at end of the year	<u>600,000</u>	<u>400,000</u>
17.	THE RONALD KWOK ARTS & CULTURE FUND	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	200,000	100,000
	Donation received during the year	100,000	100,000
	Balance as at end of the year	<u>300,000</u>	<u>200,000</u>
18.	THE AU TSUN LEADERSHIP FUND	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	240,000	160,000
	Donation received during the year	120,000	80,000
	Balance as at end of the year	<u>360,000</u>	<u>240,000</u>
19.	THE GLORIA PONG MEMORIAL FUND	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	700,000	400,000
	Donation received during the year	300,000	300,000
	Balance as at end of the year	<u>1,000,000</u>	<u>700,000</u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

20.	THE CHEN WAI WAI VIVIEN FOUNDATION E-LEARNING AND E-LIBRARY FUND		
		<u>2017</u>	<u>2016</u>
		HK\$	HK\$
	Balance as at beginning of the year	50,000,000	25,000,000
	Donation received during the year	-	25,000,000
	Balance as at end of the year	<u>50,000,000</u>	<u>50,000,000</u>
21.	THE JEAN E. SALATA AND MELANIE PONG MUNG YEE EDUCATION FUND		
		<u>2017</u>	<u>2016</u>
		HK\$	HK\$
	Balance as at beginning of the year	2,000,000	-
	Donation received during the year	3,000,000	2,000,000
	Balance as at end of the year	<u>5,000,000</u>	<u>2,000,000</u>
22.	THE YEUNG MING HON HARRISON & YEUNG MING YEE IRENE FUND		
		<u>2017</u>	<u>2016</u>
		HK\$	HK\$
	Balance as at beginning of the year	440,000	-
	Donation received during the year	60,000	440,000
	Balance as at end of the year	<u>500,000</u>	<u>440,000</u>
23.	THE CHANG WONG YIU HO FUND		
		<u>2017</u>	<u>2016</u>
		HK\$	HK\$
	Balance as at beginning of the year	575,835	-
	Donation received during the year	-	575,835
	Balance as at end of the year	<u>575,835</u>	<u>575,835</u>

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24.	THE MR. ROBERT LAI AND MRS MARIA LAI FUND	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	300,000	-
	Donation received during the year	300,000	300,000
	Balance as at end of the year	<u>600,000</u>	<u>300,000</u>
25.	THE TAI WING KEUNG FUND	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	500,000	-
	Donation received during the year	-	500,000
	Balance as at end of the year	<u>500,000</u>	<u>500,000</u>
26.	THE MRS. BETTY TUNG CHIU HUNG PING FUND	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	500,000	-
	Donation received during the year	-	500,000
	Balance as at end of the year	<u>500,000</u>	<u>500,000</u>
27.	THE SELINA CHOW FUND FOR ENGLISH AND DRAMA	<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	100,000	-
	Donation received during the year	100,000	100,000
	Balance as at end of the year	<u>200,000</u>	<u>100,000</u>

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28.	THE GOODWIN AND YAMA GAW SPORTS FUND		
		<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	250,000	-
	Donation received during the year	250,000	250,000
	Balance as at end of the year	<u>500,000</u>	<u>250,000</u>
29.	THE TERESA YANG MING YEN FUND		
		<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	165,000	-
	Donation received during the year	-	165,000
	Balance as at end of the year	<u>165,000</u>	<u>165,000</u>
30.	THE NATASHA CHENG SIN YAN EXPERIENTIAL LEARNING FUND		
		<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	165,000	-
	Donation received during the year	-	165,000
	Balance as at end of the year	<u>165,000</u>	<u>165,000</u>
31.	THE SHARON CHENG SIN MAN ARTS AND CULTURE FUND		
		<u>2017</u> HK\$	<u>2016</u> HK\$
	Balance as at beginning of the year	165,000	-
	Donation received during the year	-	165,000
	Balance as at end of the year	<u>165,000</u>	<u>165,000</u>

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32. THE CHENG CHUN YIN SPORTS FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance as at beginning of the year	165,000	-
Donation received during the year	<u>-</u>	<u>165,000</u>
Balance as at end of the year	<u>165,000</u>	<u>165,000</u>

33. THE CHENG SIN YEE MUSIC FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	<u>165,000</u>	<u>-</u>
Balance as at end of the year	<u>165,000</u>	<u>-</u>

