

## CHINESE TEMPLES FUND

### Report of the Chinese Temples Committee on the administration of the Fund for the year ended 31 March 2020

The Chinese Temples Fund (“the Fund”) was established by the Chinese Temples Committee (“the Committee”) under Section 8(1) of the Chinese Temples Ordinance (Cap. 153) (“the Ordinance”) for the due observance of the customary ceremonies and the maintenance of temple buildings and temple properties. Under Section 8(2) of the Ordinance, the Committee may, at its own discretion, transfer any surplus of the Fund to the General Chinese Charities Fund for the purposes of any Chinese charity in Hong Kong.

2. The Fund is administered by the Committee. The membership of the Committee for the year under report is at Appendix I. The Trust Funds and Temples Joint Secretariat is responsible for the secretariat and accounting work of the Fund. The Director of Audit is the auditor of the Fund’s accounts.

3. During the reporting period, the total income of the Fund was HK\$76.29 million (mainly including surplus from self-administered and delegated temples and investment income, etc.), and the total expenditure of the Fund was HK\$170.75 million (mainly including repairs and maintenance of self-administered and delegated temples, grants for religious ceremonies and repairs to temples, transfer to General Chinese Charities Fund and net realised and revaluation losses on investments measured at fair value, etc.). The Fund recorded a deficit of HK\$94.46 million for 2019-20.

4. The audited Financial Statements of the Fund for the year ended 31 March 2020 is at Appendix II.



(Caspar Ying-wai TSUI)  
Secretary for Home Affairs  
Chairman

Chinese Temples Committee  
1 December 2020

**CHINESE TEMPLES FUND**

**Membership of the Chinese Temples Committee  
(1.4.2019 - 31.3.2020)**

Secretary for Home Affairs	(Chairman)
Dr TSOI Wing-sing, Ken Chairman of the Board of Directors of Tung Wah Group of Hospitals	(from 1.4.2019 to 31.3.2020)
Dr LEE Ka-cheung	
Miss CHEN Ning-ning, BBS, JP	
Mr SO Yiu-wing	
Mr YIP Chun-to, Adrian, BBS, MH, JP	
Dr LEE Yuk-lun, BBS, JP	
Mr TSANG Chung-nam	



## Chinese Temples Fund

Financial statements for the year ended 31 March 2020

# **Report of the Director of Audit**



**Audit Commission**

The Government of the Hong Kong Special Administrative Region

## **Independent Auditor's Report To the Legislative Council**

### *Opinion*

I certify that I have audited the financial statements of the Chinese Temples Fund set out on pages 4 to 21, which comprise the balance sheet as at 31 March 2020, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the Chinese Temples Fund as at 31 March 2020, and of its financial performance and 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") and have been properly prepared in accordance with regulation 10(1) of the Chinese Temples Fund Regulations (Cap. 153 sub. leg. A).

### *Basis for opinion*

I conducted my audit in accordance with regulation 10(2) of the Chinese Temples Fund Regulations and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Chinese Temples Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### *Responsibilities of the Secretary for Home Affairs for the financial statements*

The Secretary for Home Affairs is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and regulation 10(1) of the Chinese Temples Fund Regulations, and for such internal control as the Secretary for Home Affairs determines 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 Secretary for Home Affairs is responsible for assessing the Chinese Temples Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### *Auditor's responsibilities for the audit of the financial statements*

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards 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 the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Chinese Temples Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Home Affairs;
- conclude on the appropriateness of the Secretary for Home Affairs' 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 Chinese Temples Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future

events or conditions may cause the Chinese Temples Fund to cease to continue as a going concern; and

- 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.



