



**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
(incorporated in Hong Kong as a company limited  
by guarantee)

**Directors' Report and  
Financial Statements  
For the year ended 30 June 2020**

**CHINA CARE FUND LIMITED**  
(培苗行動有限公司)  
**DIRECTORS' REPORT**

The directors present their annual report together with the audited financial statements for the year ended 30 June 2020.

**PRINCIPAL ACTIVITIES**

The Association is a charitable organisation and is engaged in propagating education in the People's Republic of China and in Hong Kong.

**FINANCIAL STATEMENTS AND APPROPRIATIONS**

The financial performance of the Association for the year ended 30 June 2020 and the financial position of the Association as at 30 June 2020 are set out in the financial statements on pages 5 to 24.

**DIRECTORS**

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

Sister Agnes LAW Yuen Ming  
Mr. Arthur TSO Yeung  
Mr. WONG Kwan Yiu

In accordance with Article 45 of the Association's Articles of Association, Sister Agnes Law Yuen Ming shall retire from office by rotation and being eligible offers herself for re-election.

**ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the year was the Association a party to any arrangement to enable the Association's directors to acquire benefits by means of the acquisition of shares in, or debentures of any body corporate.

**AUDITOR**

A resolution will be proposed at the forthcoming annual general meeting of the Association to re-appoint BDO Limited as auditor of the Association.

By order of the directors



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Mr. Arthur TSO Yeung  
Director

Hong Kong, 22 MAR 2021



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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHINA CARE FUND LIMITED  
(培苗行動有限公司)**  
(incorporated in Hong Kong as a company limited by guarantee)

**Opinion**

We have audited the financial statements of China Care Fund Limited (the "Association") set out on pages 5 to 24, which comprise the statement of financial position as at 30 June 2020, and the statement of comprehensive income, statement of changes in total funds and statement of cash flows 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 Association as at 30 June 2020 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 ("HKSA") 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 Association 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.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the directors' report.

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 CHINA CARE FUND LIMITED  
(培苗行動有限公司)**

(incorporated in Hong Kong as a company limited by guarantee)

***Directors' Responsibilities for the Financial Statements***

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

In preparing the financial statements, the directors are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Association either intend to liquidate the Association 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 judgment and maintain professional skepticism 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 Association's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHINA CARE FUND LIMITED  
(培苗行動有限公司)**

(incorporated in Hong Kong as a company limited by guarantee)

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited  
Certified Public Accountants  
Tam Kwok Yiu  
Practising Certificate Number P02575

Hong Kong, 22 MAR 2021

**CHINA CARE FUND LIMITED**  
(**培苗行動有限公司**)  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

Note	2020			2019		
	Special purpose funds HK\$	General fund HK\$	Total HK\$	Special purpose funds HK\$	General fund HK\$	Total HK\$
<b>Income</b>						
Donations	11,990,339	2,660,990	14,651,329	14,403,741	4,958,436	19,362,177
Government grant	-	144,474	144,474	-	-	-
Exchange gain	-	184,080	184,080	-	104,121	104,121
Interest income	-	17,219	17,219	-	22,511	22,511
	<u>11,990,339</u>	<u>3,006,763</u>	<u>14,997,102</u>	<u>14,403,741</u>	<u>5,085,068</u>	<u>19,488,809</u>
<b>Expenditure</b>						
Function expenditure	-	(307,733)	(307,733)	-	(2,510,160)	(2,510,160)
Administrative expenditure	-	(1,461,706)	(1,461,706)	-	(1,338,600)	(1,338,600)
Sponsorship expenditure	(12,218,480)	-	(12,218,480)	(15,436,916)	-	(15,436,916)
Interest on lease liabilities	-	(127)	(127)	-	-	-
	<u>(12,218,480)</u>	<u>(1,769,566)</u>	<u>(13,988,046)</u>	<u>(15,436,916)</u>	<u>(3,848,760)</u>	<u>(19,285,676)</u>
<b>Surplus/(Deficit) and total comprehensive income for the year</b>	5 <u>(228,141)</u>	<u>1,237,197</u>	<u>1,009,056</u>	<u>(1,033,175)</u>	<u>1,236,308</u>	<u>203,133</u>

