

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

Report and Financial Statements
For the year ended 31st August 2016

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

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2016

| <u>CONTENTS</u> | <u>PAGE(S)</u> |
|---|----------------|
| INDEPENDENT AUDITOR'S REPORT | 1 & 2 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 3 |
| STATEMENT OF FINANCIAL POSITION | 4 - 6 |
| STATEMENT OF CHANGES IN FUND BALANCES | 7 & 8 |
| STATEMENT OF CASH FLOWS | 9 |
| NOTES TO THE FINANCIAL STATEMENTS | 10 - 30 |

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of The Council of St. Paul's Co-educational College Charitable Trust (the "Trust") set out on pages 3 to 30, which comprise the statement of financial position as at 31st August 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in fund balances, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, with the 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Trust's affairs as at 31st August 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Other Matter

The financial statements of the Trust for the year ended 31st August 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 30th March 2016.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29th March 2017

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 2016

| | <u>NOTE</u> | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-------------|--------------------------|--------------------------|
| Income | | | |
| Donations | | 92,547,524 | 65,092,056 |
| Interest income from investments | | 550,641 | 711,421 |
| Dividend income | | 308,550 | - |
| Interest on bank deposits | | 186,497 | 379,973 |
| | | <u>93,593,212</u> | <u>66,183,450</u> |
| Expenditure | | | |
| Administrative expenses | | 123,607 | 52,371 |
| Grants awarded | 4 | 5,086,682 | 7,266,167 |
| General fund raising expenses | | 300,907 | 350,530 |
| Exchange losses | | 743,771 | 783,069 |
| | | <u>6,254,967</u> | <u>8,452,137</u> |
| Surplus for the year | | 87,338,245 | 57,731,313 |
| Other comprehensive income (loss) for the year | | | |
| <i>Items subsequently may be reclassified to</i> | | | |
| <i>profit or loss</i> | | | |
| - change in fair value of available-for-sale financial assets | | 7,718,778 | (8,496,651) |
| Total comprehensive income for the year | | <u><u>95,057,023</u></u> | <u><u>49,234,662</u></u> |

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

STATEMENT OF FINANCIAL POSITION
AS AT 31ST AUGUST 2016

| | <u>NOTES</u> | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|--------------|---------------------|---------------------|
| Non-current assets | | | |
| Available-for-sale financial assets | 5 | 242,483,620 | 148,444,970 |
| Held-to-maturity investments | 6 | 4,687,868 | 18,970,324 |
| | | <u>247,171,488</u> | <u>167,415,294</u> |
| Current assets | | | |
| Held-to-maturity investments | 6 | 14,001,606 | 16,751,001 |
| Other receivables | | 123,830 | 263,117 |
| Bank balances and cash | 7 | 72,054,584 | 56,148,322 |
| | | <u>86,180,020</u> | <u>73,162,440</u> |
| Current liabilities | | | |
| Other payables and accruals | | 10,000 | 970,209 |
| Amounts due to St. Paul's Co-educational College and St. Paul's Co-educational College Primary School | 8 | - | 1,323,040 |
| | | <u>10,000</u> | <u>2,293,249</u> |
| Net current assets | | <u>86,170,020</u> | <u>70,869,191</u> |
| Net assets | | <u>333,341,508</u> | <u>238,284,485</u> |

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

| | <u>NOTES</u> | <u>2016</u> HK\$ | <u>2015</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 | 9 | 1,000,000 | 950,000 |
| The St. Paul's Co-educational College Alumni Association General Endowment Fund | | 1,000,000 | 1,000,000 |
| The Wo Lok Fund | | 500,000 | 500,000 |
| The Mrs. Christina Yung Memorial General Endowment Fund | 10 | 1,500,000 | 1,400,000 |
| The Lee Hysan Foundation Endowment Fund | | 10,000,000 | 10,000,000 |
| The Anonymous Extra-curricular Activities Fund | 11 | 1,000,000 | 875,000 |
| 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 | 12 | 1,231,065 | 1,226,065 |
| The Watt Shun Sun Tong Fund | | 800,000 | 800,000 |
| The Sports Endowment Fund | | 503,700 | 503,700 |
| The Leadership & Experiential Learning Endowment Fund | 13 | 1,150,000 | 1,050,000 |
| The CTC Edu Foundation Limited Fund | | 500,000 | 500,000 |
| The Spencer Fung Fund | 14 | 400,000 | 300,000 |
| 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 | 300,000 | 200,000 |
| The Martin Lau Fund | | 1,000,000 | 1,000,000 |
| The Tang Family Fund | 16 | 400,000 | 200,000 |
| The Ronald Kwok Arts & Culture Fund | 17 | 200,000 | 100,000 |

