

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

Report and Financial Statements
For the year ended 31st August 2019

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

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2019

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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 The Council of St. Paul's Co-educational College Charitable Trust (the "Trust") set out on pages 4 to 38, which comprise the statement of financial position as at 31st August 2019, 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 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

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

Responsibilities of Trustees for the Financial Statements

The Trustees 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.

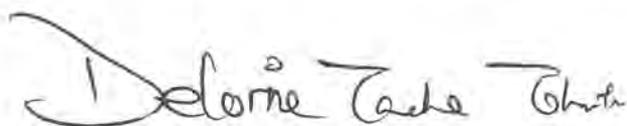
INDEPENDENT AUDITOR'S REPORT

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.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27th February 2020

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 2019

	<u>NOTE</u>	<u>2019</u> HK\$	<u>2018</u> HK\$
Income			
Donations		25,375,799	16,096,723
Gain on disposal of held-to-maturity investments		-	772,830
Interest income from investments		287,672	264,215
Dividend income		4,928,364	-
Interest on bank deposits		188,795	27,570
Exchange gains		-	111,943
		<u>30,780,630</u>	<u>17,273,281</u>
Expenditure			
Administrative expenses		50,679	99,943
Grants awarded	4	4,970,497	5,507,670
General fund raising expenses		204,450	266,447
Exchange losses		223,161	-
		<u>5,448,787</u>	<u>5,874,060</u>
Surplus for the year		25,331,843	11,399,221
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss</i>			
Change in fair value of financial assets at fair value through other comprehensive income		3,678,064	-
<i>Item subsequently may be reclassified to profit or loss</i>			
Change in fair value of available-for-sale financial assets		-	31,773,878
Total comprehensive income for the year		<u>29,009,907</u>	<u>43,173,099</u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 31ST AUGUST 2019

	<u>NOTES</u>	<u>2019</u> HK\$	<u>2018</u> HK\$
Non-current assets			
Available-for-sale financial assets	5	-	392,451,263
Financial assets at fair value through other comprehensive income	5	419,616,827	-
Held-to-maturity investments	6	-	4,581,600
		<u>419,616,827</u>	<u>397,032,863</u>
Current assets			
Held-to-maturity investments	6	-	6,499,008
Debt instrument at amortised cost	6	4,389,200	-
Other receivables		123,313	163,867
Bank balances and cash	7	33,457,385	24,881,080
		<u>37,969,898</u>	<u>31,543,955</u>
Current liabilities			
Accruals		10,000	10,000
		<u>37,959,898</u>	<u>31,533,955</u>
Net current assets		<u>457,576,725</u>	<u>428,566,818</u>
Net assets		<u>457,576,725</u>	<u>428,566,818</u>

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

	<u>NOTES</u>	<u>2019</u> HK\$	<u>2018</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	8	3,500,000	3,437,383
The 何添夫人陳淑芳 Music Fund	9	1,150,000	1,100,000
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 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	10	2,818,189	2,089,065
The Watt Shun Sun Tong Fund		800,000	800,000
The Sports Endowment Fund	11	507,300	506,100
The Leadership & Experiential Learning Endowment Fund	12	1,378,600	1,357,400
The CTC Edu Foundation Limited Fund		500,000	500,000
The Spencer Fung Fund		500,000	500,000
The Dr. Lancelot Lam Arts & Music Fund		736,730	736,730
The Ruth Kan-Tai Chan Financial Aid Fund	13	5,000,000	3,000,000
The Mr. Patrick Wong & Mrs. Sherry Wong Fund		500,000	500,000
The Martin Lau Fund		1,000,000	1,000,000
The Tang Family Fund	14	1,000,000	800,000
The Ronald Kwok Arts & Culture Fund	15	500,000	400,000
The Au Tsun Leadership Fund		360,000	360,000
The Gloria Pong Memorial Fund		1,000,000	1,000,000

