

**THE BOARD OF MANAGEMENT OF THE CHINESE
PERMANENT CEMETERIES**

華人永遠墳場管理委員會

Report and Financial Statements
For the year ended 31 December 2021

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

華人永遠墳場管理委員會

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

華人永遠墳場管理委員會

(Registered under the Chinese Permanent Cemeteries Ordinance)

Opinion

We have audited the financial statements of The Board of Management of the Chinese Permanent Cemeteries (the "Board") set out on pages 4 to 45, which comprise the statement of financial position as at 31 December 2021, and the statement of surplus and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Board as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the members of the Board and Those Charged with Governance for the Financial Statements

The members of the Board are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the members of the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Board either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES - continued

華人永遠墳場管理委員會

(Registered under the Chinese Permanent Cemeteries Ordinance)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement and, for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Board.
- Conclude on the appropriateness of the members of the Board'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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BOARD OF
MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES - continued

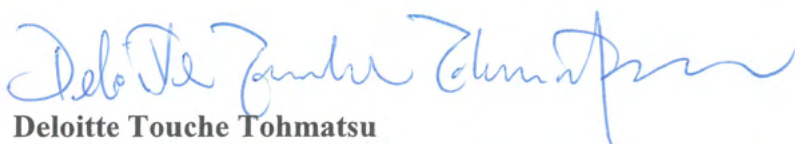
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(Registered under the Chinese Permanent Cemeteries Ordinance)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 SEP 2022

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

華人永遠墳場管理委員會

STATEMENT OF SURPLUS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Revenue	5	122,571,620	61,428,900
Direct costs		<u>(39,865,598)</u>	<u>(8,946,447)</u>
Gross surplus		82,706,022	52,482,453
Other operating income and gains	6	2,759,473	1,675,642
Investment income and gains/losses other than impairment	7	212,767,308	327,465,817
General and administrative expenses		<u>(128,934,290)</u>	<u>(126,401,786)</u>
Direct investment expenses	8	<u>(8,540,567)</u>	<u>(19,601,064)</u>
Total surplus for the year before donations	9	160,757,946	235,621,062
Donations		<u>(25,340,419)</u>	<u>(44,994,299)</u>
Surplus for the year		<u>135,417,527</u>	<u>190,626,763</u>
Other comprehensive expense for the year			
<i>Item that will not be reclassified to surplus or deficit:</i>			
Change in fair value of equity instruments at fair value through other comprehensive income		<u>(61,059,004)</u>	<u>(462,452,659)</u>
Total comprehensive income (expense) for the year		<u>74,358,523</u>	<u>(271,825,896)</u>

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

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STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Non-current assets			
Property, plant and equipment	11	373,514,080	377,485,361
Investment properties	12	716,310,000	726,452,000
Equity instruments at fair value through other comprehensive income	13	3,837,541,454	3,858,795,085
Debt securities investments	14	66,814,785	118,621,961
		<u>4,994,180,319</u>	<u>5,081,354,407</u>
Current assets			
Inventories	15	207,711,433	113,855,995
Other receivables, deposits and prepayments	16	4,632,921	6,223,080
Debt securities investments	14	51,816,507	-
Financial assets at fair value through profit or loss	17	2,103,799,247	2,140,014,455
Bank balances and cash	18	598,738,296	544,044,232
		<u>2,966,698,404</u>	<u>2,804,137,762</u>
Current liabilities			
Other payables and accrued charges	19	53,140,346	44,913,232
Financial liabilities at fair value through profit or loss	17	-	1,686,065
Provision for donations	20	21,833,326	20,293,827
		<u>74,973,672</u>	<u>66,893,124</u>
Net current assets		<u>2,891,724,732</u>	<u>2,737,244,638</u>
Total assets less current liabilities		<u>7,885,905,051</u>	<u>7,818,599,045</u>
Non-current liabilities			
Provision for donations	20	5,496,250	12,548,767
		<u>7,880,408,801</u>	<u>7,806,050,278</u>

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

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	<u>2021</u> HK\$	<u>2020</u> HK\$
Funds		
Accumulated funds	4,492,804,221	4,275,146,643
Emergency reserve	100,000,000	100,000,000
Development and maintenance reserve	1,970,000,000	1,970,000,000
Fair value through other comprehensive income reserve	1,297,634,251	1,440,933,306
Building revaluation reserve	19,970,329	19,970,329
Total funds	<u>7,880,408,801</u>	<u>7,806,050,278</u>

The financial statements on pages 4 to 45 were approved and authorised for issue by the members of Board on **15 SEP 2022** and are signed on its behalf by:



SZE WINE HIM, JAIME
TREASURER



MAK KUI YIN, LOUIS
EXECUTIVE DIRECTOR

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

華人永遠墳場管理委員會

**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Accumulated funds HK\$	Emergency reserve HK\$ (note a)	Development and maintenance reserve HK\$ (note b)	Fair value through other comprehensive income reserve HK\$	Building revaluation reserve HK\$ (note c)	Total HK\$
At 1 January 2020	3,935,465,002	100,000,000	1,970,000,000	2,052,440,843	19,970,329	8,077,876,174
Surplus for the year	190,626,763	-	-	-	-	190,626,763
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	(462,452,659)	-	(462,452,659)
Total comprehensive expense for the year	190,626,763	-	-	(462,452,659)	-	(271,825,896)
Disposal of equity instruments at fair value through other comprehensive income	149,054,878	-	-	(149,054,878)	-	-
At 31 December 2020	4,275,146,643	100,000,000	1,970,000,000	1,440,933,306	19,970,329	7,806,050,278
Surplus for the year	135,417,527	-	-	-	-	135,417,527
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	(61,059,004)	-	(61,059,004)
Total comprehensive income for the year	135,417,527	-	-	(61,059,004)	-	74,358,523
Disposal of equity instruments at fair value through other comprehensive income	82,240,051	-	-	(82,240,051)	-	-
At 31 December 2021	4,492,804,221	100,000,000	1,970,000,000	1,297,634,251	19,970,329	7,880,480,801

Notes:

- (a) Emergency reserve represents the fund of HK\$100,000,000 set aside for use in emergency.
- (b) Development and maintenance reserve represents the fund of HK\$1,970,000,000 set aside for future development projects and maintenance works at the cemeteries up to 2025.
- (c) Building revaluation reserve represents the difference between the carrying amount and fair value of an owner-occupied property which was transferred from property, plant and equipment to investment properties in 2008.

Usage of the reserves as mentioned in notes (a) and (b) above will be reviewed by The Board of Management of The Chinese Permanent Cemeteries (the "Board") every five years.

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>2021</u> HK\$	<u>2020</u> HK\$
OPERATING ACTIVITIES		
Surplus for the year	135,417,527	190,626,763
Adjustments for:		
Depreciation	17,168,100	13,806,185
Dividend income	(159,041,319)	(141,567,165)
Interest income	(38,610,597)	(49,770,771)
Loss on fair value change of investment properties	10,142,000	101,604,250
Gain on disposal of property, plant and equipment	-	(108,700)
Amortisation of (discount) premium on acquisition of debt securities investments	(9,331)	68,882
Loss on fair value changes on derivative financial instruments	826,875	2,761,913
Gain on fair value changes on financial assets at fair value through profit or loss	(6,327,035)	(221,364,158)
Donations	25,340,419	44,994,299
Operating cash flows before movements in working capital	(15,093,361)	(58,948,502)
Increase in inventories	(93,855,438)	(61,503,186)
(Increase) decrease in other receivables, deposits and prepayments	(376,603)	25,070,166
Increase (decrease) in other payables and accrued charges	8,227,114	(11,556,312)
Utilisation of provision for donations	(30,853,437)	(38,913,578)
NET CASH USED IN OPERATING ACTIVITIES	<u>(131,951,725)</u>	<u>(145,851,412)</u>
INVESTING ACTIVITIES		
Proceeds from disposals of equity instruments at fair value through other comprehensive income	143,235,458	475,395,609
Dividends received	159,041,319	141,567,165
Net decrease (increase) in financial assets/liabilities at fair value through profit or loss	40,029,303	(171,796,145)
Interest received	40,577,359	46,303,303
Proceeds from redemptions of debt securities investments	-	9,302,240
Proceeds from disposal of property, plant and equipment	-	108,700
Purchases of equity instruments at fair value through other comprehensive income	(183,040,831)	(596,751,369)
Purchases of property, plant and equipment	(13,196,819)	(22,365,031)
Purchases of debt securities investments	-	(114,725,884)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>186,645,789</u>	<u>(232,961,412)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,694,064	(378,812,824)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>544,044,232</u>	<u>922,857,056</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u><u>598,738,296</u></u>	<u><u>544,044,232</u></u>

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

華人永遠墳場管理委員會

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

The Board is established and operated under the Chinese Permanent Cemeteries Ordinance and is to provide, maintain and administer cemeteries for persons of the Chinese race permanently resident in Hong Kong and their relatives. The address of the registered office and the principal place of business of the Board is 34/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

The Board is engaged in sales of grave, niche, urn spaces, reverted subscriber and ordinary lots. The Board may reallocate family niches spaces, ossuary, ordinary niche spaces, Type B renewable lots and Type C non-renewable lots. The Board also provides cleaning, removal and backfilling services for exhumation, digging and paving for grave spaces, exhumation lots renewal and other services.

The Board may allocate an exhumable lot, either:

Type B

For an initial term of 10 years, which may be extended for an indefinite number of terms up to 10 years each, for an additional premium which the Board, in its discretion, may determine at the time of expiry of each term.

Type C

For a finite term of 10 years, which will not be extended at its expiry.

The financial statements are presented in Hong Kong dollars ("HK\$" or "HKD"), which is also the functional currency of the Board.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Board has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

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

In addition, the Board applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year had no material impact on the Board's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Board has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

¹ Effective for annual periods beginning on or after 1 April 2021.

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

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The members of the Board anticipate that the application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

The financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, at the end of the reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Board takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

The principal accounting policies are set out below.

Revenue from contracts with customers

The Board recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Board's performance as the Board performs;
- the Board's performance creates or enhances an asset that the customer controls as the Board performs; or
- the Board's performance does not create an asset with an alternative use to the Board and the Board has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The performance obligation of sales of grave, niche, urn spaces, reverted subscriber or ordinary lots (collectively, the "Lots") is satisfied when the Lots are transferred to the customers. The performance obligation of reallocation of family niche spaces, ossuary and ordinary niche spaces, Type B renewable lots and Type C non-renewable lots is satisfied when permits are transferred to the customers. Under the transfer-of-control approach in HKFRS 15, revenue from these sales is recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these Lots and obtain substantially all of the remaining benefits of these Lots.

