

**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 2016**

## **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 2016.

#### **Principal activity**

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 2016 are set out in the statement of comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

#### **Reserves**

Details of movements in the reserves of the Philanthropy during the year ended 31 December 2016 are set out in the statement of changes in general fund on page 9 to the financial statements.

#### **Business review**

No business review is presented for 2016 as the Philanthropy has been able to claim an exemption under section 359 of the Companies Ordinance Cap. 622 since it falls within the reporting exemption.

#### **Directors of the Philanthropy**

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

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 Philanthropy'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 that are significant in relation to the Philanthropy's business**

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



FUNG YEH Yi-hao Yvette  
Director

Hong Kong, 28 June 2017

**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)

**Opinion**

*What we have audited*

The financial statements of The Yeh Family Philanthropy Limited (the "Philanthropy") set out on pages 7 to 26, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in general fund for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Philanthropy as at 31 December 2016, and of its financial performance and its 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 compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

*Independence*

We are independent of the Philanthropy in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.



**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)

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Financial Statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the directors are responsible for assessing the Philanthropy's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Philanthropy or to cease operations, or have no realistic alternative but to do so.

**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)

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our 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 our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 Philanthropy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Philanthropy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Philanthropy to cease to continue as a going concern.
- 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.





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**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)

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28 June 2017

**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 2016**

	Note	2016 HK\$	2015 HK\$
Income	5	1,096,741	1,386,407
Net surplus/(deficit) from financial assets at fair value through profit or loss	6	18,736,082	(6,724,858)
Administrative and programme expenses	7	(4,762,465)	(8,367,739)
Operating profit/(loss)		15,070,358	(13,706,190)
Share of loss of an associate		(1,052,310)	(338,225)
Surplus/(deficit) and total comprehensive income for the year		<u>14,018,048</u>	<u>(14,044,415)</u>

The notes on pages 11 to 26 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 FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

	Note	2016 HK\$	2015 HK\$
<b>ASSETS</b>			
Non-current assets			
Investment in an associate	10	491,788	661,775
Financial assets at fair value through profit or loss	11	311,100,874	321,644,422
		<u>311,592,662</u>	<u>322,306,197</u>
Current assets			
Bank balances and deposits	12	58,249,654	33,174,850
Other receivables		1,144	-
		<u>58,250,798</u>	<u>33,174,850</u>
Total assets		<u><u>369,843,460</u></u>	<u><u>355,481,047</u></u>
<b>GENERAL FUND</b>			
Accumulated fund		<u>368,632,062</u>	<u>354,614,014</u>
<b>LIABILITIES</b>			
Current liabilities			
Accruals and other payables		1,211,398	867,033
Total liabilities		<u>1,211,398</u>	<u>867,033</u>
Total fund and liabilities		<u><u>369,843,460</u></u>	<u><u>355,481,047</u></u>

The financial statements on pages 7 to 26 were approved by the Board of Directors on 28 June 2017 and were signed on its behalf.

  
 .....  
 FUNG YEY Yi-hao Yvette  
 Director

  
 .....  
 YEH V-lee  
 Director

The notes on pages 11 to 26 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 2016**

	General fund HK\$
At 1 January 2015	368,658,429
Deficit and total comprehensive income for the year	(14,044,415)
At 31 December 2015	354,614,014
Surplus and total comprehensive income for the year	14,018,048
At 31 December 2016	368,632,062

The notes on pages 11 to 26 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 2016**

	Note	2016 HK\$	2015 HK\$
Cash flows used in operating activities			
Net cash used in operations	13	(3,453,702)	(6,532,178)
		<u>(3,453,702)</u>	<u>(6,532,178)</u>
Net cash used in operating activities		<u>(3,453,702)</u>	<u>(6,532,178)</u>
Cash flows from investing activities			
Interest income received from banks		131,199	3,863
Dividend income received from financial assets at fair value through profit or loss		2,806,459	6,263,959
Interest income received from financial assets at fair value through profit or loss		1,179,938	1,179,937
Capital contribution in an associate		(882,323)	(1,000,000)
Purchase of financial assets at fair value through profit or loss		(14,210,477)	(22,734,909)
Return of investment cost of financial assets at fair value through profit or loss		39,503,710	-
		<u>28,528,506</u>	<u>(16,287,150)</u>
Net cash from/(used in) investing activities		<u>28,528,506</u>	<u>(16,287,150)</u>
Cash flows from financing activity			
Decrease in amount due to a related company		-	(84)
		<u>-</u>	<u>(84)</u>
Net cash used in financing activity		<u>-</u>	<u>(84)</u>
Net increase/(decrease) in cash and cash equivalents		25,074,804	(22,819,412)
Cash and cash equivalents at the beginning of the year		33,174,850	55,994,262
Cash and cash equivalents at the end of the year		<u>58,249,654</u>	<u>33,174,850</u>
Analysis of the balance of cash and cash equivalents			
Bank balances and deposits		<u>58,249,654</u>	<u>33,174,850</u>

