

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

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# WAH YAN ONE FAMILY FOUNDATION LIMITED

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Foundation for the year ended 31<sup>st</sup> December, 2010.

### PRINCIPAL ACTIVITY

The Foundation is engaged in raising funds to promote educational and charitable activities and in particular, to raise the standard of education and to support extra-curricular activities of Wah Yan College, Hong Kong and Kowloon.

### RESULTS

The results of the Foundation for the year ended 31<sup>st</sup> December, 2010 are set out in the statement of income and expenditure on page 6.

### COUNCIL MEMBERS

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

Rev. Fr. Alfred Joseph Deignan S.J. – Chairman	
Mr. Fong Hup – Vice-Chairman	
Mr. Ng Tin Hoi Stephen – Vice-Chairman	
Rev. Fr. Chow Sau Yan Stephen S.J.	
Mr. Cheung Hon Kit	
Mr. Chung Ka Leung	
Mr. Tse Kam Ming Laurence	
Mr. Yuen Tin Fan Francis	
Mr. Lai Wing Hong Joseph	
Mr. Siu Hoi Ping Paul	
Mr. Lo Pak Huen William	(Appointed on 28/7/2010)
Mr. Li Khai Kam	(Appointed on 28/7/2010)
Mr. Chui Man Lung Everett	(Appointed on 28/7/2010)
Mr. Chan Shiu Lun Christopher	(Appointed on 28/7/2010)
Mr. Kwan Cheuk Yin William	(Retired on 28/7/2010)
Mr. Lee Yu Leung	(Retired on 28/7/2010)
Mr. Tseng Hing Fai Felix	(Retired on 28/7/2010)
Mr. Lau Pak Sang	(Retired on 28/7/2010)

Other office bearers of the Foundation during the year and up to the date of this report were:

Mr. Siu Hoi Ping Paul – Hon. Secretary  
Mr. Yiu Hi Cheong Wallace – Hon. Treasurer  
Mr. Fong Wing Hong Monty – Chief Executive Officer

In accordance with Article 36 of the Foundation's Articles of Association, all existing directors shall remain in office until the following Annual General Meeting of the Foundation.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**REPORT OF THE DIRECTORS**

**(Continued)**

**DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Foundation was a party and in which a director of the Foundation had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

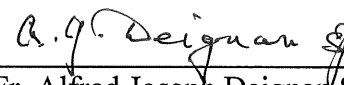
**DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

At no time during the year was the Foundation a party to any arrangements to enable the directors of the Foundation to acquire benefits by means of the acquisition of shares in or debentures of the Foundation or any other body corporate.

**AUDITORS**

A resolution will be submitted to members at the forthcoming annual general meeting to re-appoint Messrs. Paul W.C. Ho & Company, Certified Public Accountants (Practising), as auditors of the Foundation for the ensuing year.

On behalf of the Board



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Rev. Fr. Alfred Joseph Deignan S.J.  
Chairman

Hong Kong  
11<sup>th</sup> July, 2011

# PAUL W.C. HO & COMPANY

Certified Public Accountants (Practising)  
20<sup>th</sup> Floor, Golden Centre,  
No. 188 Des Voeux Road Central,  
Hong Kong.

TEL : 2815 4212 / 2815 4546  
FAX : 2854 3761 / 2851 8856  
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YOUR REF:

OUR REF:

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龍中心二一八樓  
電話：二二二二  
圖文傳真：八八八八  
五五一二  
一四五五  
八三四四  
八七五二  
五六四一  
六一六二

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAH YAN ONE FAMILY FOUNDATION LIMITED (incorporated in Hong Kong with limited liability)

### Report on the financial statements

We have audited the financial statements of Wah Yan One Family Foundation Limited set out on pages 5 to 21, which comprise the statement of financial position as at 31<sup>st</sup> December, 2010, and the statement of income and expenditure, statement of changes in funds and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors of the Foundation 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. This report is made solely to you, as a body, in accordance with Section 141 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.

