

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

Report and Financial Statements
For the year ended 31st August 2021

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

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2021

<u>CONTENTS</u>	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
STATEMENT OF FINANCIAL POSITION	5 - 7
STATEMENT OF CHANGES IN FUND BALANCES	8 & 9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 29

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 29, which comprise the statement of financial position as at 31st August 2021, 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 2021, 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 (the "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, as a body, 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.

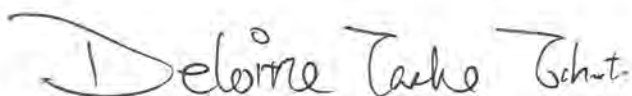
INDEPENDENT AUDITOR'S REPORT

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
6th April 2022

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 2021

	<u>NOTE</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Income			
Donations		7,361,101	11,157,214
Interest income from investments		-	112,049
Dividend income		5,541,322	5,222,039
Interest on bank deposits		3,436	142,353
Net exchange gains		207,225	54,265
		<u>13,113,084</u>	<u>16,687,920</u>
Expenditure			
Administrative expenses		22,155	48,413
Grants awarded	4	2,900,368	2,763,171
General fund raising expenses		190,763	181,311
		<u>3,113,286</u>	<u>2,992,895</u>
Surplus for the year		9,999,798	13,695,025
Other comprehensive income for the year			
<i>Item that may be reclassified to profit or loss</i>			
Fair value gain of financial assets at fair value through other comprehensive income ("FVTOCI")		111,721,614	35,666,685
Total comprehensive income for the year		<u><u>121,721,412</u></u>	<u><u>49,361,710</u></u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 31ST AUGUST 2021

	<u>NOTES</u>	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Non-current assets			
Financial assets at FVTOCI	5	<u>613,689,326</u>	<u>486,450,712</u>
Current assets			
Bank balances and cash	6	<u>14,980,521</u>	<u>20,497,723</u>
Current liabilities			
Accruals		<u>10,000</u>	<u>10,000</u>
Net current assets		<u>14,970,521</u>	<u>20,487,723</u>
Net assets		<u><u>628,659,847</u></u>	<u><u>506,938,435</u></u>

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

	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</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	7	2,000,000	2,000,000
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		3,500,000	3,500,000
The 何添夫人陳淑芳 Music Fund	8	1,250,000	1,200,000
The St. Paul's Co-educational College Alumni Association General Endowment Fund		1,000,000	1,000,000
The Li Fook-wo Memorial Fund	9	1,000,000	1,000,000
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	2,820,689	2,820,689
The Watt Shun Sun Tong Fund		800,000	800,000
The Sports Endowment Fund	11	519,700	518,500
The Leadership & Experiential Learning Endowment Fund	12	1,654,000	1,579,800
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		5,000,000	5,000,000
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		1,000,000	1,000,000
The Ronald Kwok Arts & Culture Fund		500,000	500,000
The Au Tsun Leadership Fund	13	500,000	420,000
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>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
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		8,000,000	8,000,000
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	14	1,500,000	1,500,000
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	15	500,000	500,000
The Goodwin and Yama Gaw Sports Fund		1,000,000	1,000,000
The Teresa Yang Ming Yen Fund		500,000	500,000
The Natasha Cheng Sin Yan Experiential Learning Fund		500,000	500,000
The Sharon Cheng Sin Man Arts and Culture Fund		500,000	500,000
The Cheng Chun Yin Sports Fund		500,000	500,000
The Cheng Sin Yee Music Fund		500,000	500,000
The Cheng Sin Ting Sports Fund		500,000	500,000
The Cheng Chun Yan Sports Fund		500,000	500,000
The Cheng Chun Lam Sports Fund		500,000	500,000
The Mr. Zeth Hung and Mrs. Alma Hung Fund	16	500,000	400,000
The Laws Family Foundation Fund		1,500,000	1,500,000
The Sun Family Fund	17	500,000	400,000
The Dr. Anissa Chan Scholarship Fund for Student of the Year Awards		750,000	750,000
The Gordon Lam Chi Wing Fund		200,000	200,000
The Roland Kun Chee Chow Staff Development Fund		500,000	500,000
The Gabriel Lee Sports & Leadership Fund	18	400,000	300,000
The Issac V Doone & Vincent G Law Fund		800,000	800,000
The Rachel & Christopher Kwok Education Fund		5,000,000	5,000,000
The Thomson Choi Yik Hin Fund	19	300,000	200,000
The Leung Chan Lai Ching Memorial Scholarship Fund for Needy Students	20	1,000,000	1,000,000
The Mrs Chan Lau Yuk Lin History, Arts & Culture Fund	21	100,000	100,000
The S L Wang Memorial Fund	22	500,000	-
		<u>136,550,654</u>	<u>135,445,254</u>
The General Fund		279,012,548	270,118,150
Investments revaluation reserve		213,096,645	101,375,031
Total funds		<u><u>628,659,847</u></u>	<u><u>506,938,435</u></u>

