

THE YEH FAMILY PHILANTHROPY LIMITED

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

THE YEH FAMILY PHILANTHROPY LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of The Yeh Family Philanthropy Limited (the "Philanthropy") for the year ended 31 December 2015.

Principal activities

The principal activity is seeking to build capacity in promising young minds through education and social entrepreneurship.

Results and appropriations

The results of the Philanthropy for the year ended 31 December 2015 are set out in the statement of comprehensive income on page 5.

Reserves

Details of movements in the reserves of the Philanthropy during the year ended 31 December 2015 are set out in the statement of changes in fund on page 7 to the financial statements.

Business review

No business review is presented for 2015 as the Philanthropy has been able to claim an exemption under section 388(3) of the Companies Ordinance Cap. 622 since it falls within the reporting exemption.

Directors

The directors of the Philanthropy during the year and up to the date of this report are:

Mrs FUNG YEH Yi-hao Yvette
Mr YEH V-nee
Mr CHANG Tsou-sun
Mr LEUNG Kui-king Donald
Mr CHAN Bernard Charnwut

There being no provision in the Company's Articles of Association in respect of the rotation and retirement of directors, all directors shall continue in office.

Directors' material interests in transactions, arrangements and contracts

No transactions, arrangements and contracts of significance in relation to the Philanthropy's business to which the Philanthropy, was a party and in which a director of the Philanthropy had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Philanthropy was entered into or existed during the year.

Permitted indemnity provisions

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Philanthropy or an associated company.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the board of directors



FUNG YE H YI-hao Yvette
Director

Hong Kong, 28 June 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE YEH FAMILY PHILANTHROPY LIMITED
(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

We have audited the financial statements of The Yeh Family Philanthropy Limited (the "Philanthropy") set out on pages 5 to 24, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, the statement of changes in general fund and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE YEH FAMILY PHILANTHROPY LIMITED
(CONTINUED)**

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Philanthropy as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2016

THE YEH FAMILY PHILANTHROPY LIMITED

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 HK\$	2014 HK\$
Income	5	1,386,407	713,360
Net (deficit)/surplus from financial assets at fair value through profit or loss	6	(6,724,858)	15,941,771
Administrative and programme expenses	7	(8,367,739)	(3,460,415)
Operating (loss)/profit		(13,706,190)	13,194,716
Share of loss of an associate		(338,225)	-
(Deficit)/surplus and total comprehensive income for the year		(14,044,415)	13,194,716

The notes on pages 9 to 24 are an integral part of these financial statements.

THE YEH FAMILY PHILANTHROPY LIMITED

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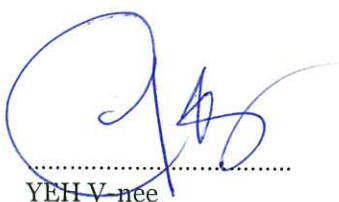
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	2015 HK\$	2014 HK\$
Non-current assets			
Investment in an associate	10	661,775	-
Financial assets at fair value through profit or loss	11	321,644,422	313,078,267
		<u>322,306,197</u>	<u>313,078,267</u>
Current assets			
Bank balances and deposits	12	33,174,850	55,994,262
		<u>33,174,850</u>	<u>55,994,262</u>
Total assets		<u>355,481,047</u>	<u>369,072,529</u>
General Fund			
Accumulated fund		354,614,014	368,658,429
		<u>354,614,014</u>	<u>368,658,429</u>
Current liabilities			
Accruals and other payables		867,033	414,016
Amount due to a related company	13	-	84
		<u>867,033</u>	<u>414,100</u>
Total liabilities		<u>867,033</u>	<u>414,100</u>
Total fund and liabilities		<u>355,481,047</u>	<u>369,072,529</u>

The financial statements on pages 5 to 24 were approved by the Board of Directors on 28 June 2016 and were signed on its behalf.



FUNG YEH Yi-hao Yvette



YEH V-née

The notes on pages 9 to 24 are an integral part of these financial statements.