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

	<u>NOTES</u>	<u>2019</u> HK\$	<u>2018</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	16	8,000,000	6,500,000
The Yeung Ming Hong Harrison & Yeung Ming Yee Irene Fund		500,000	500,000
The Chang Wong Yiu Ho Fund		575,835	575,835
The Mr. Robert Lai and Mrs. Maria Lai Fund	17	1,200,000	900,000
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	18	400,000	300,000
The Goodwin and Yama Gaw Sports Fund	19	1,000,000	750,000
The Teresa Yang Ming Yen Fund	20	500,000	332,500
The Natasha Cheng Sin Yan Experiential Learning Fund	21	500,000	332,500
The Sharon Cheng Sin Man Arts and Culture Fund	22	500,000	332,500
The Cheng Chun Yin Sports Fund	23	500,000	332,500
The Cheng Sin Yee Music Fund	24	500,000	332,500
The Cheng Sin Ting Sports Fund	25	500,000	332,500
The Cheng Chun Yan Sports Fund	26	500,000	332,500
The Cheng Chun Lam Sports Fund	27	500,000	332,500
The Mr. Zeth Hung and Mrs. Alma Hung Fund	28	300,000	200,000
The Laws Family Foundation Fund	29	1,500,000	1,000,000
The Sun Family Fund	30	300,000	200,000
The Dr. Anissa Chan Scholarship Fund for Student of the Year Awards		750,000	750,000
The Gordon Lam Chi Wing Fund	31	200,000	100,000
The Roland Kun Chee Chow Staff Development Fund	32	500,000	250,000
The Gabriel Lee Sports & Leadership Fund	33	200,000	100,000
The Issac V Doone & Vincent G Law Fund	34	800,000	800,000
The Rachel & Christopher Kwok Education Fund	35	5,000,000	-
The Thomson Choi Yik Hin Fund	36	100,000	-
		<hr/>	<hr/>
The General Fund		131,720,354	118,816,213
Investments revaluation reserve		260,148,025	247,720,323
		<hr/>	<hr/>
Total funds		65,708,346	62,030,282
		<hr/>	<hr/>
		457,576,725	428,566,818
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The financial statements on pages 4 to 38 were approved by the Trustees on 27th February 2020

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

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31ST AUGUST 2019

	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

	The General Fund HK\$	Designated Fund Accounts HK\$	Investments Revaluation Reserve HK\$	Total HK\$
Balance as at 1st September 2018	247,720,323	118,816,213	62,030,282	428,566,818
Transferred from statement of profit or loss and comprehensive income				
The Dr. B M Kotewall Fund for Staff Development	-	62,617	-	62,617
The 何添夫人陳淑芳 Music Fund	-	50,000	-	50,000
The Music Endowment Fund	-	729,124	-	729,124
The Sports Endowment Fund	-	1,200	-	1,200
The Leadership & Experiential Learning Endowment Fund	-	21,200	-	21,200
The Ruth Kan-Tai Chan Financial Aid Fund	-	2,000,000	-	2,000,000
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 Rachel & Christopher Kwok Education Fund	-	5,000,000	-	5,000,000
The Thomson Choi Yik Hin Fund	-	100,000	-	100,000
The General Fund	12,427,702	-	-	12,427,702
Surplus for the year transfer from statement of comprehensive income	12,427,702	12,904,141	-	25,331,843
Other comprehensive income:				
- change in fair value of financial assets at fair value through other comprehensive income	-	-	3,678,064	3,678,064
Total comprehensive income	12,427,702	12,904,141	3,678,064	29,009,907
Balance as at 31st August 2019	260,148,025	131,720,354	65,708,346	457,576,725

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST AUGUST 2019

	<u>2019</u> HK\$	<u>2018</u> HK\$
OPERATING ACTIVITIES		
Surplus for the year	25,331,843	11,399,221
Adjustments for:		
Dividend income	(4,928,364)	-
Gain on disposal of held-to-maturity investments	-	(772,830)
Interest income	(476,467)	(291,785)
Surplus before changes in working capital	19,927,012	10,334,606
Decrease (increase) in other receivables	4,196	(145,752)
NET CASH FROM OPERATING ACTIVITIES	<u>19,931,208</u>	<u>10,188,854</u>
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(23,487,500)	-
Purchase of debt instrument at amortised costs	(6,303,776)	-
Proceeds of redemption of debt instruments at amortised costs	12,995,184	-
Dividends received	4,928,364	-
Interest received	512,825	327,013
Purchase of available-for-sale financial assets	-	(19,856,556)
Purchase of held-to-maturity investments	-	(6,339,188)
Proceeds from redemption of held-to-maturity investments	-	1,008,850
Proceeds from disposal of held-to-maturity investments	-	5,605,092
NET CASH USED IN INVESTING ACTIVITIES	<u>(11,354,903)</u>	<u>(19,254,789)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,576,305	(9,065,935)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>24,881,080</u>	<u>33,947,015</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>33,457,385</u></u>	<u><u>24,881,080</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2019

