

Report By The Trustee
Of The
Correctional Services
Children's Education Trust

For The Period

From 1 September 2016 to 31 August 2017

**Report by the Commissioner of Correctional Services,
Trustee of the Correctional Services Children's Education Trust
for the period of 1 September 2016 to 31 August 2017**

Introduction

The Correctional Services Children's Education Trust Ordinance (Cap. 1131) was passed into law by the Legislative Council on 29 June 1983 and enacted on 1 July 1983.

2. In accordance with Section 4 of the Ordinance, the Commissioner of Correctional Services shall be the Trustee, and as required by Section 10 of the Ordinance, I take pleasure to present to the President and Honourable Members of the Legislative Council a copy of the signed and audited statement of accounts, the Auditor's Report and my report on the administration of the Fund for the period of 1 September 2016 to 31 August 2017.

3. The Trust was initially founded by the generous donation of HK\$500,000 by Dr. William MONG, Chairman and Senior Managing Director of Shun Hing Group. The object of the Trust was to provide financial assistance in the form of grants and book grants for children of serving and retired Assistant Officers and equivalent grades of the Correctional Services Department to pursue higher education, and also for the educational training of disabled children of these staff. For the period of 1 September 2016 to 31 August 2017, a total donation of HK\$670,000 was received with HK\$300,000 from the Shun Hing Education and Charity Fund Limited, HK\$170,000 from the Correctional Services Department Sports Association, HK\$100,000 from the Brilliant Printing Ltd and HK\$100,000 from the Perennial Cable (HK) Limited.

4. It was decided by the Trust Committee and confirmed by the Trustee that donations received and approved for acceptance before 6 July 2016 are credited to Accumulated Fund – Capital Account. With effect from 6 July 2016, donations received are recognized as income when they are approved for acceptance, except that when the purpose of a donation is specified to be increasing the Trust's capital, such donation is credited to Accumulated Fund – Capital Account.

Object of the Fund

5. In accordance with Section 5 of the Ordinance, the Trustee shall apply the Fund in such a manner as the Trust Committee may, in its absolute discretion, direct for the following objectives: -

- (a) the provision of assistance in, and facilities for, the higher education of the children of Assistant Officers and equivalent grades and for purposes ancillary thereto;
- (b) the provision of assistance in, and facilities for, the education and training of disabled children of Assistant Officers and equivalent grades; and
- (c) the provision for any such children of opportunities for the furtherance of their studies, education and training.

Committees

6. The Trust Committee was formed in accordance with Section 6 of the Ordinance with its membership shown in Appendix I. The Investment Advisory Board was formed in accordance with Section 9(2) of the Ordinance with its membership shown in Appendix II.

7. The Trust Committee is to make policy decisions as well as decisions on the allocation of funds for grants and book grants. Under Section 9 of the Ordinance, the Trustee may invest the Trust Funds in such investments as authorised by the Trustee Ordinance and as the Committee may advise. Subject to the approval of the Investment Advisory Board and as the Committee may advise, the Trustee may invest the funds in investments which are not authorised under the Trustee Ordinance.

Committee Meetings

8. During the period under review, the Trust Committee held a meeting on 14 July 2017 to consider all applications and to decide on the allocation of funds. The Committee maintained that prior consideration would be given to -

- (a) students studying in local universities;
- (b) disabled children undertaking full time education or training (subject to the availability of funds);
- (c) students studying in local post-secondary colleges; and
- (d) secondary school students from Form 4 to Form 7 (subject to the availability of funds).

9. Members of the Investment Advisory Board held a meeting on 9 March 2017 and exchanged views from time to time during the year to decide on investment matters. A summary of the investments is included in Appendix III.

Grants

10. Following the Trust Committee meeting held on 14 July 2017, a total sum of HK\$1,212,262 was paid. Bursary certificates and cheques were presented to successful applicants at a ceremony held on 31 August 2017 at the Jockey Club Lecture Theatre, Olympic House.

