

AIDS Trust Fund Annual Report 2017-18



**Council for the AIDS Trust Fund
Hong Kong Special Administrative Region**

AIDS Trust Fund Annual Report 2017-18

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Introduction

Background

The AIDS Trust Fund (the Fund) was established in April 1993 with a commitment of \$350 million approved by the Finance Committee (FC) of the Legislative Council (LegCo) to provide assistance to HIV-infected haemophiliacs and generally to strengthen medical and support services and public education on AIDS. A one-off injection of \$350 million was approved by the FC in 2013-14 to support applications under the Fund.

The Fund is administered on the advice of the Council for the AIDS Trust Fund (the Council). Chairperson and Members (except ex-officio Member from the Food and Health Bureau) of the Council are appointed by the Chief Executive. Three sub-committees are set up under the Council to process the applications for funding. They are the Ex-gratia Payment Sub-Committee, the Medical and Support Services Sub-Committee, and the Publicity and Public Education Sub-Committee.

Areas of financial support

The Fund provides financial support in the following areas:

- Ex-gratia payment to those who are Hong Kong residents and have been infected with HIV through transfusion of blood or blood products in Hong Kong prior to August 1985.
- Medical and support services for HIV-infected patients to augment the existing services provided by the Hospital Authority and the Department of Health as well as researches on HIV/AIDS.
- Publicity and public education which remains the most effective way to combat the spread of HIV and AIDS.

This 2017-18 Annual Report of the Fund summarises the work done related to the operation of the Fund in 2017-18.

Membership and Terms of Reference

Council for the AIDS Trust Fund

- Chairperson: Dr Matthew NG, J.P. (until July 2017)
Dr LAI Sik-to, Thomas (August 2017 onwards)
- Members: Mr CHEUNG Hing-wah, B.B.S.
Dr LIN Che-kit (until July 2017)
Dr LEE Man-po (August 2017 onwards)
Prof LEE Tze-fan, Diana, J.P.
Ms CHAU Suet-mui, Fiona (until October 2017) (*ex-officio Member from Food and Health Bureau*)
Miss KWOK Wing-see, Grace (October 2017 onwards) (*ex-officio Member from Food and Health Bureau*)
- Secretary: Dr TO May-kei, Liza

Ex-gratia Payment Sub-Committee

- Chairperson: Mr CHEUNG Hing-wah, B.B.S.
- Members: Dr LAI Sik-to, Thomas (until August 2017)
Mr LIU Wing-ting, Stephen, J.P.
Mr NGAN Man-por (December 2017 onwards)
- Secretary: Dr LAU Tin-wai, Winnie

Medical and Support Services Sub-Committee

- Chairperson: Dr LIN Che-kit (until Jul 2017)
Dr LEE Man-po (August 2017 onwards)
- Members: Dr HO King-man
Dr LEE Cheuk-kwong
Dr LEE Man-po (until July 2017)
Dr LO Kuen-kong (until August 2017)
Dr SIU Man-hong, Andrew
Dr TSANG Tak-yin, Owen
- Secretary: Dr LAU Tin-wai, Winnie

Publicity and Public Education Sub-Committee

- Chairperson: Prof LEE Tze-fan, Diana, J.P.
- Members: Mr CHEUNG Tat-ming, Eric
Ms KWONG Suk-chun, Victoria
Dr LEE Cheuk-kwong
Mr NGAN Man-por
Mr TONG Tai-wai, Raphael, M.H.
Dr TSANG Chiu-shun
- Secretary: Dr LAU Tin-wai, Winnie



Terms of Reference

Council for the AIDS Trust Fund

Subject to the provision of the Declaration of the Trust Fund, to determine all matters whatsoever touching the administration of the Fund and the fulfillment of the purposes thereof.

Ex-gratia Payment Sub-Committee

To consider claims for ex-gratia payment, and to make recommendations to the Council.

Medical and Support Services (MSS) Sub-Committee

To consider applications for project grants for researches on HIV/AIDS, provision of additional medical and support services for those with HIV/AIDS and to make recommendations to the Council.