S. M. CHOI  
Principal Auditor  
for Director of Audit

1 December 2020

Audit Commission  
26th Floor  
Immigration Tower  
7 Gloucester Road  
Wanchai, Hong Kong

**CHINESE TEMPLES FUND**  
**BALANCE SHEET AS AT 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
<b>NON-CURRENT ASSETS</b>			
Financial assets measured at fair value through income and expenditure account	3	480,038,514	613,266,539
Debt securities measured at amortised cost	4	-	6,486,354
		<u>480,038,514</u>	<u>619,752,893</u>
<b>CURRENT ASSETS</b>			
Debt securities measured at amortised cost	4	8,067,818	-
Utilities deposits		214,600	214,600
Stock of worshipping items		37,794	12,210
Accounts receivable	5	1,484,017	3,140,894
Prepayment		580,702	264,350
Cash and cash equivalents	6	455,244,732	413,493,657
		<u>465,629,663</u>	<u>417,125,711</u>
<b>CURRENT LIABILITIES</b>			
Contractors' retention money		(1,269,864)	(1,217,014)
Deposits from temple keepers and other deposits		(5,765,090)	(7,029,263)
Deferred revenue	7	(8,697,606)	(9,866,597)
Accounts payable	8	(28,071,410)	(23,791,675)
Provision for legal expenses		(1,485,298)	(1,485,298)
		<u>(45,289,268)</u>	<u>(43,389,847)</u>
<b>NET CURRENT ASSETS</b>		<u>420,340,395</u>	<u>373,735,864</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		900,378,909	993,488,757
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue	7	(4,263,267)	(2,914,472)
<b>NET ASSETS</b>		<u>896,115,642</u>	<u>990,574,285</u>
<b>ACCUMULATED FUND</b>		727,616,342	819,955,560
<b>RESERVE FOR THE MAINTENANCE OF TEMPLES</b>		168,499,300	170,618,725
		<u>896,115,642</u>	<u>990,574,285</u>

The accompanying notes 1 to 16 form part of these financial statements.



(Caspar Ying-wai TSUI)  
Secretary for Home Affairs  
Chairman  
Chinese Temples Committee

1 December 2020

**CHINESE TEMPLES FUND**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
<b>INCOME</b>			
Surplus for the year from self-administered and delegated temples	9	41,462,848	46,823,376
Surplus for the year from temples administered by Tung Wah Group of Hospitals	10	4,426,194	2,918,947
Gains on sale of worshipping items	11	542,125	738,753
Donations		67,600	104,530
Dividend income		21,239,543	21,835,562
Interest income	12	8,553,156	7,183,955
		76,291,466	79,605,123
<b>EXPENDITURE</b>			
Repairs and maintenance of self-administered and delegated temples		(11,876,525)	(11,757,460)
Grants for religious ceremonies and repairs to temples		(3,609,155)	(333,019)
Expenses for Temples Culture Festival		(81,534)	(883,940)
Transfer to General Chinese Charities Fund		(24,426,194)	(22,918,947)
Contract fulfillment rewards		(1,693,123)	(1,576,303)
Legal expenses		(433,222)	(308,600)
Net exchange losses		(1,582,692)	(1,491,931)
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account		(126,486,112)	(6,219,210)
Miscellaneous		(561,552)	(989,201)
		(170,750,109)	(46,478,611)
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		(94,458,643)	33,126,512
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR</b>		(94,458,643)	33,126,512

The accompanying notes 1 to 16 form part of these financial statements.

## CHINESE TEMPLES FUND

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	<b>Accumulated Fund HK\$</b>	<b>Reserve for the maintenance of Temples HK\$</b>	<b>Total HK\$</b>
Balance at 1 April 2018	780,781,452	176,666,321	957,447,773
Transfer from Reserve for the maintenance of Temples	6,047,596	(6,047,596)	-
Total comprehensive income for 2018-19	33,126,512	-	33,126,512
Balance at 31 March 2019	819,955,560	170,618,725	990,574,285
Transfer from Reserve for the maintenance of Temples	2,119,425	(2,119,425)	-
Total comprehensive loss for 2019-20	(94,458,643)	-	(94,458,643)
Balance at 31 March 2020	727,616,342	168,499,300	896,115,642

The accompanying notes 1 to 16 form part of these financial statements.