The notes on pages 11 to 26 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)

### **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 2017.

#### **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 new standard and amendments to 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 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (Revised 2011)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012–2014 Cycle

The adoption of the above new standard and amendments to 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 standards and amendments to standards that have been issued and are mandatory for the accounting periods beginning on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative <sup>(1)</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>(1)</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>(2)</sup>
HKFRS 9	Financial Instruments <sup>(2)</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>(2)</sup>
HKFRS 16	Leases <sup>(3)</sup>
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>

(1) effective for accounting periods beginning on or after 1 January 2017

(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 standards and amendments to standards but is not yet in a position to state whether they would have a significant impact on its results and financial position.

### 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Philanthropy's share of its associate's post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive 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 that are subject to amortisation 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 of disposal 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 investment 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 consolidated financial statements of the investee's net assets including goodwill.

##### **2.4 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts, if any.

##### **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**

(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)**

### **2.6 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**

Dividend income from financial assets at fair value through profit or loss is accounted for to the extent of amounts received or right 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 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 certain 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**

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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(a) Market risk (Continued)

(i) Price risk (Continued)

As at 31 December 2016, 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\$15,555,000 (2015: HK\$16,082,000) 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 2016, if Hong Kong dollar had weakened/strengthened by 5% against the Korean won with all other variables held constant, surplus for the year would have been HK\$1,336,000 (2015: HK\$1,354,000) 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 2016, if Hong Kong dollar had weakened/strengthened by 5% against the Singapore dollar with all other variables held constant, surplus for the year would have been HK\$2,312,000 (2015: HK\$2,156,000) 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 2016, 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\$361,000 (2015: HK\$149,000) 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 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\$1,211,398 (2015: HK\$867,033) 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 accruals and other payables, the Philanthropy had no debt as at 31 December 2016 and 31 December 2015.

##### **3.3 Fair value estimation**

The carrying amounts of the Philanthropy's current financial assets including bank balances and deposits and other receivables and current financial liabilities including accruals and other payables, 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.

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**NOTES TO THE FINANCIAL STATEMENTS****3 Financial risk 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			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
At 31 December 2016				
Financial assets at fair value through profit or loss	146,679,707	38,371,738	126,049,429	311,100,874
	Valuation Technique			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	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

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 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 2016:

	Financial assets at fair value through profit or loss HK\$
At 1 January	110,351,375
Additions	14,210,477
Change in fair value	1,487,577
At 31 December	<u>126,049,429</u>
Fair value gains recognised in the statement of comprehensive income	<u>1,487,577</u>



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**NOTES TO THE FINANCIAL STATEMENTS****3 Financial risk 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 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 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.

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**NOTES TO THE FINANCIAL STATEMENTS****4 Critical accounting estimates and judgements (Continued)****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.

**5 Income**

	2016 HK\$	2015 HK\$
Interest income from bank deposits	131,199	3,863
Service income for the Nurturing Social Minds Programme	962,542	1,382,544
Miscellaneous income	3,000	-
	<u>1,096,741</u>	<u>1,386,407</u>

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

	2016 HK\$	2015 HK\$
Dividend income from financial assets at fair value through profit or loss	4,442,884	6,263,959
Interest income from financial assets at fair value through profit or loss	1,179,938	1,179,937
Fair value gains/(losses) on financial assets at fair value through profit or loss	13,113,260	(14,168,754)
	<u>18,736,082</u>	<u>(6,724,858)</u>