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

| | <u>NOTES</u> | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|--------------|---------------------|---------------------|
| Designated Fund Accounts - continued | | | |
| The Au Tsun Leadership Fund | 18 | 240,000 | 160,000 |
| The Gloria Pong Memorial Fund | 19 | 700,000 | 400,000 |
| The Chen Wai Wai Vivien Foundation e-Learning and e-Library Fund | 20 | 50,000,000 | 25,000,000 |
| The Jean E. Salata and Melanie Pong Mung Yee Education Fund | 21 | 2,000,000 | - |
| The Yeung Ming Hong Harrison & Yeung Ming Yee Irene Fund | 22 | 440,000 | - |
| The Chang Wong Yiu Ho Fund | 23 | 575,835 | - |
| The Mr. Robert Lai and Mrs. Maria Lai Fund | 24 | 300,000 | - |
| The Tai Wing Keung Fund | 25 | 500,000 | - |
| The Mrs. Betty Tung Chiu Hung Ping Fund | 26 | 500,000 | - |
| The Selina Chow Fund for English and Drama | 27 | 100,000 | - |
| The Goodwin and Yama Gaw Sports Fund | 28 | 250,000 | - |
| The Teresa Yang Ming Yen Fund | 29 | 165,000 | - |
| The Natasha Cheng Sin Yan Experiential Learning Fund | 30 | 165,000 | - |
| The Sharon Cheng Sin Man Arts and Culture Fund | 31 | 165,000 | - |
| The Cheng Chun Yin Sports Fund | 32 | 165,000 | - |
| | | <hr/> | <hr/> |
| | | 105,068,413 | 73,482,578 |
| The General Fund | | 229,050,968 | 173,298,558 |
| Investments revaluation reserve | | (777,873) | (8,496,651) |
| | | <hr/> | <hr/> |
| Total funds | | 333,341,508 | 238,284,485 |
| | | <hr/> | <hr/> |

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

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31ST AUGUST 2016

| | 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 2014 | 144,090,610 | 44,959,213 | - | 189,049,823 |
| Transferred from statement of profit loss and other 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 Beloved Parents Care Fund | - | 1,080,000 | - | 1,080,000 |
| The Kenneth Lam Fund | - | 100,000 | - | 100,000 |
| The Douglas Fang Fund | - | 100,000 | - | 100,000 |
| The Music Endowment Fund | - | 5,165 | - | 5,165 |
| The Sports Endowment Fund | - | 3,200 | - | 3,200 |
| The Spencer Fung Fund | - | 100,000 | - | 100,000 |
| The Mr. Patrick Wong & Mrs. Sherry Wong Fund | - | 100,000 | - | 100,000 |
| The Martin Lau Fund | - | 900,000 | - | 900,000 |
| The Tang Family Fund | - | 200,000 | - | 200,000 |
| The Ronald Kwok Arts & Culture Fund | - | 100,000 | - | 100,000 |
| The Au Tsun Leadership Fund | - | 160,000 | - | 160,000 |
| The Gloria Pong Memorial Fund | - | 400,000 | - | 400,000 |
| The Chen Wai Wai Vivien Foundation e-Learning and e-Library Fund | - | 25,000,000 | - | 25,000,000 |
| The General Fund | 29,207,948 | - | - | 29,207,948 |
| Surplus for the year transfer from statement of profit or loss | 29,207,948 | 28,523,365 | - | 57,731,313 |
| Other comprehensive expense: - change in fair value of available-for-sale financial assets | - | - | (8,496,651) | (8,496,651) |
| Total comprehensive (expense) income | 29,207,948 | 28,523,365 | (8,496,651) | 49,234,662 |
| Balance as at 31st August 2015 | 173,298,558 | 73,482,578 | (8,496,651) | 238,284,485 |

