

Sir Edward Youde Memorial Fund
Report of the Board of Trustees for the Period
1 April 2020 to 31 March 2021

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	(Chairman)	
Lady Youde		
The Secretary for Home Affairs	(ex officio)	
Mr CHEUNG Leong		up to 31.3.2021
Dr LAW Wai-yi, Winnie		as from 1.4.2021
Mr TSANG Chiu-tong, Brian		

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 –

Mr MA Ching-cheng	(Chairman)	
Lady Youde		
The Secretary for Education	(ex officio)	
Professor AU Kit-fong, Terry		up to 30.6.2020
Professor CHAO Yu-hang, Christopher		
Dr FUNG Yuk-lun, Allen		up to 30.6.2021
Professor KWONG Yuk-ye, Jessica		as from 1.7.2021
Ms LEUNG Heung-ying, Sabrina		as from 1.7.2021
Professor MENG Mei-ling, Helen		up to 30.6.2021
Professor WONG Yung-hou, MH		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 –

	HKS	HKS
For Fellowships		
<u>Local</u>		
4 totalling	200,000	
<u>Overseas</u>		
2 totalling	<u>360,146</u>	560,146
For Scholarships		
<u>Local</u>		
6 totalling	240,000	
<u>Overseas</u>		
1 totalling	<u>195,000</u>	435,000
Medals		
6 totalling		33,480
Prizes for Senior Secondary Students		
895 @ \$1,000		895,000
Sponsorship for the Young Friends of the 2021 Hong Kong Arts Festival		600,000
Awards for Self-improvement for Working Adults		
5 @ \$5,000		25,000
Outstanding Apprentice Awards		
3 @ \$5,000		15,000
		<u>2,563,626</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
21 September 2021



Sir Edward Youde Memorial Fund

Financial statements for the year ended 31 March 2021

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 22, which comprise the balance sheet as at 31 March 2021, 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 2021, 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

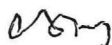
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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

21 September 2021

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

SIR EDWARD YOUDE MEMORIAL FUND

BALANCE SHEET AS AT 31 MARCH 2021

	Note	2021 HK\$	2020 HK\$
CURRENT ASSETS			
Financial assets measured at fair value through income and expenditure account	3	106,330,763	89,078,985
Derivative financial instruments	6	243,970	-
Accounts receivable	4	1,755,094	738,856
Cash and cash equivalents	5	5,906,681	10,371,961
		114,236,508	100,189,802
CURRENT LIABILITIES			
Derivative financial instruments	6	-	(33,142)
Provision for staff gratuity	7	(29,083)	(25,310)
Provision for untaken leave		(10,712)	(7,231)
Accounts payable	8	(1,212,971)	(449,355)
		(1,252,766)	(515,038)
NET CURRENT ASSETS		112,983,742	99,674,764
NON-CURRENT LIABILITIES			
Provision for staff gratuity	7	(28,119)	(15,328)
NET ASSETS		112,955,623	99,659,436
ACCUMULATED FUND			
Capital		91,712,480	91,712,480
Accumulated surplus		21,243,143	7,946,956
		112,955,623	99,659,436

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
21 September 2021

SIR EDWARD YOUDE MEMORIAL FUND

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 HK\$	2020 HK\$
INCOME			
Dividend income		1,316,327	1,184,851
Interest income	9	1,485,333	1,100,623
Net realised and revaluation gains/(losses) on financial assets measured at fair value through income and expenditure account		13,673,305	(4,636,921)
Net realised and revaluation losses on derivative financial instruments		(15,552)	(33,142)
Net exchange gains/(losses)		163,910	(551,825)
Refund of grants		280,018	359,496
		<hr/> 16,903,341	<hr/> (2,576,918)
EXPENDITURE			
Fellowships, scholarships, prizes and memorial medals/awards		(2,563,626)	(2,144,680)
Staff costs		(584,517)	(580,301)
Investment management fees		(458,847)	(455,419)
Other operating expenses		(164)	(1,163)
		<hr/> (3,607,154)	<hr/> (3,181,563)
SURPLUS/(DEFICIT) FOR THE YEAR		13,296,187	(5,758,481)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<hr/> 13,296,187 <hr/> <hr/>	<hr/> (5,758,481) <hr/> <hr/>

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 2021**

	Capital HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 1 April 2019	91,712,480	13,705,437	105,417,917
Total comprehensive loss for 2019-20	-	(5,758,481)	(5,758,481)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	91,712,480	7,946,956	99,659,436
Total comprehensive income for 2020-21	-	13,296,187	13,296,187
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	91,712,480	21,243,143	112,955,623
	=====	=====	=====

