



Children's Cancer Foundation
兒童癌病基金

31 October 2020

Report of the governors

The governors have pleasure in submitting herewith their annual report together with the audited financial statements for the year ended 31 October 2020.

Principal place of business

Children's Cancer Foundation (the "Foundation") is a charitable institution incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Room 702, Tung Ning Building, 125 Connaught Road Central, Hong Kong.

Principal activities

The Foundation is a charitable institution limited by guarantee. Tax is exempted under Section 88 of the Inland Revenue Ordinance. The principal activities of the Foundation during the financial year were to look after the physical, psychological and social well-being of the child cancer patients and the families. The Foundation also helped doctors to improve the survival rate of children with cancer the sponsorship of drugs, clinical/diagnostic tests, research and the purchase of equipment for the Hong Kong Children's Hospital.

Business review

Review of the Foundation's business

Nature of business

The Foundation owns its principal place of business in Central, a unit donated to the Foundation by a long-term benefactor in 1995 to be used as the Foundation's administration headquarter. Its two service centres, one in Wong Tai Sin and the other one in So Uk Estate provide comprehensive professional psychosocial services for patients and their families, which include family counselling, child life (previously named as hospital play), integrated education and learning enhancement, survivor potential development as well as financial and social support. It has also rented three flats from the Hong Kong Housing Authority to use as half-way homes for patients undergoing bone-marrow/blood stem cell transplantation, intensive chemotherapy or surgery when their home is considered not suitable for convalescing.

Business review (continued)

External environment impacting the business

The economy in Hong Kong has decelerated in 2019 as it continues to grapple with the worsening external environment and the ripple effects from the trade wars. This may have a negative impact on the donations. The increased number of children's charities will also make it more competitive in getting sponsorships and donations.

Performance and financial position of the Foundation

During the year under review, the surplus of the Foundation for the year was HK\$5,352,419 (2019: HK\$1,907,291) and the net assets of the Foundation were HK\$76,946,089 as at 31 October 2020 (2019: HK\$71,593,670). The surplus of the year was due to a few big donations during the year.

The Foundation's financial key performance indicators during the year were income and the number of patients/families served and research/diagnostic test projects sponsored:

1. Income increased by 3% from HK\$37,174,023 to HK\$ 38,396,665 during the year;
2. Number of patients/families decreased by 34% from 3,860 to 2,544;
3. Number of research/diagnostic test projects decreased by 22% from 9 to 7.

Environmental policies and performance and compliance with the relevant laws and regulations

There were no environmental policies, environmental issues and non-compliance of law and regulations that have a significant impact on the Foundation.

Key relationships with its employees, clients, donors and supporters

The Foundation has built good relationships with its employees, clients, donors and supporters.

Principal risks and uncertainties facing the Foundation

The principal risks and uncertainties that the Foundation faces can be broadly grouped as – business risk, competition risk and financial risks.

Business risk

The performance and operations of the Foundation largely depend on the donations and sponsorships received during the year. The uncertainty in the external environment affecting Hong Kong's economy and the shifting priorities of stakeholder institutions may pose a risk to the Foundation in getting donations from the public. Changes in donor population and demographic can also pose a risk to fund-raising strategies. The Foundation would need to adapt to maximise outreach to new donors while maintaining relevance to existing donors.

The increasing costs in delivering services and programmes are also challenges that the Foundation continues to face.

Business review (continued)

Competition risk

With the establishment of the Hong Kong Children's Hospital and the increased number of charities both for children and different illnesses, the public and other potential donor pools may be pleaded with competing appeals for donations. The Foundation not only faces the situation of the already limited donations being shared by other charities, but also requires extra effort to get our messages across to the public effectively in order to raise awareness of our cause and solicit the much needed support.

Financial risks

- *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Details on the Foundation's credit risk and policy are set out in note 20(a) to the financial statements.

- *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Details on the Foundation's liquidity risk and policy are set out in note 20(b) to the financial statements.

- *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will cause a financial loss for the entity. Details on the Foundation's interest rate risk and policy are set out in note 20(c) to the financial statements.

- *Foreign currency risk*

Foreign currency risk is the risk that changes in foreign exchange rates will cause a financial loss for the entity. Details on the Foundation's foreign currency risk and policy are set out in the note 20(d) to the financial statements.