**CHINA CARE FUND LIMITED**  
(**培苗行動有限公司**)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Notes	2020 HK\$	2019 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	9	20,386	64,496
Right-of-use assets	10	<u>3,575</u>	<u>-</u>
		<u>23,961</u>	<u>64,496</u>
<b>Current assets</b>			
Deposit, other receivables and prepayments		1,122,893	-
Cash and bank balances		<u>19,920,818</u>	<u>17,491,624</u>
		<u>21,043,711</u>	<u>17,491,624</u>
<b>Total assets</b>		<u>21,067,672</u>	<u>17,556,120</u>
<b>Current liabilities</b>			
Sponsorship fees payable		8,470,481	8,355,537
Other accounts payable and accrued charges		<u>2,383,918</u>	<u>125,104</u>
<b>Total current liabilities</b>		<u>10,854,399</u>	<u>8,480,641</u>
<b>Net current assets</b>		<u>10,189,312</u>	<u>9,010,983</u>
<b>Total assets less current liabilities</b>		10,213,273	9,075,479
<b>Non-current liabilities</b>			
Sponsorship fees payable		<u>2,672,947</u>	<u>2,553,022</u>
<b>Net assets</b>		<u>7,540,326</u>	<u>6,522,457</u>
<b>Representing:</b>			
General fund		6,378,123	5,132,113
Special purpose funds	12	<u>1,162,203</u>	<u>1,390,344</u>
<b>Total funds</b>		<u>7,540,326</u>	<u>6,522,457</u>

On behalf of the directors



Mr. Arthur TSO Yeung  
Director



Sister Agnes LAW Yuen Ming  
Director

**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
**STATEMENT OF CHANGES IN TOTAL FUNDS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	General fund HK\$	Special purpose funds HK\$	Total funds HK\$
Balance at 1 July 2019	3,895,805	2,423,519	6,319,324
Surplus/(Deficit) and total comprehensive income for the year	<u>1,236,308</u>	<u>(1,033,175)</u>	<u>203,133</u>
Balance as at 30 June 2019 as originally presented	5,132,113	1,390,344	6,522,457
Initial application of HKFRS 16 (note 2(a))	<u>8,813</u>	<u>-</u>	<u>8,813</u>
Restated at 1 July 2019	5,140,926	1,390,344	6,531,270
Surplus/(Deficit) and total comprehensive income for the year	<u>1,237,197</u>	<u>(228,141)</u>	<u>1,009,056</u>
Balance at 30 June 2020	<u><u>6,378,123</u></u>	<u><u>1,162,203</u></u>	<u><u>7,540,326</u></u>

**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	2020 HK\$	2019 HK\$
<b>Cash flows from operating activities</b>		
Surplus for the year	1,009,056	203,133
Adjustments for:		
Depreciation of property, plant and equipment	44,110	46,129
Depreciation of right-of-use assets	15,152	-
Exchange difference	212	-
Interest on lease liabilities	127	-
Interest expense	530,639	519,455
Interest income	(17,219)	(22,511)
	<u>1,582,077</u>	<u>746,206</u>
<b>Operating cash flows before working capital changes</b>	<b>1,582,077</b>	<b>746,206</b>
(Increase)/Decrease in deposit, other receivables and prepayments	(1,122,893)	2,748
(Decrease)/Increase in sponsorship fees payable	(295,770)	1,851,943
Increase/(Decrease) in other accounts payable and accrued charges	<u>2,258,814</u>	<u>(148,898)</u>
<b>Net cash generated from operating activities</b>	<u><u>2,422,228</u></u>	<u><u>2,451,999</u></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(54,882)
Interest received	<u>17,219</u>	<u>22,511</u>
<b>Net cash generated from/(used in) investing activities</b>	<u><u>17,219</u></u>	<u><u>(32,371)</u></u>
<b>Cash flows from financing activities</b>		
Repayment of principal amount of lease liabilities	<u>(10,253)</u>	<u>-</u>
<b>Net cash used in financing activities</b>	<u><u>(10,253)</u></u>	<u><u>-</u></u>
<b>Net increase in cash and cash equivalents</b>	<b>2,429,194</b>	<b>2,419,628</b>
<b>Cash and cash equivalents at beginning of the year</b>	<u><u>17,491,624</u></u>	<u><u>15,071,996</u></u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>19,920,818</u></u>	<u><u>17,491,624</u></u>
<b>Analysis of cash and cash equivalent:</b>		
Cash and bank balances	<u><u>19,920,818</u></u>	<u><u>17,491,624</u></u>

