

佛教慈濟基金會香港分會有限公司
BUDDHIST COMPASSION RELIEF
TZU-CHI FOUNDATION
HONG KONG LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

凌偉明會計師事務所
LING WAI MING & CO.
Certified Public Accountants (Practising)
Hong Kong



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BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and audited financial statements for the year ended 31 December 2020.

OBJECTS OF THE FOUNDATION

The objects of the Foundation are to promote and support the faith of the Buddhist religion and to procure donations for charitable purpose.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 10 to the financial statements.

DONATION PAID

Donation paid during the year amounted to HK\$27,142,847 (2019: HK\$16,280,645).

DIRECTORS

During the year and up to the date of this report, the directors of the Foundation were:

HSU Yu-Chuan
SHIH Wu-Chu
PAN Tsui-Wei
CHOW Yuk Lin
HUANG Ching Hsiu
LEE Lun Tai

At the forthcoming annual general meeting, CHOW Yuk Lin and HUANG Ching Hsiu retire and, being eligible, offer themselves for re-election.

PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of one or more directors of the Foundation.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Foundation was entered into or existed during the year.

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED

(Limited by guarantee)

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW

During the year, Buddhist Compassion Relief Tzu-Chi Foundation Hong Kong Limited continued to carry on its operations as a recognised charitable institution.

Total revenue accounted for was HK\$27,890,268 (2019: HK\$21,042,003). Total revenue after the direct and operating expenses for HK\$7,579,719 (2019: HK\$4,339,520) was fully utilized in the form of donations amounting to HK\$27,142,847 (2019: HK\$16,280,645) resulting in a deficit of HK\$6,832,298 (2019: a surplus of HK\$421,838). At the end of the year, net assets of the Foundation stood at HK\$51,178,325 (2019: HK\$58,010,623).

Regarding the concept of preservation of environment, the Foundation not only practised itself but also strived to advocate such importance to the general public at large.

The Foundation will continue to abide by the relevant rules and regulations of the Government of the Hong Kong Special Administrative Region and to operate prudently to achieve its charitable objects as well as to be financially sustainable.

DIRECTORS' INTERESTS IN CONTRACTS

In the opinion of the Directors, no directors or shadow directors, if any, had material interests in those significant transactions, arrangements or contracts in relation to the Foundation's business entered into by the Foundation in the financial year or subsisted at any time in the financial year.

AUDITORS

The financial statements have been audited by Messrs. Ling Wai Ming & Co., Certified Public Accountants (Practising), who now offer themselves for re-appointment.

For and on behalf of the board



CHOW Yuk Lin

Chairman

HONG KONG, 9 AUG 2021

LING WAI MING & CO.

Certified Public Accountants (Practising)

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF
BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Incorporated in Hong Kong with limited by guarantee)**

Opinion

We have audited the financial statements of Buddhist Compassion Relief Tzu-Chi Foundation Hong Kong Limited ("the Foundation") set out on pages 6 to 19, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income and expenditure, statement of changes in equity 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 Foundation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards for Private Entities ("HKFRS for Private Entities") 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 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.

Other information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report set out on pages 1 to 2 and detailed statement of comprehensive income and expenditure set out page 20, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

(To be continued on Page 4)

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF
BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Incorporated in Hong Kong with limited by guarantee)**

(Continued)

Responsibilities of Directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS for Private Entities 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 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 directors either intends to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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 Foundation's internal control.

(To be continued on Page 5)

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF
BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Incorporated in Hong Kong with limited by guarantee)

(Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance 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.



Ling Wai Ming & Co.
Certified Public Accountants (Practising)
Date: HONG KONG, 9 AUG 2021

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Notes</u>	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Income	4	27,302,710	20,844,307
Direct expenses		<u>(1,775,497)</u>	<u>(635,269)</u>
Gross income		25,527,213	20,209,038
Other income	4	587,558	197,696
Expenditure		<u>(5,803,991)</u>	<u>(3,701,482)</u>
Operating surplus		20,310,780	16,705,252
Finance costs	5	(231)	(2,769)
Donation paid		<u>(27,142,847)</u>	<u>(16,280,645)</u>
(Deficit) / Surplus for the year	6	<u>(6,832,298)</u>	<u>421,838</u>

The accompanying accounting policies and explanatory notes form an integral part of, and should be read in conjunction with, these financial statements.

