

**Sir Edward Youde Memorial Fund**  
**Report of the Board of Trustees for the Period**  
**1 April 2016 to 31 March 2017**

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 –

Mr MA Ching-cheng	(Chairman)
Lady Youde	
The Secretary for Home Affairs	(ex officio)
Mr IP Shu-kwan, Stephen, GBS, JP	
Ms WOO Chun-en, Jennifer	

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	(Chairman)
Lady Youde	
The Secretary for Education	(ex officio)
Professor AU Kit-fong, Terry	
Dr FUNG Yuk-lun, Allen	
Professor IP Yuk-yu, Nancy, MH, JP	
Professor MENG Mei-ling, Helen	

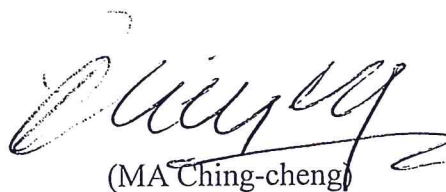
5. Secretariat services to the Council are provided by the Working Family and Student Financial Assistance Agency.

/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>		
1 totalling	50,000	
<u>Overseas</u>		
4 totalling	<u>1,193,000</u>	1,243,000
<b>For Scholarships</b>		
<u>Local</u>		
2 totalling	80,000	
<u>Overseas</u>		
6 totalling	<u>1,604,000</u>	1,684,000
<b>Medals</b>		
2 totalling		7,500
<b>Prizes for Senior Secondary Students</b>		
793 @ \$800		634,400
<b>Sponsorship for the Young Friends     of the 2017 Hong Kong Arts Festival</b>		400,000
<b>Awards for Self-improvement for Working Adults</b>		
3 @ \$3,000		9,000
<b>Outstanding Apprentice Awards</b>		
2 @ \$3,000		6,000
		<hr/>
		3,983,900
		<hr/>

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

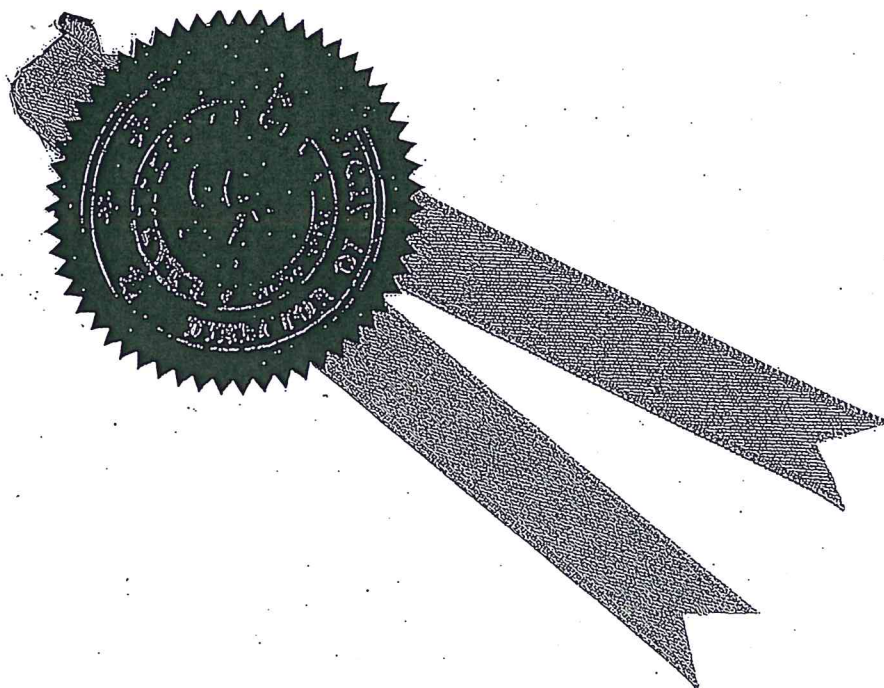


(MA Ching-cheng)

Chairman

Board of Trustees of the Sir Edward Youde Memorial Fund

29 September 2017



## Sir Edward Youde Memorial Fund

Financial statements for the year ended 31 March 2017

# ***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 18, which comprise the balance sheet as at 31 March 2017, 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 2017, 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 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 of Trustees of the Sir Edward Youde Memorial Fund 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 of Trustees of the Sir Edward Youde Memorial Fund 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 of Trustees of the Sir Edward Youde Memorial Fund;
- conclude on the appropriateness of the Board of Trustees of the Sir Edward Youde

Memorial Fund'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  
Acting Principal Auditor  
for Director of Audit