**CHINESE TEMPLES FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Deficit)/Surplus for the year		(94,458,643)	33,126,512
Adjustments for :			
Dividend income		(21,239,543)	(21,835,562)
Interest income		(8,553,156)	(7,183,955)
Surplus for the year from temples administered by Tung Wah Group of Hospitals		(4,426,194)	(2,918,947)
Transfer to General Chinese Charities Fund		4,426,194	2,918,947
Net exchange losses		1,582,692	1,491,931
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account		126,486,112	6,219,210
Increase in stock of worshipping items		(25,584)	(5,013)
Decrease/(Increase) in accounts receivable		1,191,571	(1,038,867)
(Increase)/Decrease in prepayments		(316,352)	256,879
Increase/(Decrease) in contractors' retention money		52,850	(694,564)
Decrease in deposits from temple keepers and other deposits		(1,264,173)	(392,975)
Increase in deferred revenue		179,804	665,531
Increase in accounts payable		4,279,735	857,546
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>7,915,313</b>	<b>11,466,673</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of debt securities measured at amortised cost		(1,577,845)	-
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		6,741,913	-
Bank interest received		8,678,888	6,621,571
Debt securities interest received		157,423	122,621
Dividends received		21,417,679	21,436,030
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>35,418,058</b>	<b>28,180,222</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>43,333,371</b>	<b>39,646,895</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>413,493,657</b>	<b>375,338,558</b>
Effects of exchange rate changes on cash and cash equivalents		(1,582,296)	(1,491,796)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>6</b>	<b>455,244,732</b>	<b>413,493,657</b>

The accompanying notes 1 to 16 form part of these financial statements.

# CHINESE TEMPLES FUND

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL

The Chinese Temples Fund (the Fund) was established for the due observance of the customary ceremonies at temples and the maintenance of temple buildings and temple properties in accordance with section 8(1) of the Chinese Temples Ordinance (Cap. 153). Any surplus of income may be transferred to the General Chinese Charities Fund for the purposes of any Chinese charity in Hong Kong at the discretion of the Chinese Temples Committee (the Committee) in accordance with section 8(2) of the Chinese Temples Ordinance.

The address of the Fund's principal place of business is 34<sup>th</sup> Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements have been prepared in accordance with regulation 10(1) of the Chinese Temples Fund Regulations (Cap. 153 sub. leg. A) and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

#### (b) Basis of preparation of the financial statements

The financial statements have been prepared on an accrual basis and under the historical cost convention except that financial assets measured at fair value through income and expenditure account are stated at fair value as explained in the accounting policies set out in note 2(d) below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

**(c) Impact of new and revised HKFRSs**

The HKICPA has issued a number of new and revised HKFRSs which are effective for the current accounting period. There have been no changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

**(d) Financial assets and financial liabilities**

**(i) Initial recognition**

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contractual provisions of the financial instrument. They are initially stated at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities, except for those financial instruments measured at fair value through income and expenditure account for which transaction costs are recognised directly in the income and expenditure account. An explanation of how the Fund determines the fair value of financial instruments is set out in note 13(b). Purchases and sales of investments are recognised using trade date accounting.

**(ii) Categorisation and subsequent measurement**

*Financial assets measured at fair value through income and expenditure account*

This category comprises equity securities. They are held within a business model in which they are managed and their performance is evaluated on a fair value basis. They are subsequently measured at fair value. Changes in fair value are recognised in the income and expenditure account in the period in which they arise.

*Financial assets measured at amortised cost*

These comprise cash and cash equivalents, accounts receivable and debt securities. They are held for the collection of contractual cash flows which represent solely payments of principal and interest. They are subsequently measured at amortised cost, net of loss allowance, if any (note 2(d)(iv)).

### *Financial liabilities measured at amortised cost*

These comprise accounts payable, deposits and contractors' retention money. They are subsequently measured at amortised cost.

#### (iii) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires.

#### (iv) Impairment of financial assets

For cash and cash equivalents, accounts receivable and debt securities, the Fund measures the expected credit losses to determine the loss allowance required to be recognised. Financial assets measured at fair value through income and expenditure account are not subject to the expected credit loss assessment.

Expected credit losses are a probability-weighted estimate of credit losses. They are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate. They are measured on either of the following bases:

- 12-month expected credit losses for financial instruments for which there has not been a significant increase in credit risk since initial recognition: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime expected credit losses for financial instruments for which there has been a significant increase in credit risk since initial recognition: these are losses that are expected to result from all possible default events over the expected life of the financial instrument.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Fund compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund 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.

