

**ONESKY FOUNDATION LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**



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**ONESKY FOUNDATION LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**ONESKY FOUNDATION LIMITED  
REPORT OF THE DIRECTORS**

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

**PRINCIPAL PLACE OF OPERATION**

Onesky Foundation Limited (the "Entity") is an entity incorporated and domiciled in Hong Kong and has its registered office and principal place of operations at G/F. to 2/F., Wing Shing Building, 25-35 Castle Peak Road, Sham Shui Po, Kowloon, Hong Kong.

**PRINCIPAL ACTIVITY**

The principal activity of the Entity is to aid at-risk children living in Hong Kong, China, Mongolia and Vietnam by providing financial and educational supports.

**RESULTS**

The surplus of the Entity for the year ended 31 December 2020 is set out in the statement of profit or loss and other comprehensive income on page 6.

**DIRECTORS**

The directors who held office during the year and up to the date of this report were:

Bowen Jenny	
Huxley Timothy Scott	
Lance Morgan Hurley	(Appointed on 18 August 2021)
Bennett Peter William	(Resigned on 18 August 2021)

All directors shall hold office until the next annual general meeting and shall be eligible for re-election.

**DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Other than those disclosed in note 14 to the financial statements, there was no transaction, arrangement or contract of significance to which the Entity, or any of its holding companies or fellow subsidiaries was a party, and in which a director of the Entity had a material interest subsisted at the end of the year or at any time during the year.

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

At no time during the year was the Entity or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the directors of the Entity to acquire benefits by means of the acquisitions of shares in or debentures of the Entity or any other body corporate.

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**ONESKY FOUNDATION LIMITED  
REPORT OF THE DIRECTORS**

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(Continued)

**PERMITTED INDEMNITY PROVISION**

The Articles of Association of the Entity provides that every director of the Entity shall be indemnified out of the assets of the Entity against any liability incurred by him/her as the holder of such office or appointment in defending any proceedings, whether civil or criminal, in which judgement is given in his/her favour or in which he/she is acquitted or in connection with any application under the Companies Ordinance in which relief is granted to him/her by the court.

**AUDITOR**

Crowe (HK) CPA Limited retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe (HK) CPA Limited as auditors of the Entity is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

  
Huxley Timothy Scott (Nov 11, 2021 11:24 GMT+8)

Hong Kong, 11 November 2021

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ONESKY FOUNDATION LIMITED**  
(Incorporated in Hong Kong and limited by guarantee)

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**Opinion**

We have audited the financial statements of Onesky Foundation Limited (the "Entity") set out on pages 6 to 27, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in general funds and the 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 Entity 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 ("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 ("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 Entity 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 directors of the Entity are responsible for other information. The other information comprises all the information included in the report of the directors, 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, 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  
ONESKY FOUNDATION LIMITED**  
(Incorporated in Hong Kong and limited by guarantee)

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(Continued)

**Responsibilities of Directors for the Financial Statements**

The directors of the Entity 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 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 Entity'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 intend to liquidate the Entity 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 HKSAAs 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 HKSAAs, 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 Entity'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  
ONESKY FOUNDATION LIMITED**  
(Incorporated in Hong Kong and limited by guarantee)

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(Continued)

**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 Entity'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 Entity 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.



Crowe (HK) CPA Limited  
Certified Public Accountants  
Hong Kong, 11 November 2021