THE YEH FAMILY PHILANTHROPY LIMITED

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

**STATEMENT OF CHANGES IN GENERAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2015**

	General fund HK\$
At 1 January 2014	355,463,713
Surplus for the year	13,194,716
At 31 December 2014	368,658,429
Deficit for the year	(14,044,415)
At 31 December 2015	354,614,014

The notes on pages 9 to 24 are an integral part of these financial statements.

THE YEH FAMILY PHILANTHROPY LIMITED

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

CASH FLOW STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 HK\$	2014 HK\$
Cash flows used in operating activities			
Net cash used in operations	14	(6,532,178)	(2,380,969)
Net cash used in operating activities		<u>(6,532,178)</u>	<u>(2,380,969)</u>
Cash flow from investing activities			
Interest received from banks		3,863	1,329
Dividends received from financial assets at fair value through profit or loss		6,263,959	7,190,444
Interest received from financial assets at fair value through profit or loss		1,179,937	1,592,780
Investment in an associate		(1,000,000)	-
Purchase of financial assets at fair value through profit or loss		(22,734,909)	(32,167,654)
Proceeds from disposal of financial assets at fair value through profit or loss		-	75,845,492
Net cash (used in)/from investing activities		<u>(16,287,150)</u>	<u>52,462,391</u>
Cash flows from financing activities			
Decrease in amount due to a related company		(84)	(4,115,742)
Decrease in amount due to a director		-	(27,624)
Net cash used in financing activities		<u>(84)</u>	<u>(4,143,366)</u>
Net (decrease)/increase in cash and cash equivalents		(22,819,412)	45,938,056
Cash and cash equivalents at the beginning of the year		55,994,262	10,056,206
Cash and cash equivalents at the end of the year		<u>33,174,850</u>	<u>55,994,262</u>
Analysis of the balance of cash and cash equivalents			
Bank balances and deposits		<u>33,174,850</u>	<u>55,994,262</u>

The notes on pages 9 to 24 are an integral part of these financial statements.

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Yeh Family Philanthropy Limited is a charitable organisation incorporated in Hong Kong with limited liability by guarantee and not having a share capital. The principal activity is seeking to build capacity in promising young minds through education and social entrepreneurship. The address of its registered office is Room 1103-06, 11th Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.

These financial statements are presented in Hong Kong dollar (HK\$) unless otherwise stated and have been approved for issue by the board of directors on 28 June 2016.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of The Yeh Family Philanthropy Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Philanthropy's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

Changes in accounting policies and disclosures

- (a) The following amendments to existing standards, which are relevant to the operations of the Philanthropy, have been published that are effective for the accounting period of the Philanthropy beginning on 1 January 2015:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
HKFRSs Amendment 2012	Annual Improvements 2010-2012 Cycle
HKFRSs Amendment 2013	Annual Improvements 2011-2013 Cycle

The adoption of the above amendments to existing standards had no material financial impact on the financial statements of the Philanthropy.

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (b) The Philanthropy has not early adopted the following new and revised standards and amendments to existing standards that have been issued and are mandatory for the accounting periods beginning on or after 1 January 2016:

HKAS 1 Amendments	Disclosure Initiative ⁽¹⁾
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽¹⁾
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants ⁽¹⁾
HKAS 27 Amendments	Equity Method in Separate Financial Statements ⁽¹⁾
HKAS 28 (2011) and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKAS 28 (2011), HKFRS 10 and HKFRS 12 Amendments	Investment Entities: Applying the Consolidation Exception ⁽¹⁾
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations ⁽¹⁾
HKFRS 14	Regulatory Deferral Accounts ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽²⁾
HKFRS 16	Leases ⁽³⁾
Annual Improvements to HKFRSs 2012 – 2014 Cycle	⁽¹⁾

- (1) effective for accounting periods beginning on or after 1 January 2016
(2) effective for accounting periods beginning on or after 1 January 2018
(3) effective for accounting periods beginning on or after 1 January 2019
(4) no mandatory effective date is determined yet but early application is permitted

The Philanthropy has already commenced an assessment of the impact of these new or revised standards, amendments to existing standards and interpretations but is not yet in a position to state whether they would have a significant impact on its results and financial position.