Publicity and Public Education (PPE) Sub-Committee

To consider applications for project grants for publicity and public education on AIDS, and to make recommendations to the Council.

Summary of Meetings, Applications and Funding Approved

Based on the “Recommended HIV/AIDS Strategies for Hong Kong 2017-2021” issued by the Hong Kong Advisory Council on AIDS (ACA), higher funding priorities would be accorded to the applications to the Fund for programmes targeted at the six high risk groups, namely:

- (i) Men who have sex with men (MSM);
- (ii) People living with HIV (PLHIV);
- (iii) People who inject drugs (PWID);
- (iv) Ethnic minorities (EM);
- (v) Male-to-female transgender (TG);
- (vi) Female sex workers (FSW) and their male clients (MCFSW)

Meetings held for processing applications in 2017-18

From 1 April 2017 to 31 March 2018, 2 meetings of the Council and 6 meetings of the three Sub-Committees (i.e. Ex-gratia Payments: 1; Medical and Support Services (MSS): 2; and Publicity and Public Education (PPE): 3) were held.

Number of applications processed

During the period, a total of 73 applications (additional ex-gratia payment: 26, MSS: 31 and PPE: 16) were processed by the Council, of which 48 applications (66%) were approved. Excluding the 26 applications for additional ex-gratia payments, 22 out of 47 (47%) applications were approved. Details of breakdown are at **Table 1**.

**Table 1: Number of applications processed by the Council
(from 1 April 2017 to 31 March 2018)**

Types of Applications	Applications Withdrawn	Applications Rejected	Applications Approved	Applications Approved Subject to Conditions	Total
Additional Ex-gratia Payment	0	0	26	0	26
Medical and Support Services	1	17	13	0	31
Publicity and Public Education	0	7	9	0	16
Total	1	24	48	0	73

Summary of funding approved

The total funding amount approved for the 48 applications (additional ex-gratia payment: 26, MSS: 13 and PPE: 9) was around \$60.84 million (additional ex-gratia payment: \$8.91 million, MSS: \$14.74 million, PPE: \$37.2 million). Details of breakdown are at **Table 2**.

Table 2: Number of applications and amount of funding approved by the Council (from 1 April 2017 to 31 March 2018)

Financial Year	2017-18	
	No.	Amount ^ (\$HK million)
Additional Ex-gratia Payment	26	8.91
MSS	13	14.74
PPE	9	37.20
Total	48	60.84

Note: ^ There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

Breakdown of applications and funding approved by high risk groups

A breakdown of applications and amount of funding approved from 1 April 2017 to 31 March 2018 by the six high risk groups recommended by ACA are shown at **Annexes Ia, Ib and Ic**.

From 1 April 2017 to 31 March 2018, the amount granted for MSM projects / programmes topped the list at \$22.16 million (**Annex Ia**). For MSS, the amount of granted for MSM topped the list of MSS research project grants at \$5.38 million (**Annex Ib**). For PPE, the amount granted for MSM project / programme topped the list of PPE grants at \$16.78 million (**Annex Ic**).

Audited accounts in 2017-18

The Director of Accounting Services is responsible for keeping the accounts of the Fund which are also audited annually by the Director of Audit. Relevant information extracted from the audited accounts of the Fund in 2017-18 are at **Table 3**.

Table 3: Information extracted from audited accounts of the Fund (2017-18)

Financial Year	2017-18 (HK\$'000)
Capital (\$) (a)	700,000
INCOME (\$)	
Interest on deposits and bank balances	3,152
Interest on placement with the Exchange Fund	2,691
Refund of grants	504
Other Income*	217
Total (b)	6,564
EXPENDITURE (\$)***	
Publicity and Public Education	37,254
Medical and Support Services	14,797
Ex-gratia Payment	8,908
Total (c)	60,959
Deficit for the year (b-c)	(54,395)
Accumulated Expenditure at end of year**** (d)	(464,759)
Fund Balance (\$) (a) - (d)	235,241

* Other income includes the amount of the approved projects / programmes which the balance was no longer required.