The performance obligation of cleaning, removal and backfilling services for exhumation, digging and paving for grave spaces, exhumation lots renewal and other services (collectively, the "Services") is satisfied over time when the Services are rendered. The progress towards complete satisfaction of the performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Board's performance in services.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Board allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Board would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Board estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Board expects to be entitled in exchange for transferring the promised goods or services to the customer.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Board assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Board as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Board; and
- an estimate of costs to be incurred by the Board in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Board as a lessee - continued

Right-of-use assets - continued

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Board is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Board presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

The Board as a lessor

Classification and measurement of leases

Leases for which the Board is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in surplus or deficit on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Board accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

In preparing the financial statements of the entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in surplus or deficit in the period in which they arise.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production or for its own purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Board. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in building revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated funds.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in surplus or deficit.

When the Board makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. Interest in leasehold land is presented as "property, plant and equipment" in the statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in surplus or deficit in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in surplus or deficit in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment on property, plant and equipment

At the end of the reporting period, the Board reviews the carrying amounts of its property, plant and equipment with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment is estimated individually. When it is not possible to estimate the recoverable amount individually, the Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Board compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in surplus or deficit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

The development and formation costs of columbarium, grave and niche spaces are stated at cost less any impairment losses, and are transferred to costs of completed grave, niche and urn spaces when completed and ready for sale. Costs comprise architectural consultancy fees, construction costs and other direct costs attributable to the development and formation of columbarium, grave and niche spaces.

Inventories, which comprise of grave, niche and urn spaces, are stated at the lower of cost and net realisable value. Costs of inventories, which comprise development, formation and construction costs of the grave, niche and urn spaces, are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Board has a present obligation as a result of a past event, it is probable that the Board will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Financial instruments

Financial assets and financial liabilities are recognised when the Board becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on settlement date basis. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in surplus or deficit.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Board may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies. Fair value is determined in the manner described in note 22.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Board manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

In addition, the Board may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments at FVTOCI

Investments in equity instruments at FVTOCI, are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to surplus or deficit on disposal of the equity investments, and will be transferred to accumulated funds.

Dividends from these investments in equity instruments are recognised in surplus or deficit when the Board's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income and gains/losses other than impairment" line item in surplus or deficit.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in surplus or deficit. The net gain or loss recognised in surplus or deficit excludes any dividend or interest earned on the financial asset and is included in the "investment income and gains/losses other than impairment" line item.

Impairment of financial assets

The Board performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9 (including debt securities investments, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Board's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the financial assets measured at amortised cost, the Board measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Board recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Board compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Board considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(i) Significant increase in credit risk - continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Board presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Board has reasonable and supportable information that demonstrates otherwise.

The Board regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Board considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Board, in full (without taking into account any collaterals held by the Board).

Irrespective of the above, the Board considers that default has occurred when a financial asset is more than 90 days past due unless the Board has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Board writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Board's recovery procedures, taking legal advice into account where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in surplus or deficit.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Board in accordance with the contract and the cash flows that the Board expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(v) Measurement and recognition of ECL - continued

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Board recognises an impairment gain or loss in surplus or deficit for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

The Board derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in surplus or deficit.

On derecognition of an investment in equity instrument which the Board has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to surplus or deficit, but is transferred to accumulated funds.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Board after deducting all of its liabilities. Equity instruments issued by the Board are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Board manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Board's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in surplus or deficit. Fair value is determined in the manner described in note 22.

Financial liabilities at amortised cost

Financial liabilities including other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Board derecognises financial liabilities when, and only when, the Board's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in surplus or deficit.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in surplus or deficit depends on the nature of the hedge relationship.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Board's accounting policies, which are described in note 3, the members of the Board are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an on-going 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.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Fair value of investment properties

Investment properties are carried in the statement of financial position at 31 December 2021 at their fair values of HK\$716,310,000 (2020: HK\$726,452,000). The fair values were based on valuation on the properties conducted by an independent valuer using property valuation techniques which involve certain assumptions of market conditions. Whilst the Board considers the valuations of the Board's investment properties are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Board's investment properties and corresponding adjustments to the amount of gains or losses reported in the statement at surplus and other comprehensive income. Further details of the judgement and assumptions have been disclosed in note 12.

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

華人永遠墳場管理委員會

5. REVENUE

	<u>2021</u> HK\$	<u>2020</u> HK\$
Revenue recognised at a point in time		
Sales of grave, niche and urn spaces	57,244,600	-
Sales of reverted subscriber and ordinary lots	3,920,100	7,578,100
Income from reallocation of family niche spaces, ossuary and ordinary niche spaces	506,600	1,103,000
Income from reallocation of Type B renewable lots	15,876,000	15,344,000
Income from reallocation of Type C non-renewable lots	8,860,000	8,920,000
Revenue recognised overtime		
Cleaning, removal and backfilling services fees for exhumation	2,100,000	1,399,500
Digging and paving fee for grave spaces	1,412,800	1,460,000
Exhumation lots of renewal fees	30,280,000	23,560,000
Other fees for services	2,371,520	2,064,300
	<u>122,571,620</u>	<u>61,428,900</u>

All sales contracts have an original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligation for these contracts is not disclosed.