**CHINA CARE FUND LIMITED**  
(培苗行動有限公司)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**1. GENERAL**

China Care Fund Limited (“the Association”) was incorporated in Hong Kong as a company limited by guarantee and does not have share capital.

The Association is a charitable organisation and is engaged in propagating education in the People’s Republic of China and in Hong Kong. The address of its registered office and principal place of business is located at Unit A, 20/F, Loyong Court Commercial Building, 212-220 Lockhart Road, Wan Chai, Hong Kong.

In the event of winding up, each member is liable to contribute not exceeding HK\$100 and, if there remains, after satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the Association, but shall be given or transferred to some other institution or institutions, having similar objects of the Association and which shall prohibit the distribution of its or their income and property amongst its or their members to an extent at least as great as is imposed on the Association under or by virtue of Clause 5 of the Memorandum of Association, such institution or institutions to be determined by the members of the Association at or before the time of dissolution and in default thereof by a Judge of the High Court of the Hong Kong Special Administrative Region having the jurisdiction in regards to charitable funds, and if and so far as effect cannot be given to the aforesaid provision then to some charitable objects.

**2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**(a) Adoption of new/revised HKFRSs - Effective 1 July 2019**

HKFRS 16 Annual Improvements to HKFRSs 2015-2017 Cycle	Leases Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs
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Except for HKFRS 16, adoption of the above new/revised HKFRSs did not have any material impact on the Association’s accounting policies.

***HKFRS 16 Leases (“HKFRS 16”)***

Before 1 July 2019, lease payments for properties were expensed on a straight line basis over the lease term. On adopting HKFRS 16 on 1 July 2019, all leases (other than low-value or short-term leases) are recognised in the statement of financial position as right-of-use assets and lease liabilities, resulting in new accounting policies (note 4(b)).

CHINA CARE FUND LIMITED  
(培苗行動有限公司)  
NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2020

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs - Effective 1 July 2019 - Continued

*HKFRS 16 Leases (“HKFRS 16”) - Continued*

(i) Impact of the adoption of HKFRS 16

In applying HKFRS 16 for the first time, the Association has used the following practical expedients permitted by the standard:

- reliance on previous assessment on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Association has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on the statement of financial position as of 30 June 2019 to that of 1 July 2019:

	Increase HK\$
<i>Statement of financial position as at 1 July 2019</i>	
Right-of-use assets	18,939
Lease liabilities	10,126
General fund	8,813

**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**(a) Adoption of new/revised HKFRSs - Effective 1 July 2019 - Continued**

***HKFRS 16 Leases (“HKFRS 16”) - Continued***

**(i) Impact of the adoption of HKFRS 16 - Continued**

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 30 June 2019 could be reconciled to the lease liabilities recognised in the statement of financial position as at 1 July 2019:

	<b>HK\$</b>
<i>Reconciliation of operating lease commitment to lease liabilities</i>	
Operating lease commitment as of 30 June 2019	25,635
Less: Commitments relating to leases exempt from capitalisation:	
- Short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(15,382)
Less: Total future interest expenses	<u>(127)</u>
Present value of remaining lease payments, discounted using incremental borrowing rate at 1 July 2019	<u>10,126</u>
Analysed as:	
Lease liabilities	<u>10,126</u>

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 July 2019 is 5%.

