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Dated on: 30 JUN 2021



Reports and Financial Statements

Feeding Hong Kong Limited  
樂餉社有限公司

For the year ended 30 September 2020



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Expressed in Hong Kong dollars ("HK\$")

# Directors' report for the year ended 30 September 2020

The directors present their annual report together with the audited financial statements of Feeding Hong Kong Limited (the "Institution") for the year ended 30 September 2020.

## **PRINCIPAL ACTIVITIES**

The Institution is a charitable institution of a public character since its incorporation. The principal activities of the Institution are collecting money donation, rescuing surplus nutritious food from retailers and manufacturers and redistributing it to non-profit organisations in Hong Kong free of charge. The food mainly includes rice, edible oil, condiments, canned food, bread and vegetables.

## **BUSINESS REVIEW**

Business review has not been prepared as the Institution falls within the reporting exemption under section 388(3) of the Hong Kong Companies Ordinance.

## **RESULTS**

The surplus of the Institution for the year ended 30 September 2020 is set out in the financial statement on page 6.

## **SHARE CAPITAL**

The Institution was incorporated in Hong Kong as a company with liability limited by guarantee and not having a share capital.

## **DIRECTORS**

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

Mr. Brett Walter Stewien  
Mr. Chin-Yao Lin  
Mr. Gareth Kwok  
Mr. Richard Anthony Lord

In accordance with the Institution's articles of association, all the directors retire and, being eligible, offer themselves for re-election.

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

No transaction, arrangement or contracts of significance in relation to the Institution's business to which any of the Institution was a party and in which a director of the Institution had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**MANAGEMENT CONTRACTS**

The Institution did not enter into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Institution, by which a person undertakes the management and administration of the whole, or any substantial part of any business of the Institution during the year.

**PERMITTED INDEMNITY PROVISION**

At no time during the year and up to the date of this report, there was or is any permitted indemnity provision being in force for the benefit of the directors of the Institution (whether made by the Institution or otherwise) or of its associated company (made by the Institution).

**AUDITOR**

Deloitte Touche Tohmatsu resigned as auditor of the Institution and Grant Thornton Hong Kong Limited was appointed by the directors to fill the casual vacancy so arising.

A resolution for the reappointment of Grant Thornton Hong Kong Limited as auditor of the Institution will be proposed at the forthcoming annual general meeting.

On behalf of the Board



**Mr. Brett Walter Stewien**  
Director

Hong Kong

23 JUN 2021



## Independent auditor's report

**To the members of Feeding Hong Kong Limited  
(incorporated in Hong Kong with limited liability by guarantee)**

**Opinion**

We have audited the financial statements of Feeding Hong Kong Limited (the "Institution") set out on pages 6 to 31, which comprise the statement of financial position as at 30 September 2020, and the income and expenditure account, the statement of changes in equity 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 Institution as at 30 September 2020, and of its surplus 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 Institution in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

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

**Responsibilities of Directors 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 the applicable 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 Institution'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 Institution 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. We report our opinion 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.

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

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 Institution's internal control.
- 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 Institution'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 Institution to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Grant Thornton Hong Kong Limited**  
Certified Public Accountants  
Level 12  
28 Hennessy Road  
Wanchai  
Hong Kong

23 JUN 2021

Ng Ka Kong  
Practising Certificate No.: P06919

## Income and expenditure account for the year ended 30 September 2020

	Note	Year ended 30 September 2020 HK\$	Year ended 30 September 2019 HK\$ (Note)
<b>Income</b>			
Donation income	6	29,669,292	9,744,595
COVID-19 related government subsidies	7	466,867	-
Other income	8	61,396	31,072
		<b>30,197,555</b>	<b>9,775,667</b>
<b>Less: expenditure</b>			
Food purchases		5,272,052	1,334,493
Transportation expenses		408,897	401,609
Depreciation of property and equipment and right-of-use assets		1,279,602	773,034
Short term lease charges and rates		679,019	1,046,296
Other expenses		6,118,258	6,517,400
Finance cost	9	9,905	-
		<b>13,767,733</b>	<b>10,072,832</b>
<b>Surplus/(Deficit) and total comprehensive income/(expense) for the year</b>	10	<b>16,429,822</b>	<b>(297,165)</b>

Note: The Institution has initially applied HKFRS 16 at 1 October 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

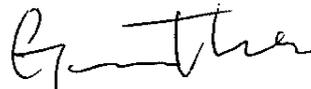
The notes on pages 6 to 31 are an integral part of these financial statements.

