

**Sir Edward Youde Memorial Fund**  
**Report of the Board of Trustees for the Period**  
**1 April 2018 to 31 March 2019**

The Sir Edward Youde Memorial Fund was established in 1987 with donations by the Hong Kong community to commemorate the governorship of Sir Edward Youde (1982-1986). It is administered in accordance with Chapter 1140 of the Laws of Hong Kong for the purpose of providing for and encouraging the education or learning of, or research by, the people of Hong Kong.

2. The Fund is vested in a Board of Trustees, the membership of which during the year under review and up to the date of this report was as follows –

Mr MA Ching-cheng	(Chairman)	up to 31.3.2019
Ms KWAN Sau-ha	(Chairman)	as from 1.4.2019
Lady Youde		
The Secretary for Home Affairs	(ex officio)	
Miss CHEN Ning-ning, BBS, JP		up to 31.3.2019
Mr CHEUNG Leong		as from 1.4.2019
Dr LI Ka-cheung, Eric, GBS, OBE, JP		up to 31.3.2019
Mr TSANG Chiu-tong, Brian		as from 1.4.2019

3. Secretariat services to the Board of Trustees are provided by the Trust Funds and Temples Joint Secretariat, which also maintains the books of accounts for the Fund. Credit Suisse AG Hong Kong Branch has been appointed as the investment manager of the Fund since January 2015 and is responsible for the day-to-day investment management. The Director of Audit is appointed by the Chief Executive as the auditor of the Fund's accounts.

4. Grants from the Fund are determined by the Sir Edward Youde Memorial Fund Council, the membership of which during the year under review and up to the date of this report was as follows –

Professor HO Man-wui, Richard, JP	(Chairman)	up to 30.6.2019
Mr MA Ching-cheng	(Chairman)	as from 1.7.2019
Lady Youde		
The Secretary for Education	(ex officio)	
Professor AU Kit-fong, Terry		
Professor CHAO Yu-hang, Christopher		
Dr FUNG Yuk-lun, Allen		
Professor MENG Mei-ling, Helen		

5. Secretariat services to the Council are provided by the Working Family and Student Financial Assistance Agency.

/During...

6. During the year the following categories of the Sir Edward Youde Memorial Awards were granted –

	HK\$	HK\$
<b>For Fellowships</b>		
<u>Local</u>		
5 totalling	250,000	
<u>Overseas</u>		
0 totalling	<u>-</u>	250,000
<b>For Scholarships</b>		
<u>Local</u>		
8 totalling	320,000	
<u>Overseas</u>		
1 totalling	<u>280,000</u>	600,000
<b>Medals</b>		
6 totalling		34,680
<b>Prizes for Senior Secondary Students</b>		
825 @ \$1,000		825,000
<b>Sponsorship for the Young Friends of the 2019 Hong Kong Arts Festival</b>		600,000
<b>Awards for Self-improvement for Working Adults</b>		
5 @ \$5,000		25,000
<b>Outstanding Apprentice Awards</b>		
4 @ \$5,000		20,000
		<u>2,354,680</u>

7. The audited Financial Statements of the Fund is at the Appendix.



(Ms KWAN Sau-ha)  
Chairman

Board of Trustees of the Sir Edward Youde Memorial Fund  
27 September 2019



## Sir Edward Youde Memorial Fund

Financial statements for the year ended 31 March 2019

# ***Report of the Director of Audit***



**Audit Commission**

The Government of the Hong Kong Special Administrative Region

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

### ***Opinion***

I certify that I have audited the financial statements of the Sir Edward Youde Memorial Fund set out on pages 4 to 23, which comprise the balance sheet as at 31 March 2019, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the financial position of the Sir Edward Youde Memorial Fund as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with section 14(1), 14(1A) and 14(1B) of the Sir Edward Youde Memorial Fund Ordinance (Cap. 1140).