Lam Cheung Shing  
Practising Certificate Number P03552

**ONESKY FOUNDATION LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Contributed support received and receivable			
- Restricted		17,047,336	17,358,403
- Unrestricted		5,531,611	9,103,864
		<u>22,578,947</u>	<u>26,462,267</u>
Government grant	4(c)	1,242,000	-
Program expenses			
- Personnel		(8,848,530)	(7,366,067)
- Project costs		(841,163)	(4,483,269)
- Program support		(5,376,637)	(736,543)
- Financial costs	4(a)	(1,126,886)	(1,444,296)
		<u>(16,193,216)</u>	<u>(14,030,175)</u>
		7,627,731	12,432,092
Bank interest income		53	19,033
		<u>7,627,784</u>	<u>12,451,125</u>
Administrative and other operating expenses			
- Fundraising expenses		(2,173,319)	(4,905,910)
- Management expenses		(2,521,431)	(2,490,966)
- Financial costs	4(a)	(137,970)	(28,296)
		<u>(4,832,720)</u>	<u>(7,425,172)</u>
<b>Surplus before income tax</b>	<b>4</b>	<b>2,795,064</b>	<b>5,025,953</b>
Income tax	5	-	-
<b>Surplus for the year</b>		<b>2,795,064</b>	<b>5,025,953</b>
<b>Other comprehensive income for the year, net of nil tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive surplus for the year</b>		<b><u>2,795,064</u></b>	<b><u>5,025,953</u></b>

The notes on pages 10 to 27 from an integral part of these financial statements.

**ONESKY FOUNDATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	7	17,711,029	14,163,359
Right-of-use assets	8	11,277,268	14,440,333
Rental and other deposits		<u>1,124,841</u>	<u>1,124,841</u>
		30,113,138	29,728,533
<b>Current assets</b>			
Accounts and other receivables	9	979,917	1,054,252
Cash and cash equivalents		5,962,884	7,148,431
		6,942,801	8,202,683
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts and other payables		879,923	1,382,744
Lease liabilities	10	1,569,467	3,167,520
		<u>2,449,390</u>	<u>4,550,264</u>
<b>Net current assets</b>		<u>4,493,411</u>	<u>3,652,419</u>
<b>Total assets less current liabilities</b>		34,606,549	33,380,952
<b>Non-current liabilities</b>			
Lease liabilities	10	<u>11,231,669</u>	<u>12,801,136</u>
<b>NET ASSETS</b>		<u>23,374,880</u>	<u>20,579,816</u>
<b>RESERVES</b>			
Accumulated surplus		<u>23,374,880</u>	<u>20,579,816</u>
		<u>23,374,880</u>	<u>20,579,816</u>

Approved and authorised for issue by the board of directors on 11 November 2021.

On behalf of the board

*Huxley Timothy Scott*  
Huxley Timothy Scott (Nov 11, 2021 11:24 GMT+8)

*Morgan Lance*  
Lance Morgan Hurléy

The notes on pages 10 to 27 from an integral part of these financial statements.

**ONESKY FOUNDATION LIMITED**  
**STATEMENT OF CHANGES IN GENERAL FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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	<u>Accumulated surplus</u> HK\$
At 1 January 2019	15,553,863
Surplus and total comprehensive surplus for the year	<u>5,025,953</u>
At 31 December 2019 and 1 January 2020	20,579,816
Surplus and total comprehensive surplus for the year	<u>2,795,064</u>
At 31 December 2020	<u>23,374,880</u>

The notes on pages 10 to 27 from an integral part of these financial statements.

**ONESKY FOUNDATION LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Operating activities</b>		
Surplus for the year	2,795,064	5,025,953
Adjustments for:		
Depreciation	2,762,591	47,784
Amortisation	3,163,065	2,976,138
Interest on lease liabilities	1,264,856	1,472,592
Bank interest income	(53)	(19,033)
	<u>9,985,523</u>	<u>9,503,434</u>
Changes in working capital		
Decrease in accounts and other receivables	74,335	817,876
Decrease in accounts and other payables	(200,618)	(184,021)
	<u>9,859,240</u>	<u>10,137,289</u>
<b>Net cash generated from operating activities</b>		
<b>Investing activities</b>		
Payments for purchase of plant and equipment	(6,612,464)	(9,997,817)
Interest received	53	19,033
	<u>(6,612,411)</u>	<u>(9,978,784)</u>
<b>Net cash used in investing activities</b>		
<b>Financing activities</b>		
Repayment to a related company	-	(5,012,060)
Capital element of lease payments	(3,167,520)	(1,983,979)
Interest element of lease payments	(1,264,856)	(1,472,592)
	<u>(4,432,376)</u>	<u>(8,468,631)</u>
<b>Net cash used in financing activities</b>		
<b>Decrease in cash and cash equivalents</b>	(1,185,547)	(8,310,126)
<b>Cash and cash equivalents at 1 January</b>	<u>7,148,431</u>	<u>15,458,557</u>
<b>Cash and cash equivalents at 31 December</b>	<u>5,962,884</u>	<u>7,148,431</u>

The notes on pages 10 to 27 from an integral part of these financial statements.