## Statement of financial position as at 30 September 2020

	Notes	30 September 2020 HK\$	30 September 2019 HK\$ (Note b)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Property, plant and equipment	13	433,928	1,018,244
Right-of-use assets	14	2,087,556	-
		<b>2,521,484</b>	<b>1,018,244</b>
<b>Current assets</b>			
Donation and other receivables		838,292	523,058
Cash and cash equivalents	15	23,332,195	6,599,978
		<b>24,170,487</b>	<b>7,123,036</b>
<b>Current liabilities</b>			
Accruals and other payables	16	270,163	236,850
Lease liabilities	17	1,017,743	-
		<b>1,287,906</b>	<b>236,850</b>
<b>Net current assets</b>		<b>22,882,581</b>	<b>6,886,186</b>
<b>Total assets less current liabilities</b>		<b>25,404,065</b>	<b>7,904,430</b>
<b>Non-current liabilities</b>			
Lease liabilities	17	1,069,813	-
<b>Net assets</b>		<b>24,334,252</b>	<b>7,904,430</b>
<b>Reserve</b>			
Accumulated surplus (Note a)		24,334,252	7,904,430

Approved by the Board of Directors on 23 JUN 2021 and are signed on its behalf by:

  
 Mr. Brett Walter Stewien  
 Director

  
 Mr. Gareth Kwok  
 Director

Note:

- The donation income from a fund-raising event with Lottery licence during the year ended 30 September 2016, amounting to HK\$109,100 was used in delivery expenses in collection and redistribution of food to people in need in Hong Kong during the year. There was no such income during the years ended 30 September 2019 and 2020.
- The Institution has initially applied HKFRS 16 at 1 October 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 6 to 31 are an integral part of these financial statements.

## Statement of changes in equity for the year ended 30 September 2020

	<b>Accumulated surplus HK\$</b>
At 30 September 2018	8,201,595
Deficit for the year	(297,165)
At 30 September 2019	7,904,430
Surplus for the year	16,429,822
<b>At 30 September 2020</b>	<b>24,334,252</b>

Note: The Institution has initially applied HKFRS 16 at 1 October 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 6 to 31 are an integral part of these financial statements.

## Statement of cash flows for the year ended 30 September 2020

	Year ended 30 September 2020 HK\$	Year ended 30 September 2019 HK\$ (Note)
<b>Cash flows from operating activities</b>		
Surplus/(Deficit) for the year	16,429,822	(297,165)
Adjustments for:		
Interest income	(60,736)	(31,072)
Finance charge on lease liabilities	9,905	-
Depreciation of property, plant and equipment	916,631	773,034
Depreciation of right-of-use assets	362,971	-
Operating surplus before working capital changes	17,658,593	444,797
(Increase)/Decrease in donation and other receivables	(315,234)	60,070
Increase in accruals and other payables	33,313	110,530
<b>Net cash generated from operating activities</b>	<b>17,376,672</b>	<b>615,397</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(332,315)	(1,290,297)
Interest received	60,736	31,072
<b>Net cash used in investing activities</b>	<b>(271,579)</b>	<b>(1,259,225)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(362,971)	-
Interest paid	(9,905)	-
<b>Net cash used in financing activities</b>	<b>(372,876)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,732,217</b>	<b>(643,828)</b>
Cash and cash equivalents at the beginning of the year	6,599,978	7,243,806
<b>Cash and cash equivalents at the end of the year</b>	<b>23,332,195</b>	<b>6,599,978</b>

Note: The Institution has initially applied HKFRS 16 at 1 October 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 6 to 31 are an integral part of these financial statements.