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 2021**

	Note	2021 HK\$	2020 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the year		13,296,187	(5,758,481)
Adjustments for :			
Dividend income		(1,316,327)	(1,184,851)
Interest income		(1,485,333)	(1,100,623)
Unrealised net exchange (gains)/losses		(150,212)	400,887
Net realised and revaluation (gains)/losses on financial assets measured at fair value through income and expenditure account		(13,673,305)	4,636,921
Acquisition of financial assets measured at fair value through income and expenditure account		(45,227,655)	(100,815,392)
Proceeds from disposal of financial assets measured at fair value through income and expenditure account		41,407,672	106,175,947
Change in fair value of derivative financial instruments		(277,112)	33,142
Decrease/(Increase) in accounts receivable		106,635	(90,631)
Increase/(Decrease) in provision for staff gratuity		16,564	(2,243)
Increase in provision for untaken leave		3,481	1,440
(Decrease)/Increase in accounts payable		(14,901)	4,012
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(7,314,306)	2,300,128
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		1,290,759	1,170,533
Interest received		1,554,545	1,033,743
NET CASH FROM INVESTING ACTIVITIES		2,845,304	2,204,276
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,469,002)	4,504,404
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,371,961	5,858,120
Effect of exchange rate changes on cash and cash equivalents		3,722	9,437
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	5,906,681	10,371,961

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 34th 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), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). A summary of the significant accounting policies adopted by the Fund is set out below.

(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 measured 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.

Certain comparative figures for 2020 have been reclassified to conform with the current year's presentation of the Fund's financial statements.

(c) Impact of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption 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 and measurement

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 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 financial instruments are recognised on trade date, the date on which the Fund commits to purchase or sell the instruments.

(ii) Classification 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 investment manager to manage 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 using the effective interest method. The measurement of loss allowances for these financial assets is based on the expected credit loss model as described in note 2(d)(iv).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows by considering all contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Financial liabilities measured at amortised cost

These comprise accounts payable. They are subsequently measured at amortised cost using the effective interest method.

(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 comprise cash at banks, deposits with an investment manager and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

(i) Employee benefits

Contract gratuities, salaries and annual leave entitlements are accrued and recognised as expenditure in the year in which associated services are rendered by the staff. Staff on-costs, including pension and housing benefits provided to the staff by the Government, are charged as expenditure in the year in which the services are rendered.

(j) Donation

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

3. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME AND EXPENDITURE ACCOUNT

	2021 HK\$	2020 HK\$
Equity securities/equity funds – at fair value		
Listed in Hong Kong	4,871,868	5,122,540
Listed outside Hong Kong	36,762,109	26,405,876
Unlisted	681,905	3,384,251
	42,315,882	34,912,667
 Debt securities – at fair value		
Bonds – Unlisted	51,940,622	44,736,116
 Bond funds – at fair value		
Unlisted	12,074,259	9,430,202
	106,330,763	89,078,985

4. ACCOUNTS RECEIVABLE

	2021 HK\$	2020 HK\$
Dividend	145,931	120,363
Interest	501,025	431,256
Proceeds receivable from sale of investments	1,090,110	62,579
Others	18,028	124,658
 Balance at end of year	1,755,094	738,856

5. CASH AND CASH EQUIVALENTS

	2021 HK\$	2020 HK\$
Call deposits placed with an investment manager	5,598,197	9,713,378
Cash at banks	308,484	658,583
	<u>5,906,681</u>	<u>10,371,961</u>
	=====	=====

6. DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Forward currency contracts – at fair value	243,970	-	-	33,142
	=====	=====	=====	=====

All these forward currency contracts would mature within one year and had a total notional amount of HK\$10,756,377 as at 31 March 2021 (2020: HK\$6,947,174). 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

	2021 HK\$	2020 HK\$
Balance at beginning of year	40,638	42,881
Provision for the year	42,671	38,343
Payments for the year	(25,895)	(23,847)
Provision written back	(212)	(16,739)
	<u>57,202</u>	<u>40,638</u>
	=====	=====
Classified as:		
Current liabilities	29,083	25,310
Non-current liabilities	28,119	15,328
	<u>57,202</u>	<u>40,638</u>
	=====	=====

8. ACCOUNTS PAYABLE

	2021 HK\$	2020 HK\$
Investment management fees	39,433	35,052
Purchase of investments	1,173,538	395,021
Others	-	19,282
Balance at end of year	<u>1,212,971</u>	<u>449,355</u>

9. INTEREST INCOME

	2021 HK\$	2020 HK\$
Interest on savings accounts	-	14
Interest on investments managed by an investment manager		
Interest on call deposits	206	31,506
Interest on bonds	1,485,127	1,069,103
	1,485,333	1,100,609
	<u>1,485,333</u>	<u>1,100,623</u>

10. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include financial assets measured 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 risk 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.

