

**Sir Edward Youde Memorial Fund**  
**Report of the Board of Trustees for the Period**  
**1 April 2019 to 31 March 2020**

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 was as follows –

Ms KWAN Sau-ha	( <u>Chairman</u> )	as from 1.4.2019
Lady Youde		
The Secretary for Home Affairs	( <u>ex officio</u> )	
Mr CHEUNG Leong		as from 1.4.2019
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 was as follows –

Professor HO Man-wui, Richard, JP	( <u>Chairman</u> )	up to 30.6.2019
Mr MA Ching-cheng	( <u>Chairman</u> )	as from 1.7.2019
Lady Youde		
The Secretary for Education	( <u>ex officio</u> )	
Professor AU Kit-fong, Terry		up to 30.6.2020
Professor CHAO Yu-hang, Christopher		
Dr FUNG Yuk-lun, Allen		
Professor MENG Mei-ling, Helen		
Professor WONG Yung-hou		as from 1.7.2020

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>		
4 totalling	200,000	
<u>Overseas</u>		
0 totalling	<u>          -</u>	200,000
<b>For Scholarships</b>		
<u>Local</u>		
6 totalling	240,000	
<u>Overseas</u>		
1 totalling	<u>204,000</u>	444,000
<b>Medals</b>		
6 totalling		34,680
<b>Prizes for Senior Secondary Students</b>		
821 @ \$1,000		821,000
<b>Sponsorship for the Young Friends of     the 2020 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>2,144,680</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  
25 September 2020



## Sir Edward Youde Memorial Fund

Financial statements for the year ended 31 March 2020

# *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 21, which comprise the balance sheet as at 31 March 2020, 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 2020, 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.



S. M. CHOI  
Principal Auditor  
for Director of Audit

25 September 2020


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

**SIR EDWARD YOUDE MEMORIAL FUND**

**BALANCE SHEET AS AT 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
<b>CURRENT ASSETS</b>			
Financial assets at fair value through income and expenditure account	3	89,078,985	100,784,432
Accounts receivable	4	738,856	4,511,214
Cash and cash equivalents	5	10,371,961	5,858,120
		100,189,802	111,153,766
<b>CURRENT LIABILITIES</b>			
Derivative financial instruments	6	(33,142)	-
Provision for staff gratuity	7	(25,310)	(33,420)
Provision for untaken leave		(7,231)	(5,791)
Accounts payable	8	(449,355)	(5,687,177)
		(515,038)	(5,726,388)
<b>NET CURRENT ASSETS</b>		99,674,764	105,427,378
<b>NON-CURRENT LIABILITIES</b>			
Provision for staff gratuity	7	(15,328)	(9,461)
<b>NET ASSETS</b>		99,659,436	105,417,917
<b>ACCUMULATED FUND</b>			
Capital		91,712,480	91,712,480
Accumulated surplus		7,946,956	13,705,437
		99,659,436	105,417,917

The accompanying notes 1 to 13 form part of these financial statements.



(Ms KWAN Sau-ha)  
Chairman

Board of Trustees of the Sir Edward Youde Memorial Fund  
25 September 2020

**SIR EDWARD YOUDE MEMORIAL FUND**

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
<b>INCOME</b>			
Dividend income		1,184,851	1,247,446
Interest income	9	1,100,623	747,332
Gains on disposal of financial assets at fair value through income and expenditure account		391,666	-
Net revaluation gains on financial assets at fair value through income and expenditure account		-	2,354,696
Refund of grants		359,496	470,364
		3,036,636	4,819,838
<b>EXPENDITURE</b>			
Fellowships, scholarships, prizes and memorial medals/awards		(2,144,680)	(2,351,000)
Losses on disposal of financial assets at fair value through income and expenditure account		-	(4,621,471)
Net revaluation losses on financial assets at fair value through income and expenditure account		(5,028,587)	-
Net revaluation losses on derivative financial instruments		(33,142)	-
Net exchange losses		(551,825)	(166,292)
Staff costs		(580,301)	(549,856)
Investment management fees		(455,419)	(444,591)
Other operating expenses		(1,163)	(87,815)
		(8,795,117)	(8,221,025)
<b>DEFICIT FOR THE YEAR</b>		(5,758,481)	(3,401,187)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		(5,758,481)	(3,401,187)

The accompanying notes 1 to 13 form part of these financial statements.



**SIR EDWARD YOUDE MEMORIAL FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Capital HK\$</b>	<b>Accumulated surplus HK\$</b>	<b>Total HK\$</b>
Balance at 1 April 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)
Balance at 31 March 2019	<u>91,712,480</u>	<u>13,705,437</u>	<u>105,417,917</u>
Total comprehensive loss for 2019-20	-	(5,758,481)	(5,758,481)
Balance at 31 March 2020	<u>91,712,480</u> =====	<u>7,946,956</u> =====	<u>99,659,436</u> =====

The accompanying notes 1 to 13 form part of these financial statements.