** There might be a difference between the audited expenditure and the amount of funding approved at **Table 2** since the amount of funding approved did not include the extra cost incurred from auditing a grant approved by the Fund (in terms of auditors' remuneration) which may be claimed on a reimbursement basis.

*** Accumulated expenditure at the end of year represented the expenditure brought forward from the beginning of the fund to the current financial year end.

Note: The audited accounts will be uploaded onto the Fund's website.

Completed projects / programmes in 2017-2018

In order to enhance transparency, accountability and access to information by the public, grantees are required to submit an executive summary and publication list for each completed project / programme which would be posted on the Fund's website for public information.

Project/ Programme Code	Project/ Programme Title
MSS 227 R	The level of GFAP as a specific biomarker of neuroAIDS among Chinese patients
MSS 235 PM	Public Acceptance, Prevention, Care & Support, and Capacity Building for People at Risks and People living with HIV/AIDS
MSS 258 PJ	Support Fund for HIV/AIDS Patients and their Families
PPE 637 PM	Intensive Support and Preventive Programme for AIDS and Blood-borne Diseases
PPE 638 PM	In-House Testing! - Voluntary Counselling and Testing for HIV (VCT) in the GLBT Community Centre
PPE 644 PM	HIV prevention, support and community care programme for injecting drug users, SARDA
PPE 646 PM-Project 3	Integrated Community-Based Interventions for the Prevention
PPE 655 PM Project 2 & 4	Comprehensive Package for Young MSM and Young MSM newly infected with HIV
PPE 656 PM	"Translating recommendations and findings into effective actions – maintaining Hong Kong' slow HIV prevalence"
PPE 658 PM	Our Garden
PPE 659 PM	Young female sex workers peer education through internet media project
PPE 665 PJ	The Medicine Annual Quiz 2017 – Liberal Studies Cup on AIDS
PPE 667 PM	Inside and Out: Building the community response to HIV by enhancing the link between HIV prevention, testing, treatment and care
PPE 669 PM	Fight against HIV and STD, female sex workers take the leading role
PPE 672 PM	HIV Combination Prevention for Female Sex Workers



New Initiatives

Recommended HIV /AIDS Strategies for Hong Kong (2017-2021)

ACA has published the “Recommended HIV/AIDS Strategies for Hong Kong (2017-2021)” in May 2017. The Strategies set out the priority areas for further examination, and high risk groups that should be addressed. The Council agreed to follow the newly published strategies and to update the ATF Guidelines to address following priorities groups:

- (i) Men who have sex with men (MSM);
- (ii) People living with HIV (PLHIV);
- (iii) People who inject drugs (PWID);
- (iv) Ethnic minorities (EM);
- (v) Male-to-female transgender (TG);
- (vi) Female sex workers (FSW) and their male clients (MCFSW)

To extend the submission deadline for Audited Account

In the past, grantees needed to submit an Audited Account within two months from the date of completion or earlier termination of the project / programme. Requests were received from grantees to extend the submission deadline of Audited Account. After deliberation, the Council endorsed the recommendation of PPE and MSS Sub-committees and extended the submission of Audited Account from 2 months to within 6 months after the end date or termination of project /programme.

Projects targeted at People Living with HIV to be vetted by MSS Sub-committee

In order to streamline processing of application process, taking into account the ambit of PPE and MSS Sub-committees, applications targeted at People living with HIV (PLHIV) would be vetted by the MSS Sub-committee. NGOs could submit one MSS application targeted at PLHIV and one PPE application targeted at other high risk group(s) in the same round of application.