6. OTHER OPERATING INCOME AND GAINS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Contractors' registration fees	1,140,000	1,159,000
Recovery of repair costs of subsided grave spaces	7,263	10,506
Sundry income	1,612,210	397,436
Gain on disposal of property, plant and equipment	-	108,700
	<u>2,759,473</u>	<u>1,675,642</u>

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

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7. INVESTMENT INCOME AND GAINS/LOSSES OTHER THAN IMPAIRMENT

	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest income on bank deposits	1,336,964	11,235,678
Interest income on debt securities investments	3,211,529	727,950
Interest income on financial assets at FVTPL	34,062,104	37,807,143
	<u>38,610,597</u>	<u>49,770,771</u>
Dividend income from equity instruments at FVTOCI	145,175,163	132,843,678
Dividend income from financial assets at FVTPL	13,866,156	8,723,487
	<u>159,041,319</u>	<u>141,567,165</u>
Loss on fair value changes on derivative financial instruments	(826,875)	(2,761,913)
Gain on fair value changes on financial assets at FVTPL	6,327,035	221,364,158
Amortisation of discount (premium) on acquisition of debt securities investments	9,331	(68,882)
Rental income from investment properties	19,210,296	19,210,083
Exchange gain	696,877	-
Loss on fair value change of investment properties	(10,142,000)	(101,604,250)
Others	(159,272)	(11,315)
	<u>212,767,308</u>	<u>327,465,817</u>

8. DIRECT INVESTMENT EXPENSES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Investment expenses	8,440,667	7,449,440
Direct operating expenses arising from investment properties that generate rental income	99,900	111,600
Exchange loss	-	12,040,024
	<u>8,540,567</u>	<u>19,601,064</u>

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

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9. TOTAL SURPLUS FOR THE YEAR BEFORE DONATIONS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Total surplus for the year before donations has been arrived at after charging:		
Auditor's remuneration	450,000	433,000
Costs of grave, niche and urn spaces sold, included in direct costs	33,241,249	-
Depreciation of property, plant and equipment	17,168,100	13,806,185
Employee benefit expenses	49,085,786	47,339,378
Retirement benefit scheme contributions	<u>1,704,860</u>	<u>1,676,438</u>

10. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Board is exempt from Hong Kong Profits Tax by virtue of Section 88 of the Hong Kong Inland Revenue Ordinance.

11. PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK\$	Access roads and staircases HK\$	Reservoir HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Footpath HK\$	Construction in progress HK\$	Total HK\$
COST								
At 1 January 2020	150,583,370	72,878,215	5,568,551	33,950,815	2,724,550	302,324,866	-	568,030,367
Additions	-	-	-	14,740,049	296,282	-	7,328,700	22,365,031
Disposals	-	-	-	(14,911,628)	(201,716)	-	-	(15,113,344)
At 31 December 2020	<u>150,583,370</u>	<u>72,878,215</u>	<u>5,568,551</u>	<u>33,779,236</u>	<u>2,819,116</u>	<u>302,324,866</u>	<u>7,328,700</u>	<u>575,282,054</u>
Additions	-	-	-	1,659,251	-	-	11,537,568	13,196,819
Transfers	987,568	-	-	-	-	-	(987,568)	-
At 31 December 2021	<u>151,570,938</u>	<u>72,878,215</u>	<u>5,568,551</u>	<u>35,438,487</u>	<u>2,819,116</u>	<u>302,324,866</u>	<u>17,878,700</u>	<u>588,478,873</u>
ACCUMULATED DEPRECIATION								
At 1 January 2020	53,040,376	61,696,982	5,568,551	28,932,992	1,492,973	48,371,978	-	199,103,852
Provided for the year	3,258,143	2,321,071	-	2,032,806	147,668	6,046,497	-	13,806,185
Disposals	-	-	-	(14,911,628)	(201,716)	-	-	(15,113,344)
At 31 December 2020	<u>56,298,519</u>	<u>64,018,053</u>	<u>5,568,551</u>	<u>16,054,170</u>	<u>1,438,925</u>	<u>54,418,475</u>	<u>-</u>	<u>197,796,693</u>
Provided for the year	3,277,896	2,321,070	-	5,084,838	437,799	6,046,497	-	17,168,100
At 31 December 2021	<u>59,576,415</u>	<u>66,339,123</u>	<u>5,568,551</u>	<u>21,139,008</u>	<u>1,876,724</u>	<u>60,464,972</u>	<u>-</u>	<u>214,964,793</u>
CARRYING VALUES								
At 31 December 2021	<u>91,994,523</u>	<u>6,539,092</u>	<u>-</u>	<u>14,299,479</u>	<u>942,392</u>	<u>241,859,894</u>	<u>17,878,700</u>	<u>373,514,080</u>
At 31 December 2020	<u>94,284,851</u>	<u>8,860,162</u>	<u>-</u>	<u>17,725,066</u>	<u>1,380,191</u>	<u>247,906,391</u>	<u>7,328,700</u>	<u>377,485,361</u>