The financial statements on pages 4 to 29 were approved by the Trustees on 6th April 2022.

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

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31ST AUGUST 2021

	The General Fund HK\$	Designated Fund Accounts HK\$	Investments Revaluation Reserve HK\$	Total HK\$
Balance as at 1st September 2019	260,148,025	131,720,354	65,708,346	457,576,725
Transferred from statement of profit or loss and comprehensive income				
The Primasia Endowment Fund	-	1,000,000	-	1,000,000
The 何添夫人陳淑芳 Music Fund	-	50,000	-	50,000
The Li Fook-wo Memorial Fund	-	500,000	-	500,000
The Music Endowment Fund	-	2,500	-	2,500
The Sports Endowment Fund	-	11,200	-	11,200
The Leadership & Experiential Learning Endowment Fund	-	201,200	-	201,200
The Au Tsun Leadership 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 Mr. Zeth Hung and Mrs. Alma Hung Fund	-	100,000	-	100,000
The Sun Family Fund	-	100,000	-	100,000
The Gabriel Lee Sports & Leadership Fund	-	100,000	-	100,000
The Thomson Choi Yik Hin Fund	-	100,000	-	100,000
The Leung Chan Lai Ching Memorial Scholarship Fund for Needy Students	-	1,000,000	-	1,000,000
The Mrs Chan Lau Yuk Lin History, Arts & Culture Fund	-	100,000	-	100,000
The General Fund	9,970,125	-	-	9,970,125
Surplus for the year transfer from statement of comprehensive income	9,970,125	3,724,900	-	13,695,025
Other comprehensive income:				
- change in fair value of financial assets at FVTOCI	-	-	35,666,685	35,666,685
Total comprehensive income	9,970,125	3,724,900	35,666,685	49,361,710
Balance as at 31st August 2020	270,118,150	135,445,254	101,375,031	506,938,435

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 2020	270,118,150	135,445,254	101,375,031	506,938,435
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 Sports Endowment Fund	-	1,200	-	1,200
The Leadership & Experiential Learning Endowment Fund	-	74,200	-	74,200
The Au Tsun Leadership Fund	-	80,000	-	80,000
The Mr. Zeth Hung and Mrs. Alma Hung Fund	-	100,000	-	100,000
The Sun Family Fund	-	100,000	-	100,000
The Gabriel Lee Sports & Leadership Fund	-	100,000	-	100,000
The Thomson Choi Yik Hin Fund	-	100,000	-	100,000
The S L Wang Memorial Fund	-	500,000	-	500,000
The General Fund	8,894,398	-	-	8,894,398
Surplus for the year transfer from statement of comprehensive income	8,894,398	1,105,400	-	9,999,798
Other comprehensive income:				
- change in fair value of financial assets at FVTOCI	-	-	111,721,614	111,721,614
Total comprehensive income	8,894,398	1,105,400	111,721,614	121,721,412
Balance as at 31st August 2021	279,012,548	136,550,654	213,096,645	628,659,847