Particulars of important events affecting the Foundation that have occurred since the end of the financial year

The long-lasting pandemic has changed the operation mode of the Foundation. Making use of the advanced technology, the Foundation coped with the pandemic proactively and creatively through producing educational videos for patients; setting up 'Mobile Playroom' at the chat room to stay in touch with the children and their families, playing games and conducting workshops; preparing and supporting young patients going through painful treatment procedures via video calls, and the centre-based transitional classes for pre-school learning and rehabilitation support were also being conducted online so that the patients could continue their classes at home. Major patients' event such as annual Christmas Party was also conducted via online.

Business review (continued)

To further advocate the importance of children's palliative care in Hong Kong, the Children's Palliative Care Foundation (an entity solely owned by the Foundation) organised a one-day online Children's Palliative Care Symposium. It also presented an overview of the latest development of palliative and home care services for children and families, explored the future development and provided networking opportunity for those who are interested in children's palliative care service.

There is a significant drop in donations through fund-raising event and this is an immediate impact of the pandemic where most events have to be cancelled. Fortunately, some donors were holding virtual events to raise funds but the amount was significantly lower than when the event was held on site.

Indication of likely future development in the Foundation's business

With a vision to extend our current services to families of young patients suffering from other serious illnesses, the Foundation successfully secured a three-year grant from The Hong Kong Jockey Club Charities Trust to support our expansion of Child Life service to families of young patients with other life-limiting and life-threatening illnesses, in caring for their psychological and emotional needs in hospitals. In a long run, the project can bring a paradigm shift towards the holistic care in paediatric healthcare.

At the same time, we will also continue to secure funding to expand our children's palliative and home care services. Building on our experience, the Foundation will continue to promote the development of the Child Life and children's palliative care discipline in paediatrics healthcare so that more sick children may benefit.

Governors

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

Ho Kwok-chung, Anthony	
Hui Yick-chi	(resigned on 24 July 2020 and appointed on 27 July 2020)
Lam Yuk-wah, Peter	
Yu Hon-choi, Edward	(resigned on 24 July 2020 and appointed on 27 July 2020)
Cheung Tsu-wang, Benson	
Lam Chee-yau, Timothy	(appointed on 1 May 2020)

The three-year term of office for governors under article 29 of the new articles of association of the Foundation applies to governors elected or re-elected from the date of adoption of the new articles of association on 14 October 2013. In accordance with article 29, Ho Kwok-chung, Anthony, Lam Yuk-wah, Peter and Cheung Tsu-wang, Benson will retire from the Board at the upcoming annual general meeting.

At no time during the year was the Foundation a party to any arrangement to enable the governors of the Foundation to acquire benefits by means of the acquisition of shares in or debentures of anybody corporate.

Indemnity of governors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the governors of the Foundation is currently in force throughout this year.

Governors' interests in transactions, arrangements or contracts

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

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Foundation is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Ho Kwok-chung, Anthony

Governor

Hong Kong

25 JUN 2021



Independent auditor's report to the members of Children's Cancer Foundation

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Children's Cancer Foundation ("the Foundation") set out on pages 9 to 37, which comprise the statement of financial position as at 31 October 2020, the statement of income and expenditure and other comprehensive income, the statement of changes in reserves and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 October 2020 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 ("HKSAAs") 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 are independent of the Foundation 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The governors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.



Independent auditor's report to the members of Children's Cancer Foundation (continued)

(Incorporated in Hong Kong and limited by guarantee)

Responsibilities of the governors for the financial statements

The governors 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 governors 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 governors are responsible for assessing the Foundation'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 governors either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

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. This report is made 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 HKSAs 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 HKSAs, we exercise professional judgement 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 Foundation's internal control.



Independent auditor's report to the members of Children's Cancer Foundation (continued)

(Incorporated in Hong Kong and limited by guarantee)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governors.
- Conclude on the appropriateness of the governors' 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 Foundation'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 Foundation 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.