THE BOARD OF MANAGEMENT OF THE CHINESE PERMANENT CEMETERIES

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11. PROPERTY, PLANT AND EQUIPMENT - continued

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease term
Owned properties	44 to 50 years or shorter of the lease term
Access roads and staircases	10 years
Reservoir	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 years
Footpath	50 years

12. INVESTMENT PROPERTIES

	HK\$
FAIR VALUE	
At 1 January 2020	828,056,250
Decrease in fair value recognised in surplus or deficit	<u>(101,604,250)</u>
At 31 December 2020	726,452,000
Decrease in fair value recognised in surplus or deficit	<u>(10,142,000)</u>
At 31 December 2021	<u><u>716,310,000</u></u>

The Board leases out various offices under operating leases with rentals payable monthly. The leases typically run for a fixed period of three years.

The Board is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the functional currency of the Board. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Board's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of the Board's investment properties situated in Hong Kong as at 31 December 2021 and 31 December 2020 have been arrived at on the basis of valuation carried out on the respective dates by Cushman & Wakefield Limited, whose address is 16/F, 1063 King's Road, Quarry Bay, Hong Kong, an independent qualified professional valuer not connected to the Board. The valuation was determined based on income capitalisation approach by capitalising future rental income derived from the property interest at an appropriate market yield for the remaining term of the properties.

12. INVESTMENT PROPERTIES - continued

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

<u>Investment properties held by the Board</u>	<u>Fair value</u> HK\$	<u>Fair value hierarchy</u>	<u>Valuation techniques and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Sensitivity</u>
Commercial properties in Hong Kong	In 2021: HK\$716,310,000 In 2020: HK\$726,452,000	Level 3	Income capitalisation approach - based on the capitalisation of the net income with due allowance for outgoings and provision of reversionary income potential by appropriate capitalisation rates, which are derived from analysis of sales transactions and valuer's interpretation of prevailing investor requirement or expectations. The estimated market rents adopted in the valuation are with reference to valuer's view of recent lettings within the subject properties. The most significant input into this valuation approach were capitalisation rate and estimated market rents per square foot.	Capitalisation rate of 2.5% (2020: 2.5%) and estimated market rents which were ranged from HK\$27.8 to HK\$39.3 (2020: HK\$28.0 to HK\$39.8) per month per square foot.	The higher the capitalisation rate, the lower the fair value. The higher the estimated market rents, the higher the fair value.

There were no transfer into or out of Level 3 during the year.

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13. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2021</u> HK\$	<u>2020</u> HK\$
Listed investments		
- Equity securities listed in Hong Kong (note)	3,764,498,162	3,793,046,692
- Equity securities listed outside Hong Kong (note)	<u>73,043,292</u>	<u>65,748,393</u>
	<u>3,837,541,454</u>	<u>3,858,795,085</u>

Note: The above listed investments represent ordinary shares of various entities listed in and outside Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The members of the Board have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in surplus or deficit would not be consistent with the Board's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The fair values of all equity securities are based on either their current bid prices in an active market or their quoted prices provided by issuers.

The carrying values of the Board's equity instruments at FVTOCI are denominated in the following currencies:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Hong Kong dollars	3,764,498,162	3,793,046,692
United States dollars	<u>73,043,292</u>	<u>65,748,393</u>
	<u>3,837,541,454</u>	<u>3,858,795,085</u>

14. DEBT SECURITIES INVESTMENTS

	HK\$
At 1 January 2020	13,267,199
Additions	114,725,884
Redemptions	(9,302,240)
Amortisation of premium on acquisition	<u>(68,882)</u>
At 31 December 2020	118,621,961
Amortisation of discount on acquisition	<u>9,331</u>
At 31 December 2021	<u>118,631,292</u>

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14. DEBT SECURITIES INVESTMENTS - continued

	<u>2021</u> HK\$	<u>2020</u> HK\$
Bonds, at amortised cost:		
- Listed in Hong Kong	17,710,240	17,879,016
- Quoted	<u>100,921,052</u>	<u>100,742,945</u>
	<u>118,631,292</u>	<u>118,621,961</u>
Analysed as:		
Current portion	51,846,507	-
Non-current portion	<u>66,814,785</u>	<u>118,621,961</u>
	<u>118,631,292</u>	<u>118,621,961</u>

The effective interest rates of listed bonds are ranging from 5.25% to 6.80% (2020: 5.25% to 6.80%) per annum and their maturity dates are ranging from 17 January 2023 to 22 June 2026 (2020: 17 January 2023 to 22 June 2026).

The effective interest rates of quoted bonds are at 2.10% to 4.50% (2020: ranging from 2.10% to 4.50%) per annum and their maturity dates are from 5 April 2022 to 27 July 2025 (2020: ranging from 5 April 2022 to 27 July 2025).

The carrying values of the debt securities investments are denominated in the following currencies:

	<u>2021</u> HK\$	<u>2020</u> HK\$
United States dollars	20,038,184	20,206,045
Renminbi	<u>98,593,108</u>	<u>98,415,916</u>
	<u>118,631,292</u>	<u>118,621,961</u>

There were no gains or losses realised on the redemptions of debt securities investments, as all of them were redeemed at their respective maturity dates.

