

# Independent auditors' report

**To the members of World Wide Fund for Nature Hong Kong (the "Fund")  
(incorporated in Hong Kong with liability limited by guarantee)**

We have audited the financial statements of World Wide Fund For Nature Hong Kong set out on pages 13 to 26, which comprise the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of changes in general fund and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Executive Council's responsibility for the financial statements**

The Executive Council is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' 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 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 as to whether the financial statements are free from material misstatement.

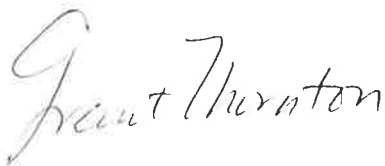
**Auditors' responsibility (Continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 Executive Council, 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 Fund's affairs as at 30 June 2010 and of its surplus 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.

**Grant Thornton**

Certified Public Accountants  
6th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong

28 October 2010

# World Wide Fund for Nature Hong Kong

## Statement of comprehensive income

### for the year ended 30 June 2010


	2010 HK\$	2009 HK\$
<b>Income</b>		
Commercial membership income	318,500	-
Consultancy income	130,536	24,475
Donations		
- Restricted		
- Trust and foundation	4,956,670	3,553,120
- Others	11,212,447	14,192,935
- Unrestricted	6,606,909	4,616,647
Entrance fee for Mai Po, C.S.C. and HHW visits	3,330,453	2,904,329
Interest income	4,320	64,219
Membership donations		
- Corporate	7,000,550	5,537,547
- Individual	22,927,889	20,573,825
Rental and workshop income	1,171,742	362,916
Royalties	28,769	47,689
Sales of publications, souvenirs and sundry items	2,479,954	988,863
Services income from tender		
- Gei Wai	885,650	879,810
- Habitat Management	538,980	524,910
Subvention income: Ramsar Management	159,000	159,000
Sundry income	104,875	317,181
	<b>61,857,244</b>	<b>54,747,466</b>
<b>Expenditure</b>		
Advertisements	1,242,051	1,264,774
Audit fee	27,400	27,400
Consumables	502,655	548,986
Depreciation	5,248,882	5,692,718
Equipment supplies and rental	441,082	276,758
Insurance	462,051	630,075
Inventory written-off	22,336	52,589
Loss on disposal of property, plant and equipment	29,706	9,565
Maintenance	2,714,250	2,250,832
Miscellaneous	723,567	919,511
Network service fee	2,103,264	5,476,251
Postage	510,093	585,986
Premium	777,426	588,588
Printing and stationery	1,335,427	1,752,760
Printing education materials	1,349,287	1,960,137
Projects expenses	7,170,650	8,241,557
Publications, souvenirs and sundry items	1,411,772	418,923
Rent and rates	713,679	789,501
Staff costs		
- Salaries	31,331,069	31,603,587
- Mandatory provident fund contributions	1,266,244	1,277,044
- Provident fund contributions under ORSO	144,883	158,049
Travelling and transportation	1,174,925	1,530,651
Utilities	617,592	683,328
	<b>61,320,291</b>	<b>66,739,570</b>
Surplus/(Deficit) and total comprehensive income/expenditure for the year	<b>536,953</b>	<b>(11,992,104)</b>

# World Wide Fund for Nature Hong Kong


## Statement of financial position

### as at 30 June 2010

	Note	2010 HK\$	2009 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	5	1,435,628	6,122,202
<b>Current assets</b>			
Inventories of souvenir items at cost		764,681	506,273
Other receivables and prepayments		1,385,510	1,034,640
Utility deposits		320,532	285,612
Time deposits		1,293,259	1,292,835
Bank balances and cash		17,682,425	10,888,431
		<b>21,446,407</b>	<b>14,007,791</b>
<b>Current liabilities</b>			
Receipts in advance		789,762	433,348
Accounts payable and accruals		7,761,611	6,641,120
Due to TRAFFIC EAST ASIA	6	1,141,378	403,194
		<b>9,692,751</b>	<b>7,477,662</b>
<b>Net current assets</b>		<b>11,753,656</b>	<b>6,530,129</b>
<b>Net assets</b>		<b>13,189,284</b>	<b>12,652,331</b>
Represented by:			
<b>General fund</b>		<b>13,189,284</b>	<b>12,652,331</b>