We communicate with the governors 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.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 JUN 2021

Statement of financial position at 31 October 2020

(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
Non-current asset			
Property, plant and equipment	2	\$ 4,454,430	\$ 4,785,126
Current assets			
Inventories		\$ 489	\$ 489
Bank interest receivable	3	283,641	578,841
Other debtors, deposits and prepayments	3	791,648	1,134,757
Cash and deposits with banks	4	77,474,954	68,211,571
		<u>\$ 78,550,732</u>	<u>\$ 69,925,658</u>
Current liabilities			
Other payables and accruals		\$ (1,994,539)	\$ (2,313,514)
Deferred income	5	(3,349,458)	(803,600)
Lease liabilities	7	(512,755)	-
		<u>\$ (5,856,752)</u>	<u>\$ (3,117,114)</u>
Net current assets		<u>\$ 72,693,980</u>	<u>\$ 66,808,544</u>
Total assets less current liabilities		<u>\$ 77,148,410</u>	<u>\$ 71,593,670</u>
Non-current liability			
Lease liabilities	7	\$ (202,321)	\$ -
NET ASSETS		<u>\$ 76,946,089</u>	<u>\$ 71,593,670</u>

Statement of financial position at 31 October 2020

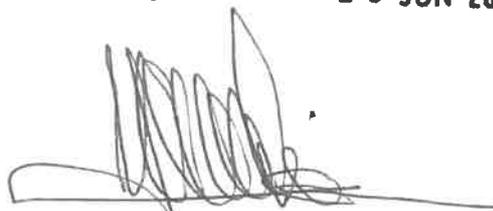
(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
RESERVES	8		
Accumulated fund		\$ 1,865,826	\$ 1,368,074
Specific funds		<u>75,080,263</u>	<u>70,225,596</u>
		<u>\$ 76,946,089</u>	<u>\$ 71,593,670</u>

Approved and authorised for issue by the board of governors on **25 JUN 2021**



Ho Kwok-chung, Anthony
Governor



Yu Hon-choi, Edward
Governor

Note: The Foundation has initially applied HKFRS 16 on 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 15 to 37 form part of these financial statements.

**Statement of income and expenditure and
other comprehensive income
for the year ended 31 October 2020**
(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
Income - donations	9	\$ 34,924,238	\$ 35,752,003
Other revenue	10	<u>3,472,427</u>	<u>1,422,020</u>
		\$ 38,396,665	\$ 37,174,023
Expenditure for providing services to child cancer patients and their families and support to hospitals and doctors	11	(29,467,856)	(30,972,415)
Administrative expenses	12	(1,579,060)	(2,098,620)
Other operating expenses	13	(1,959,020)	(2,195,697)
Finance cost	14(a)	<u>(38,310)</u>	<u>-</u>
Surplus and total comprehensive income for the year	14	<u>\$ 5,352,419</u>	<u>\$ 1,907,291</u>

Note: The Foundation has initially applied HKFRS 16 on 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 15 to 37 form part of these financial statements.

Statement of changes in reserves for the year ended 31 October 2020

(Expressed in Hong Kong dollars)

	Accumulated fund (Note)	Specific funds (note 5(b))				Sub-total	Total
		Patient service development fund	Hospital service development fund	Public Service development fund	Research grants reserve		
Balance at 1 November 2019	\$ 1,180,830	\$ 42,059,479	\$ 25,134,708	\$ 672,927	\$ 638,435	\$ 68,505,549	\$ 69,686,379
Changes in reserves for 2018/19:							
Surplus and total comprehensive income for the year	1,907,291	-	-	-	-	-	1,907,291
Inter-fund transfer	(1,720,046)	1,568,149	27,668	-	124,229	1,720,046	-
Balance at 31 October 2019 and 1 November 2019	\$ 1,368,075	\$ 43,627,628	\$ 25,162,376	\$ 672,927	\$ 762,664	\$ 70,225,595	\$ 71,593,670
Changes in reserves for 2019/20:							
Surplus and total comprehensive income for the year	5,352,419	-	-	-	-	-	5,352,419
Inter-fund transfer	(4,854,668)	4,315,805	55,115	-	483,748	4,854,668	-
Balance at 31 October 2020	\$ 1,865,826	\$ 47,943,433	\$ 25,217,491	\$ 672,927	\$ 1,246,412	\$ 75,080,263	\$ 76,946,089

Note: The Foundation has initially applied HKFRS 16 on 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 15 to 37 form part of these financial statements.