11. The accumulated fund as at 31 August 2017 amounted to HK\$21,101,730 including HK\$11,866,519 in the capital account, HK\$2,640,501 in the accumulated surplus account and HK\$6,594,710 in the investment revaluation reserve account.

Auditor

12. In March 1984, the then Governor appointed the Director of Audit as Auditor of the Trust in accordance with Section 10(2) of the Ordinance.

13. Audited financial statements of the Trust have been prepared and the Auditor's report and the signed financial statements are attached at Appendix IV.

Vote of Thanks

14. I wish to extend my thanks to the Chairman and members of the Trust Committee, and all other officers who have contributed to make the Trust function in the best interests of the staff of the Correctional Services Department. I also wish to thank the Investment Advisory Board which has contributed its effort to make profitable investments and maintain for the Trust a very healthy account to meet the objectives of the Trust despite fluctuations in the stock and financial markets. The income from investments and bank interest for the year ended 31 August 2017 was HK\$658,224.

15. Finally, my thanks are also due to the Director of Audit for providing his professional service in auditing the financial statements of the Trust.



LAM Kwok-leung

Commissioner of Correctional Services

Trustee, Correctional Services Children's Education Trust

23 May 2018

Correctional Services Children's Education Trust Committee
(as at 31 August 2017)

Chairman : Mr David MONG Tak-yeung

Members : Mr Philip MA Ching-yeung

Representative of Assistant Officers and equivalent grades –

Mr HO Yat-sun
Assistant Officer I

Miss WONG Man-ki
Assistant Officer II

Representative of the Commissioner of Correctional Services –

Ms NG Sau-wai
Assistant Commissioner of Correctional Services

Representative of the Permanent Secretary for Education –

Mr MAU Tung-shing
Principal Education Officer

Correctional Services Welfare Officer
appointed by the Commissioner of Correctional Services –

Mr WONG Chi-kwong
Superintendent (Staff Relations & Welfare)

Hon. Treasurer : Mr LI Wing-shing
Senior Treasury Accountant
(Correctional Services Department)

Hon. Secretary : Miss CHAN Sze-lok
Executive Officer (Staff Relations & Welfare)
(Correctional Services Department)

**Correctional Services Children's Education Trust
Investment Advisory Board**

(as at 31 August 2017)

Chairman : Mr Billy KONG Churk-hoi, BBS, MH, JP

Members : Mr CHENG Shing-lung, MH

Mr Vincent LEE Kwan-ho, BBS

Ms Rosita LEE Pui-shan

Ms Macy WONG Mei-sze

**Hon. Treasurer : Mr LI Wing-shing
Senior Treasury Accountant
(Correctional Services Department)**

**Hon. Secretary : Miss CHAN Sze-lok
Executive Officer (Staff Relations & Welfare)
(Correctional Services Department)**

Appendix III

Correctional Services Children's Education Trust
Statement of Investment and Cash at Banks as at 31 August 2017

Investments

<u>Stock</u>	Number of Share Holding	(a) Cost HK\$	(b) Year End Market Value HK\$	(b) – (a) Revaluation Gain / (Loss) HK\$
Champion Real Estate Investment Trust	300,000	1,173,542	1,728,000	554,458
China Mobile Ltd	8,000	669,006	664,000	(5,006)
CLP Holdings Ltd	36,500	2,158,846	3,009,425	850,579
Hong Kong and China Gas Co. Ltd	39,210	263,971	579,524	315,553
Hang Seng Bank Ltd	15,000	2,005,355	2,694,000	688,645
Hong Kong Exchanges and Clearing Ltd	16,000	1,554,511	3,414,400	1,859,889
HSBC Holdings PLC	62,582	<u>2,422,511</u>	<u>4,753,103</u>	<u>2,330,592</u>
		<u>10,247,742</u>	<u>16,842,452</u>	<u>6,594,710</u>

Note : In the Balance Sheet as at 31 August 2017, stock is stated at the year-end market value.