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 (together the "Schools") 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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 9 *Financial Instruments and the related amendments*

In the current year, the Trust has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities and ii) expected credit losses ("ECL") for financial assets.

The Trust has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1st September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st September 2018. The difference between carrying amounts as at 31st August 2018 and the carrying amounts as at 1st September 2018 are recognised in the opening balance of the general fund, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of significant accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1st September 2018.

	<u>Notes</u>	<u>Held-to-maturity ("HTM") investments</u> HK\$	<u>Debt instruments at amortised cost</u> HK\$	<u>Available-for-sales ("AFS") financial assets</u> HK\$	<u>Financial assets at fair value through other comprehensive income ("FVTOCI")</u> HK\$
Closing balance at 31st August 2018 - HKAS 39		11,080,608	-	392,451,263	-
Effects arising from initial application of HKFRS 9:					
Reclassification:					
From HTM investments	(a)	(11,080,608)	11,080,608	-	-
From AFS financial assets	(b)	-	-	(392,451,263)	392,451,263
Opening balance at 1st September 2018		-	11,080,608	-	392,451,263

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 9 *Financial Instruments and the related amendments* - continued

Summary of effects arising from initial application of HKFRS 9 - continued

Notes:

(a) HTM investments

From HTM investments to debt instruments at amortised cost

The Trust's investments previously classified as HTM investments are reclassified and measured at amortised cost upon application of HKFRS 9. The Trust intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1st September 2018.

(b) AFS investments

From AFS investments to financial assets at FVTOCI

The Trust elected to present in OCI for the fair value changes of all its investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future.

At the date of initial application of HKFRS 9, HK\$392,451,263 were reclassified from available-for-sale investments to financial assets at FVTOCI. The fair value gains of HK\$62,030,282 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle ¹

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

New and amendments to HKFRSs in issue but not yet effective - continued

- ¹ Effective for annual periods beginning on or after 1st January 2019
- ² Effective for annual periods beginning on or after a date to be determined
- ³ Effective for annual periods beginning on or after 1st January 2021
- ⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020
- ⁵ Effective for annual periods beginning on or after 1st January 2020

The Trustees anticipate that the application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

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 at the end of each reporting period, 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 these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 2019, there are no critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

The principle accounting policies are set out below.

Financial instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, the Trust may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at fair value through profit or loss ("FVTPL") if doing so eliminates or significantly reduces an accounting mismatch.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

The Trust recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including debt instrument at amortised cost, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Trust's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) - continued

For all instruments, the Trust measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Trust recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Trust compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Trust considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Trust presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Trust has reasonable and supportable information that demonstrates otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) - continued

(i) Significant increase in credit risk - continued

Despite the foregoing, the Trust assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Trust considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Trust regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Trust considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Trust, in full.

Irrespective of the above, the Trust considers that default has occurred when a financial asset is more than 90 days past due unless the Trust has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) - continued

(iv) Write-off policy

The Trust writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Trust's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Trust in accordance with the contract and the cash flows that the Trust expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Trust recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1st September 2018)

The Trust's financial assets are classified into loan and receivables, AFS financial assets and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1st September 2018) - continued

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. Subsequent to initial recognition, loans and receivable (including other receivables and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised on an effective interest basis.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loan and receivables, held-to-maturity investments or financial assets at FVTPL.

Equity securities held by the Trust that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity investments are recognised in profit or loss when the Trust's right to receive the dividends is established. Changes in the carrying amount of AFS equity investments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial asset below).