Review of ATF Guidelines Clause 59: Separate interest bearing bank account

Considering applicants from universities and the public sector would deposit the grant into their own general bank account, the Council endorsed to revise the ATF Guidelines clause 59 as follows:

“The requirement to keep a separate bank account does not apply to government departments, university and service providers in the public sector which may deposit the grant into their own general bank accounts”

Communication with Stakeholders

Visits to grantees

To monitor the performance of grantees and to facilitate information exchange between grantees and the Council, two visits were organised for the Council's Members and Secretariat in September 2017 and February 2018 to the following five grantees:

1. The Society for AIDS Care Limited
2. Gathering Point
3. A-Backup
4. Teen's Key
5. Hong Kong Association of the Deaf



Visit to Hong Kong Association of the Deaf



Visit to Teen's Key



Visit to A-Backup



Visit to Gathering Point



Visit to The Society for AIDS care Limited

Sharing session

A sharing session was held on 5 December 2017. The session served as a platform for grantees to share their experience on HIV prevention and control in priority communities, as well as AIDS-related research through their programmes supported by the Fund.



ATF Sharing Session on 5 December 2017

Number of ALL approved projects and amount of funding by high risk groups (from 1 April 2017 to 31 March 2018)

Applications		Six higher funding priority areas (Recommended HIV/AIDS Strategies for Hong Kong 2017 - 2021)						Others #	Sub-total	Additional EGP (PLHIV)	Total
		MSM	FSW/ MCFSW	PWID	EM	TG	PLHIV				
Apr 2017 - Mar 2018	<i>Number</i>	12	3	2	2	1	14	1	35	26	61
	<i>Amount approved</i>	\$22,164,393	\$6,380,195	\$3,133,829	\$2,239,233	\$310,101	\$13,960,698	\$3,745,782	\$51,934,230	\$8,908,000	\$60,842,230
	<i>Resource allocation (%) ^</i>	43%	12%	6%	4%	1%	27%	7%	100%		

Note: MSM – Men who have sex with men, FSW/MCFSW - Female sex worker and their male clients, PWID - Injecting drug users, EM – Ethnic minorities, TG - Transgender, PLHIV - People living with HIV

Others include Prisoners (1)

^ There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

Number of MSS approved projects and amount of funding by high risk groups (from 1 April 2017 to 31 March 2018)

Applications		MSS (research)						MSS (non-research)	Total	
		Six higher funding priority areas (Recommended HIV/AIDS Strategies for Hong Kong 2017 - 2021)						Sub-total		People living with HIV
		MSM	FSW/ MCFSW	PWID	EM	TG	PLHIV			
<i>Apr 2017 - Mar 2018</i>	<i>Number</i>	3	0	0	0	0	9	12	2	14
	<i>Amount approved</i>	\$5,379,948	\$0	\$0	\$0	\$0	\$4,897,908	\$10,277,856	\$4,460,564	\$14,738,420
	<i>Resource allocation (%)^</i>	37%	0%	0%	0%	0%	33%	70%	30%	100%

Note: MSM – Men who have sex with men, FSW/MCFSW - Female sex worker and their male clients, PWID - Injecting drug users, EM – Ethnic minorities, TG - Transgender, PLHIV - People living with HIV

^ There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

Number of PPE approved projects and amount of funding by high risk groups (from 1 April 2017 to 31 March 2018)

Applications		PPE							Total
		Six higher funding priority areas (Recommended HIV/AIDS Strategies for Hong Kong 2017 - 2021)						Others #	
		MSM	FSW/ MCFSW	PWID	EM	TG	PLHIV		
<i>Apr 2017 - Mar 2018</i>	<i>Number</i>	<i>9</i>	<i>3</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>3</i>	<i>1</i>	<i>21</i>
	<i>Amount approved</i>	<i>\$16,784,445</i>	<i>\$6,380,195</i>	<i>\$3,133,829</i>	<i>\$2,239,233</i>	<i>\$310,101</i>	<i>\$4,602,227</i>	<i>\$3,745,782</i>	<i>\$37,195,811</i>
	<i>Resource allocation (%)^</i>	<i>45%</i>	<i>17%</i>	<i>8%</i>	<i>6%</i>	<i>1%</i>	<i>12%</i>	<i>10%</i>	<i>100%</i>

Note: MSM – Men who have sex with men, FSW/MCFSW - Female sex worker and their male clients, PWID - Injecting drug users, EM – Ethnic minorities, TG - Transgender, PLHIV - People living with HIV

Others include prisoners (1)

^ There may be a slight discrepancy between the sum of individual items and the total as shown in the table due to rounding of figures.