Cash flow statement for the year ended 31 October 2020 (Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
Operating activities			
Surplus for the year		\$ 5,352,419	\$ 1,907,291
Adjustments for:			
Depreciation	2	1,721,323	739,687
Loss on disposal of property, plant and equipment	13	640	12,516
Interest income on bank deposits	10	(1,194,902)	(1,401,431)
Unrealised exchange loss		96,506	18,307
Finance costs		38,310	-
		<u>6,014,296</u>	<u>1,276,370</u>
Operating surplus before changes in working capital		\$ 6,014,296	\$ 1,276,370
Decrease in inventories		-	24
Decrease/(increase) in other debtors, deposits and prepayments		343,109	(407,592)
Increase in other payables and accruals and deferred income		2,226,883	1,941,725
		<u>2,226,883</u>	<u>1,941,725</u>
Net cash generated from operating activities		\$ 8,584,288	\$ 2,810,527
Investing activities			
Payment for the purchase of property, plant and equipment		\$ (143,612)	\$ (5,144,593)
Interest received		1,490,102	1,384,591
Net (increase)/decrease in placement of deposits with bank with maturity more than three months at acquisition		(13,703,815)	1,285,970
		<u>(13,703,815)</u>	<u>1,285,970</u>
Net cash used in investing activities		\$ (12,357,325)	\$ (2,474,032)

Cash flow statement
for the year ended 31 October 2020 (continued)
(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
Financing activities			
Capital element of lease rentals paid	6	\$ (532,579)	\$ -
Interest element of lease rentals paid	6	<u>(38,310)</u>	<u>-</u>
Net cash used in financing activities		<u><u>\$ (570,889)</u></u>	<u><u>\$ -</u></u>
Net (decrease)/increase in cash and cash equivalents		\$ (4,343,926)	\$ 336,495
Effect of foreign exchange rate changes		(96,506)	(18,307)
Cash and cash equivalents at 1 November 2019/2018		<u>5,189,938</u>	<u>4,871,750</u>
Cash and cash equivalents at 31 October 2020/2019	4	<u><u>\$ 749,506</u></u>	<u><u>\$ 5,189,938</u></u>

Note: The Foundation has initially applied HKFRS 16 on 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 15 to 37 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term 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. Significant accounting policies adopted by the Foundation is set out below.

The HKICPA has issued a number of new and revised HKFRSs and amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Foundation. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Foundation for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Foundation.

Except for HKFRS16, *Leases*, none of the developments have had a material effect on how the Foundation's results and financial position for the current or prior periods have been prepared or presented. The Foundation has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1 Significant accounting policies (continued)

At the date of transition to HKFRS 16 (i.e. 1 November 2019), the Foundation determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 November 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.0%.

To ease the transition to HKFRS 16, the Foundation applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Foundation elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 October 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Foundation applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Foundation relied on the previous assessment for onerous contract provisions as at 31 October 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 17 as at 31 October 2019 to the opening balance for lease liabilities recognised as at 1 November 2019:

	<i>1 November 2019</i>
Operating lease commitments at 31 October 2019	\$ 245,321
Add: lease payments for the additional periods where the Foundation considers it reasonably certain that it will exercise the extension options	<u>1,059,086</u>
	\$ 1,304,407
Less: total future interest expenses	<u>(56,752)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 November 2019 and total lease liabilities recognised at 1 November 2019	<u>\$ 1,247,655</u>

1 Significant accounting policies (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

The following table summarises the impacts of the adoption of HKFRS 16 on the Foundation's statement of financial position:

	<i>Carrying amount at 31 October 2019</i>	<i>Capitalisation of operating lease contracts</i>	<i>Carrying amount at 1 November 2019</i>
	\$	\$	\$
Line items in the statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	4,785,126	1,247,655	6,032,781
Total non-current assets	4,785,126	1,247,655	6,032,781
Lease liabilities (current)	-	532,579	532,579
Current liabilities	3,117,114	532,579	3,649,693
Net current assets	66,808,544	(532,579)	66,275,965
Total assets less current liabilities	71,593,670	715,076	72,308,746
Lease liabilities (non-current)	-	715,076	715,076
Total non-current liabilities	-	715,076	715,076
Net assets	71,593,670	-	71,593,670

1 Significant accounting policies (continued)

c. Impact on the financial result, segment results and cash flows of the Foundation

After the initial recognition of right-of-use assets and lease liabilities as at 1 November 2019, the Foundation as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Foundation's income statement, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Foundation as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 6). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 6).

(d) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(g)):

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Properties leased for own use	Over the unexpired term of lease
- Leasehold improvements	5 years
- Furniture, fixtures and equipment and motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 Significant accounting policies (continued)

(e) Leased assets

At inception of a contract, the Foundation assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(i) Policy applicable from 1 November 2019

At the lease commencement date, the Foundation recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Foundation enters into a lease in respect of a low-value asset, the Foundation decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(d) and 1(g)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Foundation's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Foundation will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Foundation presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

1 Significant accounting policies (continued)

(ii) Policy applicable prior to 1 November 2019

In the comparative period, leases which did not transfer substantially all the risks and rewards of ownership to the Foundation were classified as operating leases.