**SIR EDWARD YOUDE MEMORIAL FUND**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 HK\$	2019 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit for the year		(5,758,481)	(3,401,187)
Dividend income		(1,184,851)	(1,247,446)
Interest income		(1,100,623)	(747,332)
Unrealised exchange losses/(gains)		400,887	(58,957)
(Gains)/Losses on disposal of financial assets at fair value through income and expenditure account		(391,666)	4,621,471
Net revaluation losses/(gains) on financial assets at fair value through income and expenditure account		5,028,587	(2,354,696)
Acquisition of financial assets at fair value through income and expenditure account		(100,815,392)	(53,088,401)
Proceeds from disposal of financial assets at fair value through income and expenditure account		106,175,947	50,054,203
Change in fair value of derivative financial instruments		33,142	-
Increase in accounts receivable		(90,631)	(33,176)
Decrease in provision for staff gratuity		(2,243)	(14,231)
Increase in provision for untaken leave		1,440	2,353
Increase /(Decrease) in accounts payable		4,012	(324)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>		2,300,128	(6,267,723)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		1,170,533	1,246,461
Interest received		1,033,743	880,496
<b>NET CASH FROM INVESTING ACTIVITIES</b>		2,204,276	2,126,957
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Donation received		-	300,000
<b>NET CASH FROM FINANCING ACTIVITIES</b>		-	300,000
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		4,504,404	(3,840,766)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		5,858,120	9,642,902
Effect of exchange rate changes on cash and cash equivalents		9,437	55,984
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	5	10,371,961	5,858,120

The accompanying notes 1 to 13 form part of these financial statements.

## **SIR EDWARD YOUDE 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).

##### **(b) Basis of preparation of the financial statements**

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

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

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

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

**(c) Impact of new and revised HKFRSs**

The HKICPA has issued a number of new and revised HKFRSs which are effective for the current accounting period. There have been no changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

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

**(i) Initial recognition**

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contractual provisions of the financial instrument. They are initially stated at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities, except for those financial instruments subsequently measured at fair value for which transaction costs are recognised directly in the income and expenditure account. An explanation of how the Fund determines the fair value of financial instruments is set out in note 11. Purchases and sales of investments are recognised using trade date accounting.



(ii) Categorisation and subsequent measurement

*Financial instruments measured at fair value*

These comprise equity securities/equity funds, debt securities, bond funds and derivative financial instruments. 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.

Derivative financial instruments comprise forward currency contracts used by the Fund to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments do not qualify for hedge accounting under HKFRS 9 “Financial Instruments”. They are carried at fair value, and presented as assets when the fair value is positive and as liabilities when the fair value is negative.

*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)(iv)).

*Financial liabilities measured at amortised cost*

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

(iii) Derecognition

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

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

(iv) Impairment of financial assets

For accounts receivable and cash and cash equivalents, the Fund measures the expected credit losses to determine the loss allowance required to be recognised. Financial assets measured at fair value are not subject to the expected credit loss assessment.

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

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

For a financial asset with lifetime expected credit losses recognised in the previous reporting period, if its credit quality improves and reverses the previously assessed significant increase in credit risk, then the loss allowance reverts from lifetime expected credit losses to 12-month expected credit losses.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**(e) Foreign currency translation**

Hong Kong dollar is the currency of the primary economic environment in which the Fund operates. Foreign currency transactions during the year are translated into Hong Kong dollars 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**

	<b>2020 HK\$</b>	<b>2019 HK\$</b>
Equity securities/equity funds – at fair value		
Listed in Hong Kong	5,122,540	11,158,035
Listed outside Hong Kong	26,405,876	34,884,359
Unlisted	3,384,251	21,166,946
	34,912,667	67,209,340
 Debt securities – at fair value		
Bonds – Unlisted	44,736,116	22,920,566
 Bond funds – at fair value		
Unlisted	9,430,202	10,654,526
	89,078,985	100,784,432

**4. ACCOUNTS RECEIVABLE**

	<b>2020 HK\$</b>	<b>2019 HK\$</b>
Dividend	120,363	106,045
Interest	431,256	243,585
Proceeds receivable from sale of investments	62,579	4,127,359
Others	124,658	34,225
 Balance at end of year	738,856	4,511,214



**5. CASH AND CASH EQUIVALENTS**

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Call deposits placed with an investment manager	9,713,378	5,208,054
Cash at banks	658,583	650,066
	<u>10,371,961</u>	<u>5,858,120</u>
	=====	=====

**6. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2020</b>		<b>2019</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Forward currency contracts				
– at fair value	-	33,142	-	-
	=====	=====	=====	=====

All these forward currency contracts would mature within one year and had a total notional amount of HK\$6,947,000 as at 31 March 2020 (2019: nil). The notional amounts of these contracts indicate the volume of outstanding transactions and do not represent the amounts at risk.