**ONESKY FOUNDATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. GENERAL INFORMATION**

Onesky Foundation Limited (the "Entity") is incorporated in Hong Kong with liability limited by guarantee and not having a share capital. The address of its registered office and principal place of operations are at G/F., to 2/F., Wing Shing Building, 25-35 Castle Peak Road, Sham Shui Po, Kowloon, Hong Kong. The ultimate holding entity of the Entity is Onesky Foundation which is a non-profit public beneficial corporation incorporated in the United States of the Entity.

The principal activity of the Entity is to aid at-risk children living in Hong Kong, China, Mongolia and Vietnam by providing financial and educational supports.

**2. 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 Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Entity is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Entity. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Entity 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 historical cost basis.

Items included in the financial statements of the Entity are measured using the currency of the primary economic environment in which the Entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars. Hong Kong dollar is the Entity's functional and presentation currency.

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.

**ONESKY FOUNDATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Basis of preparation of the financial statements (Continued)**

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 13.

**c) Plant and equipment**

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses.

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

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

Furniture and fixtures	5-7 years
Office equipment	3 years
Construction in progress	not depreciated
Leasehold improvements	Over the shorter of lease terms or 5 years whichever is shorter

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, 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 the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Leases

At inception of a contract, the Entity 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*

At the lease commencement date, the Entity 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 Entity enters into a lease in respect of a low-value asset, the Entity 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 except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

**ONESKY FOUNDATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Leases (Continued)**

*As a lessee (Continued)*

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms or the estimated useful lives of the assets. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, 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 the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 Entity'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 Entity 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.

**e) Accounts and other receivables**

A receivable is recognised when the Entity 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. If revenue has been recognised before the Entity has an unconditional right to receive consideration, the amount is presented as a contract asset. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

For the receivables, the loss allowance is measured at an amount equal to 12-months expected credit losses (ECLs), which are those losses that are expected to result from possible default events within the 12 months after the reporting date. The loss allowance is estimated based on the Entity'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 date.

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

The gross carrying amount of the 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 Entity 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) Accounts and other payables**

Accounts 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.

**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.

**h) Employee benefits**

Salaries, annual bonuses, 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.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance are charged to statement of profit or loss and other comprehensive income when incurred.

Termination benefits are recognised at the earlier of when the Entity can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

**i) Provisions and contingent liabilities**

Provisions are recognised when the Entity 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j) Contribution and interest income recognition**

**i) Contributed support**

Contributed support is recognised when received or un-conditionally promised. The Entity reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets.

**ii) Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**k) Contributions-in-kind**

Contributions-in-kind which the Entity would have paid for if not contributed, have been recorded at their estimated fair market value.

**l) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

**m) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**ONESKY FOUNDATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n) Related parties**

- a) A person, or a close member of that person's family, is related to the Entity if that person:
  - i) has control or joint control over the Entity;
  - ii) has significant influence over the Entity; or
  - iii) is a member of the key management personnel of the Entity or the Entity's parent.
- b) An entity is related to the Entity if any of the following conditions applies:
  - i) The entity and the Entity 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 Entity or an entity related to the Entity.
  - 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 a group of which it is a party, provides key management personnel services to the Entity or to the Entity'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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Entity will comply with the conditions attaching to them. Grants that compensate the Entity 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 Entity 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

The Entity has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the amendments to HKFRSs in the current year had no material impact on the Entity's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