# Notes to the financial statements for the year ended 30 September 2020

## 1. GENERAL INFORMATION

Feeding Hong Kong Limited (the “Institution”) was incorporated in Hong Kong with liability limited by guarantee. The liability of the members is limited to HK\$100 per member, or within one year after they cease to be a member. The address of its registered office is Unit 715-717, Block A2 Yau Tong Industrial City, 17-25 Ko Fai Road, Yau Tong, Kowloon, Hong Kong.

The Institution is a charitable institution of a public character since its incorporation. The principal activities of the Institution are collecting money donation, rescuing surplus nutritious food from retailers and manufacturers and redistributing it to non-profit organisations in Hong Kong free of charge. The food mainly includes rice, edible oil, condiments, canned food, bread and vegetables.

The financial statements for the year ended 30 September 2020 were approved for issue by the board of directors on **23 JUN 2021**.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements on pages 6 to 31 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Institution’s financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under the historical cost basis. The measurement basis is fully described in the accounting policies below.

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

### **2.1 Basis of preparation (Continued)**

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

### **2.2 Foreign currency translation**

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

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

Items of property, plant and equipment (other than cost of right-of-use assets as described in note 2.7) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Leasehold improvements	3 to 5 years
Computer equipment	3 years
Furniture and fixtures and office equipment	3 years
Motor vehicles	5 years

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Property, plant and equipment (Continued)

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institution and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

### 2.4 Financial instruments

#### Financial assets

##### Classification and measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss and other comprehensive income.

##### *Debt investments*

##### Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest method if the assets are held for the collection of contractual cash flows which represent solely payments of principal and interest.

The Institution's donation and other receivables and cash and cash equivalents fall into this category of financial instruments.

##### **Financial liabilities**

##### **Classification and measurement of financial liabilities**

The Institution's financial liabilities include accruals and other payables and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

Accounting policies of lease liabilities are set out in note 2.7.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Impairment of financial assets

The Institution recognises a low allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including donation receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Institution's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Institution always recognises lifetime ECL for donation receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other financial assets at amortised cost, the Institution measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Institution recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Institution compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Institution considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Impairment of financial assets (Continued)

#### (i) Significant increase in credit risk (Continued)

- existing or forecast diverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic.

Irrespective of the outcome of the above assessment, the Institution presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Institution has reasonable and supportable information that demonstrates otherwise.

The Institution regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increases in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### (ii) Definition of default

For internal credit risk management, the Institution considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Institution, in full (without taking into account any collaterals held by the Institution).

Irrespective of the above, the Institution considers that default has occurred when a financial asset is more than 90 days past due unless the Institution has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Impairment of financial assets (Continued)

#### (iii) Credit-impaired financial assets (Continued)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

#### (iv) Write-off policy

The Institution writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy. Financial assets written off may still be subject to enforcement activities under the Institution's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in surplus or deficit.

#### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Institution in accordance with the contract and the cash flows that the Institution expects to receive, discounted at the effective interest rate determined at initial recognition.

When ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Company's trade and other receivable and bank balances are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit-risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Impairment of financial assets (Continued)

The Institution recognises an impairment gain or loss in surplus or deficit for all financial instruments by adjusting their carrying amount.

Detailed analysis of the ECL assessment of financial assets at amortised cost are set out in note 21.5 to the financial statements.

### 2.6 Cash and cash equivalents

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

### 2.7 Leases

**Definition of a lease and the Institution as a lessee**

**Policy applicable from 1 October 2019**

For any new contracts entered into on or after 1 October 2019, the Institution considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and right to direct the use of the identified assets.

#### Measurement and recognition of leases as a lessee

At lease commencement date, the Institution recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost.

The Institution depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Institution is reasonably certain to obtain ownership at the end of the lease term. The Institution also assesses the right-of-use assets for impairment when such indicator exists.