Where the Foundation had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(f) *Intangible asset*

Intangible assets that are acquired by the Foundation are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(g)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis at 20% per annum.

Both the period and method of amortisation are reviewed annually.

(g) *Impairment of assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment, including right-of-use assets; and
- Intangible asset

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (continued)

(i) Trade and other receivables

A receivable is recognised when the Foundation has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the management fee receivables. The loss allowance is estimated using a provision matrix based on the Foundation's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting of date.

For all financial instruments, the Foundation recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instruments since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Foundation recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of management fee and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Foundation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(i).

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (continued)

(l) Employee benefits

Salaries, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(m) Provisions and contingent liabilities

Provisions are recognised 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 expenditure 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.

(n) Revenue and other income

Details of the Foundation's revenue and other income recognition policies are as follows:

- (i) Donations are recognised when they are received, except for donations with conditions attached which is deferred until the conditions are satisfied.
- (ii) Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(i)).
- (iii) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Foundation will comply with the conditions attaching to them. Grants that compensate the Foundation for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Foundation for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 Significant accounting policies (continued)

(o) Translation of foreign currency

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(p) Related parties

- (a) A person, or a close member of that person's family, is related to the Foundation if that person:
- (i) has control or joint control over the Foundation;
 - (ii) has significant influence over the Foundation; or
 - (iii) is a member of the key management personnel of the Foundation or the Foundation's parent.
- (b) An entity is related to the Foundation if any of the following conditions applies:
- (i) The entity and the Foundation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Foundation or an entity related to the Foundation.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of the Foundation of which it is a part, provides key management personnel services to the Foundation or to the Foundation's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Property, plant and equipment

(a) Reconciliation of carrying amount

	Leasehold improvements	Furniture, fixtures and equipment and motor vehicles	Property leased for own use	Total
Cost:				
At 1 November 2018	\$ 5,983,557	\$ 2,871,343	\$ -	\$ 8,854,900
Additions	3,706,257	1,438,336	-	5,144,593
Disposals	(3,064,820)	(1,158,144)	-	(4,222,964)
At 31 October 2019	<u>\$ 6,624,994</u>	<u>\$ 3,151,535</u>	<u>\$ -</u>	<u>\$ 9,776,529</u>
Accumulated depreciation:				
At 1 November 2018	\$ 5,895,623	\$ 2,566,541	\$ -	\$ 8,462,164
Charge for the year	329,030	410,657	-	739,687
Written back on disposals	(3,064,820)	(1,145,628)	-	(4,210,448)
At 31 October 2019	<u>\$ 3,159,833</u>	<u>\$ 1,831,570</u>	<u>\$ -</u>	<u>\$ 4,991,403</u>
Net book value:				
At 31 October 2019	<u>\$ 3,465,161</u>	<u>\$ 1,319,965</u>	<u>\$ -</u>	<u>\$ 4,785,126</u>
Cost:				
At 31 October 2019	\$ 6,624,994	\$ 3,151,535	\$ -	\$ 9,776,529
Impact on initial application of HKFRS 16 (note)	-	-	1,247,655	1,247,655
At 1 November 2019	\$ 6,624,994	\$ 3,151,535	\$ 1,247,655	\$ 11,024,184
Additions	-	143,612	-	143,612
Disposals	-	(34,920)	-	(34,920)
At 31 October 2020	<u>\$ 6,624,994</u>	<u>\$ 3,260,227</u>	<u>\$ 1,247,655</u>	<u>\$ 11,132,876</u>
Accumulated depreciation:				
At 1 November 2019	\$ 3,159,833	\$ 1,831,570	\$ -	\$ 4,991,403
Charge for the year	782,438	392,344	546,541	1,721,323
Written back on disposals	-	(34,280)	-	(34,280)
At 31 October 2020	<u>\$ 3,942,271</u>	<u>\$ 2,189,634</u>	<u>\$ 546,541</u>	<u>\$ 6,678,446</u>
Net book value:				
At 31 October 2020	<u>\$ 2,682,723</u>	<u>\$ 1,070,593</u>	<u>\$ 701,114</u>	<u>\$ 4,454,430</u>

2 Property, plant and equipment (continued)

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 November 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

The Foundation's head office at Tung Ning Building, 125 Connaught Road Central, which is held under a long-term lease, was donated to the Foundation by a third party in 1995 and the amount of which has not been recorded in these financial statements.