**7. PROVISION FOR STAFF GRATUITY**

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance at beginning of year	42,881	57,112
Provision for the year	38,343	34,707
Payments for the year	(23,847)	(41,384)
Provision written back	(16,739)	(7,554)
	<u>40,638</u>	<u>42,881</u>
	=====	=====
Classified as:		
Current liability	25,310	33,420
Non-current liability	15,328	9,461
	<u>40,638</u>	<u>42,881</u>
	=====	=====

## 8. ACCOUNTS PAYABLE

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Investment management fees	35,052	37,022
Accommodation expenses	-	13,200
Purchase of investments	395,021	5,636,855
Others	19,282	100
	<hr/>	<hr/>
Balance at end of year	449,355	5,687,177
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## 9. INTEREST INCOME

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Interest on savings accounts	14	25
Interest on investments managed by an investment manager		
Interest on call deposits	31,506	41,081
Interest on bonds	1,069,103	706,226
	1,100,609	747,307
	<hr/>	<hr/>
	1,100,623	747,332
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## 10. 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 major risks associated with these financial instruments are set out below.

### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's maximum exposure to credit risk 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 cash and cash equivalents, all deposits and bank balances are placed with reputable licensed banks in Hong Kong. Hence, the credit risk associated with cash and cash equivalents 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 considers that no loss allowance is required.

The credit quality of cash and cash equivalents, analysed by the ratings designated by Moody's, at the reporting date is shown below:

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Cash and cash equivalents, by credit rating		
Aa1 to Aa3	658,583	637,438
A1 to A3	<u>9,713,378</u>	<u>5,220,682</u>
	<u>10,371,961</u>	<u>5,858,120</u>
	=====	=====

To minimise the credit risks arising from investments 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:

	<b>2020</b>	<b>2019</b>
	<b>HK\$</b>	<b>HK\$</b>
Bonds, by credit rating		
A1 to A3 / A+ to A-	12,626,297	4,672,735
Baa1 to Baa3 / BBB+ to BBB-	<u>32,109,819</u>	<u>18,247,831</u>
	<u>44,736,116</u>	<u>22,920,566</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% (2019: 10%) higher/lower, the deficit of the Fund for the year would have decreased/increased by HK\$4,434,000 (2019: HK\$7,786,000) and the accumulated surplus would have increased/decreased by HK\$4,434,000 (2019: HK\$7,786,000). 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 with all other variables 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 2020, a general decrease/increase of 25 basis points (2019: 25 basis points) in interest rates, with all other variables held constant, would decrease/increase the deficit of the Fund for the year by HK\$263,000 (2019: HK\$132,000) and would increase/decrease the accumulated surplus by HK\$263,000 (2019: HK\$132,000). 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 deficit 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>2020</b> <b>HK\$</b>	<b>2019</b> <b>HK\$</b>
Hong Kong dollar	8,335,476	15,643,723
US dollar	79,456,157	78,607,249
Pound Sterling	2,997,274	1,711,460
Euro	2,463,189	1,810,311
Swiss Francs	2,307,063	2,243,627
Singapore dollar	869,252	1,256,465
Japanese Yen	1,932,025	1,552,305
Thai Baht	-	482,430
Others	1,299,000	2,110,347
	99,659,436	105,417,917
	=====	=====

- Sensitivity analysis

It was estimated that, as at the reporting date, should foreign currencies other than US dollar strengthen/weaken by 10% (2019: 10%) against the Hong Kong dollar, with all other variables held constant, the deficit of the Fund for the year would decrease/increase by HK\$1,187,000 (2019: HK\$1,117,000) and the accumulated surplus would increase/decrease by HK\$1,187,000 (2019: HK\$1,117,000).

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% (2019: 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**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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

As at 31 March 2020, 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 (2019: three months or less).

**11. FAIR VALUE MEASUREMENT**

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

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

	<b>2020</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>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	5,122,540	-	5,122,540
Listed outside Hong Kong	26,405,876	-	26,405,876
Unlisted	-	3,384,251	3,384,251
	31,528,416	3,384,251	34,912,667
Debt securities at fair value			
Bonds – Unlisted	-	44,736,116	44,736,116
Bond funds – at fair value			
Unlisted	-	9,430,202	9,430,202
	31,528,416	57,550,569	89,078,985
<b>Liabilities</b>			
Derivative financial instruments	-	(33,142)	(33,142)

Assets	2019		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
<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

No financial instruments were classified under Level 3. During the year, there were no 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).

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

The fair value of financial instruments classified under Level 1 is based on quoted market prices of these financial instruments at the reporting date.

The fair value of unlisted financial instruments classified under Level 2 is 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.

## **12. 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.

## **13. PLEDGE OF ASSETS**

As at 31 March 2020, financial assets with carrying value of HK\$99 million (2019: HK\$106 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 2020.