



# **SOCIAL WORK TRAINING FUND**

**SIXTY-SECOND  
ANNUAL REPORT  
By the  
TRUSTEE  
For the Year ending on  
31 March 2023**



**SIXTY-SECOND ANNUAL REPORT**  
**BY THE**  
**SOCIAL WORK TRAINING FUND**  
**TRUSTEE**  
**FOR THE YEAR**  
**ENDING ON 31 MARCH 2023**

Where dollars are quoted in this report, they are Hong Kong dollars unless otherwise stated.

**SOCIAL WORK TRAINING FUND  
SIXTY-SECOND ANNUAL REPORT BY THE TRUSTEE  
FOR THE YEAR ENDING ON 31 MARCH 2023**

**Background**

The Social Work Training Fund Ordinance (Cap. 1100) was enacted on 18 August 1961 to provide for the establishment and administration of a trust fund known as the Social Work Training Fund (the Fund). The Fund is vested in the Director of Social Welfare Incorporated as Trustee who, subject to the direction of the Social Work Training Fund Committee (the Committee), may apply the income of the Fund in accordance with Section 4 of the Social Work Training Fund Ordinance –

- (a) in making grants to individuals for the purpose of study and training as social workers, including payment of passages, travel and subsistence allowances and other incidental expenses;
- (b) in improving existing training facilities for social workers;
- (c) in running of courses for social workers and payment of any necessary expenses in connection therewith;
- (d) in the training of persons for social work in Hong Kong and in obtaining advice about such training; and
- (e) for any other purpose connected therewith, designed to improve the training and skills of social workers in Hong Kong.

**Social Work Training Fund Committee**

2. The Committee was established under Section 5 of the Social Work Training Fund Ordinance to manage the Fund. Its statutory membership consists of –

- (a) the Director of Social Welfare as ex-officio Chairman;
- (b) the Permanent Secretary for Labour and Welfare or his nominee; and
- (c) not more than three members appointed by the Chief Executive.

Under Section 7 of the Social Work Training Fund Ordinance, there shall be a secretary to the Committee who shall be appointed by the Chief Executive.

3. On 31 March 2023, the Committee consisted of the following members –

**Chairman**

Miss Charmaine Lee, JP (李佩詩太平紳士)  
Director of Social Welfare

**Members**

Prof CHOW Yin-man, Amy (周燕雯教授)

Mr LAI Wing-hoi, Frederick, JP (黎永開太平紳士)

Ms LAU Sin-wing, Swing (劉先穎女士)

Ms WONG Yuen-shan, Candice (王婉嫻女士)  
Nominee of the Permanent Secretary for Labour and Welfare

**Secretary**

Ms WONG Ngan-man, Hilman (黃雁文女士)  
Social Welfare Department

4. The Committee held two meetings on 19 May 2022 and 27 September 2022 during the year 2022-23. Business discussed at the meeting and by circulation of papers included –

- (a) financial projection of the Fund for the period from 2022-23 to 2024-25;
- (b) investment matters of the Fund (including placement with the Exchange Fund);
- (c) position of the 2022-23 Social Work Training Fund Business Plan; and
- (d) applications for grants from the Social Work Training Fund in 2022-23.

5. In view of the stringent financial situation of the Fund in recent years due to the impact of the COVID-19 pandemic, the Committee has been closely reviewing the operation of the Fund to ensure its sustainability. In 2022-23, the Committee endorsed the: (i) revision of the Investment Policy of the Fund to allow placement with the Exchange Fund which is capital preservation in nature with stable income to be generated; and (ii) disposal of all listed equity securities on hand and liquidate part of the fixed deposits for placing \$14 million with the Exchange Fund in March 2023 with a tenure of six years. The Committee also endorsed an allocation in 2022-23 for eligible organisations to arrange training programmes for social workers.

## **Scope of Sponsorship in 2022-23**

6. Grants from the Fund were allocated primarily to improve the knowledge and skills of social workers in Hong Kong. The scope of the sponsorship comprised –

- (a) specialised or advanced social work knowledge and skills; and
- (b) management skills related to social work practice.