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST AUGUST 2021

	<u>2021</u> HK\$	<u>2020</u> HK\$
OPERATING ACTIVITIES		
Surplus for the year	9,999,798	13,695,025
Adjustments for:		
Dividend income	(5,541,322)	(5,222,039)
Net exchange gain	-	(71,600)
Interest income	(3,436)	(254,402)
NET CASH FROM OPERATING ACTIVITIES	<u>4,455,040</u>	<u>8,146,984</u>
INVESTING ACTIVITIES		
Purchase of financial assets at FVTOCI	(15,517,000)	(31,167,200)
Dividends received	5,541,322	5,222,039
Proceeds of redemption of debt instruments at amortised costs	-	4,460,800
Interest received	3,436	377,715
NET CASH USED IN INVESTING ACTIVITIES	<u>(9,972,242)</u>	<u>(21,106,646)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(5,517,202)</u>	<u>(12,959,662)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>20,497,723</u>	<u>33,457,385</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u>14,980,521</u>	<u>20,497,723</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2021

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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Trust has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1st September 2020 for the preparation of the basic financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Amendments to HKFRSs that are mandatorily effective for the current year - continued

Application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Trust has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the basic financial statements taken as a whole.

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

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 17	Insurance Contracts and the related Amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1st January 2021

² Effective for annual periods beginning on or after 1st January 2022

³ Effective for annual periods beginning on or after 1st April 2021

⁴ Effective for annual periods beginning on or after 1st January 2023

⁵ Effective for annual periods beginning on or after a date to be determined

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 the financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* ("HKFRS 16") and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

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. 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 market place.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

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

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 selling and collecting 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.

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(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. 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

The Trust performs impairment assessment under expected credit loss ("ECL") model on financial assets (including debt instruments at amortised cost, other receivables and bank balances) which are subject to impairment under HKFRS 9 *Financial Instruments* ("HKFRS 9"). 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(i) Significant increase in credit risk - continued

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(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 (without taking into account any collaterals held by the Trust).

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; or
- (f) the purchase of origination of a financial asset at a deep discount that reflects the incurred credit loss.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(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.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investments revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investments revaluation reserve in relation to accumulated loss allowance.

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 a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

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.

Expenditure

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

4. GRANTS AWARDED

	<u>2021</u>	<u>2020</u>
	HK\$	HK\$
Extra-curricular activities	1,000,477	971,953
e-Learning and e-Library	976,403	898,821
Social worker and educational psychologist service	733,900	689,610
Staff development programme	165,622	159,787
Scholarship, bursary and miscellaneous funds	7,000	13,000
Anti-epidemic measures	16,966	30,000
	<u>2,900,368</u>	<u>2,763,171</u>

5. FINANCIAL ASSETS AT FVTOCI

	<u>2021</u>	<u>2020</u>
	HK\$	HK\$
At beginning of the year	486,450,712	419,616,827
Additions during the year	15,517,000	31,167,200
Change in fair value	111,721,614	35,666,685
At end of the year	<u>613,689,326</u>	<u>486,450,712</u>
Financial assets at FVTOCI		
Unlisted fund		
- Overseas unlisted funds, denominated in USD	<u>613,689,326</u>	<u>486,450,712</u>

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

6. BANK BALANCES AND CASH

	<u>2021</u> HK\$	<u>2020</u> HK\$
Bank balances and cash	13,142,528	16,550,457
Bank deposits with maturity within 3 months	1,837,993	3,947,266
	<u>14,980,521</u>	<u>20,497,723</u>

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

HKD	14,979,148	15,178,694
USD	1,373	102,508
RMB	-	5,216,521
	<u>14,980,521</u>	<u>20,497,723</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 0.01% (2020: 0.40%) per annum for the year ended 31st August 2021.