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**4. SURPLUS BEFORE INCOME TAX**

Surplus before income tax is arrived at after charging/(crediting):

	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>a) Finance costs</b>		
Interest on lease liabilities		
- Program expenses	1,126,886	1,444,296
- Fundraising expenses	14,355	5,226
- Management expenses	123,615	23,070
	<u>1,264,856</u>	<u>1,472,592</u>
<b>b) Staff costs</b>		
Contributions to defined contribution retirement plan and other benefits	603,604	318,231
Salaries	11,668,794	12,100,412
	<u>12,272,398</u>	<u>12,418,643</u>
<b>c) Other items</b>		
Auditors' remuneration	39,600	39,600
Depreciation on property, plant and equipment	2,762,591	47,784
Amortisation on right-of-use assets	3,163,065	2,976,138
Lease payments not included in the measurement of lease liabilities	-	397,067
Net exchange losses	88,707	7,081
Government grant (note)	<u>(1,242,000)</u>	<u>-</u>

Note:

During the year ended 31 December 2020, the Entity 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. Under the terms of the grant, the Entity is required not to make redundancies during the subsidy period and to spend all the funding on paying salaries to the employees.

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**5. INCOME TAX**

Hong Kong profits tax has not been provided as the Entity is exempted from Hong Kong profits tax under section 88 of the Inland Revenue Ordinance (2019: HK\$Nil).

**6. DIRECTORS' EMOLUMENTS**

No directors' emoluments pursuant to the Hong Kong Companies Ordinance are paid or payable for the years.

**7. PLANT AND EQUIPMENT**

	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Office equipment</u> HK\$	<u>Construction- in progress</u> HK\$	<u>Total</u> HK\$
<b>Cost</b>					
At 1 January 2019	-	-	162,479	3,178,000	3,340,479
Additions	<u>123,587</u>	<u>63,942</u>	<u>225,802</u>	<u>10,572,922</u>	<u>10,986,253</u>
At 31 December 2019 and 1 January 2020	123,587	63,942	388,281	13,750,922	14,326,732
Additions	-	2,039,030	246,818	4,024,413	6,310,261
Transfer	<u>17,775,335</u>	-	-	<u>(17,775,335)</u>	-
At 31 December 2020	<u>17,898,922</u>	<u>2,102,972</u>	<u>635,099</u>	-	<u>20,636,993</u>
<b>Accumulated depreciation</b>					
At 1 January 2019	-	-	115,589	-	115,589
Charge for the year	-	-	<u>47,784</u>	-	<u>47,784</u>
At 31 December 2019 and 1 January 2020	-	-	163,373	-	163,373
Charge for the year	<u>2,481,183</u>	<u>154,047</u>	<u>127,361</u>	-	<u>2,762,591</u>
At 31 December 2020	<u>2,481,183</u>	<u>154,047</u>	<u>290,734</u>	-	<u>2,925,964</u>
<b>Carrying amount</b>					
At 31 December 2020	<u>15,417,739</u>	<u>1,948,925</u>	<u>344,365</u>	-	<u>17,711,029</u>
At 31 December 2019	<u>123,587</u>	<u>63,942</u>	<u>224,908</u>	<u>13,750,922</u>	<u>14,163,359</u>

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**8. RIGHT-OF-USE ASSETS**

	<u>2020</u> HK\$	<u>2019</u> HK\$
At January	14,440,333	16,940,192
Additions	-	476,279
Amortisation	<u>(3,163,065)</u>	<u>(2,976,138)</u>
At 31 December	<u>11,277,268</u>	<u>14,440,333</u>
	<u>2020</u> HK\$	<u>2019</u> HK\$
Interest on lease liabilities	1,264,856	1,472,592
Expense relating to short-term leases	-	397,067
Total cash outflows for leases		
Within operating cash flows	-	(397,067)
Within financing cash flows	<u>(4,432,376)</u>	<u>(3,456,571)</u>
	<u>(4,432,376)</u>	<u>(3,853,638)</u>

Note: There were no additions to right-of-use assets for the year ended 31 December 2020.