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**(e) Foreign currency translation**

Hong Kong dollar is the currency of the primary economic environment in which the Fund operates. Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the reporting date. Exchange gains and losses are dealt with in the income and expenditure account.

**(f) Revenue recognition**

The Fund recognises revenue from contracts with customers when it satisfies a performance obligation by transferring promised goods or services to a customer, at the amount of consideration to which the Fund expects to be entitled in exchange for the goods or services.

- (i) Donation income is recognised once the amount is received.
- (ii) Dividend income is recognised when the Fund's right to receive payment is established.
- (iii) Interest income is recognised on an accrual basis using the effective interest method.
- (iv) The Committee contracts temple keepers to provide temple management service (including revenue-generating activities), with the temple keeper required to pay fixed amounts of temple management contract fees in advance of providing the service. The Fund recognises the temple management contract fees over time on a straight-line basis as the service is rendered.

- (v) Revenue from sale of worshipping items is recognised at point of sale.
- (vi) The Committee charges customers a fixed amount of fee in advance for providing ancestral tablet service over a period. The Fund recognises the ancestral tablet service fee over time on a straight-line basis as the service is rendered.
- (vii) The Committee charges customers in advance a fee for making an ancestral tablet. The Fund recognises the ancestral tablet production fee upon the customer's acceptance of the ancestral tablet produced.

**(g) Deferred revenue**

If a customer pays consideration, or the Fund has an unconditional right to consideration, before the Fund transfers goods or services to the customer, the Fund recognises its contract liability as deferred revenue. The Fund derecognises the deferred revenue and recognises revenue when the Fund transfers the goods or services and, therefore, satisfies its performance obligation.

**(h) Valuation of stock**

The cost of stock sold is calculated on a first-in-first-out basis. The value of stock at year end is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposit with the Treasury and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

**(j) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when there is a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**3. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME AND EXPENDITURE ACCOUNT**

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Equity securities – at fair value		
Listed in Hong Kong	480,038,514	613,266,539
	=====	=====

**4. DEBT SECURITIES MEASURED AT AMORTISED COST**

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Debt securities – at amortised cost		
Unlisted	8,067,818	6,486,354
	=====	=====

**5. ACCOUNTS RECEIVABLE**

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Interest receivable on bank deposits	701,675	990,833
Interest receivable on debt securities	45,325	43,279
Interest purchased on debt securities	24,358	-
Dividend receivable	388,999	567,193
Temple management contract fees receivable from temple keepers	1,197	1,453,012
Others	322,463	86,577
	-----	-----
	1,484,017	3,140,894
	=====	=====

## 6. CASH AND CASH EQUIVALENTS

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Time deposits with original maturity within 3 months	343,763,039	334,360,228
Cash with the Director of Accounting Services	64,161,797	31,103,805
Cash at banks	47,319,055	47,701,228
Cash on hand	841	328,396
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	455,244,732	413,493,657
	=====	=====

## 7. DEFERRED REVENUE

The Fund's obligation to provide services to customers for which the Fund has received advance payments from the customers are presented as deferred revenue in the balance sheet. The deferred revenue balance represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the reporting date. For temple management contract fees, the Fund expects to recognise the deferred revenue as revenue within two years and for ancestral tablet service fees, within ten years. No consideration from contracts with customers is not included in the transaction price.

Significant changes in the balances of deferred revenue during the year are shown below:

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Decrease due to recognition as revenue during the year that was included in the balances of deferred revenue at beginning of year	(9,866,597)	(9,370,974)
	=====	=====
Increase due to advance payments received during the year	10,046,401	10,036,505
	=====	=====

## 8. ACCOUNTS PAYABLE

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Repairs and maintenance to temples	18,065,873	17,566,805
Accrual for contract fulfillment rewards	4,443,877	2,750,754
Expenditure on self-administered and delegated temples	611,537	672,436
Others	4,950,123	2,801,680
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	28,071,410	23,791,675
	=====	=====