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 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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST AUGUST 2016

| | <u>NOTES</u> | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|--|--------------|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | | |
| Surplus for the year | | 87,338,245 | 57,731,313 |
| Adjustments for: | | | |
| Interest income | | (737,138) | (1,091,394) |
| Dividend income | | (308,550) | - |
| Surplus before changes in working capital | | 86,292,557 | 56,639,919 |
| Decrease in other receivables | | 22,997 | - |
| (Decrease) increase in amounts due to St. Paul's Co-educational College and St. Paul's Co-educational College Primary School | | (1,323,040) | 1,323,040 |
| Net cash generated from operating activities | | <u>84,992,514</u> | <u>57,962,959</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of available-for-sale financial assets | | (87,280,081) | (155,971,412) |
| Proceeds from redemption of held-to-maturity investments | 6 | 16,751,001 | 12,800,778 |
| Interest received | | 1,134,278 | 1,433,917 |
| Dividends received | | 308,550 | - |
| Purchase of held-to-maturity investments | 6 | - | (11,865,447) |
| Net cash used in investing activities | | <u>(69,086,252)</u> | <u>(153,602,164)</u> |
| Net increase (decrease) in cash and cash equivalents | | 15,906,262 | (95,639,205) |
| Cash and cash equivalents at beginning of year | | <u>56,148,322</u> | <u>151,787,527</u> |
| Cash and cash equivalents at end of year | 7 | <u><u>72,054,584</u></u> | <u><u>56,148,322</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2016

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
Mr. Lee Chien
Mr. Tsoi Hak Kong, Herbert
Dr. Yam Chi Kwong, Joseph
Dr. Chan Wong Lai Kuen, Anissa
Ms. Yang Ming Yen, Teresa
Mr. Auyang Pak Hong, Bernard
Mr. Yiu Kin Wah, Stephen
Dr. Cheng Mo Chi, Moses

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

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 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 - 2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011 - 2013 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 on the 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 revised HKFRSs that have been issued but are not yet effective:

| | |
|--|--|
| HKFRS 9 | Financial Instruments ¹ |
| HKFRS 15 | Revenue from Contracts with Customers ¹ |
| HKFRS 16 | Leases ⁴ |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions ¹ |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations ² |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from Contracts with Customers 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 HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception ² |
| Amendments to HKAS 1 | Disclosure Initiative ² |
| Amendments to HKAS 7 | Disclosure Initiative ⁵ |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses ⁵ |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ² |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants ² |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 - 2014 Cycle ² |

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

² Effective for annual periods beginning on or after 1st January 2016

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 2019

⁵ Effective for annual periods beginning on or after 1st January 2017

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.

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. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categories 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 2016, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets - continued

(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.

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.

Financial liabilities

Financial liabilities (including other payables and amounts due to St. Paul's Co-educational College and St. Paul's Co-educational College Primary School) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

The Trust derecognises financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Other payables

Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

Expenditure

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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>2016</u> HK\$ | <u>2015</u> HK\$ |
|--|---------------------|---------------------|
| e-Learning and e-Library | 2,403,009 | 973,128 |
| Student enrichment activities | 2,059,973 | 3,420,000 |
| Additional social worker | 441,700 | 422,600 |
| Staff development programme | 180,000 | 280,000 |
| Scholarships and bursaries to students | 2,000 | 320,000 |
| Musical instruments | - | 1,807,679 |
| Re-development of secondary school premises at 33 MacDonnell Road | - | 42,760 |
| | <u>5,086,682</u> | <u>7,266,167</u> |

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| At beginning of the year | 148,444,970 | - |
| Additions during the year | 86,319,872 | 156,941,621 |
| Change in fair value of available-for-sale financial assets | 7,718,778 | (8,496,651) |
| At end of the year | <u>242,483,620</u> | <u>148,444,970</u> |

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Available-for-sale financial assets are analysed below: | | |
| Listed equity | | |
| - Hong Kong listed equity, denominated in HKD | 13,125,750 | 1,924,500 |
| Unlisted fund | | |
| - Overseas unlisted fund, denominated in USD | 229,357,870 | 146,520,470 |
| | <u>242,483,620</u> | <u>148,444,970</u> |

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

6. HELD-TO-MATURITY INVESTMENTS

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---------------------------|---------------------|---------------------|
| At beginning of the year | 35,721,325 | 36,970,272 |
| Additions during the year | - | 11,865,447 |
| Matured during the year | (16,751,001) | (12,800,778) |
| Amortisation for the year | (280,850) | (313,616) |
| At end of the year | 18,689,474 | 35,721,325 |
| Less: non-current portion | (4,687,868) | (18,970,324) |
| Current portion | <u>14,001,606</u> | <u>16,751,001</u> |