### ***Basis for opinion***

I conducted my audit in accordance with section 14(3) of the Sir Edward Youde Memorial Fund Ordinance and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Sir Edward Youde Memorial Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### ***Responsibilities of the Board of Trustees of the Sir Edward Youde Memorial Fund for the financial statements***

The Board of Trustees of the Sir Edward Youde Memorial Fund ("the Board") is responsible

for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and section 14(1), 14(1A) and 14(1B) of the Sir Edward Youde Memorial Fund Ordinance, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Sir Edward Youde Memorial Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

27 September 2019

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



**SIR EDWARD YOUDE MEMORIAL FUND****BALANCE SHEET AS AT 31 MARCH 2019**

	Note	2019 HK\$	2018 HK\$
<b>CURRENT ASSETS</b>			
Financial assets at fair value through income and expenditure account	3	100,784,432	98,617,739
Accounts receivable	4	4,511,214	369,659
Cash and cash equivalents	5	5,858,120	9,642,902
		<hr/> 111,153,766	<hr/> 108,630,300
<b>CURRENT LIABILITIES</b>			
Provision for staff gratuity	6	(33,420)	(46,052)
Provision for untaken leave		(5,791)	(3,438)
Accounts payable	7	(5,687,177)	(50,646)
		<hr/> (5,726,388)	<hr/> (100,136)
<b>NET CURRENT ASSETS</b>		<hr/> 105,427,378	<hr/> 108,530,164
<b>NON-CURRENT LIABILITIES</b>			
Provision for staff gratuity	6	(9,461)	(11,060)
<b>NET ASSETS</b>		<hr/> 105,417,917	<hr/> 108,519,104
<b>ACCUMULATED FUND</b>			
Capital		91,712,480	91,412,480
Accumulated surplus		13,705,437	17,106,624
		<hr/> 105,417,917	<hr/> 108,519,104

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



(Ms KWAN Sau-ha)  
Chairman

Board of Trustees of the Sir Edward Youde Memorial Fund  
27 September 2019

**SIR EDWARD YOUDE MEMORIAL FUND**

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 HK\$	2018 HK\$
<b>INCOME</b>			
Dividend income		1,247,446	1,207,716
Interest income	8	747,332	682,726
Gains on disposal of financial assets at fair value through income and expenditure account		-	3,454,376
Net revaluation gains on financial assets at fair value through income and expenditure account		2,354,696	7,396,848
Refund of grants		470,364	678,849
Net exchange gains		-	388,459
		4,819,838	13,808,974
<b>EXPENDITURE</b>			
Fellowships, scholarships, prizes and memorial medals/awards		(2,351,000)	(3,053,300)
Losses on disposal of financial assets at fair value through income and expenditure account		(4,621,471)	-
Losses on trading financial instruments		-	(253,992)
Net exchange losses		(166,292)	-
Staff costs		(549,856)	(560,935)
Investment management fees		(444,591)	(452,046)
Other operating expenses		(87,815)	(86,947)
		(8,221,025)	(4,407,220)
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		(3,401,187)	9,401,754
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		(3,401,187)	9,401,754

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



**SIR EDWARD YAUDE MEMORIAL FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2019**

	<b>Capital HK\$</b>	<b>Accumulated surplus HK\$</b>	<b>Total HK\$</b>
Balance at 1 April 2017	91,193,680	7,704,870	98,898,550
Donation received during 2017-18	218,800	-	218,800
Total comprehensive income for 2017-18	-	9,401,754	9,401,754
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	91,412,480	17,106,624	108,519,104
Donation received during 2018-19	300,000	-	300,000
Total comprehensive loss for 2018-19	-	(3,401,187)	(3,401,187)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	91,712,480	13,705,437	105,417,917
	=====	=====	=====