HTM investments

HTM 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 HTM investments, the whole category would be tainted and reclassified as AFS. HTM 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (before application of HKFRS 9 on 1st September 2018)

(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 AFS

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

Financial instruments - continued

Financial assets - continued

Derecognition of financial assets

The Trust derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Trust has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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

4. GRANTS AWARDED

	<u>2019</u> HK\$	<u>2018</u> HK\$
Extra-curricular activities	2,923,678	2,853,865
e-Learning and e-Library	1,117,359	1,757,561
Additional social worker	539,460	500,244
Staff development programme	374,000	380,000
Donations or scholarship, bursary and miscellaneous funds	16,000	16,000
	<u>4,970,497</u>	<u>5,507,670</u>

5. FINANCIAL ASSETS AT FVTOCI/AFS FINANCIAL ASSETS

	<u>2019</u> HK\$	<u>2018</u> HK\$
At beginning of the year	-	340,820,829
Effect arising from initial application of HKFRS 9 (Note 2)	392,451,263	-
Additions during the year	23,487,500	19,856,556
Change in fair value	3,678,064	31,773,878
At end of the year	<u>419,616,827</u>	<u>392,451,263</u>

	<u>2019</u> HK\$	<u>2018</u> HK\$
Financial assets at FVTOCI		
Unlisted fund		
- Overseas unlisted fund, denominated in USD	<u>419,616,827</u>	<u>-</u>
AFS financial assets		
Unlisted fund		
- Overseas unlisted fund, denominated in USD	<u>-</u>	<u>392,451,263</u>

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

6. DEBT INSTRUMENT AT AMORTISED COST/HELD-TO-MATURITY INVESTMENTS

	<u>2019</u> HK\$	<u>2018</u> HK\$
At beginning of the year	-	10,459,514
Effect arising from initial application of HKFRS 9 (Note 2)	11,080,608	-
Additions during the year	6,303,776	6,339,188
Matured during the year	(12,995,184)	(1,008,850)
Disposal during the year	-	(4,832,262)
Amortisation for the year	-	123,018
At end of the year	4,389,200	11,080,608
Less: non-current portion	-	(4,581,600)
Current portion	4,389,200	6,499,008
	<u>2019</u> HK\$	<u>2018</u> HK\$
Debt instrument at amortised cost		
Overseas unlisted bond		
- Current	4,389,200	-
Held-to-maturity investments		
Overseas unlisted bonds		
- Current	-	6,499,008
- Non-current	-	4,581,600
	-	11,080,608
	<u>2019</u> HK\$	<u>2018</u> HK\$
Denominated in:		
- HKD	-	6,499,008
- RMB	4,389,200	4,581,600
	4,389,200	11,080,608

As at 31st August 2019, the effective interest rate on the debt instrument at amortised cost was 5.04% (2018: 4.61%). The investment has a maturity period of 7 months (2018: 3 months to 2 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>2019</u> HK\$	<u>2018</u> HK\$
Bank balances and cash	13,512,960	23,150,288
Bank deposits with maturity within 3 months	19,944,425	1,730,792
	<u>33,457,385</u>	<u>24,881,080</u>

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

	<u>2019</u> HK\$	<u>2018</u> HK\$
HKD	21,946,060	22,918,048
USD	11,070,179	1,732,962
RMB	441,146	230,070
	<u>33,457,385</u>	<u>24,881,080</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 1.82% (2018: 1.58%) per annum for the year ended 31st August 2019.