At the commencement date, the Institution measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Institution's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Leases (Continued)

#### Definition of a lease and the Institution as a lessee (Continued)

#### Policy applicable from 1 October 2019 (Continued)

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect

any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Institution has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### Policy applicable before 1 October 2019

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

#### (i) Classification of assets leased to the Institution

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

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

Where the Institution has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Provisions

Provision are recognised when the Institution has a present obligation (legal or constructive) as a result of a past event, and 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### 2.9 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Institution satisfies performance obligations by transferring the promised goods or services to its customers at the amount of promised consideration to which the Institution is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Institution's revenue and other income recognition policies are as follows:

#### Donation income

Donations are recognised when the Institution becomes entitled to the donations and it is probable that they will be received, which is generally upon receipt of cash. A donations-in-kind (goods or services) is recognised in the financial statements when a fair value of the consideration received can be reasonably estimated to be the price that the Organisation would have paid in the open market for an equivalent item.

#### Interest income

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

### 2.10 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Institution will comply with all attached conditions. Government grants are deferred and recognised in statement of comprehensive income over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in statement of comprehensive income on a straight line basis over the expected lives of the related assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Impairment of non-financial assets

Property, plant and equipment (including right-of-use assets) are subject to impairment testing. The assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

Impairment loss is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

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

### 2.12 Employee benefits

#### Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Institution operates a defined contribution retirement benefit plan under the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Employee benefits (Continued)

#### Retirement benefits (Continued)

Contributions are recognised as an expense in the profit or loss as employees render services during the year. The Institution's obligations under these plans are limited to the fixed percentage contributions payable.

#### Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

### 2.13 Related parties

For the purposes of these financial statements, a party is considered to be related to the Institution if:

- (a) the party is a person or a close member of that person's family and if that person:
  - (i) has control or joint control over the Institution;
  - (ii) has significant influence over the Institution; or
  - (iii) is a member of the key management personnel of the Institution or of a parent of the Institution.
- (b) the party is an entity and if any of the following conditions applies:
  - (i) The entity and the Institution are members of the same group;
  - (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) The entity and the Institution 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 Institution or an entity related to the Institution;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) 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); and

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies: (Continued)

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Institution or to the parent of the Institution.

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.

## 3. ADOPTION OF NEW AND AMENDED HKFRSs

### **New and amended HKFRSs that are effective for annual periods beginning on or after 1 October 2019**

In the current year, the Institution has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Institution's operations and effective for the Institution's financial statements for the annual period beginning from 1 October 2019.

HKFRS 16	Leases
Amendments to HKFRS 9	Payment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### **HKFRS 16 "Leases"**

HKFRS 16 replaces HKAS 17 "Leases" ("HKAS 17") along with three interpretations (HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC) - Int 4"), HK(SIC) Int - 15 "Operating Leases-Incentives" and HK(SIC) Int - 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Comparative information has not been restated and continues to be reported under HKAS 17.

For contracts in place at the date of initial application, the Institution has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) - Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) - Int 4.

**3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)**

**New and amended HKFRSs that are effective for annual periods beginning or after 1 October 2019**

**HKFRS 16 "Leases" (Continued)**

The Institution has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 October 2019. At this date, the Institution has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Institution has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than twelve months, the Institution has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The weighted average of the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5% per annum.

The following is a reconciliation of total operating lease commitments at 30 September 2019 to the lease liabilities recognised at 1 October 2019:

	HK\$
Total operating lease commitments at 30 September 2019	835,470
Recognition exemption:	
- Leases with remaining lease term of less than 12 months	(462,594)
Operating lease liabilities before discounting	372,876
Discounting using incremental borrowing rate as at 1 October 2019	(9,905)
<b>Total lease liabilities recognised under HKFRS 16 at 1 October 2019</b>	<b>362,971</b>
Classified as:	
Current lease liabilities	362,971