# PAUL W.C. HO & COMPANY

Certified Public Accountants (Practising)  
20<sup>th</sup> Floor, Golden Centre,  
No. 188 Des Voeux Road Central,  
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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF WAH YAN ONE FAMILY FOUNDATION LIMITED**  
**(incorporated in Hong Kong with limited liability)**  
**(Continued)**

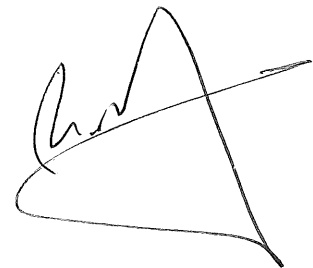
Auditor's responsibility (Cont'd)

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 judgment, 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 Foundation's preparation of the 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 Foundation'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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Foundation's affairs as at 31<sup>st</sup> December, 2010 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



Paul W. C. Ho & Company  
Certified Public Accountants (Practising)

Hong Kong  
11<sup>th</sup> July, 2011

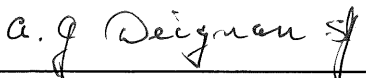
**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER, 2010**

	<u>NOTES</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>CURRENT ASSETS</b>			
Accounts receivable and deposits	7	5,649,776.23	1,017,710.00
Time and call deposits	8	32,514,424.91	25,002,876.84
Bank balances	8	<u>2,583,392.83</u>	<u>16,438,341.20</u>
		40,747,593.97	42,458,928.04
<b>DEDUCT: CURRENT LIABILITIES</b>			
Accounts payable and accruals	9	<u>(407,960.90)</u>	<u>(57,743.10)</u>
<b>NET CURRENT ASSETS</b>		<u>40,339,633.07</u>	<u>42,401,184.94</u>
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets			
- Listed securities	10(i)	1,926,030.20	1,266,440.40
- Investment fund	10(ii)	--	23,306,148.03
- Unlisted securities	10(iii)	<u>23,353,105.63</u>	<u>--</u>
		<u>25,279,135.83</u>	<u>24,572,588.43</u>
<b>TOTAL NET ASSETS</b>		<u>65,618,768.90</u>	<u>66,973,773.37</u>
<b>REPRESENTING:-</b>			
<b>ACCUMULATED FUND</b>			
<b>GENERAL FUND</b>			
Balance brought forward		73,623,782.94	59,796,604.28
(Deficit)/surplus for the year		<u>(8,205,509.11)</u>	<u>13,827,178.66</u>
Balance carried forward		65,418,273.83	73,623,782.94
<b>INVESTMENT REVALUATION RESERVE</b>	14	<u>200,495.07</u>	<u>(6,650,009.57)</u>
		<u>65,618,768.90</u>	<u>66,973,773.37</u>

The notes on pages 9 to 21 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 11<sup>th</sup> July, 2011.

  
\_\_\_\_\_  
Rev. Fr. Alfred Joseph Deignan S.J.  
Chairman

  
\_\_\_\_\_  
Mr. Fong Hup  
Vice-Chairman

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**STATEMENT OF INCOME AND EXPENDITURE**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

	<u>NOTES</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
<b>INCOME</b>			
Surplus from fund raising activities			
Gross donations and collections	11	6,297,963.94	18,787,739.45
Less: Direct expenditure	11	<u>(103,560.00)</u>	<u>(144,375.54)</u>
Net surplus		<u>6,194,403.94</u>	<u>18,643,363.91</u>
<b>OTHER INCOME</b>			
Bank and bond interest income		1,045,819.23	17,620.26
Rebates and commissions received		77,116.00	79,285.00
Dividends received		37,392.23	39,265.74
Profit on sale of bonds		103,612.80	--
		<u>1,263,940.26</u>	<u>136,171.00</u>
<b>TOTAL INCOME</b>		7,458,344.20	18,779,534.91
<b>LOSS ON REDEMPTION OF INVESTMENT FUND</b>	10	(4,266,474.59)	--
<b>LESS: EXPENDITURE</b>			
Donors' plaque and ceremony		14,000.00	11,570.00
Insurance		25,000.00	25,000.00
Staff salary and MPF contribution		732,900.00	695,100.00
Subsidies for school projects	12	10,505,087.48	4,176,943.36
Other expenses	13	55,641.24	43,742.89
Exchange loss		64,750.00	--
		<u>(11,397,378.72)</u>	<u>(4,952,356.25)</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<u>(8,205,509.11)</u>	<u>13,827,178.66</u>

The notes on pages 9 to 21 form an integral part of these financial statements.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**  
**STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Balance as at 1 <sup>st</sup> January	<u>66,973,773.37</u>	<u>49,938,855.28</u>
Investment revaluation reserve (Provision)/written back for loss in value of listed securities	(159,910.20)	412,792.40
Surplus on valuation of unlisted securities	710,612.87	--
Provision for loss in value of investment fund written back	6,299,801.97	2,794,947.03
	<u>6,850,504.64</u>	<u>3,207,739.43</u>
(Deficit)/surplus for the year	<u>(8,205,509.11)</u>	<u>13,827,178.66</u>
TRANSFER TO ACCUMULATED FUND	<u>65,618,768.90</u>	<u>66,973,773.37</u>

The notes on pages 9 to 21 form an integral part of these financial statements.