- (c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the financial statements.

2.2 Associate

An associate is an entity over which the Philanthropy has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting and is initially recognised at cost.

The Philanthropy’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Philanthropy’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Philanthropy does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in an associate is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.5 Financial assets

The Philanthropy classifies its financial assets as financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of its financial assets at initial recognition. This category comprises financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by the directors. Financial assets at fair value through profit or loss are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Philanthropy commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Philanthropy has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Philanthropy's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Philanthropy established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Provisions

Provisions are recognised when the Philanthropy has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Philanthropy expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.7 Employee benefits

(a) Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefit

The Philanthropy contributes to defined contribution retirement schemes available for all the employees in Hong Kong, namely Mandatory Provident Fund Scheme ("MPF"). The assets of the scheme are held separately from those of the Philanthropy in independently administered funds. The Philanthropy has no further payment obligations once the contributions have been paid. The Philanthropy's contributions to MPF are based on 5% of employees' salaries depending on their length of service and are expensed as incurred in the statement of comprehensive income.

2.8 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Philanthropy. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Philanthropy.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

THE YEH FAMILY PHILANTHROPY LIMITED

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong dollar (HK\$), which is the Philanthropy's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.10 Other payable

Other payable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Revenue recognition

Dividends from financial assets at fair value through profit or loss are accounted for to the extent of amounts received or rights to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3 Financial risk factors and management

3.1 Financial risk factors

The Philanthropy's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit and counterparty risk and liquidity risk. The Philanthropy's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Philanthropy's financial performance. The Philanthropy has not used any derivative financial instruments to hedge risk exposures.

(a) Market risk

(i) Price risk

The Philanthropy is exposed to the price risk because investments held by the Philanthropy are classified on the statement of financial position as financial assets at fair value through profit or loss. The Philanthropy is not exposed to commodity price risk. To manage its price risk arising from investment funds, the Philanthropy diversifies its portfolio.

THE YEH FAMILY PHILANTHROPY LIMITED

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk factors and management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Price risk (Continued)

As at 31 December 2015, if the price of the investment funds the Philanthropy held had increased/decreased by 5%, with all other variables held constant, it would increase/decrease the Philanthropy's surplus for the year by approximately HK\$16,082,000 (2014: HK\$15,654,000) as a result of valuation gains/losses on financial assets at fair value through profit or loss.

(ii) Foreign exchange risk

The Philanthropy has financial assets and liabilities denominated in various currencies including Hong Kong dollar, United States dollar, Korean won and Singapore dollar. The Philanthropy primarily exposes to foreign exchange risk arising from its bank deposits and financial assets at fair value through profit or loss, primarily with respect to Korean won and Singapore dollar.

The Philanthropy monitors the relative foreign exchange position of its assets and liabilities to minimise foreign exchange risk.

At 31 December 2015, if HK dollar had weakened/strengthened by 5% against the Korean won with all other variables held constant, surplus for the year would have been HK\$1,354,000 (2014: HK\$1,448,000) higher/lower, mainly as a result of fair value and exchange gains/losses on translation of Korean won-denominated financial assets at fair value through profit or loss.

At 31 December 2015, if HK dollar had weakened/strengthened by 5% against the Singapore dollar with all other variables held constant, surplus for the year would have been HK\$2,156,000 (2014: HK\$1,783,000) higher/lower, mainly as a result of fair value and exchange gains/losses on translation of Singapore dollar-denominated bank balances and financial assets at fair value through profit or loss.

(iii) Interest rate risk

The Philanthropy's exposure to market risk for changes in interest rates relates primarily to the Philanthropy's bank deposits.