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

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|-----------------------|---------------------|---------------------|
| Overseas listed bonds | | |
| - Current | - | 7,526,295 |
| - Non-current | 4,687,868 | 4,698,536 |
| | <u>4,687,868</u> | <u>12,224,831</u> |
| Unlisted bonds | | |
| - Current | 14,001,606 | 9,224,706 |
| - Non-current | - | 14,271,788 |
| | <u>14,001,606</u> | <u>23,496,494</u> |
| | <u>18,689,474</u> | <u>35,721,325</u> |
| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
| Denominated in: | | |
| - HKD | 12,061,845 | 18,268,669 |
| - USD | 5,465,124 | 10,151,271 |
| - RMB | 1,162,505 | 7,301,385 |
| | <u>18,689,474</u> | <u>35,721,325</u> |

The effective interest rate on the held-to-maturity investments was 2.72% (2015: 1.91%). These investments have an approximate range of maturity period from 1 year to 3 years (2015: 1 year to 4 years) from the end of the reporting period.

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

7. BANK BALANCES AND CASH

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Bank balances and cash | 61,798,027 | 35,252,647 |
| Bank deposits with maturity within 3 months | 10,256,557 | 20,895,675 |
| | <u>72,054,584</u> | <u>56,148,322</u> |

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

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|-----|---------------------|---------------------|
| HKD | 54,834,496 | 42,735,043 |
| USD | 975,765 | 245,763 |
| RMB | 16,244,323 | 13,167,516 |
| | <u>72,054,584</u> | <u>56,148,322</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 0.19% to 8% (2015: 0.04% to 6.55%) per annum for the year ended 31st August 2016.

8. AMOUNTS DUE TO ST. PAUL'S CO-EDUCATIONAL COLLEGE AND ST. PAUL'S CO-EDUCATIONAL COLLEGE PRIMARY SCHOOL

The balances with schools represent grants awarded, are unsecured and due on presentation.

9. THE 何添夫人陳淑芳 MUSIC FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|--|---------------------|---------------------|
| Balance as at beginning of the year | 950,000 | 900,000 |
| Donation received during the year transferred from the statement of comprehensive income | 50,000 | 50,000 |
| Balance as at end of the year | <u>1,000,000</u> | <u>950,000</u> |

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

10. THE MRS. CHRISTINA YUNG MEMORIAL GENERAL ENDOWMENT FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-------------------------|-------------------------|
| Balance as at beginning of the year | 1,400,000 | 1,300,000 |
| Donation received during the year transferred from the statement of comprehensive income | <u>100,000</u> | <u>100,000</u> |
| Balance as at end of the year | <u><u>1,500,000</u></u> | <u><u>1,400,000</u></u> |

11. THE ANONYMOUS EXTRA-CURRICULAR ACTIVITIES FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-------------------------|-----------------------|
| Balance as at beginning of the year | 875,000 | 750,000 |
| Donation received during the year transferred from the statement of comprehensive income | <u>125,000</u> | <u>125,000</u> |
| Balance as at end of the year | <u><u>1,000,000</u></u> | <u><u>875,000</u></u> |

12. THE MUSIC ENDOWMENT FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-------------------------|-------------------------|
| Balance as at beginning of the year | 1,226,065 | 1,220,900 |
| Donation received during the year transferred from the statement of comprehensive income | <u>5,000</u> | <u>5,165</u> |
| Balance as at end of the year | <u><u>1,231,065</u></u> | <u><u>1,226,065</u></u> |

13. THE LEADERSHIP & EXPERIENTIAL LEARNING ENDOWMENT FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-------------------------|-------------------------|
| Balance as at beginning of the year | 1,050,000 | 1,050,000 |
| Donation received during the year transferred from the statement of comprehensive income | <u>100,000</u> | <u>-</u> |
| Balance as at end of the year | <u><u>1,150,000</u></u> | <u><u>1,050,000</u></u> |

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

14. THE SPENCER FUNG FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Balance as at beginning of the year | 300,000 | 200,000 |
| Donation received during the year transferred from the statement of comprehensive income | <u>100,000</u> | <u>100,000</u> |
| Balance as at end of the year | <u>400,000</u> | <u>300,000</u> |

