

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

Report and Financial Statements
For the year ended 31st August 2018

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

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2018

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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 2018, 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 2018, 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 ("HKSAs") 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 are 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 are 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 intend 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 blue ink that reads "Deloitte Touche Tohmatsu". The signature is stylized and cursive.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1st April 2019

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 2018

	NOTE	2018 HK\$	2017 HK\$
Income			
Donations		16,096,723	25,810,703
Gain on disposal of available-for-sale financial assets		-	2,174,691
Gain on disposal of held-to-maturity investments		772,830	-
Interest income from investments		264,215	345,871
Dividend income		-	367,950
Interest on bank deposits		27,570	273,038
Exchange gains		111,943	-
		<u>17,273,281</u>	<u>28,972,253</u>
Expenditure			
Administrative expenses		99,943	37,766
Grants awarded	4	5,507,670	7,388,795
General fund raising expenses		266,447	251,117
Exchange losses		-	276,641
		<u>5,874,060</u>	<u>7,954,319</u>
Surplus for the year		11,399,221	21,017,934
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		31,773,878	33,592,959
- reclassification adjustment upon disposal of available-for-sale financial assets		-	(2,558,682)
Total comprehensive income for the year		<u>43,173,099</u>	<u>52,052,211</u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 31ST AUGUST 2018

	<u>NOTES</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
Non-current assets			
Available-for-sale financial assets	5	392,451,263	340,820,829
Held-to-maturity investments	6	4,581,600	9,455,916
		<u>397,032,863</u>	<u>350,276,745</u>
Current assets			
Held-to-maturity investments	6	6,499,008	1,003,598
Other receivables		163,867	176,361
Bank balances and cash	7	24,881,080	33,947,015
		<u>31,543,955</u>	<u>35,126,974</u>
Current liabilities			
Accruals		10,000	10,000
Net current assets		<u>31,533,955</u>	<u>35,116,974</u>
Net assets		<u><u>428,566,818</u></u>	<u><u>385,393,719</u></u>

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

	<u>NOTES</u>	<u>2018</u> HK\$	<u>2017</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	1,100,000	1,050,000
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		1,500,000	1,500,000
The Lee Hysan Foundation Endowment Fund		10,000,000	10,000,000
The Anonymous Extra-curricular Activities Fund		1,000,000	1,000,000
The Prof LC 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	9	2,089,065	1,536,065
The Watt Shun Sun Tong Fund		800,000	800,000
The Sports Endowment Fund	10	506,100	504,900
The Leadership & Experiential Learning Endowment Fund	11	1,357,400	1,251,200
The CTC Edu Foundation Limited Fund		500,000	500,000
The Spencer Fung Fund	12	500,000	500,000
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	13	500,000	400,000
The Martin Lau Fund		1,000,000	1,000,000
The Tang Family Fund	14	800,000	600,000
The Ronald Kwok Arts & Culture Fund	15	400,000	300,000
The Au Tsun Leadership Fund	16	360,000	360,000
The Gloria Pong Memorial Fund	17	1,000,000	1,000,000

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

	<u>NOTES</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
Designated Fund Accounts - continued			
The Chen Wai Wai Vivien Foundation e-Learning and e-Library Fund		50,000,000	50,000,000
The Jean E. Salata and Melanie Pong Mung Yee Education Fund	18	6,500,000	5,000,000
The Yeung Ming Hong Harrison & Yeung Ming Yee Irene Fund	19	500,000	500,000
The Chang Wong Yiu Ho Fund		575,835	575,835
The Mr. Robert Lai and Mrs. Maria Lai Fund	20	900,000	600,000
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	21	300,000	200,000
The Goodwin and Yama Gaw Sports Fund	22	750,000	500,000
The Teresa Yang Ming Yen Fund	23	332,500	165,000
The Natasha Cheng Sin Yan Experiential Learning Fund	24	332,500	165,000
The Sharon Cheng Sin Man Arts and Culture Fund	25	332,500	165,000
The Cheng Chun Yin Sports Fund	26	332,500	165,000
The Cheng Sin Yee Music Fund	27	332,500	165,000
The Cheng Sin Ting Sports Fund	28	332,500	165,000
The Cheng Chun Yan Sports Fund	29	332,500	165,000
The Cheng Chun Lam Sports Fund	30	332,500	165,000
The Mr. Zeth Hung and Mrs. Alma Hung Fund	31	200,000	100,000
The Laws Family Foundation Fund	32	1,000,000	500,000
The Sun Family Fund	33	200,000	100,000
The Dr. Anissa Chan Scholarship Fund for Student of the Year Awards	34	750,000	750,000
The Gordon Lam Chi Wing Fund	35	100,000	-
The Roland Kun Chee Chow Staff Development Fund	36	250,000	-
The Gabriel Lee Sports & Leadership Fund	37	100,000	-
The Issac V Doone & Vincent G Law Fund	38	800,000	-
		<hr/>	<hr/>
		118,816,213	112,265,813
The General Fund		247,720,323	242,871,502
Investments revaluation reserve		62,030,282	30,256,404
		<hr/>	<hr/>
Total funds		<u>428,566,818</u>	<u>385,393,719</u>