7. In 2022-23, applications were invited from organisations for partial sponsorship for arranging courses/seminars/workshops/lectures/programmes held in Hong Kong for social workers of the applicant organisations. Applicants were required to fulfil the requirements as set out in the “Guide to Applications for Partial Sponsorship in 2022-23” (the Guide).

## **Application for Grants**

8. In 2022-23, the Committee received a total of 20 applications for grants from 18 organisations. After deliberation, the Committee approved nine applications from nine organisations. The unsuccessful applications were considered to be outside the scope of the Fund. Three organisations subsequently declined the funding offers or cancelled the approved activities, and hence, the total number of organisations accepting the grants was six. The list showing the six organisations having accepted the offers is at **Annex I**.

## **State of the Fund**

9. The original capital of the Fund consisted of \$2.2 million, which was received in 1961 from the United Kingdom Committee for World Refugee Year. In the same year, a grant of \$1.0 million was received from the Hong Kong Jockey Club (Charities) Ltd. In 1961-62, funds of around \$0.2 million were received from various sources. In 1982 and 1987, donations of \$2.0 million and \$6.0 million respectively were further received from the Hong Kong Jockey Club (Charities) Ltd. In March 2017 and March 2021, \$5.0 million and \$2.5 million were injected from the Government. The capital, which may be applied for any of the stated purposes in accordance with the Social Work Training Fund Ordinance with the approval of the Chief Executive, stood at \$18,948,000 as at 31 March 2023.

10. Only the accumulation of income generated by the capital would be disbursed as grants for the aforesaid training activities. During the reporting period, the total income of the Fund (before loss on investment) for the year was \$489,370. The loss on investment was \$815,059. The total expenditure was \$68,454. The Fund recorded a deficit of \$394,143. The audited statements of the Fund as at

31 March 2023 are shown at **Annex II**.

Miss Charmaine LEE  
Director of Social Welfare Incorporated  
Trustee of the Social Work Training Fund



**List of Organisations Having Accepted the Grants in 2022-23  
For Arranging Courses/Seminars/Workshops/Lectures/Programmes  
Held In Hong Kong**

<b>Name of Organisation</b>	<b>Title of Programme</b>
1. New Life Psychiatric Rehabilitation Association	Clinical Supervision for Social Service Colleagues
2. Christian Family Service Centre	「原生家庭問題」創傷治療工作坊
3. Heep Hong Society	Training Course on the Use of Story-telling in Counselling and Conducting Therapeutic Groups
4. Chung Sing Benevolent Society	Multi-Dimension of Life Education Workshop
5. Evangelical Free Church of China Social Service Limited	Professional Consultation for Social Workers: Supervision Group
6. Asbury Methodist Social Service	Solution Focused Therapy in Social Work Practice

**Note: The names of the courses/seminars/workshops/lectures/programmes are provided by the applicant organisations.**



## Social Work Training Fund

Financial statements for the year ended 31 March 2023

# 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 Social Work Training Fund set out on pages 4 to 16, which comprise the balance sheet as at 31 March 2023, 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 Social Work Training Fund as at 31 March 2023, 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 section 10(1) of the Social Work Training Fund Ordinance (Cap. 1100).

#### *Basis for opinion*

I conducted my audit in accordance with section 10(2) of the Social Work Training Fund Ordinance 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 Social Work Training 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 Director of Social Welfare Incorporated for the financial statements*

The Director of Social Welfare Incorporated 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 section 10(1) of the Social Work Training Fund Ordinance, and for such internal control as the Director of Social Welfare Incorporated 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 Director of Social Welfare Incorporated is responsible for assessing the Social Work Training 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.

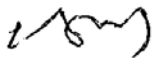
As part of an audit in accordance with the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 Social Work Training Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director of Social Welfare Incorporated;
- conclude on the appropriateness of the Director of Social Welfare Incorporated'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 Social Work Training 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 Social Work Training 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.