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

# SIR EDWARD YOUDE MEMORIAL FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 HK\$	2018 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Deficit)/Surplus for the year		(3,401,187)	9,401,754
Dividend income		(1,247,446)	(1,207,716)
Interest income		(747,332)	(682,726)
Unrealised exchange gains		(58,957)	(177,646)
Losses/(Gains) on disposal of financial assets at fair value through income and expenditure account		4,621,471	(3,454,376)
Net revaluation gains on financial assets at fair value through income and expenditure account		(2,354,696)	(7,396,848)
Acquisition of financial assets at fair value through income and expenditure account		(53,088,401)	(60,981,506)
Proceeds from disposal of financial assets at fair value through income and expenditure account		50,054,203	58,560,936
Change in fair value of trading financial instruments		-	13,552
(Increase)/Decrease in accounts receivable		(33,176)	17,745
(Decrease)/Increase in provision for staff gratuity		(14,231)	2,821
Increase/(Decrease) in provision for untaken leave		2,353	(3,998)
(Decrease)/Increase in accounts payable		(324)	15,825
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		(6,267,723)	(5,892,183)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		1,246,461	1,121,020
Interest received		880,496	717,261
<b>NET CASH FROM INVESTING ACTIVITIES</b>		2,126,957	1,838,281
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Donation received		300,000	218,800
<b>NET CASH FROM FINANCING ACTIVITIES</b>		300,000	218,800
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(3,840,766)	(3,835,102)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		9,642,902	13,476,836
Effect of exchange rate changes on cash and cash equivalents		55,984	1,168
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	5	5,858,120	9,642,902

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

## **SIR EDWARD YAUDE MEMORIAL FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. GENERAL**

The Sir Edward Youde Memorial Fund (the Fund) was established in 1987 for the general purpose of providing for and encouraging the education or learning of, or research by, the people of Hong Kong and, in particular, for making grants, or loans with or without interest:

- (a) for the furtherance of education, learning or research inside or outside Hong Kong; and
- (b) to educational institutions within Hong Kong for the furtherance of education, learning or research,

in accordance with section 6 of the Sir Edward Youde Memorial Fund Ordinance (Cap. 1140).

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

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements have been prepared in accordance with section 14(1), 14(1A) and 14(1B) of the Sir Edward Youde Memorial Fund Ordinance and all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

**(b) Basis of preparation**

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

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

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

**(c) Changes in accounting policies**

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund. Of these, the Fund has adopted the requirements of HKFRS 9 “Financial Instruments” from 1 April 2018.

HKFRS 9 replaces Hong Kong Accounting Standard (HKAS) 39 “Financial Instruments: Recognition and Measurement”. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Fund has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements without restating comparative information (i.e. the comparative information continues to be reported under HKAS 39). The carrying amounts of the items at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at (i) amortised cost; (ii) at fair value through other comprehensive income; and (iii) at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the classification categories for the Fund's financial assets under HKAS 39 and HKFRS 9.

<b>Financial assets</b>	<b>Classification under HKAS 39</b>	<b>Classification under HKFRS 9</b>
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Accounts receivable	Loans and receivables	Financial assets at amortised cost
Investments in securities	Financial assets at fair value through profit or loss	Financial assets at fair value through income and expenditure account (Note)

Note: This is equivalent to the term "fair value through profit or loss" under HKFRS 9.

The carrying amounts of the Fund's financial assets as at 1 April 2018 were the same as those as at 31 March 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses and impairment

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” model. The expected credit loss model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises expected credit losses earlier than under the “incurred loss” accounting model in HKAS 39. The Fund applies the new expected credit loss model to the financial assets measured at amortised cost. The initial application of the new impairment requirements had no impact on the carrying amounts of the financial assets as at 1 April 2018.

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

(i) Initial recognition

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual provisions of the financial instruments. They are initially stated at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities, except for those financial instruments measured at fair value through income and expenditure account for which transaction costs are recognised directly in income and expenditure account. An explanation of how the Fund determines the fair value of financial instruments is set out in note 10. Purchases and sales of investments are recognised using trade date accounting.

(ii) Categorisation and subsequent measurement from 1 April 2018

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

These comprise equity securities/equity funds, debt securities and bond funds. They are held within a business model in which they are managed and their performance is evaluated on a fair value basis. They are subsequently measured at fair value. Changes in fair value are recognised in the income and expenditure account in the period in which they arise.



*Financial assets measured at amortised cost*

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

*Financial liabilities measured at amortised cost*

These comprise accounts payable. They are subsequently measured at amortised cost.

(iii) Categorisation and subsequent measurement before 1 April 2018

The Fund's financial assets and financial liabilities included financial assets at fair value through profit or loss, accounts receivable, cash and cash equivalents and accounts payable.