**Mr. T. C. H. Yang**  
Chairman



**Mr. Iain James Mackay**  
Honorary Treasurer

# World Wide Fund for Nature Hong Kong

## Statement of cash flows

### for the year ended 30 June 2010

	2010 HK\$	2009 HK\$
<b>Cash flows from operating activities</b>		
Surplus/(Deficit) for the year	536,953	(11,992,104)
Depreciation	5,248,882	5,692,718
Interest income	(4,320)	(64,219)
Inventory written-off	22,336	52,589
Loss on disposal of property, plant and equipment	29,706	9,565
<hr/>		
Operating surplus/(deficit) before working capital changes	5,833,557	(6,301,451)
Increase in inventories	(280,744)	(446,002)
Increase in utility deposits, other receivables and prepayments	(385,790)	(285,886)
Increase in accounts payable and accruals	2,215,089	4,141,363
<hr/>		
<i>Net cash generated from / (used in) operating activities</i>	<b>7,382,112</b>	<b>(2,891,976)</b>
<hr/>		
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(592,452)	(1,878,891)
Sales proceeds on disposal of property, plant and equipment	438	-
Interest received	4,320	64,219
<hr/>		
<i>Net cash used in investing activities</i>	<b>(587,694)</b>	<b>(1,814,672)</b>
<hr/>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,794,418</b>	<b>(4,706,648)</b>
<hr/>		
<b>Cash and cash equivalents at beginning of year</b>	<b>12,181,266</b>	<b>16,887,914</b>
<hr/>		
<b>Cash and cash equivalents at end of year</b>	<b>18,975,684</b>	<b>12,181,266</b>
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<b>Analysis of the balances of cash and cash equivalents</b>		
Time deposits	1,293,259	1,292,835
Bank balances and cash	17,682,425	10,888,431
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	<b>18,975,684</b>	<b>12,181,266</b>
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# World Wide Fund for Nature Hong Kong

## Statement of changes in general fund for the year ended 30 June 2010

	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
General fund at 1 July	<b>12,652,331</b>	24,644,435
Surplus/(Deficit) and total comprehensive income/expenditure for the year	<b>536,953</b>	(11,992,104)
General fund at 30 June	<b>13,189,284</b>	12,652,331

# World Wide Fund for Nature Hong Kong

## Notes to the financial statements

### for the year ended 30 June 2010

#### **1. GENERAL INFORMATION**

World Wide Fund for Nature Hong Kong (the 'Fund') is incorporated in Hong Kong with liabilities limited by guarantee. The Fund's registered office is located at No. 1 Tramway Path, Central, Hong Kong and, its principal place of business is Hong Kong.

The principal activities of the Fund are to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption.

The financial statements for the year ended 30 June 2010 were approved for issue by the Executive Council on 28 October 2010.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The financial statements on pages 13 to 26 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.2 Foreign currency translation**

The financial statements are presented in Hong Kong Dollars (HK\$), which is also the functional currency of the Fund.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the statement of comprehensive income.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### **2.3 Property, plant and equipment**

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided to write-off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	33.3%
Plant and machinery	33.3%
Furniture, fixtures and equipment	33.3%
Motor vehicle	33.3%

The assets' useful lives are reviewed and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

### **2.4 Financial assets**

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.4 Financial assets (Continued)**

All financial assets are recognised when, and only when, the Fund becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

#### Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fee that are an integral part of the effective interest rate and transaction cost.

#### Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Fund about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors and, national or local economic conditions that correlate with defaults on the assets.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.4 Financial assets (Continued)**

#### Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss recognised in statement of comprehensive income in the period in which the impairment occurs.

If, in subsequent period, the amount of the 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date of impairment is reversed. The amount of the reversal is recognised in the statement of comprehensive income for the period in which the reversal occurs.

### **2.5 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

### **2.6 Financial liabilities**

Financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instruments. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of comprehensive income.