7. THE PRIMASIA ENDOWMENT FUND

	<u>2021</u> HK\$	<u>2020</u> HK\$
Balance as at beginning of the year	2,000,000	1,000,000
Donation received during the year	-	1,000,000
Balance as at end of the year	<u>2,000,000</u>	<u>2,000,000</u>

8. THE 何添夫人陳淑芳 MUSIC FUND

	<u>2021</u> HK\$	<u>2020</u> HK\$
Balance as at beginning of the year	1,200,000	1,150,000
Donation received during the year	50,000	50,000
Balance as at end of the year	<u>1,250,000</u>	<u>1,200,000</u>

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

9.	THE LI FOOK-WO MEMORIAL FUND		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	Balance as at beginning of the year	1,000,000	500,000
	Donation received during the year	-	500,000
		<u>1,000,000</u>	<u>1,000,000</u>
	Balance as at end of the year	<u>1,000,000</u>	<u>1,000,000</u>
10.	THE MUSIC ENDOWMENT FUND		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	Balance as at beginning of the year	2,820,689	2,818,189
	Donation received during the year	-	2,500
		<u>2,820,689</u>	<u>2,820,689</u>
	Balance as at end of the year	<u>2,820,689</u>	<u>2,820,689</u>
11.	THE SPORTS ENDOWMENT FUND		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	Balance as at beginning of the year	518,500	507,300
	Donation received during the year	1,200	11,200
		<u>519,700</u>	<u>518,500</u>
	Balance as at end of the year	<u>519,700</u>	<u>518,500</u>
12.	THE LEADERSHIP & EXPERIENTIAL LEARNING ENDOWMENT FUND		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	Balance as at beginning of the year	1,579,800	1,378,600
	Donation received during the year	74,200	201,200
		<u>1,654,000</u>	<u>1,579,800</u>
	Balance as at end of the year	<u>1,654,000</u>	<u>1,579,800</u>
13.	THE AU TSUN LEADERSHIP FUND		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	Balance as at beginning of the year	420,000	360,000
	Donation received during the year	80,000	60,000
		<u>500,000</u>	<u>420,000</u>
	Balance as at end of the year	<u>500,000</u>	<u>420,000</u>

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

14.	THE MR. ROBERT LAI AND MRS. MARIA LAI FUND		
		<u>2021</u> HK\$	<u>2020</u> HK\$
	Balance as at beginning of the year	1,500,000	1,200,000
	Donation received during the year	-	300,000
	Balance as at end of the year	<u>1,500,000</u>	<u>1,500,000</u>
15.	THE SELINA CHOW FUND FOR ENGLISH AND DRAMA		
		<u>2021</u> HK\$	<u>2020</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>
16.	THE MR. ZETH HUNG AND MRS. ALMA HUNG FUND		
		<u>2021</u> HK\$	<u>2020</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>
17.	THE SUN FAMILY FUND		
		<u>2021</u> HK\$	<u>2020</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>

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

18.	THE GABRIEL LEE SPORTS & LEADERSHIP FUND		
		<u>2021</u>	<u>2020</u>
		HK\$	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>

19.	THE THOMSON CHOI YIK HIN FUND		
		<u>2021</u>	<u>2020</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>

20.	THE LEUNG CHAN LAI CHING MEMORIAL SCHOLARSHIP FUND FOR NEEDY STUDENTS		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	Balance as at beginning of the year	1,000,000	-
	Donation received during the year	-	1,000,000
	Balance as at end of the year	<u>1,000,000</u>	<u>1,000,000</u>

21.	THE MRS CHAN LAU YUK LIN HISTORY, ARTS & CULTURE FUND		
		<u>2021</u>	<u>2020</u>
		HK\$	HK\$
	Balance as at beginning of year	100,000	-
	Donation received during the year	-	100,000
	Balance as at end of the year	<u>100,000</u>	<u>100,000</u>

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

22. THE S L WANG MEMORIAL FUND

	<u>2021</u> HK\$	<u>2020</u> HK\$
Donation received during the year	500,000	-
Balance as at end of the year	<u>500,000</u>	<u>-</u>