As at 31 December 2015, if it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, it would increase/decrease the Philanthropy's surplus for the year and accumulated fund by approximately HK\$149,000 (2014: HK\$52,000) as a result of interest income of bank deposits.

The sensitivity analysis above has been determined assuming that the changes in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until next annual reporting period.

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk factors and management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit and counterparty risk

The Philanthropy has no significant concentrations of credit risk and counterparty risk. The Philanthropy's credit risk primarily arises from credit exposures to accounts receivable and counterparty risk primarily arises from financial assets at fair value through profit or loss. The Philanthropy has invested in a number of diversified fund portfolio managed by various fund managers with an appropriate credit history. The Philanthropy performs periodic credit evaluations of the investment held by various custodians and fund managers. The process is closely monitored on an ongoing basis.

The credit risk on bank balances is limited as they are placed in banks with high credit ranking.

(c) Liquidity risk

The Philanthropy generally finances its operations with the financial support from a related company and members of the Philanthropy.

The Philanthropy's financial liabilities were current in nature and repayable on demand. Therefore the contractual undiscounted cash flows of the Philanthropy's financial liabilities of HK\$867,033 (2014: HK\$414,100) were less than one year at the year end.

3.2 Capital risk management

The Philanthropy's objectives when managing capital are to safeguard the Philanthropy's ability to continue as a going concern.

Except the amount due to a related company and accruals and other payables, the Philanthropy had no debt as at 31 December 2015 and 31 December 2014.

3.3 Fair value estimation

The carrying amounts of the Philanthropy's current financial assets including bank balances and deposits and current financial liabilities including accruals and other payables and amount due to a related company, approximate their fair values due to their short term maturities.

The fair value of the Philanthropy's financial assets at fair value through profit or loss that are traded in active markets (such as shares of publicly listed companies) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Philanthropy is the bid price at year end date.

The fair value of financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. The Philanthropy uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**3 Financial risk factors and management (Continued)****3.3 Fair value estimation (Continued)**

The Philanthropy adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Philanthropy's financial assets that are measured at fair value:

	Valuation Technique			Total
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
At 31 December 2015				
Financial assets at fair value through profit or loss	171,649,084	39,643,963	110,351,375	321,644,422
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Valuation Technique			Total
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
At 31 December 2014				
Financial assets at fair value through profit or loss	181,388,920	40,251,435	91,437,912	313,078,267
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Philanthropy is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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NOTES TO THE FINANCIAL STATEMENTS**3 Financial risk factors and management (Continued)****3.3 Fair value estimation (Continued)**

The valuation technique used to value financial instruments includes:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. When observable prices are not available for these investments, the investment manager uses one or more valuation techniques including the original transaction price, recent transactions in the same or similar instruments, earnings multiples in the underlying investment or comparable issuers, and discounted cash flow methodology that discounts all future cash flows to the present value. The cash flows were generally projected and based on the budgeted cash flows of the subject investment projects, including but not limited to prices at which the investment was acquired, the nature of the development, future selling prices/rental income, comparable properties available in the relevant market, delivery schedule, construction costs, relocation cost, financial costs and associated tax payments which are adjusted for the current market environment and the associated risk factors as of the measurement date. The inputs into the determination of fair value require significant management judgment. Level 3 valuations are reviewed periodically by the investment manager. The management considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry.

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2015:

	Financial assets at fair value through profit or loss HK\$
At 1 January	91,437,912
Additions	18,592,250
Change in fair value	321,213
At 31 December	110,351,375
Fair value gains recognised in the statement of comprehensive income	321,213

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**3 Financial risk factors and management (Continued)****3.3 Fair value estimation (Continued)**

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2014:

	Financial assets at fair value through profit or loss HK\$
At 1 January	62,242,081
Additions	30,721,000
Change in fair value	(1,525,169)
At 31 December	<u>91,437,912</u>
Fair value losses recognised in the statement of comprehensive income	<u>(1,525,169)</u>

The fair values of the level 3 financial instruments were determined using the reported net assets values at the balance sheet date.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Philanthropy makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimate of fair value of financial assets

The fair value of financial assets traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Philanthropy is the bid price at year end date.