8. THE DR. B M KOTEWALL FUND FOR STAFF DEVELOPMENT

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	3,437,383	3,437,383
Donation received during the year	62,617	-
Balance as at end of the year	<u>3,500,000</u>	<u>3,437,383</u>

9. THE 何添夫人陳淑芳 MUSIC FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	1,100,000	1,050,000
Donation received during the year	50,000	50,000
Balance as at end of the year	<u>1,150,000</u>	<u>1,100,000</u>

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

10. THE MUSIC ENDOWMENT FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	2,089,065	1,536,065
Donation received during the year	<u>729,124</u>	<u>553,000</u>
Balance as at end of the year	<u><u>2,818,189</u></u>	<u><u>2,089,065</u></u>

11. THE SPORTS ENDOWMENT FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	506,100	504,900
Donation received during the year	<u>1,200</u>	<u>1,200</u>
Balance as at end of the year	<u><u>507,300</u></u>	<u><u>506,100</u></u>

12. THE LEADERSHIP & EXPERIENTIAL LEARNING ENDOWMENT FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	1,357,400	1,251,200
Donation received during the year	<u>21,200</u>	<u>106,200</u>
Balance as at end of the year	<u><u>1,378,600</u></u>	<u><u>1,357,400</u></u>

13. THE RUTH KAN-TAI CHAN FINANCIAL AID FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	3,000,000	3,000,000
Donation received during the year	<u>2,000,000</u>	<u>-</u>
Balance as at end of the year	<u><u>5,000,000</u></u>	<u><u>3,000,000</u></u>

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

14. THE TANG FAMILY FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	800,000	600,000
Donation received during the year	<u>200,000</u>	<u>200,000</u>
Balance as at end of the year	<u><u>1,000,000</u></u>	<u><u>800,000</u></u>

15. THE RONALD KWOK ARTS & CULTURE FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	400,000	300,000
Donation received during the year	<u>100,000</u>	<u>100,000</u>
Balance as at end of the year	<u><u>500,000</u></u>	<u><u>400,000</u></u>

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

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	6,500,000	5,000,000
Donation received during the year	<u>1,500,000</u>	<u>1,500,000</u>
Balance as at end of the year	<u><u>8,000,000</u></u>	<u><u>6,500,000</u></u>

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

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	900,000	600,000
Donation received during the year	<u>300,000</u>	<u>300,000</u>
Balance as at end of the year	<u><u>1,200,000</u></u>	<u><u>900,000</u></u>

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

18. THE SELINA CHOW FUND FOR ENGLISH AND DRAMA

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	300,000	200,000
Donation received during the year	<u>100,000</u>	<u>100,000</u>
Balance as at end of the year	<u><u>400,000</u></u>	<u><u>300,000</u></u>

19. THE GOODWIN AND YAMA GAW SPORTS FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	750,000	500,000
Donation received during the year	<u>250,000</u>	<u>250,000</u>
Balance as at end of the year	<u><u>1,000,000</u></u>	<u><u>750,000</u></u>

20. THE TERESA YANG MING YEN FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	332,500	165,000
Donation received during the year	<u>167,500</u>	<u>167,500</u>
Balance as at end of the year	<u><u>500,000</u></u>	<u><u>332,500</u></u>

21. THE NATASHA CHENG SIN YAN EXPERIENTIAL LEARNING FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	332,500	165,000
Donation received during the year	<u>167,500</u>	<u>167,500</u>
Balance as at end of the year	<u><u>500,000</u></u>	<u><u>332,500</u></u>

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22. THE SHARON CHENG SIN MAN ARTS AND CULTURE FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	332,500	165,000
Donation received during the year	<u>167,500</u>	<u>167,500</u>
Balance as at end of the year	<u><u>500,000</u></u>	<u><u>332,500</u></u>

23. THE CHENG CHUN YIN SPORTS FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	332,500	165,000
Donation received during the year	<u>167,500</u>	<u>167,500</u>
Balance as at end of the year	<u><u>500,000</u></u>	<u><u>332,500</u></u>

24. THE CHENG SIN YEE MUSIC FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	332,500	165,000
Donation received during the year	<u>167,500</u>	<u>167,500</u>
Balance as at end of the year	<u><u>500,000</u></u>	<u><u>332,500</u></u>

25. THE CHENG SIN TING SPORTS FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	332,500	165,000
Donation received during the year	<u>167,500</u>	<u>167,500</u>
Balance as at end of the year	<u><u>500,000</u></u>	<u><u>332,500</u></u>