Financial assets classified as held for trading were included in the category "financial assets at fair value through profit or loss". Financial assets were classified as held for trading if they were acquired for the purpose of sale in the near term. Financial assets under this category were carried at fair value. Changes in the fair value were included in the income and expenditure account in the period in which they arose. Upon disposal, the difference between the net sale proceeds and the carrying value was also recognised in the income and expenditure account.

Other financial assets were carried at amortised cost using the effective interest method, less impairment losses (if any). Other financial liabilities were carried at amortised cost using the effective interest method.

(iv) Derecognition

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

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

(v) Impairment of financial assets from 1 April 2018

For accounts receivable and cash and cash equivalents, the Fund measures the expected credit losses to determine the loss allowance required to be recognised.

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

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

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Fund compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Fund considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Fund in full; or (ii) the financial asset is 90 days past due. The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(vi) **Impairment of financial assets before 1 April 2018**

The carrying amounts of financial assets measured at amortised cost were reviewed at each reporting date to determine whether there was objective evidence of impairment. If any such evidence existed, an impairment loss was recognised in the income and expenditure account as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If in a subsequent period, the amount of such impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through the income and expenditure account. A reversal of impairment losses was limited to the asset's carrying amount that would have been determined had no impairment losses been recognised in prior years.

(e) **Foreign currency translation**

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

(f) **Revenue recognition**

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised when the Fund's right to receive payment is established.

(g) **Awards and grants**

Fellowships, scholarships, prizes, memorial medals, awards and other grants are recognised as expenditure when they are approved by the Sir Edward Youde Memorial Fund Council (the Council) and due for payment. Refund of grants are credited to the income and expenditure account when they are accepted and received by the Council.

(h) **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and deposits with an investment manager with original maturities of three months or less from the date of placement.

**(i) Donation**

Donation is credited to the Fund's capital once cash is received and the approval for acceptance is obtained.

**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME AND EXPENDITURE ACCOUNT (2018: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS)**

	<b>2019 HK\$</b>	<b>2018 HK\$</b>
Equity securities/equity funds – at fair value		
Listed in Hong Kong	11,158,035	16,669,960
Listed outside Hong Kong	34,884,359	30,390,129
Unlisted	21,166,946	18,879,161
	67,209,340	65,939,250
 Debt securities – at fair value		
Bonds – Unlisted	22,920,566	20,065,842
 Bond funds – at fair value		
Listed outside Hong Kong	-	2,167,011
Unlisted	10,654,526	10,445,636
	10,654,526	12,612,647
	<u>100,784,432</u>	<u>98,617,739</u>
	=====	=====

**4. ACCOUNTS RECEIVABLE**

	<b>2019 HK\$</b>	<b>2018 HK\$</b>
Dividend	106,045	105,060
Interest	243,585	263,560
Proceeds receivable from sale of investments	4,127,359	-
Others	34,225	1,039
	<u>4,511,214</u>	<u>369,659</u>
	=====	=====

**5. CASH AND CASH EQUIVALENTS**

	<b>2019 HK\$</b>	<b>2018 HK\$</b>
Call deposits placed with an investment manager	5,208,054	9,414,216
Cash at banks	650,066	228,686
	<u>5,858,120</u>	<u>9,642,902</u>
	=====	=====

**6. PROVISION FOR STAFF GRATUITY**

	<b>2019 HK\$</b>	<b>2018 HK\$</b>
Balance at beginning of year	57,112	54,291
Provision for the year	34,707	38,570
Payments for the year	(41,384)	(35,742)
Provision written back	(7,554)	(7)
	<u>42,881</u>	<u>57,112</u>
	=====	=====
Classified as:		
Current liability	33,420	46,052
Non-current liability	9,461	11,060
	<u>42,881</u>	<u>57,112</u>
	=====	=====

**7. ACCOUNTS PAYABLE**

	<b>2019 HK\$</b>	<b>2018 HK\$</b>
Investment management fees	37,022	38,354
Accommodation expenses for Lady Youde	13,200	12,100
Purchase proceeds of investments	5,636,855	-
Others	100	192
	<u>5,687,177</u>	<u>50,646</u>
	=====	=====

## 8. INTEREST INCOME

	2019 HK\$	2018 HK\$
Interest on savings accounts	25	25
Interest on investments managed by an investment manager		
Interest on call deposits	41,081	39,017
Interest on bonds	706,226	643,684
	747,307	682,701
	<hr/>	<hr/>
	747,332	682,726
	<hr/>	<hr/>

## 9. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include financial assets at fair value through income and expenditure account and cash and cash equivalents. The risks associated with these financial instruments are set out below.

### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk as at the reporting date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

To minimise the credit risks arising from bank deposits, all deposits are placed with reputable licensed banks in Hong Kong. Hence, the credit risk associated with bank deposit is considered to be low. As such, the credit risk on these financial instruments is assessed as not having increased significantly since initial recognition and the Fund determines the loss allowance required to be recognised based on 12-month expected credit losses. The Fund has estimated that 12-month expected credit losses on these financial instruments are immaterial and consider that no loss allowance is required.

The credit quality of bank balances, analysed by the ratings designated by Moody's or Standard & Poor's, at the reporting date is shown below:



	<b>2019</b> <b>HK\$</b>	<b>2018</b> <b>HK\$</b>
Cash and cash equivalents, by credit rating		
Aa1 to Aa3 / AA+ to AA-	637,438	216,084
A1 to A3 / A+ to A-	<u>5,220,682</u>	<u>9,426,818</u>
	<u>5,858,120</u>	<u>9,642,902</u>
	=====	=====

To minimise credit risks arising from investment in bonds, the Fund only invests in those classified under the investment grade by Moody's or Standard & Poor's. At the reporting date, the credit quality of investments in bonds, analysed by ratings designated by Moody's or Standard & Poor's, was as follows:

Bonds, by credit rating

A1 to A3 / A+ to A-	4,672,735	3,468,643
Baa1 to Baa3 / BBB+ to BBB-	<u>18,247,831</u>	<u>16,597,199</u>
	<u>22,920,566</u>	<u>20,065,842</u>
	=====	=====

**(b) Market risk**

The Fund's investments and bank deposits are exposed to market risk due to changes in market variables such as interest rates, equity prices and exchange rates. The Fund has appointed a professional investment manager to manage market risk and maintains a diversified portfolio of investments. The Board of Trustees monitors management of the portfolio to ensure that the appropriate investment strategy is adopted and implemented.

**(i) Price risk**

If the market prices of the respective equity securities/equity funds and bond funds had been 10% (2018: 10%) higher/lower, the deficit of the Fund for the year would have decreased/increased by about HK\$7,786,000 (2018: surplus for the year would have increased/decreased by HK\$7,855,000) and the accumulated surplus would have increased/decreased by about HK\$7,786,000 (2018: HK\$7,855,000). The sensitivity analysis was based on the carrying amount of equity securities/equity funds and bond funds held by the Fund at the reporting date and all other variables being held constant.

(ii) Interest rate risk

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

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

For the Fund's investments in bonds, their fair values will fall when market interest rates increase. It is estimated that, as at 31 March 2019, a general decrease/increase of 25 basis points (2018: 25 basis points) in interest rates, with all other variables held constant, would decrease/increase the deficit of the Fund for the year by about HK\$132,000 (2018: increase/decrease the surplus by HK\$150,000) and would increase/decrease the accumulated surplus by about HK\$132,000 (2018: HK\$150,000). The sensitivity analysis was determined assuming that the change in interest rates had occurred at the reporting date and had been applied to bonds in existence at that date. The 25 basis points increase/decrease represents the Fund's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

As regards the bank deposits, since they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and equity.

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

(iii) Currency risk

- Exposure to currency risk

The Fund's investments denominated in foreign currencies are exposed to currency risk. The Fund's exposure to currency risk is handled in accordance with a documented risk management and investment strategy, and the Fund monitors the risk on a continuous basis.