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

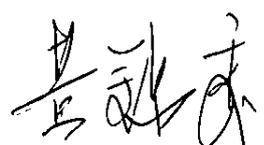
	<u>Notes</u>	2020 <u>HK\$</u>	2019 <u>HK\$</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	15,327,532	8,592,158
CURRENT ASSETS			
Utility and rental deposits		614,893	80,593
Other receivable		732,862	-
Temporary payments		139,411	400,631
Prepayment		30,075	21,661
Cash and cash equivalents	9	34,960,247	48,983,082
		36,477,488	49,485,967
LESS: CURRENT LIABILITIES			
Accruals		428,095	36,983
Other payable		198,600	-
Obligations under finance leases	11	-	30,519
		(626,695)	(67,502)
NET CURRENT ASSETS		35,850,793	49,418,465
NET ASSETS		51,178,325	58,010,623
Represented by:			
GENERAL FUND		11,899,523	11,899,523
SPECIFIC FUNDS		39,278,802	46,111,100
TOTAL FUNDS		51,178,325	58,010,623

The accompanying accounting policies and explanatory notes form an integral part of, and should be read in conjunction with, these financial statements.

These financial statements were approved and authorised for issue by the board of directors on **9 AUG 2021**



 CHOW Yuk Lin
 Director



 HUANG Ching Hsiu
 Director

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	SPECIFIC FUNDS							TOTAL HK\$
	GENERAL FUND HK\$	Charity (Local Relief) fund HK\$	International relief fund HK\$	Humanities fund HK\$	Development fund HK\$	Environment fund HK\$	Printing fund HK\$	
Balance at 1 January 2019	11,899,523	14,571,309	9,319,982	910,532	20,887,439	-	-	57,588,785
Inter-fund transfer	-	-	-	16,670	(115,145)	115,145	(16,670)	-
Donation received	-	1,974,514	13,665,310	2,089,372	2,871,246	104,084	16,670	20,721,196
Exhibition and other income	-	-	-	-	123,111	-	-	123,111
Interest from bank	-	-	-	-	59,428	-	-	59,428
Other income	-	-	-	-	138,268	-	-	138,268
Expenses	-	-	-	-	(4,120,291)	(219,229)	-	(4,339,520)
Donation paid	-	(6,050,131)	(9,319,982)	(910,532)	-	-	-	(16,280,645)
Surplus for the year								421,838
Balance at 31 December 2019	11,899,523	10,495,692	13,665,310	2,106,042	19,844,056	-	-	58,010,623
Inter-fund transfer	-	1,443	-	18,354	-	(2,886)	(16,911)	-
Donation received	-	10,454,973	9,377,818	687,744	4,371,554	61,903	16,911	24,970,903
Exhibition and other income	-	-	-	-	2,331,807	-	-	2,331,807
Interest from bank	-	-	-	-	478	-	-	478
Other income	-	-	-	-	587,080	-	-	587,080
Expenses	-	-	-	-	(7,520,702)	(59,017)	-	(7,579,719)
Donation paid	-	(10,994,286)	(14,042,519)	(2,106,042)	-	-	-	(27,142,847)
Deficit for the year								(6,832,298)
Balance at 31 December 2020	11,899,523	9,957,822	9,000,609	706,098	19,614,273	-	-	51,178,325

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>Notes</u>	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit) / Surplus for the year		(6,832,298)	421,838
Adjustments for:			
- Depreciation	10	2,650,745	779,920
- Interest on finance leases		231	2,769
- Interest income from bank		(478)	(59,428)
- Loss on disposal of fixed assets		-	12,998
Operating (loss) / surplus before working capital changes		(4,181,800)	1,158,097
Utility and rental deposits		(534,300)	76,500
Other receivables		(732,862)	-
Prepayment		(8,414)	(12,331)
Temporary payments		261,220	(275,743)
Accruals		391,112	18,183
Other payable		198,600	-
		(424,644)	(193,391)
Net cash (used in) / generated from in operating activities		(4,606,444)	964,706
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	20,000
Purchase of property, plant and equipment	10	(9,386,119)	(1,008,395)
Interest received from bank		478	59,428
Net cash used in investing activities		(9,385,641)	(928,967)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from obligations under finance leases		-	120,000
Payment of finance lease liabilities		(30,750)	(92,250)
Net cash (used in) / generated from in financing activities		(30,750)	27,750
Net (decrease) / increase in cash and cash equivalents		(14,022,835)	63,489
Cash and cash equivalents at beginning of the year		48,983,082	48,919,593
Cash and cash equivalents at end of the year	9	34,960,247	48,983,082

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1) GENERAL INFORMATION

Buddhist Compassion Relief Tzu-Chi Foundation Hong Kong Limited (referred to below as the "Foundation") is established for religious and charitable purposes. It was incorporated in Hong Kong on 15 November 1994 and is limited by guarantee and not having any share capital. The address of its registered office and principal place of business are 12 Suffolk Road, Kowloon Tong, Kowloon.

2) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Statement of compliance

These financial statements comply with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for PE") and have been prepared under the accrual basis of accounting and on the basis that the Foundation is a going concern.

b) Basis of measurement

The measurement bases used in preparing these financial statements are set out in note 3 to the financial statements.

c) Assumptions and other major sources of estimation uncertainty

Assumptions made about the future and other major sources of estimation uncertainty at the end of the reporting period that have significant risks of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below.

i) Impairment of assets

The impairments of property, plant and equipment, intangible assets, available-for-sale financial assets measured at cost and trade and other receivables are based on the Directors' best estimate to the expected recoverable amounts of the assets that would be determined by reference to fair value less costs to sell and value in use estimated using the discounted cash flow method. Because of inherent risks associated with the estimations, their accuracy may have a significant impact on the carrying amounts of the property, plant and equipment, intangible assets, available-for-sale financial assets measured at cost and trade and other receivables as stated in the statement of financial position and the profit or loss for the next reporting period.

At present, the management is unable to provide information about the sensitivity and expected resolution of the uncertainty. The possible effect of the assumptions and sources of estimation uncertainty is unable to be estimated reliably; it is impracticable to disclose the extent of possible effects within the next reporting period.

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

c) Assumptions and other major sources of estimation uncertainty (continued)

ii) Depreciation of property, plant and equipment

The depreciation method and rates of the property, plant and equipment are based on the management's best estimate to their expected residual value, useful lives, consumption pattern, wear-and-tear and potential technical obsolescence to usage of the assets. Management uses all readily available information in determining all of the above factors. Any change in these factors may have a significant impact on the carrying amounts of the property, plant and equipment as stated in the statement of financial position and the profit or loss for the next reporting period. At present, the management is unable to provide information about the sensitivity and expected resolution of the uncertainty. The possible effect of the assumptions and sources of estimation uncertainty is unable to be estimated reliably; it is impracticable to disclose the extent of possible effects within the next reporting period.

3) PRINCIPAL ACCOUNTING POLICIES

The following specific accounting policies adopted by the Foundation that are necessary for a proper understanding of the financial statements.

a) Revenue recognition

Revenue consists of income and other revenue but excludes the reversal of impairment. Income comprises revenue generated from the principal activities of the Foundation. Other revenue includes exchange gain (net of exchange loss), gain on disposal of capital assets and reversal of provisions.

It is the Foundation's policy to use income of a current year for the direct and operating expenses of the year, any shortfall will be met by drawing on the Reserve. Income is recognised when it is probable that the economic benefits will flow to the Foundation and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

- i) Donation received is measured at the fair value of the donation received;
- ii) Sale of goods is recognised when the controls of goods is transferred to the customers;

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3) PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

a) Revenue recognition (Continued)

- iii) Revenue from the provision of environment services is recognised when the services are rendered; and
- iv) Interest income is recognised using the effective interest method on a time proportion basis taking into account the principal outstanding and the interest applicable.

b) Foreign currency transactions

The functional currency of the Foundation is Hong Kong Dollar. Foreign currency transactions are translated into the functional currency at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated at the approximate rates of exchange ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at that date when the fair value was measured. Exchange differences arising on the settlement or translation of foreign currency monetary items are recognised in profit or loss. However, exchange differences relating to a gain or loss on a non-monetary item that is recognised in other comprehensive income is recognised in other comprehensive income too.

c) Employee benefit obligations

Salaries, annual bonus, 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.

The Foundation operates a defined contribution plan under mandatory provident fund plan. The Foundation pays contributions to independent administrator on a mandatory basis. The Foundation has no further payment obligations once the contributions are paid. The contributions are recognised as employee benefit expense when they are incurred and the cost can be measured reliably.

d) Impairment of non-current assets other than financial assets

At the end of each reporting period, non-current assets other than financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is any indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is less than the carrying amount, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of 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 immediately in profit or loss.