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26.	THE CHENG CHUN YAN SPORTS FUND		
		<u>2019</u>	<u>2018</u>
		HK\$	HK\$
	Balance as at beginning of the year	332,500	165,000
	Donation received during the year	167,500	167,500
	Balance as at end of the year	<u>500,000</u>	<u>332,500</u>
27.	THE CHENG CHUN LAM SPORTS FUND		
		<u>2019</u>	<u>2018</u>
		HK\$	HK\$
	Balance as at beginning of the year	332,500	165,000
	Donation received during the year	167,500	167,500
	Balance as at end of the year	<u>500,000</u>	<u>332,500</u>
28.	THE MR. ZETH HUNG AND MRS. ALMA HUNG FUND		
		<u>2019</u>	<u>2018</u>
		HK\$	HK\$
	Balance as at beginning of the year	200,000	100,000
	Donation received during the year	100,000	100,000
	Balance as at end of the year	<u>300,000</u>	<u>200,000</u>
29.	THE LAWS FAMILY FOUNDATION FUND		
		<u>2019</u>	<u>2018</u>
		HK\$	HK\$
	Balance as at beginning of the year	1,000,000	500,000
	Donation received during the year	500,000	500,000
	Balance as at end of the year	<u>1,500,000</u>	<u>1,000,000</u>

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30. THE SUN FAMILY FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	200,000	100,000
Donation received during the year	100,000	100,000
Balance as at end of the year	<u>300,000</u>	<u>200,000</u>

31. THE GORDON LAM CHI WING FUND

	<u>2019</u> HK\$	<u>2018</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>

32. THE ROLAND KUN CHEE CHOW STAFF DEVELOPMENT FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	250,000	-
Donation received during the year	250,000	250,000
Balance as at end of the year	<u>500,000</u>	<u>250,000</u>

33. THE GABRIEL LEE SPORTS & LEADERSHIP FUND

	<u>2019</u> HK\$	<u>2018</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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34. THE ISSAC V DOONE & VINCENT G LAW FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Balance as at beginning of the year	800,000	-
Donation received during the year	-	800,000
Balance as at end of the year	<u>800,000</u>	<u>800,000</u>

35. THE RACHEL & CHRISTOPHER KWOK EDUCATION FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Donation received during the year	5,000,000	-
Balance as at end of the year	<u>5,000,000</u>	<u>-</u>

36. THE THOMSON CHOI YIK HIN FUND

	<u>2019</u> HK\$	<u>2018</u> HK\$
Donation received during the year	100,000	-
Balance as at end of the year	<u>100,000</u>	<u>-</u>

37. TAXATION

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

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38. DONATIONS COMMITTED

- (a) Donations received and outstanding pledges excluding the Centenary Fundraising Campaign mentioned in (b) below as at 31st August 2019 are as follows:

	<u>Donations committed</u> HK\$	<u>Donations received</u> HK\$	<u>Outstanding pledges</u> HK\$
Balance as at 1st September 2017	461,502,127	459,714,640	1,787,487
Donations received in 2017/18 in respect of signed pledges in prior year	-	637,487	(637,487)
	461,502,127	460,352,127	1,150,000
Additions during 2017/18	6,987,543	5,547,961	1,439,582
Balance as at 31st August 2018	468,489,670	465,900,088	2,589,582
Donations received in 2018/19 in respect of signed pledges in prior year	-	1,269,852	(1,269,852)
	468,489,670	467,169,940	1,319,730
Additions during 2018/19	16,965,947	16,565,947	400,000
Balance as at 31st August 2019	485,455,617	483,735,887	1,719,730

- (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 2019 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 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
Donations received in 2018/19 in respect of signed pledges in prior year	-	7,540,000	(7,540,000)
Balance as at 31st August 2019	217,669,878	207,129,878	10,540,000

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	<u>2019</u> HK\$	<u>2018</u> HK\$
Financial assets		
Financial assets at FVTOCI	419,616,827	-
Debt instrument at amortised cost	4,389,200	-
Financial assets at amortised cost	33,580,698	-
Loans and receivables (including cash and cash equivalents)	-	25,044,947
AFS financial assets	-	392,451,263
Held-to-maturity investments	-	11,080,608
	<u> </u>	<u> </u>