**(b) New or amended HKFRSs that have been issued but are not yet effective**

The following new or amended HKFRSs, potentially relevant to the Association’s financial statements, have been issued but are not yet effective and have not been early adopted by the Association. The directors of the Association anticipate that these pronouncements will be adopted in the Association’s accounting policies for the first period beginning after the effective date of the pronouncement.

Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>2</sup>

**CHINA CARE FUND LIMITED**  
(**培苗行動有限公司**)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued**

**(b) New or amended HKFRSs that have been issued but are not yet effective - Continued**

Amendments to HKAS 1	Classification of Liabilities as Current and Non-current <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>3</sup>
Conceptual Framework for Financial Reporting (Revised)	Definition of Asset and Liabilities <sup>2</sup>
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2021

**3. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Association.

**CHINA CARE FUND LIMITED**  
(培苗行動有限公司)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. PRINCIPAL ACCOUNTING POLICIES**

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

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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 Association and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in the profit or loss.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful life is as follows:

Furniture and fixtures	5 years
Leasehold improvements	5 years
Office equipment	2 years

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss on disposal.

At the end of each reporting period, the Association reviews the assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(b) Leasing (accounting policies applied from 1 July 2019)**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Association recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received), and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Generally, the Association uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Payments associated with short-term leases (i.e., leases with a lease term of 12 months or less) and low value leases are expensed on a straight-line basis.

**(c) Leasing (accounting policies applied until 30 June 2019)**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

**(d) Financial assets at amortised cost**

Financial assets at amortised cost are initially measured at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income, foreign exchange gains and losses, impairment, gain or loss on derecognition are recognised in profit or loss.

**CHINA CARE FUND LIMITED**  
(培苗行動有限公司)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(d) Financial assets at amortised cost - Continued**

The Association recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Association is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Association in accordance with the contract and all the cash flows that the Association expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Association’s historical experience and informed credit assessment and including forward-looking information.

The Association assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Association considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Association in full; or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

**(e) Financial liabilities at amortised cost**

Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(f) Income recognition**

Donations are recognised as income when the right to receive payment is established.

Interest income is accrued on a time basis on the principal outstanding at the interest rate applicable.

**(g) Government grants**

Government grant are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The grant received which remains unused as at the end of the reporting period is recorded as deferred income in the statement of financial position.

**(h) Employee benefits**

**(i) Defined contribution retirement plan**

Contributions to defined contribution retirement plans are recognised as an expense in the statement of comprehensive income when the services are rendered by the employees.

**(ii) Employee entitlements**

Employee entitlements to annual leave and statutory long service payments due on retirement or termination are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long-service payments as a result of services rendered by employees up to the end of the reporting period. The estimated liability is calculated net of expected reduction from benefits available from the Mandatory Provident Fund.

**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**4. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(i) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Association has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

**5. SURPLUS FOR THE YEAR**

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

	2020 HK\$	2019 HK\$
Depreciation of property, plant and equipment	44,110	46,129
Depreciation of right-of-use assets	15,152	-
Exchange gain, net	(182,547)	(104,121)
Government grants	(144,474)	-
Interest on financial liabilities repayable within five years	530,639	519,455

**6. STAFF COSTS**

	2020 HK\$	2019 HK\$
Staff costs comprise:		
Salaries	2,044,937	2,361,435
Contributions to defined contribution retirement plan	117,976	100,754
	<u>2,162,913</u>	<u>2,462,189</u>

**7. DIRECTORS' EMOLUMENTS**

There were no directors' fees or emoluments pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) for the year ended 30 June 2020 and 2019.