Cash at Bank

HK\$

BusinessVantage savings account with HSBC	4,108,450
Current account with HSBC	<u>26,393</u>
	<u>4,134,843</u>



Correctional Services Children's Education Trust

Financial statements for the year ended 31 August 2017

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 Correctional Services Children's Education Trust set out on pages 4 to 15, which comprise the balance sheet as at 31 August 2017, and the income and expenditure account, statement of comprehensive income, 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 Correctional Services Children's Education Trust as at 31 August 2017, 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 Correctional Services Children's Education Trust Ordinance (Cap. 1131).

Basis for opinion

I conducted my audit in accordance with section 10(2) of the Correctional Services Children's Education Trust 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 Correctional Services Children's Education Trust 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 Commissioner of Correctional Services for the financial statements

The Commissioner of Correctional Services 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 Correctional Services Children's Education Trust Ordinance, and for such internal control as the Commissioner of Correctional Services 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 Commissioner of Correctional Services is responsible for assessing the Correctional Services Children's Education 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.

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 Correctional Services Children's Education Trust's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner of Correctional Services;
- conclude on the appropriateness of the Commissioner of Correctional Services' 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 Correctional Services Children's Education Trust'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 Correctional Services Children's Education Trust 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.



LIANG Kar-lun, Ken
Principal Auditor
for Director of Audit

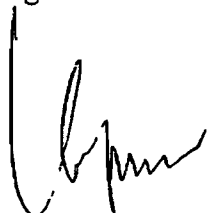
9 April 2018

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

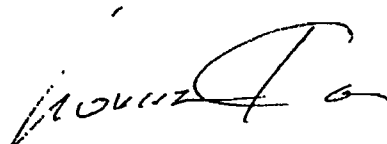
Correctional Services Children's Education Trust
Balance Sheet as at 31 August 2017

	Note	2017 HK\$	2016 HK\$
Non-current Assets			
Available-for-sale financial assets	3	16,842,452	14,350,175
Current Assets			
Accounts receivable	4	124,435	100,409
Cash and cash equivalents	5	4,134,843	4,042,907
		4,259,278	4,143,316
		21,101,730	18,493,491
Accumulated Fund			
Capital		11,866,519	11,866,519
Accumulated surplus		2,640,501	2,524,539
Investment revaluation reserve		6,594,710	4,102,433
		21,101,730	18,493,491

The accompanying notes 1 to 10 form part of these financial statements.



LAM Kwok-leung
Commissioner of Correctional Services
Trustee of the
Correctional Services Children's Education Trust
9 April 2018



Mrs MON KOO Di-an, Louise
Chairman of the
Correctional Services Children's
Education Trust Committee
9 April 2018

Correctional Services Children's Education Trust
Income and Expenditure Account for the year ended 31 August 2017

	Note	2017 HK\$	2016 HK\$
Income			
Dividends		654,805	535,009
Donations		670,000	130,000
Interest income	6	3,419	16,793
		1,328,224	681,802
 Expenditure			
Education assistance to employees' children		(1,170,262)	(1,095,915)
Education assistance to employees' handicapped children		(42,000)	(42,000)
Exchange loss		-	(13,440)
		(1,212,262)	(1,151,355)
 Surplus/(Deficit) for the year		115,962	(469,553)

The accompanying notes 1 to 10 form part of these financial statements.

Correctional Services Children's Education Trust
Statement of Comprehensive Income for the year ended 31 August 2017

	2017	2016
	HK\$	HK\$
Surplus/(Deficit) for the year	115,962	(469,553)
Other comprehensive income		
Items that may be reclassified subsequently to surplus or deficit :		
Available-for-sale financial assets		
Fair value changes on revaluation	<u>2,492,277</u>	<u>861,141</u>
Total comprehensive income for the year	<u><u>2,608,239</u></u>	<u><u>391,588</u></u>

The accompanying notes 1 to 10 form part of these financial statements.