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

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Balance as at beginning of the year | 200,000 | 100,000 |
| Donation received during the year transferred from the statement of comprehensive income | <u>100,000</u> | <u>100,000</u> |
| Balance as at end of the year | <u>300,000</u> | <u>200,000</u> |

16. THE TANG FAMILY FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Balance as at beginning of the year | 200,000 | - |
| Donation received during the year transferred from the statement of comprehensive income | <u>200,000</u> | <u>200,000</u> |
| Balance as at end of the year | <u>400,000</u> | <u>200,000</u> |

17. THE RONALD KWOK ARTS & CULTURE FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Balance as at beginning of the year | 100,000 | - |
| Donation received during the year transferred from the Statement of comprehensive income | <u>100,000</u> | <u>100,000</u> |
| Balance as at end of the year | <u>200,000</u> | <u>100,000</u> |

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

18. THE AU TSUN LEADERSHIP FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-----------------------|-----------------------|
| Balance as at beginning of the year | 160,000 | - |
| Donation received during the year transferred from the statement of comprehensive income | <u>80,000</u> | <u>160,000</u> |
| Balance as at end of the year | <u><u>240,000</u></u> | <u><u>160,000</u></u> |

19. THE GLORIA PONG MEMORIAL FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-----------------------|-----------------------|
| Balance as at beginning of the year | 400,000 | - |
| Donation received during the year transferred from the statement of comprehensive income | <u>300,000</u> | <u>400,000</u> |
| Balance as at end of the year | <u><u>700,000</u></u> | <u><u>400,000</u></u> |

20. THE CHEN WAI WAI VIVIEN FOUNDATION E-LEARNING AND E-LIBRARY FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|--------------------------|--------------------------|
| Balance as at beginning of the year | 25,000,000 | - |
| Donation received during the year transferred from the statement of comprehensive income | <u>25,000,000</u> | <u>25,000,000</u> |
| Balance as at end of the year | <u><u>50,000,000</u></u> | <u><u>25,000,000</u></u> |

21. THE JEAN E. SALATA AND MELANIE PONG MUNG YEE EDUCATION FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-------------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>2,000,000</u> | <u>-</u> |
| Balance as at end of the year | <u><u>2,000,000</u></u> | <u><u>-</u></u> |

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

22. THE YEUNG MING HON HARRISON & YEUNG MING YEE IRENE FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>440,000</u> | <u>-</u> |
| Balance as at end of the year | <u>440,000</u> | <u>-</u> |

23. THE CHANG WONG YIU HO FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>575,835</u> | <u>-</u> |
| Balance as at end of the year | <u>575,835</u> | <u>-</u> |

24. THE MR. ROBERT LAI AND MRS MARIA LAI FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>300,000</u> | <u>-</u> |
| Balance as at end of the year | <u>300,000</u> | <u>-</u> |

25. THE TAI WING KEUNG FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>500,000</u> | <u>-</u> |
| Balance as at end of the year | <u>500,000</u> | <u>-</u> |

26. THE MRS. BETTY TUNG CHIU HUNG PING FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>500,000</u> | <u>-</u> |
| Balance as at end of the year | <u>500,000</u> | <u>-</u> |

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

27. THE SELINA CHOW FUND FOR ENGLISH AND DRAMA

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-----------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>100,000</u> | <u>-</u> |
| Balance as at end of the year | <u><u>100,000</u></u> | <u><u>-</u></u> |

28. THE GOODWIN AND YAMA GAW SPORTS FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-----------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>250,000</u> | <u>-</u> |
| Balance as at end of the year | <u><u>250,000</u></u> | <u><u>-</u></u> |

29. THE TERESA YANG MING YEN FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-----------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>165,000</u> | <u>-</u> |
| Balance as at end of the year | <u><u>165,000</u></u> | <u><u>-</u></u> |

30. THE NATASHA CHENG SIN YAN EXPERIENTIAL LEARNING FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-----------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | <u>165,000</u> | <u>-</u> |
| Balance as at end of the year | <u><u>165,000</u></u> | <u><u>-</u></u> |

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

31. THE SHARON CHENG SIN MAN ARTS AND CULTURE FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | 165,000 | - |
| Balance as at end of the year | <u>165,000</u> | <u>-</u> |