15. INVENTORIES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Development and formation cost of columbarium, grave and niche spaces	171,720,462	113,709,449
Costs of completed grave, niche and urn spaces	<u>35,990,971</u>	<u>146,546</u>
	<u>207,711,433</u>	<u>113,855,995</u>

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest receivables from short-term deposits and debt securities investments	1,500,706	3,467,468
Utility deposits	1,965,414	1,916,601
Prepayments	<u>1,166,801</u>	<u>839,011</u>
	<u>4,632,921</u>	<u>6,223,080</u>

The receivables and deposits are neither past due nor impaired. The Board does not held any collateral as security.

17. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets and liabilities at FVTPL are managed by professional fund managers who reported regularly to the members of the Board.

Interest income on financial assets at FVTPL and changes in fair value of financial assets and liabilities at FVTPL are recorded in "investment income and gains/losses other than impairment" line item in the statement of surplus and other comprehensive income (note 7).

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets at FVTPL		
- Equity securities, debt securities and derivative financial instruments (<i>Below A</i>)	<u>2,103,799,247</u>	<u>2,140,014,455</u>
Financial liabilities at FVTPL		
- Derivative financial instruments (<i>Below B</i>)	<u>-</u>	<u>1,686,065</u>

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17. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

A. *Equity securities, debt securities and derivative financial instruments*

	<u>2021</u> HK\$	<u>2020</u> HK\$
Listed securities, at market value:		
- Equity securities listed in Hong Kong	173,562,760	222,364,079
- Equity securities listed outside Hong Kong	581,465,730	509,414,935
- Debt securities listed outside Hong Kong	619,287,477	675,429,534
	<u>1,374,315,967</u>	<u>1,407,208,548</u>
Quoted securities, at quoted price:		
- Equity funds	232,320,330	278,829,240
- Debt funds	59,121,420	58,304,451
- Debt securities	437,688,364	395,672,216
	<u>729,130,114</u>	<u>732,805,907</u>
Net settled forward foreign exchange contracts:		
- Held for trading	353,166	-
	<u>2,103,799,247</u>	<u>2,140,014,455</u>

The fair values of all equity and debt securities are based on either their current bid prices in an active market or their quoted prices provided by issuers.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2021 were HK\$133,572,904.

The carrying values of the Board's investments carried at FVTPL are denominated in the following currencies:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Hong Kong dollars	177,340,468	222,364,079
United States dollars	1,641,652,357	1,585,651,957
Renminbi	44,732,307	47,040,884
Euro	119,353,985	147,457,859
Others	120,720,130	137,499,676
	<u>2,103,799,247</u>	<u>2,140,014,455</u>

B. *Derivative financial instruments*

	<u>2021</u> HK\$	<u>2020</u> HK\$
Net settled forward foreign exchange contracts		
- Held for trading	-	(1,686,065)
	<u>-</u>	<u>(1,686,065)</u>

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2020 were HK\$113,014,195.

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18. BANK BALANCES AND CASH

	<u>2021</u> HK\$	<u>2020</u> HK\$
Cash at banks and in hand	288,346,520	376,618,189
Short-term deposits	310,391,776	167,426,043
	<u>598,738,296</u>	<u>544,044,232</u>

The bank balances and cash held by the Board comprise short-term bank deposits with an original maturity of one to six months, at prevailing market interest rates ranging from 0.50% to 2.95% (2020: 0.45% to 2.20%) per annum.

The Board's bank balances and cash that are denominated in currencies other than the functional currency of the Board are set out below:

	<u>2021</u> HK\$	<u>2020</u> HK\$
United States dollars	130,134,320	154,438,134
Renminbi	24,381,055	2,323,143
Euro	17,775,740	9,806,049
Others	14,539,844	21,588,306
	<u>186,830,959</u>	<u>188,155,632</u>

19. OTHER PAYABLES AND ACCRUED CHARGES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Other payables	489,203	413,993
Accrued employee benefit expenses	5,894,478	4,677,878
Accrued repair and maintenance expenses	33,768,958	26,003,196
Accrued geotechnical consultancy services fees	245,400	592,000
Other accrued charges	7,189,323	7,684,241
Contractors' deposits received	3,272,531	3,261,471
Rental deposits received	2,280,453	2,280,453
	<u>53,140,346</u>	<u>44,913,232</u>

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20. PROVISION FOR DONATIONS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Analysed for reporting purposes as:		
Non-current liabilities	5,496,250	12,548,767
Current liabilities	<u>21,833,326</u>	<u>20,293,827</u>
	<u>27,329,576</u>	<u>32,842,594</u>
		HK\$
At 1 January 2020		26,761,873
Additional provision in the year		46,594,702
Unused amount reversed		(1,600,403)
Utilisation of provision		<u>(38,913,578)</u>
At 31 December 2020		32,842,594
Additional provision in the year		29,596,949
Unused amount reversed		(4,256,530)
Utilisation of provision		<u>(30,853,437)</u>
At 31 December 2021		<u>27,329,576</u>

Provision for donations represents the amount of donations approved by the members of the Board to financially support projects as carried out by certain charitable organisations.