Financial liabilities measured at amortised costs are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.7 Cash and cash equivalents**

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **2.8 Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Fund determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### *(i) Classification of assets leased to the Fund*

Assets that are held by the Fund under leases which transfer to the Fund substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Fund are classified as operating leases.

#### *(ii) Operating lease charges as the lessee*

Where the Fund has the right to use the assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made.

#### *(iii) Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in statement of comprehensive income on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in statement of comprehensive income as an integral part of the aggregate net lease payments receivable.

### **2.9 Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Fund and when the revenue and costs, if applicable, can be measured reliably and on the following basis.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.9 Revenue recognition (Continued)**

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income is recognised in the period when services are rendered.

Rental income is recognised in the period in which the properties and equipment are let.

Interest income is recognised on a time proportion basis using the effective interest rate method.

Other revenue is accounted for on a cash received basis when no significant uncertainty as to its collectability exists.

Royalty income from the licensing of trademarks is recognised on an accruals basis in accordance with the substance of the license agreements.

### **2.10 Impairment of non-financial assets**

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.11 Retirement benefit costs**

Retirement benefits to employees are provided through defined contribution plans.

#### Defined contribution plan

The Fund operates a defined contribution Mandatory Provident Fund Exempted ORSO Scheme (the "ORSO Scheme") and a defined contribution Mandatory Provident Fund 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' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the schemes. The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Fund in an independently administered fund.

## **3. ADOPTION OF NEW OR AMENDED HKFRSs**

In the current year, the Fund has applied for the first time the HKAS 1 (Revised 2007) Presentation of financial statements issues by the HKICPA, which are relevant to and effective for the Fund's financial statements for the annual period beginning on 1 July 2009.

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Fund's assets, liabilities, income and expenditures is unchanged.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Fund.

The Executive Council of the Fund anticipate that all of the pronouncements will be adopted in the Fund's accounting policy for the first period beginning after the effective date of the pronouncement but are not expected to have a material impact on the Fund's financial statements.

## **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 Fund 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 discussed below.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

##### Allowance for inventories

Management of the Fund reviews the inventories on a product-by-product basis at each reporting date, and makes allowance for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

#### 5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$	Plant and machinery HK\$	Furniture, fixtures and equipment HK\$	Motor vehicle HK\$	Total HK\$
<b>At 30 June 2008</b>					
Cost	12,852,704	524,861	4,030,182	349,262	17,757,009
Accumulated depreciation	(4,672,120)	(381,989)	(2,408,044)	(349,262)	(7,811,415)
<b>Net book amount</b>	<b>8,180,584</b>	<b>142,872</b>	<b>1,622,138</b>	<b>-</b>	<b>9,945,594</b>
<b>Year ended 30 June 2009</b>					
Opening net book amount	8,180,584	142,872	1,622,138	-	9,945,594
Additions	220,549	66,624	894,805	696,913	1,878,891
Disposals	-	(8,312)	(1,253)	-	(9,565)
Depreciation	(4,235,216)	(102,188)	(1,207,044)	(148,270)	(5,692,718)
<b>Closing net book amount</b>	<b>4,165,917</b>	<b>98,996</b>	<b>1,308,646</b>	<b>548,643</b>	<b>6,122,202</b>
<b>At 30 June 2009</b>					
Cost	13,073,253	530,647	4,900,967	1,046,175	19,551,042
Accumulated depreciation	(8,907,336)	(431,651)	(3,592,321)	(497,532)	(13,428,840)
<b>Net book amount</b>	<b>4,165,917</b>	<b>98,996</b>	<b>1,308,646</b>	<b>548,643</b>	<b>6,122,202</b>
<b>Year ended 30 June 2010</b>					
Opening net book amount	4,165,917	98,996	1,308,646	548,643	6,122,202
Additions	25,000	177,792	389,660	-	592,452
Disposals	-	(29,852)	(292)	-	(30,144)
Depreciation	(4,046,644)	(90,872)	(879,062)	(232,304)	(5,248,882)
<b>Closing net book amount</b>	<b>144,273</b>	<b>156,064</b>	<b>818,952</b>	<b>316,339</b>	<b>1,435,628</b>
<b>At 30 June 2010</b>					
Cost	13,098,253	674,477	5,289,559	1,046,175	20,108,464
Accumulated depreciation	(12,953,980)	(518,413)	(4,470,607)	(729,836)	(18,672,836)
<b>Net book amount</b>	<b>144,273</b>	<b>156,064</b>	<b>818,952</b>	<b>316,339</b>	<b>1,435,628</b>

#### 6. AMOUNT DUE TO TRAFFIC EAST ASIA

The amounts due is unsecured, interest-free and repayable on demand.