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

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31ST AUGUST 2018

	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 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

	The General Fund HK\$	Designated Fund Accounts HK\$	Investments Revaluation Reserve HK\$	Total HK\$
Balance as at 1st September 2017	242,871,502	112,265,813	30,256,404	385,393,719
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	-	553,000	-	553,000
The Sports Endowment Fund	-	1,200	-	1,200
The Leadership & Experiential Learning Endowment Fund	-	106,200	-	106,200
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 Jean E. Salata and Melanie Pong Mung Yee Education Fund	-	1,500,000	-	1,500,000
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 Teresa Yang Ming Yen Fund	-	167,500	-	167,500
The Natasha Cheng Sin Yan Experiential Learning Fund	-	167,500	-	167,500
The Sharon Cheng Sin Man Arts and Culture Fund	-	167,500	-	167,500
The Cheng Chun Yin Sports Fund	-	167,500	-	167,500
The Cheng Sin Yee Music Fund	-	167,500	-	167,500
The Cheng Sin Ting Sports Fund	-	167,500	-	167,500
The Cheng Chun Yan Sports Fund	-	167,500	-	167,500
The Cheng Chun Lam Sports Fund	-	167,500	-	167,500
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 Gordon Lam Chi Wing Fund	-	100,000	-	100,000
The Ronald Kun Chee Chow Staff Development Fund	-	250,000	-	250,000
The Gabriel Lee Sports & Leadership Fund	-	100,000	-	100,000
The Isaac V Doone & Vincent G Law Fund	-	800,000	-	800,000
The General Fund	4,848,821	-	-	4,848,821
Surplus for the year transfer from statement of comprehensive income	4,848,821	6,550,400	-	11,399,221
Other comprehensive income:				
- change in fair value of available-for-sale financial assets	-	-	31,773,878	31,773,878
Total comprehensive income	4,848,821	6,550,400	31,773,878	43,173,099
Balance as at 31st August 2018	247,720,323	118,816,213	62,030,282	428,566,818

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST AUGUST 2018

	<u>NOTES</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
OPERATING ACTIVITIES			
Surplus for the year		11,399,221	21,017,934
Adjustments for:			
Gain on disposal of available-for-sale financial assets		-	(2,174,691)
Gain on disposal of held-to-maturity investments		(772,830)	-
Interest income		(291,785)	(618,909)
Dividend income		-	(367,950)
Surplus before changes in working capital		10,334,606	17,856,384
Increase in other receivables		(145,752)	(63,526)
NET CASH FROM OPERATING ACTIVITIES		<u>10,188,854</u>	<u>17,792,858</u>
INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets	5	(19,856,556)	(77,870,000)
Purchase of held-to-maturity investments	6	(6,339,188)	(5,792,196)
Proceeds from redemption of held-to-maturity investments	6	1,008,850	14,001,606
Proceeds from disposal of available-for-sale financial assets		-	12,741,759
Proceeds from disposal of held-to-maturity investments	6	5,605,092	-
Interest received		327,013	650,454
Dividends received		-	367,950
NET CASH USED IN INVESTING ACTIVITIES		<u>(19,254,789)</u>	<u>(55,900,427)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,065,935)	(38,107,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>33,947,015</u>	<u>72,054,584</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	<u><u>24,881,080</u></u>	<u><u>33,947,015</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2018

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	
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	
Ms. Chow Yan Wai, Michelle	(appointed on 19th June 2018)
Mr. Tsoi Hak Kong, Herbert	(retired on 9th April 2018)

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 7	Disclosure Initiative
Amendments to HKFRS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 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.