**Total impact arising from transition to HKFRS 16**

The following table summarises the impact of transition to HKFRS 16 on the Institution's statement of financial position at 1 October 2019:

	HK\$
Increase in right-of-use assets	362,971
Increase in lease liabilities	(362,971)

### 3. **ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)**

#### **Issued but not yet effective HKFRSs**

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

HKFRS 17	Insurance Contracts <sup>2</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 HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date not yet determine

4 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 June 2020

The directors anticipate that all of the pronouncements will be adopted in the Institution's accounting policy for the first period beginning on or after the effective date of the pronouncement. These new and amended HKFRSs are not expected to have a material impact on the Institution's financial statements.

### 4. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Institution makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Estimation of impairment of donation and other receivables within the scope of ECL upon application of HKFRS 9**

Since the initial adoption of HKFRS 9, the Institution makes allowances on items subject to ECL (including donation and other receivables) based on assumptions about risk of default and expected loss rates. The Institution uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Institution's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.5. As at 30 September 2020, the aggregate carrying amount of donation and other receivables amounted to HK\$382,604 (2019: HK\$301,839) respectively (no ECL allowance recognised).

**5. INCOME TAX EXPENSE**

No provision for Hong Kong Profits Tax has been provided, as the Institution is exempted from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

**6. DONATION INCOME**

	Year ended 30 September 2020 HK\$	Year ended 30 September 2019 HK\$
Donation income (note)	25,457,009	7,635,427
Income on programmes and fund raising activities	4,212,283	2,109,168
	<b>29,669,292</b>	<b>9,744,595</b>

Note:

During the year ended 30 September 2020, donation included an amount of HK\$2,205,717 (2019: HK\$1,492,900) being received from the Community Chest for rental expenses, staff costs and logistics expenses.

**7. COVID-19 RELATED GOVERNMENT SUBSIDIES**

During the year ended 30 September 2020, the amount mainly represented the government subsidies in respect of COVID-19 in relation to Employment Support Scheme provided by the HKSAR Government amounting to HK\$426,867 (2019: Nil).

**8. OTHER INCOME**

	Year ended 30 September 2020 HK\$	Year ended 30 September 2019 HK\$
Bank interest income	60,736	31,072
Exchange gain, net	660	-
	<b>61,396</b>	<b>31,072</b>

**9. FINANCE COST**

	Year ended 30 September 2020 HK\$	Year ended 30 September 2019 HK\$
Finance charges on lease liabilities	9,905	-

**10. SURPLUS/(DEFICIT) FOR THE YEAR**

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

	Year ended 30 September 2020 HK\$	Year ended 30 September 2019 HK\$
Lease charges:		
- Office premises held under operating leases	-	828,255
- Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	462,594	-
<b>Total lease charges</b>	<b>462,594</b>	<b>828,255</b>
Depreciation:		
- Owned assets	916,631	773,034
- Right-of-use assets	362,971	-
<b>Total depreciation</b>	<b>1,279,602</b>	<b>773,034</b>
Auditor's remuneration	-	-
Exchange gain, net	(660)	-
Staff costs	5,026,144	4,974,087

**11. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)**

	Year ended 30 September 2020 HK\$	Year ended 30 September 2019 HK\$
Salaries, bonus and other benefits	4,808,416	4,768,746
Retirement scheme contribution	217,728	205,341
	<b>5,026,144</b>	<b>4,974,087</b>

**12. DIRECTORS' EMOLUMENTS**

No directors' remuneration as defined in section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation was paid or payable for the year.