29 September 2017

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

# SIR EDWARD YOUNG MEMORIAL FUND

## BALANCE SHEET AS AT 31 MARCH 2017

	Note	2017 HK\$	2016 HK\$
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	3	85,281,220	84,054,851
Trading financial instruments	4	16,909	-
Accounts receivable	5	223,490	270,052
Cash and cash equivalents	6	13,476,836	11,427,194
		<hr/>	<hr/>
		98,998,455	95,752,097
<b>CURRENT LIABILITIES</b>			
Trading financial instruments	4	(3,357)	(292,339)
Provision for staff gratuity	7	(54,291)	(72,257)
Provision for untaken leave		(7,436)	(6,382)
Accounts payable	8	(34,821)	(445,594)
		<hr/>	<hr/>
		(99,905)	(816,572)
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		98,898,550	94,935,525
		=====	=====
<b>ACCUMULATED FUND</b>			
Capital		91,193,680	91,141,680
Accumulated surplus		7,704,870	3,793,845
		<hr/>	<hr/>
		98,898,550	94,935,525
		=====	=====

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

  
(MA Ching-cheng)  
Chairman

Board of Trustees of the Sir Edward Youde Memorial Fund

29 September 2017

**SIR EDWARD YOUDE MEMORIAL FUND****INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2017**

	<b>Note</b>	<b>2017 HK\$</b>	<b>2016 HK\$</b>
<b>INCOME</b>			
Dividends		1,235,879	1,409,391
Interest	9	489,309	427,979
Gains on disposal of financial assets at fair value through profit or loss		1,653,370	-
Unrealised gains on financial assets at fair value through profit or loss		4,895,403	-
Gains on trading financial instruments		224,597	-
Refund of grants		523,071	617,771
Exchange gains		-	466,265
		<hr/> 9,021,629	<hr/> 2,921,406
<b>EXPENDITURE</b>			
Fellowships, scholarships, prizes and memorial medals/awards		(3,983,900)	(6,458,300)
Losses on disposal of financial assets at fair value through profit or loss		-	(3,335,168)
Unrealised losses on financial assets at fair value through profit or loss		-	(4,545,299)
Losses on trading financial instruments		-	(410,387)
Exchange losses		(107,504)	-
Staff costs		(507,221)	(602,107)
Investment management fees		(403,013)	(413,107)
Other operating expenses		(108,966)	(136,562)
		<hr/> (5,110,604)	<hr/> (15,900,930)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<hr/> 3,911,025	<hr/> (12,979,524)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<hr/> 3,911,025 =====	<hr/> (12,979,524) =====

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



**SIR EDWARD YOUDE MEMORIAL FUND****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

	<b>Capital HK\$</b>	<b>Accumulated surplus HK\$</b>	<b>Total HK\$</b>
Balance at 1 April 2015	90,111,680	16,773,369	106,885,049
Donation received during 2015-16	1,030,000	-	1,030,000
Total comprehensive loss for 2015-16	-	(12,979,524)	(12,979,524)
Balance at 31 March 2016	91,141,680	3,793,845	94,935,525
Donation received during 2016-17	52,000	-	52,000
Total comprehensive income for 2016-17	-	3,911,025	3,911,025
Balance at 31 March 2017	91,193,680	7,704,870	98,898,550

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 2017**

	<b>Note</b>	<b>2017 HK\$</b>	<b>2016 HK\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus/(Deficit) for the year		3,911,025	(12,979,524)
Dividends		(1,235,879)	(1,409,391)
Interest income		(489,309)	(427,979)
Unrealised exchange gains		(38,739)	(510,872)
Exchange (gains)/losses on disposal of investments		(2,054)	44,557
(Gains)/Losses on disposal of financial assets at fair value through profit or loss		(1,653,370)	3,335,168
Unrealised (gains)/losses on financial assets at fair value through profit or loss		(4,895,403)	4,545,299
Acquisition of financial assets at fair value through profit or loss		(145,138,630)	(56,672,400)
Proceeds from disposal of financial assets at fair value through profit or loss		150,357,375	54,082,546
Change in fair value of trading financial instruments		(305,891)	767,895
Decrease/(Increase) in accounts receivable		34,250	(4,270)
(Decrease)/Increase in provision for staff gratuity		(17,966)	8,073
Increase in provision for untaken leave		1,054	2,463
(Decrease)/Increase in accounts payable		(410,773)	397,979
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>115,690</b>	<b>(8,820,456)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		1,289,453	1,422,615
Interest received		585,073	504,821
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>1,874,526</b>	<b>1,927,436</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Donation received		52,000	1,030,000
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>52,000</b>	<b>1,030,000</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,042,216</b>	<b>(5,863,020)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>11,427,194</b>	<b>17,202,728</b>
Effects of exchange rate changes on cash and cash equivalents		7,426	87,486
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>6</b>	<b>13,476,836</b>	<b>11,427,194</b>
		=====	=====

The accompanying notes 1 to 14 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.