23. TAXATION

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

24. DONATIONS COMMITTED

(a) Donations received and outstanding pledges excluding the Centenary Fundraising Campaign mentioned in (b) below as at 31st August 2021 are as follows:

	<u>Donations committed</u> HK\$	<u>Donations received</u> HK\$	<u>Outstanding pledges</u> HK\$
Balance as at 1st September 2019	485,455,617	483,735,887	1,719,730
Donations received in 2019/20 in respect of signed pledges in prior year	-	769,730	(769,730)
	485,455,617	484,505,617	950,000
Additions during 2019/20	12,892,144	7,377,484	5,514,660
Balance as at 31st August 2020	<u>498,347,761</u>	<u>491,883,101</u>	<u>6,464,660</u>
Donations received in 2020/21 in respect of signed pledges in prior year	-	1,914,660	(1,914,660)
	498,347,761	493,797,761	4,550,000
Additions during 2020/21	3,850,341	3,116,441	733,900
Balance as at 31st August 2021	<u>502,198,102</u>	<u>496,914,202</u>	<u>5,283,900</u>

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

24. DONATIONS COMMITTED - continued

- (b) The Trust launched the Centenary Fundraising Campaign in January 2013 with the aim of establishing endowment funds for school development. The funds will enable SPCC to strengthen its position as a world-class school and provide staunch support for its milestone developments. The Centenary Fundraising Campaign was successfully concluded in August 2016. Donations received and outstanding pledges as at 31st August 2021 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 2019	217,669,878	207,129,878	10,540,000
Donations received in 2019/20 in respect of signed pledges in prior year	-	3,010,000	(3,010,000)
Balance as at 31st August 2020	217,669,878	210,139,878	7,530,000
Donations received in 2020/21 in respect of signed pledges in prior year	-	2,330,000	(2,330,000)
Balance as at 31st August 2021	<u>217,669,878</u>	<u>212,469,878</u>	<u>5,200,000</u>

25. FINANCIAL INSTRUMENTS

- (a) Categories of financial instruments

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets		
Financial assets at FVTOCI	613,689,326	486,450,712
Financial assets at amortised cost	<u>14,980,521</u>	<u>20,497,723</u>

25. FINANCIAL INSTRUMENTS - continued

(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 overseas unlisted funds 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>2021</u>	<u>2020</u>
	HK\$	HK\$
United State dollars ("USD")	613,690,699	486,553,220
Renminbi ("RMB")	-	5,216,521
	<u>613,690,699</u>	<u>491,769,741</u>

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

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 and measured as fair value.

As at 31st August 2021, 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\$30,684,466 while as at 31st August 2020 the market value of the Trust's financial assets at FVTOCI will increase/decrease by HK\$24,322,536.

25. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

(i) Market risk - continued

Interest rate risk

Interest rate risk is the risk that the value and future cash flows of interest bearing instruments will decrease as a result of change in interest rate. The Trust has significant interest bearing assets in the form of financial assets at FVTOCI, bank deposits with maturity within three 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 and bank deposits with maturity within three 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.

(ii) Credit risk and impairment assessment

As at 31st August 2021, 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.

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 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 bank balances to be held, so as to minimise the Trust's credit risk exposure.

The Trust's credit risk on bank balances is limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

As at 31st August 2021, the Trust has assessed that the expected loss rates for bank balances were immaterial. Thus no loss allowance for bank balances was recognised.

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

25. FINANCIAL INSTRUMENTS - 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 amount of financial instrument that is recorded at amortised cost in the financial statements approximate its fair value.

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 2021 HK\$</u>	<u>Fair value as at 31st August 2020 HK\$</u>	<u>Fair value hierarchy</u>	<u>Valuation techniques and key inputs</u>
Financial assets at FVTOCI				
Unlisted funds	<u>613,689,326</u>	<u>486,450,712</u>	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.