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

	2021	2020
	HK\$	HK\$
Cash and cash equivalents, by credit rating		
Aa1 to Aa3	5,906,681	658,583
A1 to A3	-	9,713,378
	<u>5,906,681</u>	<u>10,371,961</u>
	=====	=====

While the financial assets measured at amortised cost are subject to the impairment requirements, the Fund has estimated that their expected credit losses are immaterial and considers that no loss allowance is required.

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

	2021	2020
	HK\$	HK\$
Bonds, by credit rating		
A1 to A3 / A+ to A-	10,819,449	12,626,297
Baa1 to Baa3 / BBB+ to BBB-	41,121,173	32,109,819
	<u>51,940,622</u>	<u>44,736,116</u>
	=====	=====

(b) Market risk

Market risk is the risk that changes in market variables such as equity prices, interest rates and currency exchange rates may affect the fair value or cash flows of a financial instrument. 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

It was estimated that, if the market prices of the respective equity securities/equity funds and bond funds had been 10% (2020: 10%) higher/lower, the surplus of the Fund for the year and the accumulated surplus would increase/decrease by HK\$5,439,000 (2020: the deficit of the Fund for the year would decrease/increase and the accumulated surplus would increase/decrease by HK\$4,434,000). 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 on the assumption that all other variables were 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 fair 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 was estimated that, as at 31 March 2021, a general decrease/increase of 25 basis points (2020: 25 basis points) in interest rates, with all other variables held constant, would increase/decrease the surplus of the Fund for the year and the accumulated surplus by HK\$274,000 (2020: the deficit of the Fund for the year would decrease/increase and the accumulated surplus would increase/decrease by HK\$263,000). The sensitivity analysis has been 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.

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's exposure to cash flow interest rate risk is small because interest income from financial instruments bearing interest at a floating rate is not significant.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in currency exchange rates. The Fund's financial instruments denominated in foreign currencies are exposed to currency risk.

- Exposure 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.

The net exposure of the Fund to each currency at the reporting date arising from financial instruments is shown below:

	2021 HK\$	2020 HK\$
Hong Kong dollar	5,206,742	8,383,345
US dollar	87,283,976	79,456,157
Pound Sterling	3,210,607	2,997,274
Euro	4,283,187	2,463,189
Swiss Francs	3,424,138	2,307,063
Singapore dollar	1,827,887	869,252
Japanese Yen	4,813,247	1,932,025
Australian dollar	2,692,915	807,263
Others	280,838	491,737
	<hr/>	<hr/>
	113,023,537	99,707,305
	=====	=====

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.

- Sensitivity analysis

It was estimated that, as at 31 March 2021, should foreign currencies other than US dollar strengthen/weaken by 10% (2020: 10%) against the Hong Kong dollar, with all other variables held constant, the surplus of the Fund for the year and the accumulated surplus would increase/decrease by HK\$2,053,000 (2020: the deficit of the Fund for the year would decrease/increase and the accumulated surplus would increase/decrease by HK\$1,187,000).

The above sensitivity analysis 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.

(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. Hence, the Fund does not have significant exposure to liquidity risk.

As at 31 March 2021, 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 (2020: 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”.

	2021		
	Level 1	Level 2	Total
	HK\$	HK\$	HK\$
Assets			
Financial assets measured at fair value through income and expenditure account			
Equity securities/equity funds – at fair value			
Listed in Hong Kong	4,871,868	-	4,871,868
Listed outside Hong Kong	36,762,109	-	36,762,109
Unlisted	-	681,905	681,905
	41,633,977	681,905	42,315,882
Debt securities – at fair value			
Bonds – Unlisted	-	51,940,622	51,940,622
Bond funds – at fair value			
Unlisted	-	12,074,259	12,074,259
	41,633,977	64,696,786	106,330,763
Derivative financial instruments			
Forward currency contracts – at fair value			
	-	243,970	243,970
	41,633,977	64,940,756	106,574,733
	=====	=====	=====
		2020	
	Level 1	Level 2	Total
	HK\$	HK\$	HK\$
Assets			
Financial assets measured at fair value through income and expenditure account			
Equity securities/equity funds – at fair value			
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
	=====	=====	=====
Liabilities			
Derivative financial instruments			
Forward currency contracts – at fair value			
	-	(33,142)	(33,142)
	=====	=====	=====

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 assets or liabilities;

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair values of financial instruments 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 the quoted market prices of these financial instruments at the reporting date, without any deduction for estimated future selling costs.

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 its projected cash flow requirements, future financial obligations and commitments.

13. PLEDGE OF ASSETS

As at 31 March 2021, financial assets with carrying value of HK\$112 million (2020: HK\$99 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 2021.