21. FUND RISK MANAGEMENT

The Board manages its funds to ensure that the Board will be able to continue as a going concern and to have sufficient funding for its future operations. The Board's overall strategy remains unchanged from prior year.

The fund structure of the Board consists of accumulated funds and reserves.

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets		
Equity instruments at FVTOCI	3,837,541,454	3,858,795,085
Financial assets at amortised cost	720,835,708	668,050,262
Financial assets at FVTPL	<u>2,103,799,247</u>	<u>2,140,014,455</u>
	<u>6,662,176,409</u>	<u>6,666,859,802</u>
Financial liabilities		
Financial liabilities at FVTPL	-	1,686,065
Amortised cost		
Other payables and deposits	<u>6,042,187</u>	<u>5,955,917</u>
	<u>6,042,187</u>	<u>7,641,982</u>

Financial risk management objectives and policies

The Board's major financial instruments include equity instruments at FVTOCI, debt securities investments, financial assets at FVTPL, other receivables, deposits, bank balances and cash, financial liabilities at FVTPL and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policy on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The carrying amount of the Board's foreign currency denominated financial assets at the end of the reporting period is as follows:

	<u>Assets</u>	
	<u>2021</u> HK\$	<u>2020</u> HK\$
United States dollars	1,864,868,153	1,826,044,529
Euro	137,129,725	157,263,908
Renminbi	<u>167,706,470</u>	<u>147,779,943</u>

22. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

(i) *Currency risk* - continued

Sensitivity analysis

The Board is mainly exposed to the currency of United States dollars, Renminbi and Euro.

In the opinion of the Board, as Hong Kong dollars are reasonably stable with the United States dollars under the Linked Exchange Rate System, the foreign exchange risk in relation to United States dollars is low. Accordingly, no sensitivity analysis is performed.

The following table details the Board's sensitivity to a 5% increase and decrease in HK\$ against Euro and Renminbi. 5% (2020: 5%) represents members' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in surplus where HK\$ weakens 5% against the relevant foreign currency. For a 5% strengthening of HK\$ against the relevant foreign currency, there would be an equal and opposite impact on the surplus, and the amounts below would be negative.

	<u>Euro impact</u>		<u>Renminbi impact</u>	
	<u>2021</u> HK\$	<u>2020</u> HK\$	<u>2021</u> HK\$	<u>2020</u> HK\$
Increase in surplus	<u>6,856,486</u>	<u>7,863,195</u>	<u>8,385,324</u>	<u>7,388,997</u>

In addition, forward foreign exchange contracts had been entered to further mitigate currency risk arising from various currency exposures, other than United State dollars and Renminbi, in respect of the Board's equity and debt securities included in financial assets at FVTPL. These forward exchange contracts are not qualified for hedge accounting and are classified as financial assets and liabilities at FVTPL.

22. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

(ii) *Interest rate risk*

The Board is exposed to fair value interest rate risk in relation to fixed-rate deposits and fixed-rate bonds classified as debt securities investments. The Board is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Board's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The members of the Board consider the overall interest rate risk is not significant as the fluctuation of the interest rates on bank balances is minimal. Accordingly, no sensitivity analysis is presented.

(iii) *Equity price risk*

The Board is exposed to equity price risk through its investments in listed equity securities. The Board's investments are under the close monitoring of its Finance Committee of the Board, which meets on a regular basis to ensure the appropriate investment strategies are implemented in a timely and prudent manner.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the listed equity securities and quoted equity funds classified as financial assets at FVTPL had been 5% (2020: 5%) higher/lower, surplus for the year ended 31 December 2021 would increase/decrease by HK\$49,367,441 (2020: HK\$50,530,413) as a result of the changes in fair value of financial assets. If the prices of the listed debt securities, quoted debt funds and quoted debt securities classified as financial assets at FVTPL had been 5% (2020: 5%) higher/lower, surplus for the year ended 31 December 2021 would increase/decrease by HK\$55,804,863 (2020: HK\$56,470,310) as a result of the changes in fair value of financial assets. They are managed by professional fund managers who report regularly to the Finance Committee of the Board.

If the prices of the listed equity securities classified as equity instruments at FVTOCI had been 5% (2020: 5%) higher/lower, FVTOCI reserve would increase/decrease by HK\$191,877,073 (2020: HK\$192,939,754) as a result of the changes in fair value of equity instruments at FVTOCI.

22. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment

As at 31 December 2021 and 2020, the Board's maximum exposure to credit risk which will cause a financial loss to the Board due to failure to perform an obligation by the counterparties are arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

(i) *Debt instruments at amortised cost and FVTPL*

The Board only invests in debt instruments with low credit risk. The Board's debt instruments at amortised costs and FVTPL mainly comprise government bonds, listed bonds, quoted funds and quoted bonds. The Board has an internal credit rating of "low risk" in respect of these debt instruments, representing the issuers have a low risk of default and does not have any past-due amounts.

(ii) *Other receivables*

In order to minimise the credit risk, the members of the Board has delegated the Finance Committee for determination of credit limits and credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Board reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate credit loss is made for irrecoverable amounts. In this regard, the members of the Board consider that the Board's credit risk is significantly reduced. The Board has an internal credit rating of "low risk" in respect of these other receivables, representing the counterparties have a low risk of default and does not have any past-due amounts.