32. THE CHENG CHUN YIN SPORTS FUND

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|---------------------|---------------------|
| Donation received during the year transferred from the statement of comprehensive income | 165,000 | - |
| Balance as at end of the year | <u>165,000</u> | <u>-</u> |

33. TAXATION

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

34. DONATIONS COMMITTED

(a) Donations received and outstanding pledges in respect of general purposes as at 31st August 2016 are as follows:

| | <u>Donations committed</u> HK\$ | <u>Donations received</u> HK\$ | <u>Outstanding pledges</u> HK\$ |
|--|--|---------------------------------------|--|
| Balance as at 1st September 2014 | 442,619,616 | 439,529,616 | 3,090,000 |
| Donations received in 2014/15 in respect of signed pledges in prior year | - | 2,265,000 | (2,265,000) |
| | <u>442,619,616</u> | <u>441,794,616</u> | <u>825,000</u> |
| Additions during 31st August 2015 | 32,000 | 32,000 | - |
| Balance as at 31st August 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> |

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

34. 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 2016 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 2014 | 57,761,755 | 16,378,898 | 41,382,857 |
| Donations received in 2014/15 in respect of signed pledges in prior year | - | 30,419,032 | (30,419,032) |
| | <u>57,761,755</u> | <u>46,797,930</u> | <u>10,963,825</u> |
| Additions during 2014/15 | 72,352,324 | 32,376,024 | 39,976,300 |
| | <u>130,114,079</u> | <u>79,173,954</u> | <u>50,940,125</u> |
| Balance as at 31st August 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> |

35. FINANCIAL RISK MANAGEMENT

- (a) Categories of financial instruments

| | <u>2016</u> HK\$ | <u>2015</u> HK\$ |
|---|-----------------------------|-----------------------------|
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | 72,178,414 | 56,411,439 |
| Available-for-sale financial assets | 242,483,620 | 148,444,970 |
| Held-to-maturity investments | 18,689,474 | 35,721,325 |
| | <u> </u> | <u> </u> |
| Financial liabilities | | |
| Amortised cost | 10,000 | 2,293,249 |
| | <u> </u> | <u> </u> |

35. FINANCIAL RISK MANAGEMENT - continued

(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), liquidity 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.

(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>2016</u> | <u>2015</u> |
| | HK\$ | HK\$ |
| United State dollars ("USD") | 235,829,898 | 157,051,235 |
| Renminbi ("RMB") | 17,412,019 | 20,508,842 |

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

5% (2015: 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% (2015: 5%) weakening of Hong Kong dollars against RMB, there would be an equal and opposite impact at HK\$870,601 (2015: HK\$1,025,442) on the surplus.

35. FINANCIAL RISK MANAGEMENT - continued

(b) Financial risk factors - continued

(i) Market risk - continued

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.

As at 31st August 2016 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\$12,124,181 (2015: HK\$7,422,249).

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) Liquidity risk

The Trustees have built an appropriate liquidity risk management framework for the management of the Trust's funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Trust's cash flow position.

The contractual maturities for all non-interest bearing financial liabilities of the Trust are all within one year.

35. FINANCIAL RISK MANAGEMENT - continued

(b) Financial risk factors - continued

(iii) 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 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> |
| At 31st August 2015 | | | | |
| Held-to-maturity investments | 7,789,595 | 7,087,614 | 20,844,116 | 35,721,325 |
| Cash at banks | - | 56,148,322 | - | 56,148,322 |
| | <u>7,789,595</u> | <u>63,235,936</u> | <u>20,844,116</u> | <u>91,869,647</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)

35. 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 2016 and 2015.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|-------------------------------------|-------------------|--------------------|--------------------|
| At 31st August 2016 | | | |
| Assets | | | |
| Available-for-sale financial assets | <u>13,125,750</u> | <u>229,357,870</u> | <u>242,483,620</u> |
| | | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| At 31st August 2015 | | | |
| Assets | | | |
| Available-for-sale financial assets | <u>1,924,500</u> | <u>146,520,470</u> | <u>148,444,970</u> |

The Trust has no liabilities measured at fair value at 31st August 2016 and 2015.

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 and financial liabilities are assumed to approximate their respective fair values at the end of the reporting period due to the short term maturities of these assets and liabilities.

(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.