**CHINA CARE FUND LIMITED**  
(**培苗行動有限公司**)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**8. INCOME TAX EXPENSE**

The Association is exempted from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

**9. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
<b>Cost</b>				
At 1 July 2019	71,221	284,424	94,930	450,575
Written off	-	-	(5,560)	(5,560)
At 30 June 2020	<u>71,221</u>	<u>284,424</u>	<u>89,370</u>	<u>445,015</u>
<b>Depreciation</b>				
At 1 July 2019	56,994	279,240	49,845	386,079
Written off	-	-	(5,560)	(5,560)
Depreciation	14,227	4,683	25,200	44,110
At 30 June 2020	<u>71,221</u>	<u>283,923</u>	<u>69,485</u>	<u>424,629</u>
<b>Cost</b>				
At 1 July 2018	71,221	284,424	40,048	395,693
Additions	-	-	54,882	54,882
At 30 June 2019	<u>71,221</u>	<u>284,424</u>	<u>94,930</u>	<u>450,575</u>
<b>Depreciation</b>				
At 1 July 2018	42,750	272,555	24,645	339,950
Depreciation	14,244	6,685	25,200	46,129
At 30 June 2019	<u>56,994</u>	<u>279,240</u>	<u>49,845</u>	<u>386,079</u>
<b>Net book value</b>				
At 30 June 2020	<u>-</u>	<u>501</u>	<u>19,885</u>	<u>20,386</u>
At 30 June 2019	<u>14,227</u>	<u>5,184</u>	<u>45,085</u>	<u>64,496</u>

**10. RIGHT-OF-USE ASSETS**

	Properties leased for own use HK\$
At 30 June 2019	-
Initial application of HKFRS 16 (note 2 (a))	18,939
At 1 July 2019	18,939
Depreciation charges	(15,152)
Exchange realignments	(212)
At 30 June 2020	<u>3,575</u>

**CHINA CARE FUND LIMITED**  
(培苗行動有限公司)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**11. LEASE LIABILITIES**

The Association leases various properties in the jurisdictions from which it operates. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as a security for borrowing purposes.

Reconciliation of the Association's leases liabilities arising from financing activities:

	<b>2020 HK\$</b>
As at 30 June 2019	-
Initial application of HKFRS 16 (note 2(a))	<u>10,126</u>
As at 1 July 2019	10,126
Interest expenses	127
Lease payments	<u>(10,253)</u>
As at 30 June	<u><u>-</u></u>

**12. SPECIAL PURPOSE FUNDS**

Details of surplus/(deficit) of Special Purpose Funds are as follows:

		<b>2020</b>		
		Donations received HK\$	Sponsorship expenditure HK\$	Surplus/ (deficit) HK\$
Alison Chow's Scholarship		-	(38,360)	(38,360)
China Care Fund Scholarship		43,380	(54,800)	(11,420)
Learning Fee Fund		91,919	(91,919)	-
Subject Project Fund (De Hong)	a	1,006,409	(1,384,713)	(378,304)
Subject Project Fund (Hua Long)	a	591,820	(580,221)	11,599
Subject Project Fund (Hui Ning)	a	812,812	(993,765)	(180,953)
Subject Project Fund (Min He)	a	1,955,416	(1,637,748)	317,668
Subject Project Fund (Ping An)	a	47,876	410,961	458,787
Subject Project Fund (Ru Yuen)	a	476,749	(711,662)	(234,913)
Subject Project Fund (Teng Chong)	a	350,180	(1,333,260)	(983,080)
Subject Project Fund (Teng Xian)	a	3,275,344	(2,430,185)	845,159
Subject Project Fund (Wei Yuan)	a	2,872,501	(2,905,440)	(32,939)
Subject Project Fund (Xun Hua)	a	411,183	(412,568)	(1,385)
施連君's Scholarship		54,800	(54,800)	-
<b>Total</b>		<u><u>11,990,339</u></u>	<u><u>(12,218,480)</u></u>	<u><u>228,141</u></u>

**CHINA CARE FUND LIMITED**  
(培苗行動有限公司)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**12. SPECIAL PURPOSE FUNDS - Continued**