Correctional Services Children's Education Trust
Statement of Changes in Equity for the year ended 31 August 2017

	Capital HK\$	Accumulated surplus HK\$	Investment revaluation reserve HK\$	Total HK\$
Balance at 1 September 2015	7,986,519	2,994,092	3,241,292	14,221,903
Donations received for increasing capital for 2015-16	3,880,000	-	-	3,880,000
Total comprehensive income for 2015-16	-	(469,553)	861,141	391,588
Balance at 31 August 2016	11,866,519	2,524,539	4,102,433	18,493,491
Total comprehensive income for 2016-17	-	115,962	2,492,277	2,608,239
Balance at 31 August 2017	11,866,519	2,640,501	6,594,710	21,101,730

The accompanying notes 1 to 10 form part of these financial statements.

Correctional Services Children's Education Trust
Statement of Cash Flows for the year ended 31 August 2017

	Note	2017 HK\$	2016 HK\$
Cash flows from operating activities			
Surplus/(Deficit) for the year		115,962	(469,553)
Adjustments for :			
Interest income		(3,419)	(16,793)
Dividends		(654,805)	(535,009)
Exchange loss		-	13,440
Increase in accounts receivable		(15)	-
Net cash used in operating activities		<u>(542,277)</u>	<u>(1,007,915)</u>
Cash flows from investing activities			
Interest received		3,419	19,401
Dividends received		630,794	532,380
Decrease in time deposits with original maturity over three months		-	226,438
Purchase of available-for-sale financial assets		-	(2,005,355)
Net cash from/(used in) investing activities		<u>634,213</u>	<u>(1,227,136)</u>
Cash flows from financing activities			
Donations received for increasing capital		-	3,880,000
Net cash from financing activities		<u>-</u>	<u>3,880,000</u>
Net increase in cash and cash equivalents		91,936	1,644,949
Cash and cash equivalents at beginning of year		4,042,907	2,407,242
Effect of foreign exchange rate changes		-	(9,284)
Cash and cash equivalents at end of year	5	<u><u>4,134,843</u></u>	<u><u>4,042,907</u></u>

The accompanying notes 1 to 10 form part of these financial statements.

Correctional Services Children's Education Trust
Notes to the Financial Statements

1. General

The Correctional Services Children's Education Trust (the Trust) was established in accordance with section 3(1) of the Correctional Services Children's Education Trust Ordinance (Cap. 1131) for the following objects:

- (a) the provision of assistance in, and facilities for, the higher education of the children of Assistant Officers and equivalent grades and for purposes ancillary thereto;
- (b) the provision of assistance in, and facilities for, the education and training of handicapped children of Assistant Officers and equivalent grades; and
- (c) the provision for any such children of opportunities for the furtherance of such studies, education and training.

The address of the Trust's principal place of business is 24/F, Wan Chai Tower, 12 Harbour Road, Hong Kong.

2. Significant accounting policies

- (a) Statement of compliance

The financial statements have been prepared in accordance with section 10(1) of the Correctional Services Children's Education Trust Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants.

- (b) Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except that available-for-sale financial assets are stated at fair value as explained in the accounting policy 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.

(c) Adoption of new/revised HKFRSs

The Trust has adopted all new / revised HKFRSs which are effective and relevant to the Trust for the current accounting period.

The Trust has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Trust 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 Trust's results of operations and financial position.

(d) Financial assets

The Trust's financial assets include available-for-sale financial assets, accounts receivable, time deposits and cash and cash equivalents. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets. Except for available-for-sale financial assets, all other financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any (note 2(e)).


At each balance sheet date, the fair value of available-for-sale financial assets is re-measured and any unrealised holding gains or losses arising from the change in fair value are recognised in other comprehensive income and accumulated separately in the investment revaluation reserve. The fair values of quoted investments are based on current bid-prices.

The Trust's available-for-sale financial assets are classified as non-current assets unless the Correctional Services Children's Education Trust Committee intends to dispose of the investments within 12 months of the balance sheet date.