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

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 and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
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 9	Prepayment Features with Negative Compensation ²
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 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 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 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 2021

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 2018, 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 principal 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.

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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>2018</u> HK\$	<u>2017</u> HK\$
Student enrichment activities	2,853,865	2,906,460
e-Learning and e-Library	1,757,561	2,160,981
Re-development of secondary school premises at 33 MacDonnell Road	-	1,512,191
Additional social worker	500,244	474,974
Staff development programme	380,000	282,059
Scholarships and bursaries to students	16,000	52,130
	<u>5,507,670</u>	<u>7,388,795</u>

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5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2018</u> HK\$	<u>2017</u> HK\$
At beginning of the year	340,820,829	242,483,620
Additions during the year	19,856,556	77,870,000
Change in fair value of available-for-sale financial assets	31,773,878	33,592,959
Disposal during the year	-	(13,125,750)
At end of the year	<u>392,451,263</u>	<u>340,820,829</u>

	<u>2018</u> HK\$	<u>2017</u> HK\$
Available-for-sale financial assets are analysed below:		
Unlisted fund		
- Overseas unlisted fund, denominated in USD	<u>392,451,263</u>	<u>340,820,829</u>

6. HELD-TO-MATURITY INVESTMENTS

	<u>2018</u> HK\$	<u>2017</u> HK\$
At beginning of the year	10,459,514	18,689,474
Additions during the year	6,339,188	5,792,196
Matured during the year	(1,008,850)	(14,001,606)
Disposal during the year	(4,832,262)	-
Amortisation for the year	123,018	(20,550)
At end of the year	11,080,608	10,459,514
Less: non-current portion	<u>(4,581,600)</u>	<u>(9,455,916)</u>
Current portion	<u>6,499,008</u>	<u>1,003,598</u>

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Overseas listed bonds		
- Non-current	<u>-</u>	<u>4,715,116</u>
Unlisted bonds		
- Current	6,499,008	1,003,598
- Non-current	<u>4,581,600</u>	<u>4,740,800</u>
	<u>11,080,608</u>	<u>5,744,398</u>
	<u>11,080,608</u>	<u>10,459,514</u>

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6. HELD-TO-MATURITY INVESTMENTS - continued

	<u>2018</u> HK\$	<u>2017</u> HK\$
Denominated in:		
- HKD	6,499,008	1,003,598
- USD	-	4,715,116
- RMB	4,581,600	4,740,800
	<u>11,080,608</u>	<u>10,459,514</u>

The effective interest rate on the held-to-maturity investments was 4.61% (2017: 4.05%). These investments have an approximate range of maturity period from 3 months to 3 years (2017: 1 year to 3 years) from the end of the reporting period.

7. BANK BALANCES AND CASH

	<u>2018</u> HK\$	<u>2017</u> HK\$
Bank balances and cash	23,150,288	32,244,303
Bank deposits with maturity within 3 months	1,730,792	1,702,712
	<u>24,881,080</u>	<u>33,947,015</u>

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
HKD	22,918,048	28,678,532
USD	1,732,962	5,268,235
RMB	230,070	248
	<u>24,881,080</u>	<u>33,947,015</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 of 1.58% (2017: 0.35% to 0.73%) per annum for the year ended 31st August 2018.

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8. THE 何添夫人陳淑芳 MUSIC FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	1,050,000	1,000,000
Donation received during the year	<u>50,000</u>	<u>50,000</u>
Balance as at end of the year	<u>1,100,000</u>	<u>1,050,000</u>

9. THE MUSIC ENDOWMENT FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	1,536,065	1,231,065
Donation received during the year	<u>553,000</u>	<u>305,000</u>
Balance as at end of the year	<u>2,089,065</u>	<u>1,536,065</u>

10. THE SPORTS ENDOWMENT FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	504,900	503,700
Donation received during the year	<u>1,200</u>	<u>1,200</u>
Balance as at end of the year	<u>506,100</u>	<u>504,900</u>

11. THE LEADERSHIP & EXPERIENTIAL LEARNING ENDOWMENT FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	1,251,200	1,150,000
Donation received during the year	<u>106,200</u>	<u>101,200</u>
Balance as at end of the year	<u>1,357,400</u>	<u>1,251,200</u>