AIDS Trust Fund

Financial statements for the year ended 31 March 2018

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 have audited the financial statements of the AIDS Trust Fund set out on pages 4 to 14, which comprise the statement of financial position as at 31 March 2018, and the 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 AIDS Trust Fund as at 31 March 2018, 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 Clause 12 of the Declaration of Trust made by the Financial Secretary Incorporated on 30 April 1993.

Basis for opinion

I conducted my audit in accordance with Clause 12 of the Declaration of Trust 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 AIDS Trust 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.

Financial Secretary Incorporated's responsibilities for the financial statements

The Financial Secretary Incorporated, as the Trustee of the AIDS Trust Fund, is responsible for the preparation of the financial statements that give a true and fair view in accordance with Clause 12 of the Declaration of Trust and HKFRSs issued by the HKICPA, and for such internal control as the Financial Secretary 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 Financial Secretary Incorporated is responsible for assessing the AIDS Trust 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.

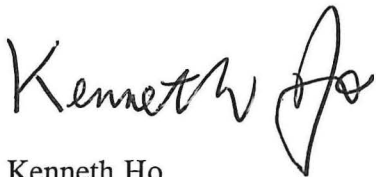
Auditor's responsibilities for the audit of the financial statements

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 AIDS Trust Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Financial Secretary Incorporated;

- conclude on the appropriateness of the Financial Secretary 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 AIDS Trust 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 AIDS Trust 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.



Kenneth Ho
Assistant Director of Audit
for Director of Audit

13 March 2019


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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	2018 HK\$'000	2017 HK\$'000
ASSETS			
Cash at bank		1	1
Deposits with banks	3	183,657	230,290
Interest receivable	4	1,789	903
Placement with the Exchange Fund	5	84,442	82,142
Total assets		269,889	313,336
LIABILITIES			
Grants payable - due within one year	6	(18,925)	(18,775)
Grants payable - due after one year	6	(15,723)	(4,925)
Total liabilities		(34,648)	(23,700)
Net assets		235,241	289,636
Representing:			
FUND BALANCE			
Capital		700,000	700,000
Accumulated deficit		(464,759)	(410,364)
		235,241	289,636

The accompanying Notes 1 to 14 form part of these financial statements.

The Financial Secretary Incorporated
The Trustee of the AIDS Trust Fund



Paul MP CHAN
Financial Secretary

13 March 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 HK\$'000	2017 HK\$'000
Income	7	6,564	9,516
Expenditure	8	(60,959)	(30,132)
Deficit for the year		(54,395)	(20,616)
Other comprehensive income		—	—
Total comprehensive loss for the year		(54,395)	(20,616)

The accompanying Notes 1 to 14 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Capital HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
Balance at 1 April 2016	700,000	(389,748)	310,252
Total comprehensive loss for the year 2016-17	—	(20,616)	(20,616)
Balance at 31 March 2017	<u>700,000</u>	<u>(410,364)</u>	<u>289,636</u>
Total comprehensive loss for the year 2017-18	—	(54,395)	(54,395)
Balance at 31 March 2018	<u>700,000</u>	<u>(464,759)</u>	<u>235,241</u>

The accompanying Notes 1 to 14 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 HK\$'000	2017 HK\$'000
Net cash used in operating activities	9	(49,290)	(47,977)
Net cash from investing activities	10	36,790	21,256
Net decrease in cash and cash equivalents		<u>(12,500)</u>	<u>(26,721)</u>
Cash and cash equivalents at beginning of year		22,701	49,422
Cash and cash equivalents at end of year	11	<u>10,201</u>	<u>22,701</u>