As Hong Kong dollar is pegged to the US dollar within a narrow range, it is considered that the Fund had no significant exposure to foreign exchange risk relating to this currency. The net exposure to each currency at the reporting date arising from recognised assets and liabilities is shown below:

	<b>2019 HK\$</b>	<b>2018 HK\$</b>
Hong Kong dollar	15,643,723	23,419,872
US dollar	78,607,249	68,183,580
Euro	1,810,311	6,468,945
Singapore dollar	1,256,465	1,614,933
Japanese Yen	1,552,305	3,836,386
Thai Baht	482,430	1,089,760
Swiss Francs	2,243,627	2,464,627
Others	3,821,807	1,441,001
	<hr/>	<hr/>
	105,417,917	108,519,104
	=====	=====

- Sensitivity analysis

It was estimated that, as at the reporting date, should foreign currencies other than US dollar strengthen/weaken by 10% (2018: 10%) against the Hong Kong dollar, with all other variables being held constant, the deficit of the Fund for the year would decrease/increase by HK\$1,117,000 (2018: surplus for the year would increase/decrease by HK\$1,692,000) and the accumulated surplus would increase/decrease by HK\$1,117,000 (2018: HK\$1,692,000).

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred at the reporting date and for financial instruments in existence at that date. The 10% (2018: 10%) strengthening/weakening in foreign currencies represents the assessment by the Fund of a reasonably possible change in foreign exchange rate over the period until the end of next year.

**(c) Liquidity risk**

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is deemed adequate to finance its operations and mitigate the effect of fluctuations in cash flows.

As at 31 March 2019, the remaining contractual maturities of all financial liabilities, based on contractual undiscounted cash flows and the earliest date on which the Fund can be required to pay, were three months or less (2018: three months or less).

**10. FAIR VALUE MEASUREMENT**

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

	<b>2019</b>		
	<b>Level 1 HK\$</b>	<b>Level 2 HK\$</b>	<b>Total HK\$</b>
<b>Assets</b>			
<b>Financial assets at fair value through income and expenditure account</b>			
Equity securities/equity funds			
Listed in Hong Kong	11,158,035	-	11,158,035
Listed outside Hong Kong	34,884,359	-	34,884,359
Unlisted	-	21,166,946	21,166,946
	46,042,394	21,166,946	67,209,340
Debt securities at fair value			
Bonds – Unlisted	-	22,920,566	22,920,566
Bond funds – at fair value			
Unlisted	-	10,654,526	10,654,526
	46,042,394	54,742,038	100,784,432

	2018		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
<b>Assets</b>			
<b>Financial assets at fair value through profit or loss</b>			
Equity securities/equity funds			
Listed in Hong Kong	16,669,960	-	16,669,960
Listed outside Hong Kong	30,390,129	-	30,390,129
Unlisted	-	18,879,161	18,879,161
	47,060,089	18,879,161	65,939,250
Debt securities at fair value			
Bonds – Unlisted	-	20,065,842	20,065,842
Bond funds – at fair value			
Listed outside Hong Kong	2,167,011	-	2,167,011
Unlisted	-	10,445,636	10,445,636
	2,167,011	10,445,636	12,612,647
	49,227,100	49,390,639	98,617,739

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

The three levels of the fair value hierarchy are:

- Level 1: fair values are quoted prices (unadjusted) in active markets for identical financial instruments at the measurement date;
- Level 2: fair values are determined with inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: fair values are determined with inputs that are not based on observable market data (unobservable inputs).

The fair value of unlisted equity funds, unlisted debt securities and unlisted bond funds in Level 2 was determined using quotation from the investment manager.

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

## **11. CAPITAL MANAGEMENT**

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

- to comply with the Sir Edward Youde Memorial Fund Ordinance; and
- to maintain a strong capital base for carrying out the purpose of the Fund as stated in note 1 above.

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

## **12. COMMITMENTS**

As at 31 March 2019, there were no (2018: HK\$280,000) financial commitments for approved overseas fellowships and scholarships subject to the successful completion of studies and reapplication for the awards pending payment.

## **13. PLEDGE OF ASSETS**

As at 31 March 2019, financial assets with carrying value of HK\$106 million (2018: HK\$108 million) were pledged as security for a credit facility granted to the Fund. The Fund has not made any drawdown from the credit facility as at 31 March 2019.

## **14. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019**

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been early adopted in the financial statements. The Fund is in the process of making an assessment of the impact expected of these amendments, new standards and interpretations in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial performance and financial position.