**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

	<u>2010</u> HK\$	<u>2009</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/surplus for the year	(8,205,509.11)	13,827,178.66
CHANGES IN WORKING CAPITAL		
Accounts receivable and deposits	(4,632,066.23)	4,482,290.00
Accounts payable and accruals	<u>350,217.80</u>	<u>(1,702,163.30)</u>
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	<u>(12,487,357.54)</u>	<u>16,607,305.36</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of listed securities	(819,500.00)	(116,648.00)
Purchase of unlisted securities	(22,642,492.76)	--
Sale of investment fund	<u>29,605,950.00</u>	<u>--</u>
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	<u>6,143,957.24</u>	<u>(116,648.00)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,343,400.30)	16,490,657.36
CASH AND CASH EQUIVALENTS AT 1/1/2010 (Note 8)	<u>41,441,218.04</u>	<u>24,950,560.68</u>
CASH AND CASH EQUIVALENTS AT 31/12/2010 (Note 8)	<u>35,097,817.74</u>	<u>41,441,218.04</u>

The notes on pages 9 to 21 form an integral part of these financial statements.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**1. GENERAL INFORMATION**

Organization and activities

Wah Yan One Family Foundation Limited (the “Foundation”) is a body corporate established under the Companies Ordinance (Chapter 32) for the purpose of promoting educational and charitable activities and in particular, to raise the standard of education and to support extra-curricular activities of Wah Yan College, Hong Kong and Kowloon.

On winding up or dissolution of the Foundation, there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the Foundation, but shall be given or transferred to some other institution or institutions having objects similar to the objects of the Foundation and which shall prohibit the distribution of its or their income and property amongst its or their members.

**2. STATEMENT OF COMPLIANCE WITH  
HONG KONG FINANCIAL REPORTING STANDARDS**

The Foundation’s financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies is set out in Note 3.

In 2010, the Foundation has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1<sup>st</sup> January, 2010. A summary of the changes in accounting policies resulting from the Foundation’s application of these HKFRSs is set out in Note 4.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The measurement basis used in preparing the financial statements is historical cost, except for investments in trading securities and available-for-sale financial assets, which are stated at fair value [see Note 3(e)].

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(b) FOREIGN CURRENCY TRANSLATION**

**(i) Functional and presentation currency**

Items included in the financial statements of the Foundation 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 dollars, which is the functional and presentation currency of the Foundation.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income and expenditure.

**(c) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risks of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Foundation’s cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(d) INCOME RECOGNITION**

Income is accounted for on an accruals basis, except for donations which are accounted for when the right to receive payment is established.

Donation not designated for any specific purpose is utilised at the discretion of the Board of Directors.

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

Dividend income is recognised when the shareholder’s right to receive payment is established.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) INVESTMENTS

Investments are recognised and derecognised on the trade date when the Foundation commits itself to purchase or sell an asset and are initially measured at fair value plus, in the case of investments other than trading securities, transaction costs. At the end of each reporting period, the Foundation assesses whether there is any objective evidence that an investment or group of investments is impaired. Investments are further categorised into the following classifications for the measurement after initial recognition.

(i) Trading securities

Investments in securities held for trading are classified as trading securities included in current assets and are stated in the statement of financial position at fair value. Any attributable transaction costs and gain or loss on the fair value changes of trading securities are recognised in the statement of income and expenditure.

(ii) Available-for-sale financial assets

Investments other than those held for trading and held to maturity are classified as available-for-sale financial assets and are stated in the statement of financial position at fair value. Gain or loss on the fair value changes of available-for-sale financial assets is recognised directly in equity in the investment revaluation reserves, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the statement of income and expenditure.