The accompanying Notes 1 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The AIDS Trust Fund (the Fund) was established on 30 April 1993 by a Declaration of Trust (the Trust) made by The Financial Secretary Incorporated (the Trustee) following the Finance Committee of the Legislative Council (the Finance Committee)'s approval of a grant of HK\$350 million on 16 April 1993 to set up the Fund. The principal activities of the Fund are the financing of ex-gratia payments for persons infected with the HIV through the transfusion in Hong Kong of blood products prior to August 1985, medical and support services for HIV-infected patients and publicity and public education on AIDS. In 1993, the Council for the AIDS Trust Fund (the Council) started providing one-off payments to eligible HIV-infected persons in line with the ex-gratia payment scheme approved by the Finance Committee. The Council also endorsed in April 2005 the payment of additional recurrent supplements within the ambit and funding approved for the Fund. On 6 December 2013, the Finance Committee approved an injection of HK\$350 million into the Fund. The financial statements of the Fund are prepared in accordance with Clause 12 of the Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Fund is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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 end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next reporting period.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Fund has no intention of trading. This category includes cash at bank, deposits with banks, placement with the Exchange Fund and interest receivable. Loans and receivables are initially recognised at fair value. They are subsequently carried at amortised cost using the effective interest method less impairment losses, if any (Note 2(g)).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating 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 instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future 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.

(d) Interest income recognition

Interest income is recognised on an accrual basis using the effective interest method. The interest rates on deposits with banks and placement with the Exchange Fund represent the effective interest rates on such interest-bearing assets.

(e) Grants recognition

Grants, including multi-year grants, are recognised as expenses and payables when they are approved.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank and deposits with banks with a maturity of three months or less from the date of placement.

(g) Impairment of financial assets

The carrying amounts of loans and receivables are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised in the statement of comprehensive income 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 statement of comprehensive income. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior reporting periods.

(h) Impact of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period. There have been no changes to the accounting policies applied in the financial statements for the years presented as a result of these developments. The Fund has not applied any new HKFRSs that are not yet effective for the current accounting period (Note 14).

3. DEPOSITS WITH BANKS

These are Hong Kong dollar deposits placed with licensed banks in Hong Kong for investment under Clause 5 of the Trust.

4. INTEREST RECEIVABLE

	2018 HK\$'000	2017 HK\$'000
Interest accrued on deposits and bank balances	831	336
Interest accrued on placement with the Exchange Fund	958	567
	1,789	903

5. PLACEMENT WITH THE EXCHANGE FUND

These represent the principal sum placed with the Exchange Fund and interest paid but not yet withdrawn at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Principal sum	80,000	80,000
Interest paid but not yet withdrawn	4,442	2,142
	84,442	82,142

The term of the placement is six years from the date of placement, during which the principal sum cannot be withdrawn.

Interest on the placement is payable at a fixed rate determined every January. The rate is the average annual investment return of the Exchange Fund's Investment Portfolio for the past six years or the average annual yield of three-year government bond for the previous year subject to a minimum of zero percent, whichever is the higher. The interest rate has been fixed at 4.6% for the calendar year 2018 and at 2.8% for the calendar year 2017.

6. GRANTS PAYABLE

	2018 HK\$'000	2017 HK\$'000
Publicity and public education	24,786	15,588
Medical and support services	9,862	8,112
	34,648	23,700
Amount due within one year	18,925	18,775
Amount due after one year	15,723	4,925
	34,648	23,700

7. INCOME

	2018 HK\$'000	2017 HK\$'000
Interest on deposits and bank balances	3,152	2,611
Interest on placement with the Exchange Fund	2,691	2,550
Refund of grants	504	1,661
Other income	217	2,694
	6,564	9,516

8. EXPENDITURE

	2018 HK\$'000	2017 HK\$'000
Grants		
Publicity and public education	37,254	17,589
Medical and support services	14,797	3,873
Ex-gratia payment	8,908	8,670
	60,959	30,132