During the year ended 31 December 2019, additions to right-of-use assets were HK\$476,279. This amount included the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflows for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 8 and 10, respectively.

**9. ACCOUNTS AND OTHER RECEIVABLES**

	<u>2020</u> HK\$	<u>2019</u> HK\$
Accounts receivables	376,198	826,203
Other receivables	2,341	4,824
Prepayment and deposits	<u>601,378</u>	<u>223,225</u>
	<u>979,917</u>	<u>1,054,252</u>

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**10. LEASE LIABILITIES**

The following table shows the remaining contractual maturities of the Entity's lease liabilities at the end of the current and previous reporting periods:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within 1 year	<u>1,569,467</u>	<u>2,598,317</u>	<u>3,167,520</u>	<u>4,432,376</u>
After 1 year but within 2 years	3,593,642	4,434,581	1,569,467	2,598,317
After 2 years but within 5 years	<u>7,638,027</u>	<u>8,237,419</u>	<u>11,231,669</u>	<u>12,672,000</u>
	<u>11,231,669</u>	<u>12,672,000</u>	<u>12,801,136</u>	<u>15,270,317</u>
	<u>12,801,136</u>	<u>15,270,317</u>	<u>15,968,656</u>	<u>19,702,693</u>
Less: Total future interest expenses		<u>(2,469,181)</u>		<u>(3,734,037)</u>
Present value of lease liabilities		<u>12,801,136</u>		<u>15,968,656</u>

The incremental borrowing rates used for determination of the present value of lease payments was 9%.

**11. COMPANY LIMITED BY GUARANTEE**

The Entity was registered as a company limited by guarantee and not having a share capital. In accordance with Article 7 of the Entity's Memorandum of Association, the Entity was incorporated by members' guarantee with every member's liability not exceeding HK\$100.

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**12. FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

**a) Financial risk factors**

Risk management is integral to the whole operation of the Entity. The Entity has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The directors continually monitor the Entity's risk management process to ensure that an appropriate balance between risk and control is achieved.

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

**i) Credit risk**

Credit risk is the potential risk of financial loss resulting from failure of a party in meeting its financial and contractual obligations to the Entity, as and when they fall due. The Entity's credit risk is primarily attributable to cash at banks.

In respect of cash at banks, the Entity limits its exposure to credit risk by placing deposits with a financial institution that meet the established credit rating. Given this high credit rating, management does not expect any counterparty to fail to meet its obligations.

**ii) Liquidity risk**

Liquidity risk is the risk that the Entity will not be able to meet its financial obligations as they fall due. The Entity's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from other group companies to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Entity's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Entity can be required to pay:

2020	Contractual undiscounted cash outflow			Total HK\$	Carrying amount at 31 December HK\$
	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$		
Lease liabilities (note)	2,598,317	4,434,581	8,237,419	15,270,317	12,801,136
Accounts and other payables	879,923	-	-	879,923	879,923
	<u>3,478,240</u>	<u>4,434,581</u>	<u>8,237,419</u>	<u>16,150,240</u>	<u>13,681,059</u>

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**12. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)**

**a) Financial risk factors (Continued)**

**ii) Liquidity risk (Continued)**

2019	Contractual undiscounted cash outflow				Carrying amount at 31 December
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	HK\$	HK\$	HK\$	HK\$	HK\$
Lease liabilities	4,432,376	2,598,317	12,672,000	19,702,693	15,968,656
Accounts and other payables	1,382,744	-	-	1,382,744	1,382,744
	<u>5,815,120</u>	<u>2,598,317</u>	<u>12,672,000</u>	<u>21,085,437</u>	<u>17,351,400</u>

**iii) Foreign currency risk**

The Entity's functional currency is Hong Kong dollars. The Entity is exposed to foreign currency risk primarily through cash balances that are denominated in other currencies, being primarily Renminbi ("RMB") and US dollars ("USD") and Swiss Franc ("CHF").