When the available-for-sale financial assets are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of income and expenditure. Where the available-for-sale financial assets are interest-bearing, interest calculated using the effective interest method is recognised in the statement of income and expenditure.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of income and expenditure even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in the statement of income and expenditure is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income and expenditure.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(e) INVESTMENTS (CONT'D)**

**(ii) Available-for-sale financial assets (Cont'd)**

Impairment losses recognised in the statement of income and expenditure for an investment in an equity instrument classified as available-for-sale are not reversed through the statement of income and expenditure. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income and expenditure, the impairment loss is reversed, with the amount of the reversal recognised in the statement of income and expenditure.

**(f) IMPAIRMENT OF ASSETS**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that investments in trading securities may be impaired. The impairment loss is measured as the difference between the carrying amount of the financial assets and the fair values or the estimated future cashflows, discounted at the current rate of return for a similar financial asset where the effect of discounting is material.

**(g) PROVISION AND CONTINGENT LIABILITIES**

Provisions are recognised for liabilities of uncertain timing or amount when the Foundation has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(h) FINANCIAL INSTRUMENTS**

**(i) Financial assets**

The Foundation's financial assets include accounts and other receivables and are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less impairment loss, if any. Any changes in their value are recognised in the statement of income and expenditure.

Derecognition of financial assets occurs when the rights to receive cash flows from the assets have expired; or where the Foundation has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Foundation will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of any reversal is recognised in the statement of income and expenditure.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(h) FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial liabilities

The Foundation's financial liabilities include accounts and other payables. Financial liabilities are recognised when the Foundation becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation is discharged or cancelled, or expires.

(i) STAFF RETIREMENT SCHEME

The Foundation operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the 'MPF' Scheme) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Foundation in an independently administered fund.

**4. CHANGES IN ACCOUNTING POLICIES**

In 2010, the Foundation has applied the new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) that are relevant to its operations and effective for annual periods beginning on or after 1<sup>st</sup> January, 2010, including "Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRS issued in 2009)".

The application of the new and revised Standards and Interpretations has no material effects on the Foundation financial performance and positions.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**6. FINANCIAL INSTRUMENTS**

Exposure to foreign currency, credit, liquidity, cash flow interest rate and equity price risks arises in the normal course of the Foundation's business. These risks are limited by the Foundation's financial management policies and practices described below:

(a) Foreign exchange risk

Foreign exchange risk arises where future transactions, recognised assets and liabilities are denominated in a currency that is not the functional currency of the Foundation. The directors are of the opinion that the Foundation does not have significant foreign exchange risk under the current operations.

(b) Credit risk

The Foundation has no significant credit risk from third parties, including risks resulting from counterparty default and risks of concentration. The Foundation has policies in place for the control and monitoring of relevant credit risk.

(c) Liquidity risk

The liquidity of the Foundation is managed by maintaining sufficient cash and bank balances.

The table below summarises the maturity profile of the Foundation's financial liabilities at the end of each reporting period based on contractual undiscounted payments.

<u>2010</u>	<u>Within</u> <u>1 year</u> <u>HK\$</u>	<u>2<sup>nd</sup> to 5<sup>th</sup></u> <u>years</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Accounts payable and accruals	<u>407,960.90</u>	<u>--</u>	<u>407,960.90</u>

<u>2009</u>	<u>Within</u> <u>1 year</u> <u>HK\$</u>	<u>2<sup>nd</sup> to 5<sup>th</sup></u> <u>years</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Accounts payable and accruals	<u>57,743.10</u>	<u>--</u>	<u>57,743.10</u>



**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

6. **FINANCIAL INSTRUMENTS (CONT'D)**

(d) Cash flow and fair value interest rate risk

The Foundation has significant deposits placed with banks which expose the Foundation to cash flow interest rate risk. At present, the Foundation does not enter into any derivative to hedge against its interest rate risk exposure.

(e) Equity price risk

The investments in equity securities classified as trading securities and available-for-sale financial assets expose the Foundation to price risk. As the Foundation's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Foundation's financial position.