Other property, plant and equipment are located at the Foundation's head office, the Family Service Centre, Community Service Centre, the Half-way Homes and storage room.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets, carried at depreciated cost, by class of underlying asset is as follows:

	Note	31 October 2020	1 November 2019
Properties leased for own use	(i)	\$ 701,114	\$ 1,247,655

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	2019 (Note)
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	\$ 546,541	\$ -
Interest on lease liabilities (note 14)	\$ 38,310	\$ -
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	\$ -	\$ 646,386

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 November 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 November 2019, the Foundation as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 6 and 7, respectively.

2 Property, plant and equipment (continued)

(i) Properties leased for own use

The Foundation has obtained the right to use other properties as service centres, half-way home and storage room through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

3 Bank interest receivable and other debtors, deposits and prepayments

Except for deposits of \$68,311 (2019: \$68,311) which are expected to be recovered after more than one year, all the bank interest receivable and other debtors, deposits and prepayments are expected to be recovered or recognised as an expense within one year.

4 Cash and deposits with banks

	2020	2019
Deposits with banks with maturity within three months at acquisition	\$ -	\$ 4,123,194
Cash at bank and in hand	749,506	1,066,744
Cash and cash equivalents in the cash flow statement	\$ 749,506	\$ 5,189,938
Deposits with banks with maturity of more than three months at acquisition	76,725,448	63,021,633
Cash and deposits with banks in the statement of financial position	\$ 77,474,954	\$ 68,211,571

Included in cash and deposits with banks in the statement of financial position are \$8,966,840 (equivalent to US\$1,158,256) (2019: \$8,947,583 (equivalent to US\$1,143,463)) denominated in United States dollars.

5 Deferred income

The deferred income represented the balance of donations designated for specific projects, including \$2,380,000 (2019: \$Nil) received from the Hong Kong Jockey Club Charities Trust for implementation of "Child Life" paediatric care project, which are expected to be recognised as income and credited to the statement of income and expenditure when related expenditure was incurred.

6 Reconciliation of liabilities arising from financing activities

The table below details changes in the Foundation's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	<i>Lease liabilities</i> (note 7)
At 31 October 2019	\$ -
Impact on initial application of HKFRS 16 (note)	1,247,655
At 1 November 2019	<u>\$ 1,247,655</u>
Changes from financing cash flows:	
Capital element of lease rentals paid	\$ (532,579)
Interest element of lease rentals paid	(38,310)
Total changes from financing cash flows	<u>\$ (570,889)</u>
Other changes:	
Interest expenses (note 14)	\$ 38,310
Total other changes	<u>\$ 38,310</u>
At 31 October 2020	<u>\$ 715,076</u>

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 November 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c) and note to the cash flow statement.

6 Reconciliation of liabilities arising from financing activities (continued)

Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020	2019 (Note)
Within operating cash flows	\$ -	\$ 646,386
Within financing cash flows	570,889	-
	<u>\$ 570,889</u>	<u>\$ 646,386</u>

Note: As explained in the note to the cash flow statement, the adoption of HKFRS 16 introduces a change in classification of cash flows of rentals paid on leases. The comparative amounts have not been restated.

7 Leases liabilities

The following table shows the remaining contractual maturities of the Foundation's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

	2020		2019	
	<i>Present value of the minimum lease payments</i>	<i>Total minimum lease payments</i>	<i>Present value of the minimum lease payments</i>	<i>Total minimum lease payments</i>
Within 1 year	\$ 512,755	\$ 529,848	\$ 532,579	\$ 570,889
After 1 year but within 2 years	\$ 202,321	\$ 203,670	\$ 512,755	\$ 529,848
After 2 years but within 5 years	-	-	202,321	203,670
	<u>\$ 202,321</u>	<u>\$ 203,670</u>	<u>\$ 715,076</u>	<u>\$ 733,518</u>
	<u>\$ 715,076</u>	\$ 733,518	<u>\$ 1,247,655</u>	\$ 1,304,407
Less: total future interest expenses		<u>(18,442)</u>		<u>(56,752)</u>
Present value of lease liabilities		<u>\$ 715,076</u>		<u>\$ 1,247,655</u>

7 Leases liabilities (continued)

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 November 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 October 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

8 Reserves

(a) *Components of the Foundation's reserves*

The opening and closing balances of each component of the Foundation's reserves and a reconciliation between these amounts are set out in the statement of changes in reserves.