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3) PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

e) Provisions and contingent liabilities

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

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

f) Property, plant and equipment

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

Cost comprises purchase price, conversion cost and estimated cost of dismantling and restoration. Expenditure such as repairs and maintenance, overhaul costs and borrowing costs are normally charged to profit or loss when they are incurred. Where expenditure has resulted in increases in the future economic benefits from the use of the property, plant and equipment, the expenditure is capitalised.

Depreciation is calculated using the straight-line method to write off the depreciable amount of each property, plant and equipment to profit or loss unless it is included in the carrying amount of another asset over its estimated useful life. The following estimated useful lives are used for the depreciation of property, plant and equipment.

Land and building	Over the lease term
Furniture and fixture	20% per annum
Computer and office equipment	20% per annum
Leasehold improvement	20% per annum
Motor vehicle	30% per annum

On disposal or retirement, the cost (or revalued amount) together with associated accumulated depreciation and impairment losses, if any, of the property, plant and equipment are derecognised and any gain or loss resulting from the disposal is recognised in profit or loss.

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3) PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

g) 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. Bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management are also included as a component of cash and cash equivalents for the statement of cash flows.

h) Related parties

A related party is a person or entity that is related to the Foundation that is preparing its financial statements if:

- 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 of the Foundation;
 - ii) has significant influence over the Foundation; or
 - iii) is a member of the key management personnel of the Foundation or of a parent of the Foundation.
- 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 Foundation of which the other entity is a member).
 - iii) both entity 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. If the Foundation is itself such a plan, the sponsoring employers are also 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).

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020**

3) PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i) Leases

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Foundation. All other leases are classified as operating leases.

Leases that transfer substantially all the risks and rewards incidental to ownership of leased assets to the lessee are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs of the lease are added to the amount recognised as an asset. The corresponding rental obligations, net of finance charges, are recognised as liabilities. Each lease payment is apportioned between the finance charges and the reduction of the outstanding liabilities so as to produce a constant periodic rate of interest on the remaining balance of the liabilities. Financial charges are recognised in profit or loss and allocated to each period over the lease term using effective interest method. Assets held under finance lease are included in property, plant and equipment and depreciated over the shorter of the estimated useful life of the assets or the lease term using straight-line method.

Leases where substantially all the risks and rewards incidental to ownership of the leased assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to profit or loss on straight-line basis over the lease term. Incentives such as rent-free period or subsidy on decoration, if any, are recognised as a reduction of rental expenses over the lease term on straight-line basis.

4) REVENUE

An analysis of the Foundation's revenue is as follows:

	2020	2019
	<u>HK\$</u>	<u>HK\$</u>
Income		
Donation received	24,970,903	20,721,196
Exhibition income	-	123,111
Waste recycling services project income	<u>2,331,807</u>	-
	<u>27,302,710</u>	20,844,307
Other income		
Interest received	<u>478</u>	59,428
Sundry income	<u>587,080</u>	138,268
	<u>587,558</u>	197,696
Total income	<u><u>27,890,268</u></u>	<u><u>21,042,003</u></u>

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5) FINANCE COSTS

	2020	2019
	<u>HK\$</u>	<u>HK\$</u>
Interest on finance leases	<u>231</u>	<u>2,769</u>

6) (DEFICIT) / SURPLUS FOR THE YEAR

The Foundation's (deficit) / surplus for the year is stated after charging the following:

	2020	2019
	<u>HK\$</u>	<u>HK\$</u>
Audit fee	17,500	19,200
Depreciation on owned property, plant and equipment	2,554,713	683,888
Depreciation on leased property, plant and equipment	96,032	96,032
Staff cost		
- Staff salaries and bonuses	1,470,285	1,645,929
- Mandatory provident fund contribution	62,499	63,504
	<u>1,532,784</u>	<u>1,709,433</u>

7) DIRECTORS' REMUNERATION

In accordance with Articles of Association, no salary, remuneration or allowance in whatsoever nature are to be paid or are payable to the directors and officers of the Foundation.

8) TAXATION

No provision for taxation has been made in the financial statements as the Foundation is exempt under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution or trust of a public character.