##### **(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 profit or loss and trading financial instruments 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) Adoption of new HKFRSs**

The Fund has adopted all new/revised HKFRSs which are effective and relevant to the Fund for the current accounting period. 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 result of operations and financial position.

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

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

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

Trading 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 and are categorised as "trading" under Hong Kong Accounting Standard 39 Financial Instruments: Recognition and Measurement. Trading financial instruments are carried at fair value, and presented as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value are included in the income and expenditure account in the period in which they arise.

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

**(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 balance sheet 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 on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when acquired.

**(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 PROFIT OR LOSS**

	<b>2017 HK\$</b>	<b>2016 HK\$</b>
Equity Securities/Equity Funds – at fair value		
Listed in Hong Kong	7,840,265	17,494,385
Listed outside Hong Kong	29,227,993	35,854,605
Unlisted	19,424,728	4,389,166
	56,492,986	57,738,156
Debt Securities – at fair value		
Bonds – Unlisted	15,767,991	12,934,409
Bond funds – at fair value		
Listed outside Hong Kong	1,967,965	-
Unlisted	11,052,278	13,382,286
	13,020,243	13,382,286
	85,281,220	84,054,851
	=====	=====

#### 4. TRADING FINANCIAL INSTRUMENTS

	2017		2016	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Forward currency contracts - at fair value	16,909	3,357	-	292,339
	=====	=====	=====	=====

All these forward currency contracts would mature within one year and had a total notional amount of HK\$2,743,000 as at 31 March 2017 (2016: HK\$8,205,000). The notional amounts of these contracts indicate the volume of outstanding transactions and do not represent the amounts at risk.

#### 5. ACCOUNTS RECEIVABLE

	2017 HK\$	2016 HK\$
Dividend	18,364	71,938
Interest	204,306	145,114
Refund of a scholarship	-	53,000
Others	820	-
	<hr/>	<hr/>
Balance at end of year	223,490	270,052
	=====	=====

#### 6. CASH AND CASH EQUIVALENTS

	2017 HK\$	2016 HK\$
Call deposits placed with an investment manager	12,457,561	10,006,076
Cash at banks	1,019,275	1,421,118
	<hr/>	<hr/>
	13,476,836	11,427,194
	=====	=====

**7. PROVISION FOR STAFF GRATUITY**

	<b>2017 HK\$</b>	<b>2016 HK\$</b>
Balance at beginning of year	72,257	64,184
Provision for the year	24,347	39,743
Payments for the year	(7,392)	(31,670)
Provision written back	(34,921)	-
Balance at end of year	<u>54,291</u>	<u>72,257</u>
	=====	=====

**8. ACCOUNTS PAYABLE**

	<b>2017 HK\$</b>	<b>2016 HK\$</b>
Prizes	-	402,000
Investment management fees	34,688	33,294
Accommodation expenses for Lady Youde	-	10,300
Staff costs	133	-
Balance at end of year	<u>34,821</u>	<u>445,594</u>
	=====	=====

**9. INTEREST**

	<b>2017 HK\$</b>	<b>2016 HK\$</b>
(a) Interest on savings accounts	24	23
(b) Interest on investments managed by an investment manager		
Interest on call deposit	18,897	8,321
Interest on bonds	470,388	419,635
	<u>489,309</u>	<u>427,979</u>
	=====	=====

## 10. FINANCIAL RISK MANAGEMENT

- (a) The Fund's major financial instruments include financial assets at fair value through profit or loss and bank deposits. The risks associated with these financial instruments are set out below.

### (I) 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.

To minimise credit risks arising from bank deposits, all time deposits are placed with reputable licensed banks in Hong Kong. To minimise 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 balance sheet date, the credit quality of investments in bonds, analysed by the lower of ratings designated by Moody's or Standard & Poor's, was as follows:

	2017 HK\$	2016 HK\$
Bonds by credit rating		
A1 to A3 / A+ to A-	1,891,364	5,273,874
Baa1 to Baa3 / BBB+ to BBB-	13,876,627	7,660,535
	<u>15,767,991</u>	<u>12,934,409</u>
	=====	=====

For other receivables, the Fund considers that adequate provision has been made, where necessary, for amounts which are expected to be irrecoverable.