(b) Financial risk management objectives and policies

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 equity, debt instruments and bank deposits with maturity within 3 months. 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>2019</u> HK\$	<u>2018</u> HK\$
United State dollars ("USD")	430,699,465	394,184,225
Renminbi ("RMB")	4,941,199	4,963,228
	<u> </u>	<u> </u>

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(i) Market risk - continued

Foreign currency risk - continued

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

5% (2018: 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 currency movement is insignificant on the ground that HKD is pegged to USD. A positive/negative number indicates an/a increase/decrease in surplus for the year where Hong Kong dollars weaken/strengthen 5% against RMB. For a 5% (2018: 5%) strengthening/weakening of Hong Kong dollars against RMB, there would be an equal and opposite impact at HK\$207,060 (2018: HK\$248,161) 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 statement of financial position as financial assets at FVTOCI (2018: AFS financial assets) and measured as fair value.

As at 31st August 2019 if the market price increase/decrease by 5% with all other variables held constant, the market value of the Trust's financial assets at FVTOCI will increase/decrease by HK\$20,980,841 while as at 31st August 2018 the market value of the Trust's AFS financial assets will increase/decrease by HK\$19,622,563.

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 financial assets at FVTOCI (2018: AFS financial assets), debt instrument at amortised cost (2018: held-to-maturity investments), bank deposits with maturity within 3 months and bank balances. 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 financial assets at FVTOCI (2018: AFS financial assets), debt instrument at amortised cost (2018: held-to-maturity investments) and bank deposits with maturity within 3 months 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 balances is insignificant.

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(ii) Credit risk and impairment assessment

As at 31st August 2019, the Trust's maximum exposure to credit risk which will cause a financial loss to the Trust due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the statement of financial position. In addition, the Trust performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model).

With respect to the credit risk of the Trust's treasury operations, the Trustees have established internal procedures to monitor the Trust's bank balances and debt instruments to be placed and entered into with financial institutions with good reputation. These internal procedures also impose limitation on the amount outstanding and the credit ratings on debt instruments to be held, so as to minimise the Trust's credit risk exposure.

The table below details the credit risk exposures of the Trust's financial assets, which are subject to ECL assessment:

<u>2019</u>	<u>Notes</u>	<u>External credit rating</u>	<u>12m or Lifetime ECL</u>	<u>Gross carrying amount</u> HK\$
Debt instrument at amortised cost (note 6)	(i)	Aaa	12m ECL	4,389,200
Other receivables	(ii)	N/A	12m ECL	123,313
Bank balances (note 7)	(ii)	Aa - A	12m ECL	33,452,317

Notes:

- (i) The Trust's credit risk on the debt instrument is limited because it is of good investment grade on the credit rating of Moody's. The remaining maturity period of the debt instrument is less than 1 year and there were no existing or forecast adverse changes in economic conditions as at 31st August 2019. As such, the Trust did not expect the counterparty will fail to meet its obligation and considered the expected loss rate of this debt investment was minimal. Thus, no loss allowance for the debt investment was recognised.
- (ii) The Trust's credit risk on bank balances and other receivables is limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

As at 31st August 2019, the Trust has assessed that the expected loss rates for bank balances and other receivables were immaterial. Thus no loss allowance for bank balances and other receivables was recognised.

39. FINANCIAL RISK MANAGEMENT - continued

(c) Fair value measurement of financial instruments

Other than the financial assets carried at fair value as detailed in the following table, the Trustees consider that the carrying amounts of other financial instruments that are recorded at amortised cost in the financial statements approximate their fair values.

Some of the Trust's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<u>Financial assets</u>	<u>Fair value as at 31st August 2019 HK\$</u>	<u>Fair value as at 31st August 2018 HK\$</u>	<u>Fair value hierarchy</u>	<u>Valuation techniques and key inputs</u>
Financial assets at FVTOCI				
Unlisted funds	419,616,827	N/A	Level 2	Quoted prices in the over-the-counter markets
AFS financial assets				
Unlisted funds	N/A	392,451,263	Level 2	Quoted prices in the over-the-counter markets

There was no transfer amongst Levels 1, 2 and 3 in both periods.

(d) Capital management

The Trust is established for the benefit of the Schools managed by 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.