### 13. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$	Computer equipment HK\$	Furniture, fixtures and office equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost</b>					
At 1 October 2018	1,955,966	195,031	118,472	1,489,467	3,758,936
Additions	1,171,101	15,116	104,080	-	1,290,297
At 30 September 2019	3,127,067	210,147	222,552	1,489,467	5,049,233
Additions	241,697	50,728	39,890	-	332,315
Disposals	(186,180)	(34,746)	(33,806)	-	(254,732)
<b>At 30 September 2020</b>	<b>3,182,584</b>	<b>226,129</b>	<b>228,636</b>	<b>1,489,467</b>	<b>5,126,816</b>
<b>Accumulated depreciation</b>					
At 1 October 2018	1,830,118	160,953	101,969	1,164,915	3,257,955
Provided for the year	539,477	24,477	33,587	175,493	773,034
At 30 September 2019	2,369,595	185,430	135,556	1,340,408	4,030,989
Provided for the year	703,584	20,448	43,540	149,059	916,631
Disposals	(186,180)	(34,746)	(33,806)	-	(254,732)
<b>At 30 September 2020</b>	<b>2,886,999</b>	<b>171,132</b>	<b>145,290</b>	<b>1,489,467</b>	<b>4,692,888</b>
<b>Carrying amounts</b>					
At 30 September 2020	295,585	54,997	83,346	-	433,928
At 30 September 2019	757,472	24,717	86,996	149,059	1,018,244

### 14. RIGHT-OF-USE ASSETS

	HK\$
<b>Cost</b>	
At 1 October 2019	-
Right-of-use assets recognised upon adoption of HKFRS 16 on 1 October 2019 (note 3)	362,971
Addition	2,087,556
Derecognition upon termination of lease	(362,971)
<b>At 30 September 2020</b>	<b>2,087,556</b>
<b>Accumulated depreciation</b>	
At 1 October 2019	-
Depreciation	362,971
Derecognition upon termination of lease	(362,971)
<b>At 30 September 2020</b>	<b>-</b>
<b>Net book amount</b>	
At 30 September 2020	2,087,556
At 30 September 2019	-

The Institution leases an office premise. Rental contracts are typically made for fixed periods of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

## 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	30 September 2020 HK\$	30 September 2019 HK\$
Cash at bank and in hand	15,320,129	2,578,768
Short-term bank deposits	8,012,066	4,021,210
Cash and cash equivalents per the statement of cash flows	<b>23,332,195</b>	<b>6,599,978</b>

The short-term bank deposits earn 0.44% to 1.55% interest per annum (2019: 0.001% to 1.55%). They have a maturity of three months and are eligible for immediate cancellation without receiving any interest for the last deposit period for years ended 30 September 2019 and 2020.

## 16. ACCRUALS AND OTHER PAYABLES

	30 September 2020 HK\$	30 September 2019 HK\$
Staff costs and welfare accruals	41,290	52,092
Other payables	228,873	184,758
	<b>270,163</b>	<b>236,850</b>

All amounts are short term and hence the carrying values of the Institution's accrued expenses and other payables and are considered to be a reasonable approximation of fair value by the directors of the Institution.

## 17. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the lease liabilities:

	30 September 2020 HK\$
Total minimum lease payments:	
- Due within one year	1,099,008
- Due in the second to fifth year	1,099,008
	<b>2,198,016</b>
Future finance charges on lease liabilities	(110,460)
Present value of lease liabilities	<b>2,087,556</b>
Present value of minimum lease payments:	
- Due within one year	1,017,743
- Due in the second to fifth year	1,069,813
	<b>2,087,556</b>
Less: portion due within one year included under current liabilities	(1,017,743)
Portion due after one year included under non-current liabilities	<b>1,069,813</b>

## 17. LEASE LIABILITIES (CONTINUED)

The Institution has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 October 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Details for transitions to HKFRS 16 are set out in note 3.

The Institution has obtained the right to use office premises through a tenancy agreement. The leases typically run on an initial period of two years. The Institution considered that no extension option would be exercised at the lease commencement date.

During the year ended 30 September 2020, the total cash outflows for the leases are HK\$835,470.

### Details of the lease activities

As at 30 September 2020, the Institution has entered into a lease for an office with remaining lease terms of two years and only subject to monthly fixed rental payment.