<u>Summary quantitative data</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
Available-for-sale financial assets		
- Listed equity securities, at market value	1,926,030.20	1,266,440.40
- Investment fund, at net asset value	--	23,306,148.03
- Equities, bonds and convertibles, at market value	<u>23,353,105.63</u>	<u>--</u>
	<u>25,279,135.83</u>	<u>24,572,588.43</u>

Sensitivity analysis

A 10% increase in stock prices at 31<sup>st</sup> December, 2010 with all other variables held constant would have increased surplus for the year by HK\$2,527,913.58 (2009: HK\$2,457,258.84) and increased equity by HK\$2,527,913.58 (2009: HK\$2,457,258.84). Conversely, if a 10% decrease in stock prices at 31<sup>st</sup> December, 2010 with all other variables held constant would have decreased surplus for the year by HK\$2,527,913.58 (2009: HK\$2,457,258.84) and decreased equity by HK\$2,527,913.58 (2009: HK\$2,457,258.84).

The sensitivity analysis has been prepared with the assumption that the change in equity price had occurred at the end of the reporting period and had been applied to the exposure to equity price risk for the relevant financial instrument in existence at that date. The changes in equity price represent management's assessment of a reasonably possible change in equity price at that date over the period until the end of the next annual reporting period.

The analysis is prepared on the same basis for 2009.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**7. ACCOUNT RECEIVABLE AND DEPOSITS**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Fund advanced for the 85 <sup>th</sup> /90 <sup>th</sup> School Anniversaries Celebration Programmes	--	1,000,000.00
Advance payments for fund raising programmes	119,154.00	17,710.00
Sum retained on redemption of investment fund	1,263,736.23	--
Special donation received by Wah Yan College Hong Kong from Mr. James Loh (see Note below)	4,266,886.00	--
	<u>5,649,776.23</u>	<u>1,017,710.00</u>

Note: A special donation was made by Mr. James Loh to compensate the Foundation for the loss it incurred upon redemption in December 2010 of the Foundation's investment fund (see Note 10 below). This donation, which has been received by Wah Yan College Hong Kong, will be applied as future subsidies from the Foundation to the Wah Yan Schools.

**8. CASH AND CASH EQUIVALENTS**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Short-term bank deposits	32,514,424.91	25,002,876.84
Cash at banks	<u>2,583,392.83</u>	<u>16,438,341.20</u>
	<u>35,097,817.74</u>	<u>41,441,218.04</u>

The effective interest rate on short-term bank deposits was 0.01% (2009: 0.01%); these deposits have an average maturity of one month.

**9. ACCOUNTS PAYABLE AND ACCRUALS**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Temporary receipt	--	1,000.00
Donation receipts in advance for 2011 Fund raising programmes	323,340.00	--
Accrued salary and mandatory provident fund	55,000.00	55,000.00
Sponsorship for Joint-School Wind Band Performance	28,067.00	--
Accrued office expenses	<u>1,553.90</u>	<u>1,743.10</u>
	<u>407,960.90</u>	<u>57,743.10</u>

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

10. **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

(i) **Listed Securities**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Listed securities in Hong Kong, at cost	2,436,148.00	1,616,648.00
Less: Provision for impairment loss transferred to investment revaluation reserve	<u>(510,117.80)</u>	<u>(350,207.60)</u>
Balance at 31 <sup>st</sup> December	<u>1,926,030.20</u>	<u>1,266,440.40</u>
Market value of listed securities at 31 <sup>st</sup> December	<u>1,926,030.20</u>	<u>1,266,440.40</u>

(ii) **Investment Fund**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Investment fund, at cost	--	29,605,950.00
Less: Provision for impairment loss transferred to investment revaluation reserve	<u>--</u>	<u>(6,299,801.97)</u>
Balance at 31 <sup>st</sup> December	<u>--</u>	<u>23,306,148.03</u>
Net asset value of fixed income fund at 31 <sup>st</sup> December	<u>--</u>	<u>23,306,148.03</u>

A sum of US\$3,800,000.00 was given to JL Capital Pte Limited in 2008 to invest and generate return for the Foundation. The investment fund was subsequently redeemed in December 2010 at a loss of HK\$4,266,474.59. Mr. James Loh, the managing director of JL Capital Pte Limited has generously made a special donation to the Foundation to compensate for the loss so incurred (see Notes 7 and 11).