34. THE CHENG SIN TING SPORTS FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	<u>165,000</u>	<u>-</u>
Balance as at end of the year	<u>165,000</u>	<u>-</u>

35. THE CHENG CHUN YAN SPORTS FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	<u>165,000</u>	<u>-</u>
Balance as at end of the year	<u>165,000</u>	<u>-</u>

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36. THE CHENG CHUN LAM SPORTS FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	165,000	-
Balance as at end of the year	<u>165,000</u>	<u>-</u>

37. THE MR. ZETH HUNG AND MRS. ALMA HUNG FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	100,000	-
Balance as at end of the year	<u>100,000</u>	<u>-</u>

38. THE LAWS FAMILY FOUNDATION FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	500,000	-
Balance as at end of the year	<u>500,000</u>	<u>-</u>

39. THE SUN FAMILY FUND

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	100,000	-
Balance as at end of the year	<u>100,000</u>	<u>-</u>

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40. THE DR. ANISSA CHAN SCHOLARSHIP FUND FOR STUDENT OF THE YEAR AWARDS

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation received during the year	750,000	-
Balance as at end of the year	<u>750,000</u>	<u>-</u>

41. TAXATION

The Trust is exempted from Hong Kong tax under Section 88 of the Inland Revenue Ordinance.

42. DONATIONS COMMITTED

(a) Donations received and outstanding pledges in respect of general purposes as at 31st August 2017 are as follows:

	<u>Donations committed</u> HK\$	<u>Donations received</u> HK\$	<u>Outstanding pledges</u> HK\$
Balance as at 1st September 2015	442,651,616	441,826,616	825,000
Donations received in 2015/16 in respect of signed pledges in prior year	-	575,000	(575,000)
Balance as at 31st August 2016	<u>442,651,616</u>	<u>442,401,616</u>	<u>250,000</u>
Donations received in 2016/17 in respect of signed pledges in prior year	-	100,000	(100,000)
Additions during 2016/17	<u>8,816,065</u>	<u>7,178,578</u>	<u>1,637,487</u>
Balance as at 31st August 2017	<u>451,467,681</u>	<u>449,680,194</u>	<u>1,787,487</u>

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

42. DONATIONS COMMITTED - continued

- (b) The Trust launched the Centenary Fundraising Campaign in January 2013 with the aim of establishing endowment funds for school development. The funds will enable SPCC to strengthen its position as a world-class school and provide staunch support for its milestone developments. Donations received and outstanding pledges as at 31st August 2017 in respect of the Centenary Fundraising Campaign are as follows:

	<u>Donations committed</u> HK\$	<u>Donations received</u> HK\$	<u>Outstanding pledges</u> HK\$
Balance as at 1st September 2015	130,114,079	79,173,954	50,940,125
Donations received in 2015/16 in respect of signed pledges in prior year	-	30,487,575	(30,487,575)
	<u>130,114,079</u>	<u>109,661,529</u>	<u>20,452,550</u>
Additions during 2015/16	87,555,799	61,484,949	26,070,850
	<u>217,669,878</u>	<u>171,146,478</u>	<u>46,523,400</u>
Balance as at 31st August 2016	217,669,878	171,146,478	46,523,400
Donations received in 2016/17 in respect of signed pledges in prior year	-	18,532,125	(18,532,125)
	<u>217,669,878</u>	<u>189,678,603</u>	<u>27,991,275</u>

43. FINANCIAL RISK MANAGEMENT

- (a) Categories of financial instruments

	<u>2017</u> HK\$	<u>2016</u> HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	34,123,376	72,178,414
Available-for-sale financial assets	340,820,829	242,483,620
Held-to-maturity investments	10,459,514	18,689,474
	<u>385,413,729</u>	<u>333,951,528</u>

- (b) Financial risk factors

The Trust's activities expose it to a variety of financial risks: market risks (including foreign currency risk, price risk and interest rate risk) and credit risk. The Trustees manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Trust's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust's financial performance. The Trust does not use derivative financial instruments to hedge its risk exposures.

THE COUNCIL OF ST. PAUL'S CO-EDUCATIONAL COLLEGE CHARITABLE TRUST

43. FINANCIAL RISK MANAGEMENT - continued

(b) Financial risk factors - continued

(i) Market risk

Market risk represents the risk that the value of financial assets will decrease as a result of movements in market variables such as stock prices, interest rates and foreign exchange rates. The Trust's investments comprise of equities, debt securities and time deposits. The investment principle of the Trust is to invest prudently in order to preserve capital and contain risks while generating the required return and liquidity.