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

	2016 HK\$	2015 HK\$
Administrative expenses for the Philanthropy		
-Donation	1,104,254	5,217,903
-Wages, salaries and allowances	219,996	-
-Rent and rates	636,275	631,297
-Auditor's remuneration - audit services	20,900	19,100
-Bank charges and custodian management fees	144,236	187,998
-Public relations expenses	92,154	74,465
-Exchange losses	1,210,650	446,862
-Other administration expenses	194,601	205,672
	<u>3,623,066</u>	<u>6,783,297</u>
Programme expenses for the Nurturing Social Minds Programme		
-Audit fee	10,582	-
-Lecturer and related expenses	298,200	300,250
-Management staff costs	462,338	377,402
-Programme management and development costs	125,150	432,684
-Marketing and website development costs	19,496	272,977
-Other expenses	223,633	201,129
	<u>1,139,399</u>	<u>1,584,442</u>
Total administrative and programme expenses	<u>4,762,465</u>	<u>8,367,739</u>

**8 Benefits and interests of directors**

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: None).

During the year and at the year end, no director of the Philanthropy had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Philanthropy's business to which the Philanthropy was or is a party (2015: 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.

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

	2016 HK\$	2015 HK\$
At 1 January	661,775	-
Capital contribution	882,323	1,000,000
Share of loss of an associate	(1,052,310)	(338,225)
At 31 December	<u>491,788</u>	<u>661,775</u>

Details of the associate as at 31 December 2016 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>	
			2016	2015
DaVinci Labs Limited	Hong Kong	Education	22.46	22.43

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

**11 Financial assets at fair value through profit or loss**

	2016 HK\$	2015 HK\$
At 1 January	321,644,422	313,078,267
Additions	15,846,902	22,734,909
Fair value gains/(losses) recognised in statement of comprehensive income	13,113,260	(14,168,754)
Disposals	(39,503,710)	-
At 31 December	<u>311,100,874</u>	<u>321,644,422</u>



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

	2016 HK\$	2015 HK\$
Debt securities		
Listed overseas, at fair value	14,260,155	14,141,076
Equity securities		
Listed in Hong Kong, at fair value	75,667,145	73,856,883
Listed overseas, at fair value	56,752,407	83,651,124
	132,419,552	157,508,007
Fund investments		
Unlisted overseas, at fair value	164,421,167	149,995,339
	311,100,874	321,644,422

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 2016 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:

	2016 HK\$	2015 HK\$
United States dollar	207,029,100	183,695,795
Hong Kong dollar	75,667,145	73,856,883
Korean won	26,712,073	27,072,757
Singapore dollar	1,692,556	37,018,987
	311,100,874	321,644,422

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

	2016 HK\$	2015 HK\$
Bank balances	22,166,765	18,289,973
Call deposits	1,168,888	14,884,877
Short-term bank deposits	34,914,001	-
	<u>58,249,654</u>	<u>33,174,850</u>

Bank balances and deposits are denominated in the following currencies:

	2016 HK\$	2015 HK\$
Hong Kong dollar	12,101,394	27,074,671
United States dollar	1,600,136	8,280
Singapore dollar	44,548,124	6,091,899
	<u>58,249,654</u>	<u>33,174,850</u>

**13 Note to the cash flow statement**

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

	2016 HK\$	2015 HK\$
Surplus/(deficit) for the year	14,018,048	(14,044,415)
Net (surplus)/deficit on financial assets at fair value through profit or loss	(18,736,082)	6,724,858
Interest income from bank deposits	(131,199)	(3,863)
Share of loss of an associate	1,052,310	338,225
Operating loss before working capital changes	<u>(3,796,923)</u>	<u>(6,985,195)</u>
Increase in other receivables	(1,144)	-
Increase in accruals and other payables	344,365	453,017
Net cash used in operations	<u>(3,453,702)</u>	<u>(6,532,178)</u>



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**NOTES TO THE FINANCIAL STATEMENTS****14 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	2016 HK\$	2015 HK\$
Administration expenses paid to a related company	(a)	(120,000)	(120,000)
Rent and rates paid to a related company	(a)	<u>(636,275)</u>	<u>(631,297)</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.

**15 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:

	2016 HK\$	2015 HK\$
Contracted but not provided for	<u>10,178,773</u>	<u>8,811,750</u>