(iii) **Unlisted Securities**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Bonds and convertible bonds, at cost	22,485,842.76	--
Add: Surplus on valuation transferred to investment revaluation reserve	710,612.87	--
Interest income receivable	<u>156,650.00</u>	<u>--</u>
Market value of unlisted securities at 31 <sup>st</sup> December	<u>23,353,105.63</u>	<u>--</u>

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**11. SURPLUS FROM FUND RAISING ACTIVITIES**

	<u>Donations and collection</u> HK\$	<u>Direct expenditure</u> HK\$	<u>2010 Net surplus</u> HK\$	<u>2009 Net surplus</u> HK\$
General	1,432,757.94	--	1,432,757.94	16,742,195.14
Marathon	548,320.00	103,560.00	444,760.00	1,786,264.31
Concert	50,000.00	--	50,000.00	108,915.00
Folk Music Gala	--	--	--	5,989.46
Special	4,266,886.00	--	4,266,886.00	--
– from Mr. James Loh (Note 10)				
	<u>6,297,963.94</u>	<u>103,560.00</u>	<u>6,194,403.94</u>	<u>18,643,363.91</u>

**12. SUBSIDIES FOR SCHOOL PROJECTS**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Students exchange programme	--	35,561.17
Summer English training programme	--	76,000.00
Music performance	--	21,753.40
Small class teaching	6,500,000.00	3,500,000.00
Other learning experience	1,000,000.00	--
Teachers training – small class	689,354.65	543,628.79
Putonghua Teachers/Immersion course	1,203,000.00	--
Educational Psychologist	763,000.00	--
Sports	250,000.00	--
Other sponsorship	99,732.83	--
	<u>10,505,087.48</u>	<u>4,176,943.36</u>

**13. OTHER EXPENSES**

	<u>2010</u> HK\$	<u>2009</u> HK\$
Bank and custodian charges	5,509.18	1,492.51
Bank overdraft interest	--	289.59
Miscellaneous expenses	5,405.63	105.00
Office expenses	39,326.43	25,101.01
Computer and website expenses	5,400.00	16,754.78
	<u>55,641.24</u>	<u>43,742.89</u>

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**14. INVESTMENT REVALUATION RESERVE**

	<u>Listed securities</u> HK\$	<u>Unlisted Securities</u> HK\$	<u>Fixed income fund</u> HK\$	<u>Total</u> HK\$
Impairment losses				
At 1/1/2009	(763,000.00)	--	(9,094,749.00)	(9,857,749.00)
Provision written back in the year [Note 10(i)&(ii)]	<u>412,792.40</u>	<u>--</u>	<u>2,794,947.03</u>	<u>3,207,739.43</u>
At 31/12/2009 and 1/1/2010	(350,207.60)	--	(6,299,801.97)	(6,650,009.57)
Provision for the year [Note 10(i)]	(159,910.20)	--	--	(159,910.20)
Provision written back in the year [Note 10(ii)]	--	--	6,299,801.97	6,299,801.97
Surplus on valuation [Note 10(iii)]	<u>--</u>	<u>710,612.87</u>	<u>--</u>	<u>710,612.87</u>
At 31/12/2010	<u>(510,117.80)</u>	<u>710,612.87</u>	<u>--</u>	<u>200,495.07</u>

**15. DIRECTORS' REMUNERATION**

None of the directors received or will receive any fees or other remuneration in respect of their services rendered to the Foundation during the year.

**16. TAXATION**

The Foundation is exempted from Hong Kong taxation under Section 88 of the Inland Revenue Ordinance.

**17. LIMITED BY GUARANTEE**

The Foundation is limited by guarantee and not having a share capital. Every member of the Foundation undertakes to contribute to the assets of the Foundation, in the event of the same being wound up while he is a member or within one year after he ceases to be a member, for payment of the debts or liabilities of the Foundation contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of contributories amongst themselves, such amounts as may be required, not exceeding HK\$100.

**WAH YAN ONE FAMILY FOUNDATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

**18. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31<sup>st</sup> December, 2010 and which have not been adopted in these financial statements.

The Foundation is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Foundation's results of operations and financial position.

**19. CAPITAL MANAGEMENT**

Capital represents accumulated fund stated on the statement of financial position. The Foundation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to promote educational and charitable activities.

The Foundation manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The Foundation's accumulated fund at the end of the reporting period was HK\$65,618,768.90 (2009: HK\$66,973,773.37). The Foundation's operation is wholly sourced from its accumulated fund.

The Foundation is not subject to either internally or externally imposed capital requirements.

**20. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in the financial statements to conform with presentation of the current year.