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12. THE SPENCER FUNG FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	500,000	400,000
Donation received during the year	-	100,000
Balance as at end of the year	<u>500,000</u>	<u>500,000</u>

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

	<u>2018</u> HK\$	<u>2017</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>

14. THE TANG FAMILY FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	600,000	400,000
Donation received during the year	200,000	200,000
Balance as at end of the year	<u>800,000</u>	<u>600,000</u>

15. THE RONALD KWOK ARTS & CULTURE FUND

	<u>2018</u> HK\$	<u>2017</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>

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16. THE AU TSUN LEADERSHIP FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	360,000	240,000
Donation received during the year	-	120,000
Balance as at end of the year	<u>360,000</u>	<u>360,000</u>

17. THE GLORIA PONG MEMORIAL FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	1,000,000	700,000
Donation received during the year	-	300,000
Balance as at end of the year	<u>1,000,000</u>	<u>1,000,000</u>

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	5,000,000	2,000,000
Donation received during the year	1,500,000	3,000,000
Balance as at end of the year	<u>6,500,000</u>	<u>5,000,000</u>

19. THE YEUNG MING HONG HARRISON & YEUNG MING YEE IRENE FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	500,000	440,000
Donation received during the year	-	60,000
Balance as at end of the year	<u>500,000</u>	<u>500,000</u>

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	600,000	300,000
Donation received during the year	<u>300,000</u>	<u>300,000</u>
Balance as at end of the year	<u><u>900,000</u></u>	<u><u>600,000</u></u>

21. THE SELINA CHOW FUND FOR ENGLISH AND DRAMA

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	200,000	100,000
Donation received during the year	<u>100,000</u>	<u>100,000</u>
Balance as at end of the year	<u><u>300,000</u></u>	<u><u>200,000</u></u>

22. THE GOODWIN AND YAMA GAW SPORTS FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	500,000	250,000
Donation received during the year	<u>250,000</u>	<u>250,000</u>
Balance as at end of the year	<u><u>750,000</u></u>	<u><u>500,000</u></u>

23. THE TERESA YANG MING YEN FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	165,000
Donation received during the year	<u>167,500</u>	<u>-</u>
Balance as at end of the year	<u><u>332,500</u></u>	<u><u>165,000</u></u>

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24. THE NATASHA CHENG SIN YAN EXPERIENTIAL LEARNING FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	165,000
Donation received during the year	<u>167,500</u>	<u>-</u>
Balance as at end of the year	<u><u>332,500</u></u>	<u><u>165,000</u></u>

25. THE SHARON CHENG SIN MAN ARTS AND CULTURE FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	165,000
Donation received during the year	<u>167,500</u>	<u>-</u>
Balance as at end of the year	<u><u>332,500</u></u>	<u><u>165,000</u></u>

26. THE CHENG CHUN YIN SPORTS FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	165,000
Donation received during the year	<u>167,500</u>	<u>-</u>
Balance as at end of the year	<u><u>332,500</u></u>	<u><u>165,000</u></u>

27. THE CHENG SIN YEE MUSIC FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	-
Donation received during the year	<u>167,500</u>	<u>165,000</u>
Balance as at end of the year	<u><u>332,500</u></u>	<u><u>165,000</u></u>

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28. THE CHENG SIN TING SPORTS FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	-
Donation received during the year	167,500	165,000
Balance as at end of the year	<u>332,500</u>	<u>165,000</u>

29. THE CHENG CHUN YAN SPORTS FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	-
Donation received during the year	167,500	165,000
Balance as at end of the year	<u>332,500</u>	<u>165,000</u>

30. THE CHENG CHUN LAM SPORTS FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	165,000	-
Donation received during the year	167,500	165,000
Balance as at end of the year	<u>332,500</u>	<u>165,000</u>

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

	<u>2018</u> HK\$	<u>2017</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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32. THE LAWS FAMILY FOUNDATION FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	500,000	-
Donation received during the year	<u>500,000</u>	<u>500,000</u>
Balance as at end of the year	<u><u>1,000,000</u></u>	<u><u>500,000</u></u>

33. THE SUN FAMILY FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	100,000	-
Donation received during the year	<u>100,000</u>	<u>100,000</u>
Balance as at end of the year	<u><u>200,000</u></u>	<u><u>100,000</u></u>