(e) Impairment of financial assets

The carrying amount of available-for-sale financial assets is reviewed at each balance sheet date to determine whether there is objective evidence of impairment. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure account – is removed from the investment revaluation reserve and recognised in the income and expenditure account. Impairment losses for equity securities are not reversed through the income and expenditure account. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

For other financial assets, if there is objective evidence that an impairment loss has occurred, an impairment loss is recognised in the income and expenditure



account as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If in a subsequent period, the amount of such impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income and expenditure account. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment losses been recognised in prior years.

(f) Donations

Donations received and approved for acceptance before 6 July 2016 are credited to Accumulated Fund – Capital Account. With effect from 6 July 2016, donations received are recognised as income when they are approved for acceptance, except that when the purpose of a donation is specified to be increasing the Trust's capital, such donation is credited to Accumulated Fund – Capital Account.

(g) Foreign currency translation

Hong Kong dollar is the currency of the primary economic environment in which the Trust 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 balance sheet date. Exchange gains and losses are dealt with in the income and expenditure account.

(h) Revenue recognition

Interest income from bank deposits is recognised as it accrues using the effective interest method. Dividend is recognised when the Trust's right to receive payment is established. Dividend income from listed equity securities is recognised in the income and expenditure account when the share price is quoted ex-dividend.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits 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.

3. Available-for-sale financial assets

	2017 HK\$	2016 HK\$
Equity securities listed in Hong Kong, at fair value	<u>16,842,452</u>	<u>14,350,175</u>

4. Accounts receivable

	2017 HK\$	2016 HK\$
Dividends receivable	124,420	100,409
Others	15	-
	<u>124,435</u>	<u>100,409</u>

5. Cash and cash equivalents

	2017 HK\$	2016 HK\$
Cash at bank	<u>4,134,843</u>	<u>4,042,907</u>

6. Interest income

	2017 HK\$	2016 HK\$
Bank interest	<u>3,419</u>	<u>16,793</u>

7. Financial risk management

(a) The Trust's major financial instruments include available-for-sale financial assets, bank deposits and cash at bank. 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.

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

To minimise credit risks arising from bank deposits and cash at bank, all time deposits and cash at bank are placed with reputable licensed banks in Hong Kong.

(ii) Market risk

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

(1) Equity price risk

The Trust maintains a diversified portfolio of investments. The Correctional Services Children's Education Trust Investment Advisory Board and the Correctional Services Children's Education Trust Committee monitor the performance of the portfolio and regularly review the investment strategy of the Trust in the management of equity price risk. If the market prices of the respective equity securities had been 10% (2016 : 10%) higher/lower, other comprehensive income and the balance of the investment revaluation reserve of the Trust would have increased/decreased by about HK\$1,684,000 (2016 : about HK\$1,435,000). The sensitivity analysis was based on the carrying amount of equity securities held by the Trust as at the balance sheet 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 all the Trust's time 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 Trust's surplus 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 Trust 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.

(iii) Liquidity risk

In the management of liquidity risk, the Trust 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.

(b) Fair value hierarchy of financial instruments

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

	2017		2016	
	Level 1	Total	Level 1	Total
	HK\$	HK\$	HK\$	HK\$
Available-for-sale financial assets				
- Listed equity securities	<u>16,842,452</u>	<u>16,842,452</u>	<u>14,350,175</u>	<u>14,350,175</u>

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

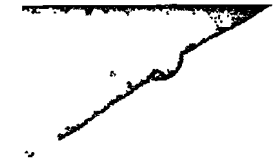
The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:-

- Level 1: fair values are quoted prices (unadjusted) in the active markets for identical financial instruments at the measurement date;
- 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 or indirectly; and
- Level 3: fair values are determined with inputs that are not based on observable market data (unobservable inputs).

8. Capital management

The capital structure of the Trust consists of capital, accumulated surplus and investment revaluation reserve. The Trust's objectives when managing capital are:

- (a) to comply with the Correctional Services Children's Education Trust Ordinance; and
- (b) to maintain a strong capital base for carrying out the purposes of the Trust as stated in note 1 above.



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

9. Cost of administering the Trust

The cost of administering the Trust has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 11(1) of the Correctional Services Children's Education Trust Ordinance.

10. Fair values of financial assets

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