#### 7. TAXATION

The Fund is an approved charitable institution and is exempted from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

#### 8. EXECUTIVE COUNCILLORS' EMOLUMENTS

There were no Executive Councillors' fees and other emoluments paid or payable for the year (2009: Nil).

## 9. LIMITED BY GUARANTEE

The Fund is incorporated in Hong Kong with liability limited by guarantee of not exceeding HK\$50 for each member and does not have share capital.

## 10. OPERATING LEASE COMMITMENT

At the reporting date, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Fund are as follows:

	2010 HK\$	2009 HK\$
Within one year	647,630	168,585
In the second to fifth years	166,168	119,028
	<b>813,798</b>	<b>287,613</b>

## 11. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Fund is exposed to financial risk through its use of financial instruments in its ordinary course of operations. The financial risks include foreign currency risk, interest rate risk and liquidity risk.

The Fund does not have written risk management policies and guidelines. The Executive Council of the Fund meets periodically to discuss for overall risk management, as well as policies covering specific areas. Generally, the Fund employs conservative strategies regarding its risk management and limits the Funds' exposure to these risks to a minimum.

### 11.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2010 HK\$	2009 HK\$
<b><u>Financial assets</u></b>		
Loans and receivables		
- Time deposits	1,293,259	1,292,835
- Bank balances and cash	17,682,425	10,888,431
- Other receivables	682,278	492,601
- Utility deposits	320,532	285,612
	<b>19,978,494</b>	<b>12,959,479</b>
<b><u>Financial liabilities</u></b>		
At amortised cost		
- Accounts payable and accruals	7,761,611	6,641,120
- Due to TRAFFIC EAST ASIA	1,141,378	403,194
	<b>8,902,989</b>	<b>7,044,314</b>

### 11.2 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund operates in Hong Kong and the functional currency is HK\$. The Fund's exposures to currency risk arise from certain transactions settled in foreign currencies and certain financial assets denominated in foreign currencies.

## 11. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### 11.2 Foreign currency risk (Continued)

The overall net exposure in respect of the carrying amount of the Fund's foreign currency denominated financial assets and liabilities in net position at the reporting date were as follows:

	2010	2009
Net financial assets / (financial liabilities)		
Australian dollar ("AUD")	<b>AUD 7,179</b>	AUD 15,504
Swiss Franc ("CHF")	<b>CHF (512,687)</b>	CHF 1,909
EURO ("EUR")	<b>EUR 30,368</b>	EUR 5,632
US dollar ("USD")	<b>USD 280,130</b>	USD 609,901

As HK\$ is linked to US Dollars, the Fund does not have material exchange risk on such currencies. As to the fluctuation in AUD, CHF and EUR against HK\$, the management considers that the exchange risk arising from these currencies does not have significant financial impact to the Fund.

### 11.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Fund has no significant interest-bearing liabilities. The exposure to interest rate risk for the Fund's bank balances and short term deposits is considered immaterial.

### 11.4 Liquidity risk

Liquidity risk relates to the risk that the Fund will not be able to meet its obligations associated with its financial liabilities.

The Fund's prudent policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Fund is required to pay. Where settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Fund is committed to pay.

At 30 June 2010 and 2009, the Fund's remaining contractual maturities for its financial liabilities will be either on demand or within one year. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flow.

### 11.5 Fair value

The fair values of the Fund's financial assets and liabilities are not materially different from their carrying amounts as at 30 June 2010 and 2009 because of the immediate or short term maturity of these financial instruments.