The maximum exposure to credit risk as at the balance sheet date in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

### (II) 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% (2016: 10%) higher/lower, the surplus of the Fund for the year would have increased/decreased by about HK\$6,951,000 (2016: deficit of the Fund would have decreased /increased by HK\$7,112,000) and the accumulated surplus would have increased/decreased by about HK\$6,951,000 (2016: HK\$7,112,000). The sensitivity analysis was based on the carrying amount of equity securities/equity funds and bond funds held by the Fund at the balance sheet 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 2017, a general decrease/increase of 25 basis points (2016: 25 basis points) in interest rates, with all other variables held constant, would increase/decrease the surplus of the Fund for the year by about HK\$175,000 (2016: decrease/increase the deficit of the Fund by HK\$258,000) and would increase/decrease the accumulated surplus by about HK\$175,000 (2016: HK\$258,000). The sensitivity analysis was determined assuming that the change in interest rates had occurred at the balance sheet 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 balance sheet 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 it has no major financial instruments bearing interest at a floating rate.

(iii) Foreign currency risk

(a) 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 balance sheet date arising from recognised assets and liabilities after taking into account the effect of forward currency contracts is shown below:

	<b>2017</b> <b>HK\$</b>	<b>2016</b> <b>HK\$</b>
Hong Kong dollar	15,170,991	18,489,116
US dollar	71,203,400	56,996,527
Euro	3,758,484	6,013,906
Singapore dollar	1,353,224	5,447,681
Japanese Yen	2,122,406	2,654,994
Thai Baht	1,262,800	2,306,240
Swiss Francs	2,932,657	1,640,742
Others	1,094,588	1,386,319
	<hr/>	<hr/>
	98,898,550	94,935,525
	=====	=====

(b) Sensitivity analysis

It was estimated that, as at the balance sheet date, should foreign currencies other than US dollar strengthen/weaken by 10% (2016: 10%) against the Hong Kong dollar, with all other variables being held constant, the surplus of the Fund for the year would increase/decrease by HK\$1,252,000 (2016: deficit of the Fund would decrease/increase by HK\$1,945,000) and the accumulated surplus would increase/decrease by HK\$1,252,000 (2016: HK\$1,945,000).

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and for financial instruments in existence at that date. The 10% (2016: 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.

### (III) 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.

#### (b) Fair value hierarchy of financial instruments

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

	2017		
	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	7,840,265	-	7,840,265
Listed outside Hong Kong	29,227,993	-	29,227,993
Unlisted	-	19,424,728	19,424,728
	37,068,258	19,424,728	56,492,986
Debt securities at fair value			
Bonds – Unlisted	-	15,767,991	15,767,991
Bond funds – at fair value			
Listed outside Hong Kong	1,967,965	-	1,967,965
Unlisted	-	11,052,278	11,052,278
	1,967,965	11,052,278	13,020,243
	39,036,223	46,244,997	85,281,220
<b>Trading financial instruments</b>	-	16,909	16,909
	39,036,223	46,261,906	85,298,129
<b>Liabilities</b>			
<b>Trading financial instruments</b>	-	3,357	3,357

	2016		
	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	17,494,385	-	17,494,385
Listed outside Hong Kong	35,854,605	-	35,854,605
Unlisted	-	4,389,166	4,389,166
	53,348,990	4,389,166	57,738,156
Debt securities at fair value			
Bonds – Unlisted	-	12,934,409	12,934,409
Bond funds – at fair value			
Listed outside Hong Kong	-	-	-
Unlisted	-	13,382,286	13,382,286
	-	13,382,286	13,382,286
	53,348,990	30,705,861	84,054,851
<b>Trading financial instruments</b>	-	-	-
	53,348,990	30,705,861	84,054,851
<b>Liabilities</b>			
<b>Trading financial instruments</b>	-	292,339	292,339

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, unlisted bond funds and trading financial instruments in Level 2 was determined using quotation from the investment manager.



## **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 2017, the financial commitments for approved overseas fellowships and scholarships subject to the successful completion of studies and reapplication for the awards pending payment were HK\$1,400,000 (2016: HK\$3,440,000).

## **13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

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

## **14. PLEDGE OF ASSETS**

As at 31 March 2017, financial assets with carrying value of HK\$97.8 million (2016: Nil) 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 2017.