(b) *Specific funds*

The specific funds were set up by the governors for the purpose of financing future development in patient service, hospital service, public service and on-going multi-year research projects to which the Foundation is committed, offset by any deficit arising from operation.

(c) *Capital management*

The Foundation is a charitable institution limited by guarantee and has no share capital. The Foundation considers its capital to be the aggregate of the accumulated fund and specific funds. The Foundation's primary objectives when managing its accumulated fund and specific funds are to safeguard the Foundation's ability to continue as a going concern, so that it can continue to provide services to look after the physical, psychological and social well-being of the child cancer patients in hospitals under the management of the Hospital Authority in Hong Kong. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Foundation to the extent that these do not conflict with the Governors' fiduciary duties towards the Foundation or the requirements of the Hong Kong Companies Ordinance.

There has been no change in the Foundation's capital management practice as compared to prior year and the Foundation is not subject to any externally imposed capital requirements.

9 Income - donations

	2020	2019
Children's Cancer Foundation		
General donations from public (including designated donations of \$8,120,795 (2019: \$8,167,238))	\$ 28,906,942	\$ 29,838,956
Fund-raising campaign organised by		
- organisations (including designated donations of \$1,592,554 (2019: \$2,901,466))	\$ 2,047,264	\$ 3,738,866
- individuals	130,590	126,003
- schools (including designated donations of \$Nil (2019: \$Nil))	371,209	307,607
	\$ 2,549,063	\$ 34,011,432
Children's Palliative Care Foundation		
General donations from public (including designated donation of \$2,646,529 (2019: \$1,125,046))	\$ 3,468,233	\$ 1,740,571
	\$ 34,924,238	\$ 35,752,003

10 Other revenue

	2020	2019
Interest income on bank deposits	\$ 1,194,902	\$ 1,401,431
Government subsidy (Note i)	2,277,525	-
Others	-	20,589
	\$ 3,472,427	\$ 1,422,020

Note i: In 2020, the Foundation successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region ("HKSAR"). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Foundation is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

11 Expenditure for providing services to child cancer patients and their families and support to hospitals and doctors

	2020	2019 (Note i)
Expenditure for Children's Cancer Foundation		
Child Life	\$ 5,895,730	\$ 6,347,038
Family Counselling	4,189,521	4,415,467
Community Service	3,418,736	4,168,711
Drugs, devices, specialised tests and procedures	2,462,763	2,480,507
Family Service Centre	1,570,207	1,575,981
Research	1,434,415	1,479,561
Community Service and Rehabilitation Centre / Community Service Centre	683,299	1,145,512
Clinical and Diagnostic Services	411,600	1,268,600
Depreciation		
- Owned property, plant and equipment	1,155,326	715,636
- Right-of-use assets	546,541	-
Half-way home	43,363	131,749
Medical equipment donated to hospital	-	700,000
Medical staff training	-	131,695
Renovation and furnishing	-	19,635
Children's Cancer Centre	-	10,980
Clinical Psychological Service	-	8,700
	<u>\$ 21,811,501</u>	<u>\$ 24,599,772</u>
Expenditure for Children's Palliative Care Foundation		
Palliative and Home Care Service (Note ii)	<u>\$ 7,656,355</u>	<u>\$ 6,372,643</u>
	<u>\$ 29,467,856</u>	<u>\$ 30,972,415</u>

Note

- (i): The Foundation has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).
- (ii): The Children's Palliative Care Foundation, solely owned by the Children's Cancer Foundation, was established on 1 January 2018 and inaugurated on 14 October 2018 with the aim of providing in-depth palliative and home care service not only to child cancer patients but also to children with life-threatening and life-limiting diseases.

After the establishment of the Children's Palliative Care Foundation, the expenditure for Palliative and Home Care Service was charged to the Children's Palliative Care Foundation.