9) CASH AND CASH EQUIVALENTS

	2020	2019
	<u>HK\$</u>	<u>HK\$</u>
Cash on hand	120,000	100,000
Bank balances	<u>34,840,247</u>	<u>48,883,082</u>
Cash and cash equivalents in the statement of financial position and in the statement of cash flows	<u>34,960,247</u>	<u>48,983,082</u>

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10) PROPERTY, PLANT AND EQUIPMENT

	<u>Land & Building</u> HK\$	<u>Leasehold improvement</u> HK\$	<u>Motor vehicle</u> HK\$	<u>Furniture & fixtures</u> HK\$	<u>Office equipments</u> HK\$	<u>Total</u> HK\$
<u>At Cost</u>						
At 1 January 2019	7,700,961	1,898,796	1,159,310	2,373,636	1,426,571	14,559,274
Additions	1	208,700	320,108	451,885	27,701	1,008,395
Disposals	-	(126,626)	(181,100)	(2,047,288)	(1,197,648)	(3,552,662)
At 31 December 2019	<u>7,700,962</u>	<u>1,980,870</u>	<u>1,298,318</u>	<u>778,233</u>	<u>256,624</u>	<u>12,015,007</u>
<u>Accumulated depreciation and impairment losses</u>						
At 1 January 2019	265,550	1,216,900	1,159,309	2,225,665	1,295,169	6,162,593
Depreciation for the year	265,550	222,054	96,032	144,959	51,325	779,920
Written off on disposals	-	(126,626)	(181,100)	(2,029,318)	(1,182,620)	(3,519,664)
At 31 December 2019	<u>531,100</u>	<u>1,312,328</u>	<u>1,074,241</u>	<u>341,306</u>	<u>163,874</u>	<u>3,422,849</u>
<u>Net carrying amount</u>						
At 31 December 2019	<u>7,169,862</u>	<u>668,542</u>	<u>224,077</u>	<u>436,927</u>	<u>92,750</u>	<u>8,592,158</u>
<u>At Cost</u>						
At 1 January 2020	7,700,962	1,980,870	1,298,318	778,233	256,624	12,015,007
Additions	-	8,099,922	-	727,321	558,876	9,386,119
At 31 December 2020	<u>7,700,962</u>	<u>10,080,792</u>	<u>1,298,318</u>	<u>1,505,554</u>	<u>815,500</u>	<u>21,401,126</u>
<u>Accumulated depreciation and impairment losses</u>						
At 1 January 2020	531,100	1,312,328	1,074,241	341,306	163,874	3,422,849
Depreciation for the year	265,550	1,842,039	96,032	289,970	157,154	2,650,745
At 31 December 2020	<u>796,650</u>	<u>3,154,367</u>	<u>1,170,273</u>	<u>631,276</u>	<u>321,028</u>	<u>6,073,594</u>
<u>Net carrying amount</u>						
At 31 December 2020	<u>6,904,312</u>	<u>6,926,425</u>	<u>128,045</u>	<u>874,278</u>	<u>494,472</u>	<u>15,327,532</u>

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The leasehold land and building, used as the registered office and principal place of activities, was previously donated by a person to the Foundation without consideration, and only recorded in the book at the value of \$1 for accounting and identification purposes. Independent valuation has never been performed nor do the directors resolve to restate the assets at fair value, in view of the Foundation is charitable institution or trust of a public character under Section 88 of the Inland Revenue Ordinance.

The carrying amount of motor vehicle held under finance leases at 31 December 2020 was HK\$128,044.

11) OBLIGATIONS UNDER FINANCE LEASES

	<u>2020</u> HK\$	<u>2019</u> HK\$
Minimum lease payments:		
Not later than one year	-	30,750
Later than one year	-	-
	<u>-</u>	<u>-</u>
Total minimum finance lease payments	-	30,750
Future finance charges	-	(231)
	<u>-</u>	<u>(231)</u>
Total net finance lease payments	<u>-</u>	<u>30,519</u>

12) COMMITMENTS UNDER OPERATING LEASE

The Foundation rents one unit for administration under operating lease. The lease is for an average period of one year and three years, with fixed rentals over the same period.