*i) Exposure to currency risk*

The following table details the Entity's major exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the Entity's functional currency.

	Exposure to foreign currencies (expressed in HK\$)	
	2020	2019
Cash and cash equivalents		
RMB	190	179
USD	3,433,204	5,133,620
CHF	2	2
Accounts receivables		
USD	-	780,000
Net exposure to currency risk	<u>3,433,396</u>	<u>5,913,801</u>

*ii) Sensitivity analysis*

As Hong Kong dollars is pegged to USD, the Entity does not expect any significant foreign currency risks in respect of balances denominated in USD.

As the financial assets denominated in RMB and CHF are insignificant, the Entity does not expect any significant foreign currency risks in respect of balances denominated in RMB and CHF.

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**12. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)**

**b) Fair values**

The directors of the Entity consider that the carrying amounts of the Entity's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

**13. ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

In application of the Entity's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The significant accounting judgements and estimation uncertainty are as follows:

**(i) Estimation of impairment of property, plant and equipment and right-of-use assets**

If circumstances indicate that the carrying amounts of property, plant and equipment and right-of-use assets may not be recoverable, the assets may be considered "impaired" and are tested for impairment in accordance with HKAS 36, Impairment of assets. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. The asset's recoverable amount will also be estimated if circumstances indicate that an impairment loss previously recognised no longer exists or may have decreased. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. In determining the recoverable amount, significant judgements are required and the Entity uses all readily available information, including estimates based on reasonable and supportable assumptions, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount. The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2020 was HK\$17,711,029 (2019: HK\$14,163,359) and HK\$11,277,268 (2019: HK\$14,440,333), respectively.

**(ii) Recoverability of receivables**

The Entity applies the 12-months expected credit losses to provide for expected credit losses prescribed by HKFRS 9. The expected loss rates are based on the payment profiles and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. As at 31 December 2020, the Entity has assessed that the expected loss rate for the receivables was immaterial. Thus no loss allowance for receivables was recognised. The carrying amounts of receivables as at 31 December 2020 was HK\$378,539 (2019: HK\$831,027).

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**14. RELATED PARTY TRANSACTIONS**

The Entity had following transactions with related parties:

- a) Key management personnel remuneration

All members of key management personnel are the directors of the Entity. The Entity did not pay any remuneration to them.

- b) As at 31 December 2020 and 2019, Ms. Bowen Jenny, a director of the Entity, has given personal guarantee amounting to HK\$300,000 in favour of a bank in respect of credit card facilities granted to the Entity.

**15. COMMITMENTS**

Capital commitments outstanding at 31 December 2020 not provided for in the financial statements in respect of renovation work and equipment were as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Contracted for	-	<u>4,545,977</u>

**16. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

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

	<u>Lease liabilities</u> HK\$	<u>Amount due to a related company</u> HK\$	<u>Total</u> HK\$
At 1 January 2019	17,476,356	5,012,060	22,488,416
Interest on lease liabilities	1,472,592	-	1,472,592
Increase in lease liabilities from entering into new lease	476,279	-	476,279
Changes from financing cash flows	<u>(3,456,571)</u>	<u>(5,012,060)</u>	<u>(8,468,631)</u>
At 31 December 2019	<u>15,968,656</u>	<u>-</u>	<u>15,968,656</u>
At 1 January 2020	15,968,656	-	15,968,656
Interest on lease liabilities	1,264,856	-	1,264,856
Changes from financing cash flows	<u>(4,432,376)</u>	<u>-</u>	<u>(4,432,376)</u>
At 31 December 2020	<u>12,801,136</u>	<u>-</u>	<u>12,801,136</u>

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**17. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Entity.

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

- 1 Effective for annual periods beginning on or after 1 January 2023  
2 Effective for annual periods beginning on or after 1 January 2022  
3 Effective for annual periods beginning on or after a date to be determined  
4 Effective for annual periods beginning on or after 1 June 2020  
5 Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

**17. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS  
ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020**  
(Continued)

Amendments to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.