The Trustees monitor the actual exposures regularly according to the latest market conditions.

Foreign currency risk

The carrying amounts of the Trust's foreign currency denominated monetary assets at the reporting date are as follows:

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
United State dollars ("USD")	350,816,755	235,829,898
Renminbi ("RMB")	4,897,872	17,412,019

The Trust is mainly exposed to the currency risk of RMB against HKD.

5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the Trustees consider that the Trust's exposure to USD is insignificant on the ground that HKD is pegged to USD. A negative number indicates a decrease in surplus for the year where Hong Kong dollars strengthen 5% against RMB. For a 5% (2016: 5%) weakening of Hong Kong dollars against RMB, there would be an equal and opposite impact at HK\$244,894 (2016: HK\$870,601) on the surplus.

Price risk

Price risk represents the risk that the value of investment assets will decrease as a result of falling market prices. The Trust is exposed to price risk because some of the investments held by the Trust are classified on the balance sheet as available-for-sale financial assets and measured as fair value.

As at 31st August 2017 if the market price increase/decrease by 5% with all other variables held constant, the market value of the Trust's available-for-sale financial assets will increase/decrease by HK\$17,041,041 (2016: HK\$12,124,181).

43. FINANCIAL RISK MANAGEMENT - continued

(b) Financial risk factors - continued

(i) Market risk - continued

Interest rate risk

Interest rate risk is the risk that the value and future cash flows of interest bearing instruments will decrease as a result of change in interest rate. The Trust has significant interest bearing assets in the form of held-to-maturity investments, time deposits and bank balances and cash. Accordingly, the Trust's income and operating cash flows are subject to the changes in market interest rates. The Trust's fair value interest rate risk arises from held-to-maturity investments and time deposits at fixed rates.

No sensitivity analysis on interest rate risk on bank balances is presented as the Trust considers the sensitivity on interest rate risk on bank deposits is insignificant.

(ii) Credit risk

Credit risk arises from cash at banks and held-to-maturity investments at banks and financial institutions.

The table below presents an analysis of debt securities and bank deposits by credit rating designation as at the balance sheet date, based on an external credit rating agency, Moody's Investors Service:

	Credit rating for debt securities and bank deposits			
	<u>Aaa</u> HK\$	<u>Aa</u> HK\$	<u>A</u> HK\$	<u>Total</u> HK\$
At 31st August 2017				
Held-to-maturity investments	4,715,116	4,740,800	1,003,598	10,459,514
Cash at banks	-	33,947,015	-	33,947,015
	<u>4,715,116</u>	<u>38,687,815</u>	<u>1,003,598</u>	<u>44,406,529</u>
At 31st August 2016				
Held-to-maturity investments	7,719,689	1,000,707	9,969,078	18,689,474
Cash at banks	-	72,054,584	-	72,054,584
	<u>7,719,689</u>	<u>73,055,291</u>	<u>9,969,078</u>	<u>90,744,058</u>

(c) Fair value estimation

The Trust's financial instruments that are measured in the balance sheet at fair value are required for disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

43. FINANCIAL RISK MANAGEMENT - continued

(c) Fair value estimation - continued

The following table presents the Trust's financial assets that are measured at fair value at 31st August 2017 and 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
At 31st August 2017			
Assets			
Available-for-sale financial assets	-	340,820,829	340,820,829
	<u> </u>	<u> </u>	<u> </u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
At 31st August 2016			
Assets			
Available-for-sale financial assets	13,125,750	229,357,870	242,483,620
	<u> </u>	<u> </u>	<u> </u>

The Trust has no liabilities measured at fair value at 31st August 2017 and 2016.

There were no transfers between levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Trust is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The carrying amounts of other financial assets are assumed to approximate their respective fair values at the end of the reporting period due to the short term maturities of these assets.

(d) Capital management

The Trust is established to provide support to the Council. It receives donations and make grants periodically to the Council for both specified and unspecified purposes. Such grants are made out of the donations received as well as any income derived from the assets of the Trust. There is no requirement to maintain capital, hence no policy exists to maintain or manage capital.