(iii) *Bank balances*

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies from AA- to BBB+.

22. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Board monitors and maintains a level of cash and liquid investments by the Finance Committee of the Board to finance the Board's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Board's remaining contractual maturity for its financial non-derivative liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Board can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk table

	Weighted average effective <u>interest rate</u> %	Less than <u>3 months</u> HK\$	Total undiscounted cash flows and carrying amount <u>at 31 December</u> HK\$
<u>2021</u>			
Non-derivative financial liability			
Other payables	-	6,042,187	6,042,187
<u>2020</u>			
Non-derivative financial liability			
Other payables	-	5,955,917	5,955,917

The Board has used forward foreign exchange contracts to mitigate its foreign exchange risk. As at 31 December 2021, the outstanding forward foreign exchange contracts recognised in the statement of financial position are net-settled derivative financial assets carried at their fair values of HK\$353,166 (2020: financial liabilities at FVTPL of HK\$1,686,065). There is no significant liquidity risk relating to these forward foreign exchange contracts. The notional principal amounts of these forward foreign exchange contracts at 31 December 2021 were HK\$133,572,904 (2020: HK\$113,014,195). These forward foreign exchange contracts at 31 December 2021 become matured in the first quarter of 2022 (2020: first quarter of 2021).

Fair value measurements of financial instruments

This note provides information about how the Board determines fair values of various financial assets and financial liabilities.

In estimating the fair value, the Board uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Board engages third party qualified valuers to perform the valuation. The Board works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

22. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

Fair value of the Board's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Board's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value hierarchy as at 31 December 2021

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Total</u> HK\$
Financial assets			
Equity instruments at FVTOCI			
- Listed equity securities	3,837,541,454	-	3,837,541,454
Listed equity securities	755,028,490	-	755,028,490
Listed debt securities	619,287,477	-	619,287,477
Quoted equity funds	-	232,320,330	232,320,330
Quoted debt funds	-	59,121,420	59,121,420
Quoted debt securities	-	437,688,364	437,688,364
Derivative financial assets	-	353,166	353,166
Total	<u>5,211,857,421</u>	<u>729,483,280</u>	<u>5,941,340,701</u>

Fair value hierarchy as at 31 December 2020

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Total</u> HK\$
Financial assets			
Equity instruments at FVTOCI			
- Listed equity securities	3,858,795,085	-	3,858,795,085
Listed equity securities	731,779,014	-	731,779,014
Listed debt securities	675,429,534	-	675,429,534
Quoted equity funds	-	278,829,240	278,829,240
Quoted debt funds	-	58,304,451	58,304,451
Quoted debt securities	-	395,672,216	395,672,216
Total	<u>5,266,003,633</u>	<u>732,805,907</u>	<u>5,998,809,540</u>
Financial liabilities			
Derivative financial liabilities	-	1,686,065	1,686,065

22. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments - continued

Financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2021	31 December 2020		
Equity instruments at FVTOCI investments				
- Listed equity securities	Assets: HK\$3,837,541,454	Assets: HK\$3,858,795,085	Level 1	Quoted bid prices in an active market
Listed equity securities	Assets: HK\$755,028,490	Assets: HK\$731,779,014	Level 1	Quoted bid prices in an active market
Listed debt securities	Assets: HK\$619,287,477	Assets: HK\$675,429,534	Level 1	Quoted bid prices in an active market
Quoted equity funds	Assets: HK\$232,320,330	Assets: HK\$278,829,240	Level 2	Key inputs: Inputs other than quoted prices included within level 1 that are observable from the asset, either directly (that is, as prices) or indirectly (that is, derived from prices)
Quoted debt funds	Assets: HK\$59,121,420	Assets: HK\$58,304,451	Level 2	Key inputs: Inputs other than quoted prices included within level 1 that are observable from the asset, either directly (that is, as prices) or indirectly (that is, derived from prices)
Quoted debt securities	Assets: HK\$437,688,364	Assets: HK\$395,672,216	Level 2	Key inputs: Inputs other than quoted prices included within level 1 that are observable from the asset, either directly (that is, as prices) or indirectly (that is, derived from prices)
Foreign exchange forward contracts	Assets: HK\$353,166	Liabilities: HK\$1,686,065	Level 2	Valuation technique: Discounted cash flow Key inputs: Forward exchange rates, contracted exchange rates and discount rates

There were no transfer between levels in both years.

Except as detailed in the above table and debt securities investments, the members of Board consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

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23. OPERATING LEASING ARRANGEMENTS

The Board as lessor

	<u>2021</u> HK\$	<u>2020</u> HK\$
Property rental income earned during the year	19,210,296	19,210,083
Less: Outgoings	<u>(99,900)</u>	<u>(111,600)</u>
Net rental income	<u>19,110,396</u>	<u>19,098,483</u>

The Board's investment properties are rented to third parties for periods up to three years (2020: three years) at fixed pre-determined amounts.

Undiscounted lease payment receivable on leases are as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within one year	14,487,088	19,210,296
In the second year	2,300,865	14,487,088
In the third year	<u>-</u>	<u>2,300,865</u>
	<u>16,787,953</u>	<u>35,998,249</u>

24. CAPITAL COMMITMENTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	<u>-</u>	<u>14,811,315</u>