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Balance as at beginning of the year	750,000	-
Donation received during the year	<u>-</u>	<u>750,000</u>
Balance as at end of the year	<u><u>750,000</u></u>	<u><u>750,000</u></u>

35. THE GORDON LAM CHI WING FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Donation received during the year	<u>100,000</u>	<u>-</u>
Balance as at end of the year	<u><u>100,000</u></u>	<u><u>-</u></u>

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36. THE ROLAND KUN CHEE CHOW STAFF DEVELOPMENT FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Donation received during the year	<u>250,000</u>	<u>-</u>
Balance as at end of the year	<u>250,000</u>	<u>-</u>

37. THE GABRIEL LEE SPORTS & LEADERSHIP FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Donation received during the year	<u>100,000</u>	<u>-</u>
Balance as at end of the year	<u>100,000</u>	<u>-</u>

38. THE ISSAC V DOONE & VINCENT G LAW FUND

	<u>2018</u> HK\$	<u>2017</u> HK\$
Donation received during the year	<u>800,000</u>	<u>-</u>
Balance as at end of the year	<u>800,000</u>	<u>-</u>

39. TAXATION

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

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40. DONATIONS COMMITTED

- (a) Donations received and outstanding pledges in respect of general purposes as at 31st August 2018 are as follows:

	<u>Donations committed</u> HK\$	<u>Donations received</u> HK\$	<u>Outstanding pledges</u> HK\$
Balance as at 1st September 2016	442,651,616	442,401,616	250,000
Donations received in 2016/17 in respect of signed pledges in prior year	-	100,000	(100,000)
	442,651,616	442,501,616	150,000
Additions during 2016/17	8,816,065	7,178,578	1,637,487
Balance as at 31st August 2017	451,467,681	449,680,194	1,787,487
Donations received in 2017/18 in respect of signed pledges in prior year	-	637,487	(637,487)
	451,467,681	450,317,681	1,150,000
Additions during 2017/18	6,987,543	5,547,961	1,439,582
Balance as at 31st August 2018	458,455,224	455,865,642	2,589,582

- (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. The Centenary Fundraising Campaign was successfully concluded in August 2016. Donations received and outstanding pledges as at 31st August 2018 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 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)
Balance as at 31st August 2017	217,669,878	189,678,603	27,991,275
Donations received in 2017/18 in respect of signed pledges in prior year	-	9,911,275	(9,911,275)
Balance as at 31st August 2018	217,669,878	199,589,878	18,080,000

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41. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	<u>2018</u> HK\$	<u>2017</u> HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	25,044,947	34,123,376
Available-for-sale financial assets	392,451,263	340,820,829
Held-to-maturity investments	<u>11,080,608</u>	<u>10,459,514</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.

(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>2018</u> HK\$	<u>2017</u> HK\$
	<u>ASSETS</u>	
United State dollars ("USD")	394,184,225	350,816,755
Renminbi ("RMB")	<u>4,963,228</u>	<u>4,897,872</u>

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

41. FINANCIAL RISK MANAGEMENT - continued

(b) Financial risk factors - continued

(i) Market risk - continued

Foreign currency risk - continued

5% (2017: 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% (2017: 5%) weakening of Hong Kong dollars against RMB, there would be an equal and opposite impact at HK\$248,161 (2017: HK\$244,894) 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 2018 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\$19,622,563 (2017: HK\$17,041,041).

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.

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41. FINANCIAL RISK MANAGEMENT - continued

(b) Financial risk factors - continued

(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>Un-rated</u> HK\$	<u>Total</u> HK\$
At 31st August 2018					
Held-to-maturity investments	-	4,581,600	-	6,499,008	11,080,608
Cash at banks	-	24,881,080	-	-	24,881,080
	<u>-</u>	<u>29,462,680</u>	<u>-</u>	<u>6,499,008</u>	<u>35,961,688</u>
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>-</u>	<u>44,406,529</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)

41. 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 2018 and 2017.

	<u>Level 2</u>
At 31st August 2018	
Assets	
Available-for-sale financial assets	<u>392,451,263</u>
	<u>Level 2</u>
At 31st August 2017	
Assets	
Available-for-sale financial assets	<u>340,820,829</u>

The Trust has no liabilities measured at fair value at 31st August 2018 and 2017.

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.