**9. SURPLUS FOR THE YEAR FROM SELF-ADMINISTERED AND DELEGATED TEMPLES**

	<b>2020 HK\$</b>	<b>2019 HK\$</b>
Income for the year		
Temple management contract fees	28,466,296	28,153,906
Donations	16,367,950	21,746,139
Ancestral tablet service fees	585,327	418,211
Ancestral tablet production fees	30,250	47,500
Other income	11,334	2,177
	<hr/>	<hr/>
	45,461,157	50,367,933
	<hr/>	<hr/>
Less: Expenditure for the year		
Maintenance and cleaning	(1,319,152)	(1,024,105)
Insurance	(767,075)	(630,105)
Security	(536,488)	(529,018)
Utilities	(348,809)	(360,012)
Wages	(372,158)	(325,225)
Other operating expenses	(654,627)	(676,092)
	<hr/>	<hr/>
	(3,998,309)	(3,544,557)
	<hr/>	<hr/>
Surplus for the year	41,462,848	46,823,376
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**10. SURPLUS FOR THE YEAR FROM TEMPLES ADMINISTERED BY TUNG WAH GROUP OF HOSPITALS**

	<b>2020 HK\$</b>	<b>2019 HK\$</b>
Income for the year	13,725,922	17,119,684
Less : Expenditure for the year	(9,299,728)	(14,200,737)
	<hr/>	<hr/>
	4,426,194	2,918,947
	<hr/> <hr/>	<hr/> <hr/>

**11. GAINS ON SALE OF WORSHIPPING ITEMS**

	<b>2020 HK\$</b>	<b>2019 HK\$</b>
Revenue from sale of worshipping items	728,005	930,780
Less : Cost of worshipping items	(185,880)	(192,027)
	<hr/>	<hr/>
	542,125	738,753
	<hr/> <hr/>	<hr/> <hr/>

## 12. INTEREST INCOME

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Interest on bank deposits	8,390,067	7,022,051
Interest on debt securities	163,089	161,904
	<hr/> 8,553,156	<hr/> 7,183,955
	=====	=====

## 13. FINANCIAL RISK MANAGEMENT

- (a) The Fund's major financial instruments include financial assets measured at fair value through income and expenditure account, debt securities measured at amortised cost, accounts receivable and cash and cash equivalents. The major risks associated with these financial instruments are set out below.

(i) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

To minimise the credit risk arising from time deposits and cash at banks, all deposits and bank balances are placed with reputable licensed banks in Hong Kong. For the cash balance with the Director of Accounting Services, the credit risk is considered to be minimal.

At the reporting date, the credit quality of time deposits and bank balances, analysed by the lower of ratings designated by Moody's or Standard & Poor's, is as follows:

	<b>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Time deposits and bank balances, by credit rating		
Aa1 to Aa3 / AA+ to AA-	64,883,833	47,098,437
A1 to A3 / A+ to A-	221,081,227	277,791,715
Baa1 to Baa3 / BBB+ to BBB-	105,117,034	57,171,304
	<hr/> 391,082,094	<hr/> 382,061,456
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To minimise the credit risk arising from debt securities, the Fund only invests in those classified under the investment grade by Moody's or Standard & Poor's. At the reporting date, the credit quality of debt securities, analysed by the lower of ratings designated by Moody's or Standard & Poor's, is as follows :

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Debt securities, by credit rating		
A1 to A3 / A+ to A-	8,067,818	6,486,354
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For accounts receivable, the Committee believes that there is no material credit risk inherent in the Fund's outstanding balance because the counterparties have no history of default in the past.

The credit risk on time deposits, bank balances, cash balance with the Director of Accounting Services, accounts receivable and debt securities is assessed as not having increased significantly since initial recognition and the Fund determines the loss allowance required to be recognised based on 12-month expected credit losses except that loss allowance for temple management contract fees receivable from temple keepers is always measured at an amount equal to lifetime expected credit losses. The Fund has estimated that 12-month expected credit losses on these financial instruments and the lifetime expected credit losses on temple management contract fees receivable from temple keepers are immaterial and considers that no loss allowance is required.

The maximum exposure to credit risk at the reporting date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

**(ii) Market risk**

The Fund is exposed to market risk due to changes in market variables such as equity prices, interest rates and exchange rates.