I communicate with the Director of Social Welfare Incorporated regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



S. M. CHOI  
Principal Auditor  
for Director of Audit

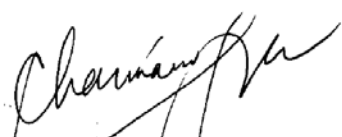
10 October 2023

Audit Commission  
6th Floor, High Block  
Queensway Government Offices  
66 Queensway  
Hong Kong

**Social Work Training Fund**  
**Balance Sheet as at 31 March 2023**

	Note	2023 HK\$	2022 HK\$
<b>NON-CURRENT ASSETS</b>			
Placement with the Exchange Fund	3	14,000,000	-
Financial assets measured at fair value through income and expenditure account	4	-	7,310,119
		14,000,000	7,310,119
<b>CURRENT ASSETS</b>			
Interest receivable		26,395	53,206
Dividend receivable		-	49,772
Time deposits with original maturities over three months		2,583,098	12,291,184
Cash and cash equivalents	5	2,764,347	438,992
		5,373,840	12,833,154
<b>CURRENT LIABILITIES</b>			
Accounts payable		(28,969)	(404,259)
<b>NET CURRENT ASSETS</b>		5,344,871	12,428,895
<b>NET ASSETS</b>		19,344,871	19,739,014
<b>Representing:</b>			
<b>DONATION ACCOUNT</b>	8	18,948,266	18,948,266
<b>ACCUMULATED SURPLUS ACCOUNT</b>		396,605	790,748
		19,344,871	19,739,014

The accompanying notes 1 to 9 form part of these financial statements.

  
 ( Miss Charmaine LEE )  
 Director of Social Welfare Incorporated  
 Trustee of the Social Work Training Fund  
 10 October 2023

**Social Work Training Fund**  
**Income and Expenditure Account for the year ended 31 March 2023**

	<b>2023 HK\$</b>	<b>2022 HK\$</b>
<b>INCOME</b>		
Dividend income	172,286	245,880
Interest income	307,331	153,447
Refund of grants	9,753	58,103
Net realised and revaluation losses on financial assets measured at fair value through income and expenditure account	(585,605)	(743,111)
Net exchange losses / (gains)	(229,454)	129,413
	(325,689)	(156,268)
<b>EXPENDITURE</b>		
Grants	(44,093)	(423,725)
Investment transaction costs	(23,527)	(3,403)
Bank charges	(834)	(200)
	(68,454)	(427,328)
<b>DEFICIT FOR THE YEAR</b>	(394,143)	(583,596)
<b>OTHER COMPREHENSIVE INCOME</b>	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	(394,143)	(583,596)

The accompanying notes 1 to 9 form part of these financial statements.

**Social Work Training Fund**  
**Statement of Changes in Equity for the year ended 31 March 2023**

	<b>Donation Account HK\$</b>	<b>Accumulated Surplus Account HK\$</b>	<b>Total HK\$</b>
Balance at 1 April 2021	18,948,266	1,374,344	20,322,610
Total comprehensive loss for 2021-22	<u>-</u>	<u>(583,596)</u>	<u>(583,596)</u>
Balance at 31 March 2022	18,948,266	790,748	19,739,014
Total comprehensive loss for 2022-23	<u>-</u>	<u>(394,143)</u>	<u>(394,143)</u>
Balance at 31 March 2023	<u>18,948,266</u>	<u>396,605</u>	<u>19,344,871</u>

The accompanying notes 1 to 9 form part of these financial statements.



## Social Work Training Fund

### Statement of Cash Flows for the year ended 31 March 2023

	Note	2023 HK\$	2022 HK\$
<b>Cash flows from operating activities</b>			
Deficit for the year		(394,143)	(583,596)
Adjustments for:			
Dividend income		(172,286)	(245,880)
Interest Income		(307,331)	(153,447)
Net realised and revaluation loss on financial assets measured at fair value through income and expenditure account		585,605	743,111
Net exchange losses/(gains)		229,454	(129,413)
(Decrease)/Increase in accounts payable		(375,290)	22,786
<b>Net cash used in operating activities</b>		(433,991)	(346,439)
<b>Cash flows from investing activities</b>			
Disposal/(Acquisition) of financial assets measured at fair value through income and expenditure account		6,724,514	(848,950)
Bank interest received		332,458	169,821
Dividend received		222,058	237,194
Net decrease in time deposits with original maturities over three months		9,492,930	225,535
Increase in placement with the Exchange Fund		(14,000,000)	-
<b>Net cash from/(used in) investing activities</b>		2,771,960	(216,400)
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,337,969	(562,839)
<b>Cash and cash equivalents at beginning of year</b>		438,992	1,001,831
Effects of exchange rate changes on cash and cash equivalents		(12,614)	-
<b>Cash and cash equivalents at end of year</b>	5	2,764,347	438,992

The accompanying notes 1 to 9 form part of these financial statements.