The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives and unlisted investments) is determined by using valuation techniques. The Philanthropy uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Philanthropy has used present values of estimated future cash flows based on discounted cash flow analysis for various financial assets that are not traded in active markets.

Impairment of investment in an associate

The investment in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amount of investment is evaluated based on the financial position of the associate, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investment.

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NOTES TO THE FINANCIAL STATEMENTS**5 Income**

	2015 HK\$	2014 HK\$
Interest income from bank deposits	3,863	1,329
Service income for the Nurturing Social Minds Programme	1,382,544	-
Miscellaneous income	-	712,031
	<u>1,386,407</u>	<u>713,360</u>

6 Net (deficit)/surplus from financial assets at fair value through profit or loss

	2015 HK\$	2014 HK\$
Dividend income from financial assets at fair value through profit or loss	6,263,959	7,190,444
Interest income from financial assets at fair value through profit or loss	1,179,937	1,592,780
Realised gain on financial assets at fair value through profit or loss	-	9,613,472
Fair value loss on financial assets at fair value through profit or loss	(14,168,754)	(2,454,925)
	<u>(6,724,858)</u>	<u>15,941,771</u>

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NOTES TO THE FINANCIAL STATEMENTS**7 Administrative and programme expenses**

	2015 HK\$	2014 HK\$
Administrative expenses for the Philanthropy		
-Donation	5,217,903	1,815,609
-Wages, salaries and allowances	-	107,877
-Rent and rates	631,297	626,681
-Auditor's remuneration - audit services	19,100	22,100
-Bank charges and custodian management fees	187,998	230,160
-Public relations expenses	74,465	177,208
-Exchange loss	446,862	265,460
-Other administration expenses	205,672	215,320
	<u>6,783,297</u>	<u>3,460,415</u>
Programme expenses for the Nurturing Social Minds Programme		
-Lecturer and related expenses	300,250	-
-Management staff cost	377,402	-
-Programme management and development costs	432,684	-
-Marketing and website development	272,977	-
-Other expenses	201,129	-
	<u>1,584,442</u>	<u>-</u>
Total administrative and programme expenses	<u>8,367,739</u>	<u>3,460,415</u>

8 Benefits of Directors

During the year, no emoluments, retirement benefits and payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2014: HK\$Nil). No consideration was provided to or receivable by third parties for making available Directors' services (2014: HK\$Nil). There are no loans, quasi-loans or other dealings in favour of the Directors, their controlled bodies corporate and connected entities (2014: None).

The directors are regarded as the key management of the Philanthropy.

9 Taxation

The Philanthropy is a charitable institution which is exempt from Hong Kong profits tax under Section 88 of the Inland Revenue Ordinance. The current view of the Inland Revenue Department in Hong Kong is that a charitable institution is not subject to Hong Kong profits tax as the operation of charitable institution does not constitute the carrying on of a business for the purpose of the Inland Revenue Ordinance.

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**10 Investment in an associate**

	2015 HK\$	2014 HK\$
At 1 January	-	-
Unlisted investment, at cost	1,000,000	-
Share of loss of an associate	(338,225)	-
	<hr/>	<hr/>
At 31 December	661,775	-
	<hr/>	<hr/>

Details of the associate as at 31 December 2015 are as follows:

<u>Name</u>	<u>Place of incorporation/ operation</u>	<u>Principal activity</u>	<u>Effective % of equity interest held by Philanthropy</u>	
			2015	2014
DaVinci Labs Limited	Hong Kong	Education	22.43	-

There are no contingent liabilities relating to the Company's interest in the associate.