9. RECONCILIATION OF DEFICIT TO NET CASH USED IN OPERATING ACTIVITIES

	2018 HK\$'000	2017 HK\$'000
Deficit for the year	(54,395)	(20,616)
Interest income	(5,843)	(5,161)
Increase/(Decrease) in grants payable	10,948	(22,200)
Net cash used in operating activities	(49,290)	(47,977)

10. NET CASH FROM INVESTING ACTIVITIES

	2018 HK\$'000	2017 HK\$'000
Interest received	4,957	4,640
Decrease in deposits with banks with original maturity over three months	34,133	18,758
Increase in placement with the Exchange Fund	(2,300)	(2,142)
Net cash from investing activities	36,790	21,256

11. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2018 HK\$'000	2017 HK\$'000
Cash at bank	1	1
Deposits with banks with original maturity within three months	10,200	22,700
	10,201	22,701

Reconciliation with the statement of financial position:

	2018	2017
	HK\$'000	HK\$'000
Amounts in the statement of financial position:		
Cash at bank	1	1
Deposits with banks	183,657	230,290
	183,658	230,291
Less: Amounts with original maturity over three months	(173,457)	(207,590)
Cash and cash equivalents in the statement of cash flows	10,201	22,701

12. CAPITAL RISK MANAGEMENT

The capital of the Fund, which may be expended specifically for the purposes of the Fund, is managed prudently to generate income for the purposes of the Fund. The financial risks in the Fund's investment portfolios are monitored on a continuous basis to ensure that such risks are covered before funding is considered for the purposes of the Fund.

13. FINANCIAL RISK MANAGEMENT

(a) Investment management and control

The Director of Accounting Services has been appointed as the agent for the Trustee to implement decisions concerning investments of the Fund and to generally manage such investments.

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due. The Fund's financial assets which are potentially subject to credit risk consist principally of bank balances and placement with the Exchange Fund. The Fund selects counterparty with good credit standing, strong financial strength and sizeable capital. The exposure to the credit risk of bank balances, interest receivable and placement with the Exchange Fund is considered to be low. Hence the Fund does not have significant exposure to credit risk.

The Fund's maximum exposure to credit risk at the end of the reporting period without taking account of collateral held or other credit enhancements, if any, is shown below:

	2018	2017
	HK\$'000	HK\$'000
Cash at bank	1	1
Deposits with banks	183,657	230,290
Interest receivable	1,789	903
Placement with the Exchange Fund	84,442	82,142
	269,889	313,336

The credit quality of cash at bank and deposits with banks, analysed by the ratings designated by Moody's or their equivalents, at the end of the reporting period is shown below:

	2018 HK\$'000	2017 HK\$'000
Cash at bank and deposits with banks, by credit rating:		
Aa1 to Aa3	2,443	13,443
A1 to A3	181,215	216,848
	183,658	230,291

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not have sufficient funds available to meet its obligations as they fall due. The Fund monitors the liquidity requirements on a continuous basis and maintains a level of short term deposits and cash to pay grants as necessary. Hence, the Fund does not have significant exposure to liquidity risk.

(d) Interest rate risk

Interest rate risk refers to 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 Fund's deposits with banks bear interest at fixed rates and are all stated at amortised cost, their carrying amounts and the Fund's income and accumulated funds will not be affected by changes in market interest rates.

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 has no exposure to cash flow interest rate risk because it has no holding of financial instruments bearing interest at rates determined by reference to market interest rates.

(e) Other financial risk

The Fund is exposed to financial risk arising from change in the interest rate on the placement with the Exchange Fund which is determined every January (Note 5). If the interest rate had increased/decreased by 50 basis points with all other variables held constant, the interest income on the placement for the reporting period would have been increased/decreased by HK\$422,000 (2017: HK\$411,000).

(f) Fair values

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

14. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2018 and which have not been early adopted in the financial statements. The Fund is in the process of making an assessment of the impact expected of these amendments, new standards and interpretations in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial performance and financial position.

The following development may result in new or amended disclosures in future financial statements:

**Effective for accounting
periods beginning on or after**

HKFRS 9, Financial Instruments

1 January 2018