12 Administrative expenses

	2020	2019
Salaries and wages of administrative and general staff	\$ 1,462,310	\$ 1,939,054
Staff welfare and recruitment (including contributions to defined contribution pension plan of \$68,168 (2019: \$93,886))	92,133	131,403
Depreciation	19,456	24,051
Insurance	5,161	4,112
	\$ 1,579,060	\$ 2,098,620

13 Other operating expenses

	2020	2019
Fund-raising expenses	\$ 1,159,737	\$ 1,130,940
PR and communications	178,425	231,287
Auditor's remuneration	176,000	183,000
Promotion expenses	116,037	310,422
Exchange loss	96,506	18,307
Miscellaneous	60,178	124,942
Repairs and maintenance	70,910	77,857
Rates and management fee	54,600	58,874
Printing, stationery and postage	34,214	36,485
Telephone expenses	11,773	11,067
Loss on disposal of property, plant and equipment	640	12,516
	\$ 1,959,020	\$ 2,195,697

14 Surplus for the year

Surplus for the year is arrived at after charging/(crediting):

	2020	2019 (Note)
(a) Finance costs		
Interest on lease liabilities (note 6)	38,310	-

14 Surplus for the year (continued)

	2020	2019 (Note)
(b) Other items		
Salaries, wages and other benefits (including contributions to defined contribution pension plan of \$1,161,435 (2019: \$1,155,793) *	\$ 24,566,885	\$ 25,109,424
Depreciation (note 2)		
- Owned property, plant and equipment	1,174,782	739,687
- Right-of-use assets **	546,541	-
Minimum lease payments for lease previously classified as operating lease under HKAS 17	-	646,386
Loss on disposal of property, plant and equipment	640	12,516
Exchange loss	96,506	18,307
Auditor's remuneration		
- current year	179,000	182,000
- (over)/under-provision of last year	(3,000)	1,000

* Salaries, wages and other benefits are included within subcategories of "expenditure for providing services to child cancer patients and their families and support to hospitals and doctors", "administrative expenses" and "other operating expenses".

** The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 November 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 November 2019, the Foundation as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Note: The Foundation has initially applied HKFRS 16 at 1 November 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

15 Governors' remuneration

None of the governors received any remuneration from the Foundation for the current and prior years.

16 Taxation

No provision has been made in the financial statements for Hong Kong Profits Tax as the Foundation is an approved charitable organisation and is exempted from tax under section 88 of the Inland Revenue Ordinance.

17 Operating lease commitments

As at 31 October 2019, the total future minimum lease payments under non-cancellable operating leases for premises are payable as follows:

	2019
Within 1 year	\$ 204,281
After 1 year but within 5 years	41,040
	\$ 245,321

The Foundation leased a number of properties which was previously classified as an operating lease under HKAS 17. The Foundation has initially applied HKFRS 16 on 1 November 2019 with applying the practical expedient (see note 1(c)). From 1 November 2019 onwards, future lease payments are recognised as leases liabilities in the statement of financial position in accordance with the policies set out in note 1(e), and the details regarding the Foundation's future lease payments are disclosed in note 7.

18 Members' liability

The liability of the members of the Foundation in the event of a winding up is limited to \$20 for each member. As at 31 October 2020, the Foundation has 29 (2019: 29) members.

19 Material related party transaction

The Foundation did not enter into any material related party transactions during the current and prior years.

20 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Foundation's business. The Foundation's exposure to these risks and the financial risk management policies and practices used by the Foundation to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Foundation. The Foundation's credit risk is primarily attributable to bank deposits. The Foundation's exposure to credit risk arising from cash and cash equivalents is limited because the Foundation only places deposits with major financial institutions with sound credit ratings, for which the Foundation considers to have low credit risk.

(b) Liquidity risk

The Foundation's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and funding lines to meet its liquidity requirements in the short and longer term. All financial liabilities are expected to be settled within one year or are repayable on demand.

20 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

The Foundation's exposure to changes in interest rates primarily relates to the Foundation's bank deposits. The Foundation's bank deposits have an effective interest rate of 0.64% (2019: 1.11%).

At 31 October 2020, it is estimated that a general increase/decrease of 1% (2019: 1%) in interest rates, with all other variables held constant, would increase/decrease the Foundation's surplus and the Foundation's reserves by approximately \$773,875 (2019: \$681,211).

The sensitivity analysis above is the annualised impact and has been determined assuming the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to floating interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2019.

(d) Foreign currency risk

The Foundation is exposed to foreign currency risks through certain bank deposits that are denominated in United States dollars ("USD"). As the HKD is pegged to USD, the Foundation does not expect any significant movements in the USD/HKD exchange rate.

(e) Fair value measurement

All financial instruments are carried at amounts not materially different from their fair values as at 31 October 2020 and 2019, given their short-term maturities.

21 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 October 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 October 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Foundation.

*Effective for
accounting periods
beginning on or after*

Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020

The Foundation is in the process of making an assessment of what the impact of these developments 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 financial statements.