# **Social Work Training Fund**

## **Notes to the Financial Statements**

### **1. General**

The Social Work Training Fund (the Fund) was established for the purpose of training persons desirous of becoming social workers and improving existing training facilities in accordance with section 4 of the Social Work Training Fund Ordinance (Cap. 1100).

The address of the Fund's principal place of business is 9/F, Revenue Tower, 5 Gloucester Road, Wan Chai, Hong Kong.

### **2. Significant accounting policies**

#### **(a) Statement of compliance**

The financial statements of the Fund have been prepared in accordance with section 10(1) of the Social Work Training Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). A summary of the significant accounting policies adopted by the Fund is set out below.

#### **(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 historical 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 certain new or revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Fund. 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 financial statements.

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

**(i) Initial recognition and measurement**

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 7. Purchases and sales of financial instruments are recognised on trade date, the date on which the Fund commits to purchase or sell the instruments.

**(ii) Classification and subsequent measurement**

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

These comprise equity securities. 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 placement with the Exchange Fund, receivables, time deposits and cash at banks. 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 using the effective interest method. The measurement of loss allowances for these financial assets is based on the expected credit loss model as described in note 2(d)(iv).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows by considering all contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

*Financial liabilities measured at amortised cost*

These comprise accounts payable. They are subsequently measured at amortised cost using the effective interest method.

(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 financial assets measured at amortised cost, 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 instruments.

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 using the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the closing exchange rates at the reporting date. Exchange gains and losses are dealt with in the income and expenditure account.

**(f) Revenue recognition**

Interest income from deposits with banks, placement with the Exchange Fund and other interest-bearing financial instruments is recognised as it accrues using the effective interest method. Dividend income is recognised when the Fund's right to receive payment is established.

**(g) Expenditure on grants/refund of grants**

Grants are recognised as expenditure when they are approved by the Social Work Training Fund Committee. Refund of grants is recognised when the right to receive payment is established.

**(h) Cash and cash equivalents**

Cash and cash equivalents include cash at banks, deposits with banks and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

### 3. Placement with the Exchange Fund

In March 2023, HK\$14 million was placed with the Exchange Fund. The term of the placement is six years from the date of placement, during which the amount of the original placement cannot be withdrawn. Interest on the placement is at a rate determined annually in January and payable annually in arrears on 31 December. The rate is the average annual rate of return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year government bond in the previous year subject to a minimum of zero percent, whichever is the higher. The interest rate has been fixed at 3.7% per annum for January to December 2023.

As at 31 March 2023, the total balance of the placement with the Exchange Fund, being the principal sum, amounted to HK\$14 million (2022: nil).

### 4. Financial assets measured at fair value through income and expenditure account

	2023 HK\$	2022 HK\$
Equity securities listed in Hong Kong, at fair value	-	7,310,119

### 5. Cash and cash equivalents

	2023 HK\$	2022 HK\$
Time deposits with original maturities within three months	2,656,234	360,000
Cash at banks	108,113	78,992
	<u>2,764,347</u>	<u>438,992</u>

### 6. Financial risk management

The Fund's major financial instruments include equity securities, placement with the Exchange Fund, time deposits, cash and cash equivalents and accounts payable. The major risks associated with these financial instruments are set out below.

#### (a) 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. The maximum exposure to credit risk of the financial assets of the Fund at the reporting date is equal to their carrying amounts.

The Fund limits its exposure to credit risk by transacting with banks with high credit ratings in Hong Kong. Hence, the credit risk of these financial assets is considered to be low. The credit risk in respect of placement with the Exchange Fund is considered minimal.