	<u>2020</u> HK\$	<u>2019</u> HK\$
Minimum lease payments under operating leases recognised as an expenses during the year	<u>66,552</u>	<u>65,424</u>

At the end of reporting period, the Foundation has outstanding commitments under non-cancellable operating leases that fall due as follows:

Not later than one year	66,552	66,552
Over one year	16,638	83,190
	<u>83,190</u>	<u>149,742</u>

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED
(Limited by guarantee)

**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13) RELATED PARTY TRANSACTIONS

Other than disclosures made elsewhere in the financial statements, the Foundation has made transfers to related organisations with the same objects of the Foundation to consolidate their charitable donations during the year.

<u>Name :</u>	<u>Incorporation in :</u>	<u>2020 HK\$</u>	<u>2019 HK\$</u>
1) Buddhist Compassion Relief Tzu-Chi Foundation (Taiwan)	Taiwan	13,665,310	9,319,982
2) Tzu-Chi Culture and Communication Foundation (Taiwan)	Taiwan	2,106,042	910,532
3) Compassion Relief Tzu-Chi Foundation	China	<u>-</u>	<u>3,000,000</u>
Total for the year		<u>15,771,352</u>	<u>13,230,514</u>

14) CONTINGENT LIABILITIES

The directors considered that there was no possible obligation existed at the date of reporting period that arose from past events nor a present obligation that arose from past events.

- The End of Financial Statements -

BUDDHIST COMPASSION RELIEF TZU-CHI FOUNDATION HONG KONG LIMITED

(Limited by guarantee)

**DETAILED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2020**

(For management information purposes only)

	2020	2019
	HKS	HKS
INCOME		
Donation received	24,970,903	20,721,196
Exhibition income	-	123,111
Waste recycling services project income	<u>2,331,807</u>	<u>-</u>
	27,302,710	20,844,307
LESS: DIRECT EXPENSES		
Activity expenses	<u>304,117</u>	<u>362,849</u>
Exhibition expenses	<u>24,342</u>	<u>272,420</u>
Waste recycling services project expenses	<u>1,447,038</u>	<u>-</u>
	<u>(1,775,497)</u>	<u>(635,269)</u>
GROSS INCOME	25,527,213	20,209,038
ADD: OTHER INCOME		
Interest received	<u>478</u>	<u>59,428</u>
Sundry income	<u>587,080</u>	<u>138,268</u>
	587,558	197,696
LESS: EXPENDITURE		
Audit fee	<u>17,500</u>	<u>19,200</u>
Bank charges	<u>13,364</u>	<u>5,467</u>
Cleaning expenses	<u>12,000</u>	<u>10,800</u>
Consumable	<u>18,634</u>	<u>24,364</u>
Depreciation	<u>2,650,745</u>	<u>779,920</u>
Electricity and water	<u>57,293</u>	<u>141,436</u>
Equipment expenses	<u>24,729</u>	<u>14,780</u>
Furniture and fixture expense	<u>9,798</u>	<u>22,496</u>
Gardening	<u>211,500</u>	<u>-</u>
Insurance	<u>73,098</u>	<u>60,209</u>
Leasehold improvement expenses	<u>1,600</u>	<u>-</u>
Legal and professional fee	<u>468,605</u>	<u>66,906</u>
Licenses	<u>290</u>	<u>4,340</u>
Loss on disposal of fixed assets	<u>-</u>	<u>12,998</u>
Mail and postage	<u>6,132</u>	<u>9,265</u>
Management fee	<u>40,428</u>	<u>40,300</u>
Mandatory provident fund contribution	<u>62,499</u>	<u>63,504</u>
Motor car expenses	<u>89,743</u>	<u>39,270</u>
Other advertising	<u>7,625</u>	<u>3,200</u>
Printing and stationery	<u>138,429</u>	<u>123,013</u>
Rent and rates	<u>169,942</u>	<u>223,217</u>
Repairs and maintenance	<u>132,337</u>	<u>259,034</u>
Salaries	<u>1,470,285</u>	<u>1,645,929</u>
Sundry expenses	<u>28,890</u>	<u>13,007</u>
Telephone, fax and postage	<u>60,063</u>	<u>54,387</u>
Transportation and travelling	<u>38,462</u>	<u>64,440</u>
	<u>(5,803,991)</u>	<u>(3,701,482)</u>
LESS: FINANCE COSTS		
Interest on finance leases	<u>(231)</u>	<u>(2,769)</u>
LESS: DONATION PAID	<u>(27,142,847)</u>	<u>(16,280,645)</u>
(DEFICIT) / SURPLUS FOR THE YEAR	<u><u>(6,832,298)</u></u>	<u><u>421,838</u></u>