11 Financial assets at fair value through profit or loss

	2015 HK\$	2014 HK\$
At 1 January	313,078,267	349,597,558
Additions	22,734,909	32,167,654
Fair value loss recognised in statement of comprehensive income	(14,168,754)	(2,454,925)
Disposals	-	(66,232,020)
	<hr/>	<hr/>
At 31 December	321,644,422	313,078,267
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS**11 Financial assets at fair value through profit or loss (Continued)**

Debt securities		
Listed overseas, at fair value	14,141,076	13,350,925
	<u>-----</u>	<u>-----</u>
Equity securities		
Listed in Hong Kong, at fair value	73,856,883	82,882,500
Listed overseas, at fair value	83,651,124	85,155,495
	<u>-----</u>	<u>-----</u>
	157,508,007	168,037,995
	<u>-----</u>	<u>-----</u>
Fund investments		
Unlisted overseas, at fair value	149,995,339	131,689,347
	<u>-----</u>	<u>-----</u>
	321,644,422	313,078,267
	<u>=====</u>	<u>=====</u>

The directors designated all the financial assets as fair value through profit or loss at initial recognition. The unlisted investments were revalued at 31 December 2015 on the basis of their open market value or by valuation techniques of fund managers.

The financial assets at fair value through profit or loss are denominated in the following currencies:

	2015 HK\$	2014 HK\$
United States dollar	183,695,795	171,023,998
Hong Kong dollar	73,856,883	82,882,500
Korean won	27,072,757	28,951,761
Singapore dollar	37,018,987	30,220,008
	<u>-----</u>	<u>-----</u>
	321,644,422	313,078,267
	<u>=====</u>	<u>=====</u>

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NOTES TO THE FINANCIAL STATEMENTS**12 Bank balances and deposits**

	2015 HK\$	2014 HK\$
Bank balances	18,289,973	50,754,296
Call deposits	14,884,877	5,239,966
	<u>33,174,850</u>	<u>55,994,262</u>

Bank balances and deposits are denominated in the following currencies:

	2015 HK\$	2014 HK\$
Hong Kong dollar	27,074,671	46,966,263
United States dollar	8,280	3,586,695
Singapore dollar	6,091,899	5,441,304
	<u>33,174,850</u>	<u>55,994,262</u>

13 Amount due to a related company

The amount due to a related company is unsecured, interest free and repayable on demand. The balances are denominated in Hong Kong dollar.

14 Note to the cash flow statement

Reconciliation of (deficit)/surplus for the year to net cash used in operations:

	2015 HK\$	2014 HK\$
(Deficit)/surplus for the year	(14,044,415)	13,194,716
Net deficit/(surplus) on financial assets at fair value through profit or loss	6,724,858	(15,941,771)
Interest income from banks	(3,863)	(1,329)
Share of loss of an associate	338,225	-
	<u>(6,985,195)</u>	<u>(2,748,384)</u>
Operating loss before working capital changes	(6,985,195)	(2,748,384)
Decrease in prepayments	-	3,599
Increase in accruals and other payables	453,017	363,816
	<u>(6,532,178)</u>	<u>(2,380,969)</u>
Net cash used in operations	<u>(6,532,178)</u>	<u>(2,380,969)</u>

THE YEH FAMILY PHILANTHROPY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**15 Related party transactions**

During the year, the Philanthropy entered into the following significant related party transactions which in the opinion of the directors were conducted in the normal course of the Philanthropy's operation.

	Note	2015 HK\$	2014 HK\$
Administration expenses paid to a related company	(a)	(120,000)	(120,000)
Rent and rates paid to a related company	(a)	<u>(631,297)</u>	<u>(626,681)</u>

Note:

- (a) Administrative expenses and rent and rates were paid to a related company which is under common control by the same directors at cost basis for administrative services obtained by the Philanthropy for its normal daily operation.

16 Capital Commitments

At the end of the reporting period, the Philanthropy had capital commitments in respect of financial assets at fair value through profit or loss as follows:

	2015 HK\$	2014 HK\$
Contracted but not provided for	<u>8,811,750</u>	<u>15,779,000</u>