	Note	2019		
		Donations	Sponsorship	Surplus/
		received	expenditure	(deficit)
		HK\$	HK\$	HK\$
Alison Chow's Scholarship		5,760	(46,080)	(40,320)
China Care Fund Scholarship		84,339	(63,362)	20,977
Emergency Relief Fund		-	(100,694)	(100,694)
Learning Fee Fund		174,934	(174,934)	-
Subject Project Fund (De Hong)	a	948,600	(869,939)	78,661
Subject Project Fund (Gui Zhou)	a	-	(362)	(362)
Subject Project Fund (Hu Zhu)	a	179,069	(55,604)	123,465
Subject Project Fund (Hui Ning)	a	657,265	(846,011)	(188,746)
Subject Project Fund (Le Du)	a	-	(105)	(105)
Subject Project Fund (Min He)	a	2,963,221	(3,352,287)	(389,066)
Subject Project Fund (Ping An)	a	157,560	(250,530)	(92,970)
Subject Project Fund (Ru Yuen)	a	588,975	(901,760)	(312,785)
Subject Project Fund (Teng Chong)	a	1,504,531	(1,771,394)	(266,863)
Subject Project Fund (Teng Xian)	a	3,975,520	(4,473,676)	(498,156)
Subject Project Fund (Wei Yuan)	a	3,103,967	(2,472,578)	631,389
施連君's Scholarship		60,000	(57,600)	2,400
<b>Total</b>		<b>14,403,741</b>	<b>(15,436,916)</b>	<b>(1,033,175)</b>

Note a:

Under the Subject Project Fund, the Association has entered into agreements with various schools and the relevant local authorities in the Mainland committing to pay for the 3-year tuition fees and other study related costs ("Sponsorship Fees") of certain numbers of students in those schools ("Sponsored Students"). The total Sponsorship Fees are payable by the Association over three academic years, and the amounts outstanding at the end of the reporting period are included in the statement of financial position as sponsorship fees payable.

The Association has secured the commitment from donors ("Sponsors") to sponsor all the Sponsored Students for their three year studies. Sponsors have the option to pay the donations annually over three years or as a lump sum upfront. Committed donations not yet received by the Association at the end of the reporting period amounted to HK\$2,731,742 (2019: HK\$5,124,662).

CHINA CARE FUND LIMITED  
(培苗行動有限公司)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

12. SPECIAL PURPOSE FUNDS - Continued

Details of movement of Special Purpose Funds:

	Allison Chow's Scholarship HK\$	China Care Fund Scholarship HK\$	Emergency Relief Fund HK\$	K. F. Foundation Fund HK\$	Leasing Fee Fund HK\$	施達君's Scholarship HK\$	Subject Project Fund (De Hong) HK\$	Subject Project Fund (Gui Zhou) HK\$	Subject Project Fund (Hua Long) HK\$	Subject Project Fund (Hui Ming) HK\$	Subject Project Fund (HuZhu) HK\$	Subject Project Fund (Le Du) HK\$	Subject Project Fund (Min He) HK\$	Subject Project Fund (Ping An) HK\$	Subject Project Fund (Rong Shui) HK\$	Subject Project Fund (Ru Yuen) HK\$	Subject Project Fund (Teng Chong) HK\$	Subject Project Fund (Teng Xian) HK\$	Subject Project Fund (Wei Yuan) HK\$	Subject Project Fund (Xun Hua) HK\$	Total HK\$
Surplus/(deficit) for the year	(40,320)	20,977	(100,694)	-	-	2,400	78,661	(362)	-	(188,746)	123,465	(105)	(389,066)	(92,970)	-	(312,785)	(266,863)	(498,156)	631,389	-	(1,033,175)
At 30 June 2019	359,506	67,716	208,378	1,010,326	-	5,959	78,661	95,037	-	(188,746)	147,322	148,382	(9,188)	(23,180)	87,887	92,491	(484,189)	(137,157)	(68,861)	-	1,390,344
Surplus/(deficit) for the year	(38,360)	(11,420)	-	-	-	-	(378,304)	-	11,599	(180,953)	-	-	317,668	458,787	-	(234,913)	(983,080)	845,159	(32,939)	(1,385)	(228,141)
At 30 June 2020	321,146	56,296	208,378	1,010,326	-	5,959	(299,643)	95,037	11,599	(369,699)	147,322	148,382	308,480	435,607	87,887	(142,422)	(1,467,269)	708,002	(101,800)	(1,385)	1,162,203