The credit quality of time deposits and bank balances, analysed by the ratings designated by Moody's, at the reporting date is shown below:

	<b>2023</b>	<b>2022</b>
	<b>HK\$</b>	<b>HK\$</b>
Time deposits and bank balances, by credit rating		
Aa1 to Aa3	2,691,211	2,879,397
A1 to A3	2,656,234	9,850,779
	<u>5,347,445</u>	<u>12,730,176</u>

While the financial assets measured at amortised cost are subject to the impairment requirements, the Fund has estimated that their expected credit losses are minimal and considers that no loss allowance is required.

## **(b) Market risk**

Market risk is the risk that changes in market variables such as equity prices, interest rates and currency exchange rates may affect the fair value or cash flows of a financial instrument.

### **(i) Equity price risk**

Equity price risk is the risk of loss arising from changes in equity prices. The Fund's investments in equity securities are subject to the equity price risk inherent in all equity securities, i.e. the value of holdings may fall as well as rise.

To manage equity price risk, the Social Work Training Fund Committee regularly reviews the investment portfolio and the investment guidelines for monitoring the investment activities of the Fund. During the year, the Fund disposed of all listed equity securities. The Fund is not subject to equity price risk as at 31 March 2023. Comparatively, it was estimated that, as at 31 March 2022, a general increase/decrease of 10% in the market prices of the equity securities held by the Fund, with all other variables held constant, would decrease/increase the deficit of the Fund for the year and increase/decrease the balance of accumulated surplus account by HK\$731,000.

### **(ii) 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 fair value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's bank deposits bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as they are stated at amortised cost, changes in market

interest rates will not affect their carrying amounts and the Fund's deficit and accumulated surplus.

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's exposure to cash flow interest rate risk is small as interest income from financial instruments bearing interest at a floating rate is not significant.

(iii) Currency risk

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 currencies other than Hong Kong dollar are exposed to currency risk.

(1) Exposure to currency risk

The Fund maintained financial instruments denominated in Renminbi totalling CNY1,450,637 (2022: CNY2,665,791) at the reporting date. Since no foreign currency rate hedging is made by the Fund, the carrying amounts of the financial instruments in Renminbi represent the maximum exposure of the Fund to currency exchange risk in respect of Renminbi.

(2) Sensitivity analysis

It was estimated that, as at 31 March 2023, should the Renminbi strengthen/weaken by 5% (2022: 5%) against the Hong Kong dollar, with all other variables held constant, the deficit of the Fund for the year would decrease/increase and the balance of accumulated surplus account would increase/decrease by HK\$83,000 (2022: HK\$164,000).

The above sensitivity analysis is based on the assumption that the change in currency exchange rate had occurred at the reporting date and for financial instruments in existence at that date.

**(c) 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 effects of fluctuations in cash flows. Hence, the Fund does not have significant exposures to liquidity risk.

As at 31 March 2023, 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 (2022: one year or less).



#### (d) Other financial risk

The Fund is exposed to financial risk arising from the placement with the Exchange Fund due to changes in interest rate which is determined in January each year (note 3). It was estimated that, as at 31 March 2023, a 50 basis point increase/decrease in the interest rates for 2023, with all other variables held constant, would decrease/increase the deficit of the Fund for the year and increase/decrease the accumulated surplus account by HK\$70,000.

### 7. Fair value measurement

#### (a) Fair value hierarchy of financial instruments

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”.

	2023		2022	
	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	-	-	7,310,119	7,310,119

No financial instruments were classified under Level 2 or Level 3. There were no transfers between levels during the reporting years.

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 are determined with inputs that are not based on observable market data (unobservable inputs).

#### (b) Valuation techniques and key inputs

The fair value of financial instruments classified under Level 1 is based on the quoted market prices of these financial instruments at the reporting date, without any deduction for estimated future selling costs.

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

## **8. Capital management**

The capital structure of the Fund consists of the donation account and the accumulated surplus account. The Fund's objectives when managing capital are:

- (a) to comply with the Social Work Training Fund Ordinance; and
- (b) to maintain a capital base for carrying out the purpose of the Fund as stated in note 1 above.

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

## **9. Cost of administration of the Fund**

The cost of administration of the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 12 of the Social Work Training Fund Ordinance.