(1) Equity price risk

The Fund maintains a diversified portfolio of investments. The Committee monitors the performance of the portfolio and regularly reviews the investment strategy of the Fund to manage the equity price risk. It was estimated that, as at the reporting date, if the market prices of the respective equity securities had been 10% (2019: 10%) higher/lower, the deficit of the Fund for the year would decrease/increase by HK\$48,004,000 (2019: the surplus for the year would increase/decrease by HK\$61,327,000) and the accumulated fund would increase/decrease by HK\$48,004,000 (2019: HK\$61,327,000). The sensitivity analysis was based on the carrying amounts of equity securities held by the Fund at the reporting date and on the assumption that all other variables were held constant.

(2) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's debt securities and deposits with banks bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are all stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus/deficit and equity.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to material cash flow interest rate risk because interest income from financial instruments bearing interest at a floating rate is not significant.

(3) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in currency exchange rates. The Fund's financial instruments denominated in foreign currencies are exposed to currency risk.

(a) Exposure to currency risk

As at 31 March 2020, the Fund maintained financial assets denominated in United States dollars and Renminbi totalling USD206,096 (2019: USD21,407) and CNY20,901,803 (2019: CNY20,247,169) respectively. As Hong Kong dollar is pegged to United States dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. Since no foreign currency rate hedging is made by the Fund for Renminbi, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to foreign exchange risk relating to this currency.

(b) Sensitivity analysis

It was estimated that, as at 31 March 2020, should the Renminbi strengthen/weaken by 5% (2019: 5%) against the Hong Kong dollar, with all other variables held constant, the deficit of the Fund for the year would decrease/increase by HK\$1,141,000 (2019: the surplus for the year would increase/decrease by HK\$1,184,000) and the accumulated fund would increase/decrease by HK\$1,141,000 (2019: HK\$1,184,000).

**(iii) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effect of fluctuations in cash flows. Hence, the Fund does not have significant exposure to liquidity risk.

As at 31 March 2020, the remaining contractual maturities of all financial liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were one year or less (2019: one year or less).

**(b) Fair value of financial instruments**

**(i) Fair value hierarchy**

The following table presents the carrying value of financial instruments measured at fair value at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 “Fair Value Measurement”.

	2020		2019	
	Level 1	Total	Level 1	Total
	HK\$	HK\$	HK\$	HK\$
<b>Financial assets measured at fair value through income and expenditure account</b>				
Equity securities				
– listed in Hong Kong	480,038,514	480,038,514	613,266,539	613,266,539

No financial instruments were classified under Level 2 and Level 3. During the year, there were no transfers between instruments in Level 1 and Level 2.

The three levels of the fair value hierarchy are :

Level 1 : fair values are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : fair values are determined with inputs other than quoted prices included in 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 values of financial instruments are determined with inputs that are not based on observable market data (unobservable inputs).

The fair value of financial instruments classified under Level 1 is based on quoted market prices of these financial instruments at the reporting date.

**(ii) Fair values of financial assets and financial liabilities**

All financial assets and financial liabilities are stated in the balance sheet at amounts equal to or not materially different from their fair values.

#### 14. CAPITAL MANAGEMENT

The capital structure of the Fund consists of accumulated fund and reserve for the maintenance of temples. The Fund's objectives when managing capital are :

- (a) to comply with the Chinese Temples Ordinance; and
- (b) to maintain a strong capital base for carrying out the purposes of the Fund as stated in note 1 above.

The Fund manages capital to ensure that its level is sufficient to fund future grants and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

#### 15. COMMITMENTS

At 31 March 2020, the Fund had financial commitments, so far as not provided for in the financial statements, as follows:

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Contracted repairs and maintenance of self-administered and delegated temples	16,264,976	16,559,932
Grants approved by the Committee for religious ceremonies	1,966,286	3,759,787
Rewards to temple keepers upon the satisfactory completion of temple management contracts	2,754,363	792,906
Renovation projects approved by the Committee for temples other than self-administered temples	-	1,530,000
	<hr/>	<hr/>
	20,985,625	22,642,625
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#### 16. CONTINGENT LIABILITIES

As at 31 March 2020, the Fund was a defendant in an outstanding legal claim of HK\$3.4 million (2019 : HK\$3.4 million). The legal proceedings of this case have not yet been completed. Since the outcome of this case is uncertain, no provision has been made.