**CHINA CARE FUND LIMITED**  
**(培苗行動有限公司)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**13. FINANCIAL INSTRUMENTS - RISK MANAGEMENT**

The Association is exposed through its operations to the following risks from its use of financial instruments:

- Interest rate risk
- Foreign exchange risk
- Liquidity risk

Policy for managing these risks is set by management of the Association. The policy for each of the above risks is described in more detail below.

***Interest rate risk***

At the end of the reporting period, the Association had cash at bank which is exposed to market interest rate risk. The association has no other significant third party interest-bearing assets or liabilities.

The following table indicates the approximate changes in surplus in response to reasonably possible changes in interest rate to which the Association has significant exposure at the end of the reporting period.

	2020 HK\$	2019 HK\$
Increase by 25 (2019: 25) basis points	49,486	43,224
Decrease by 25 (2019: 25) basis points	(49,486)	(43,224)

***Foreign exchange risk***

Foreign exchange risk arises when the Association enters into transactions denominated in currencies other than its functional currency (HK\$).

The Association's foreign exchange risk arises mainly from the cash at bank and sponsorship fees payable. The carrying amounts of the Association's financial assets/liabilities denominated in foreign currencies at 30 June were analysed in the table below.

	<u>Liabilities</u>		<u>Assets</u>	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Renminbi	11,143,428	10,908,559	10,398,544	5,177,793

**CHINA CARE FUND LIMITED**  
(**培苗行動有限公司**)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**13. FINANCIAL INSTRUMENTS - RISK MANAGEMENT - Continued**

The following table indicates the approximate change in the Association's surplus in response to reasonably possible change in Renminbi to which the Association had significant exposure.

	<u>Effect on surplus</u>	
	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
<b><i>Renminbi to HKD</i></b>		
Appreciates by 3%	(340,988)	(171,923)
Depreciates by 3%	340,988	171,923

***Liquidity risk***

The Association's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer term. In particular, the Association has invited donors to sponsor the subject projects in order to fulfil the upcoming contractual payments of HK\$11,143,428 (2019: HK\$10,908,559). At the end of the reporting period, sponsorship amounting to HK\$2,730,742 (2019: HK\$5,124,662) has been committed by donors.

The following table details the contractual maturities of financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows and the earliest date the Association can be required to pay:

	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
Within 1 year or on demand	8,470,481	8,355,537
More than 1 year but less than 2 years	<u>2,806,594</u>	<u>2,680,673</u>
Total contractual undiscounted cash flows	<u>11,277,075</u>	<u>11,036,210</u>
Carrying amount	<u>11,143,428</u>	<u>10,908,559</u>

**CHINA CARE FUND LIMITED**  
(培苗行動有限公司)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**14. LEASE ARRANGEMENTS AS AT 30 JUNE 2019**

The Association leases its office under operating leases. The lease payments recognised as expenses are as follows:

	2019 HK\$
Minimum lease payments	<u>28,149</u>

The total future minimum lease payments are due as follows:

	2019 HK\$
Not later than one year	20,508
Later than one year but not later than five years	<u>5,127</u>
	<u>25,635</u>

**15. CAPITAL MANAGEMENT**

The directors regard the total funds as capital of the Association. Its objective when managing capital is to safeguard its ability to continue as a going concern. It manages capital by regularly monitoring its current and expected liquidity requirements.

**16. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the directors on  
**22 MAR 2021**