<u>Types of right-of-use assets</u>	<u>Number of leases</u>	<u>Remaining lease term</u>	<u>Particulars</u>
Office premises	1	2 years	1) Only subject to monthly fixed rental payment 2) Not contain any renewal termination options

## 18. LEASE COMMITMENTS

At the reporting date, the lease commitments for short-term leases (2019: the total future minimum lease payments payable by the Institution under non-cancellable operating lease) are as follows:

	<b>30 September 2020 HK\$</b>	<b>30 September 2019 HK\$</b>
Within one year	-	835,470
In the second to fifth years	-	-
	-	835,470

As at 30 September 2019, the Institution leased office premises under operating leases. The leases run for an initial period of two years, with an option to renew the lease and renegotiate the terms at the expiry date or at the dates as mutually agreed between the Institution and respective landlords. None of the leases includes contingent rentals.

## 19. RELATED PARTY TRANSACTIONS

- (a) No transaction, arrangement or contract of significance to which the Institution was a party and in which a director of the Institution or a connected entity of the directors of the Institution had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**19. RELATED PARTY TRANSACTIONS (CONTINUED)**

(b) During the year ended 30 September 2020, the compensation paid by the Institution to the key management personnel was HK\$1,049,392 (2019: HK\$1,114,496). No remuneration was paid to directors for both years.

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

The changes in the Institution's liabilities arising from financing activities can be classified as follows:

	Lease liabilities HK\$
At 1 October 2019	-
Impact on initial application of HKFRS 16 (note 3)	362,971
At 1 October 2019 (adjusted)	362,971
<b>Cash flows:</b>	
Capital element of the lease rentals paid	(362,971)
Interest element of the lease rentals paid	(9,905)
Total changes from financing cash flows	(372,876)
<b>Non-cash:</b>	
Interest expenses	9,905
Additions	2,087,556
	2,097,461
<b>At 30 September 2020</b>	<b>2,087,556</b>

**21. FINANCIAL RISK MANAGEMENT**

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

There has been no change to the types of the Institution's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

**21.1 Categories of financial assets and liabilities**

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

	30 September 2020 HK\$	30 September 2019 HK\$
<b>Financial assets</b>		
Financial assets measured at amortised cost		
Donation and other receivables	382,604	301,839
Cash and cash equivalents	23,332,195	6,599,978
	23,714,799	6,901,817
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost		
Accruals and other payables	270,163	236,850
Lease liabilities	2,087,556	-
	2,357,719	236,850

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 21.2 Foreign currency risk

The Institution has no significant foreign currency risk because its business is principally in Hong Kong and most of the transactions are denominated in the Institution's functional currency. Since the Hong Kong dollar is pegged to the United States dollar ("USD"), the Institution's exposure to foreign currency risk in respect of bank balances denominated in USD is considered as minimal.

### 21.3 Liquidity risk

The Institution is exposed to liquidity risk in respect of settlement of accruals and other payables and lease liabilities.

The Institution's liquidity position is monitored closely by the management of the Institution. In the management of the liquidity risk, the Institution monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Institution's operations and mitigate the effects of fluctuations in cash flows.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand HK\$	Over 1 year but within 5 years HK\$	Total undiscounted amount HK\$	Carrying amount HK\$
<b>As at 30 September 2020</b>				
Accruals and other payables	270,163	-	270,163	270,163
Lease liabilities	1,099,008	1,099,008	2,198,016	2,087,556
	<b>1,369,171</b>	<b>1,099,008</b>	<b>2,468,179</b>	<b>2,357,719</b>
<b>As at 30 September 2019</b>				
Accruals and other payables	236,850	-	236,850	236,850
Lease liabilities	-	-	-	-
	<b>236,850</b>	<b>-</b>	<b>236,850</b>	<b>236,850</b>

### 21.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institution's interest rate risk arises primarily from cash and cash equivalents (note 15). No sensitivity analysis is presented as the directors consider that the interest rate risk is insignificant.

### 21.5 Credit risk

As at 30 September 2020, the Institution's maximum exposure to credit risk which will cause a financial loss to the Institution due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

## **21. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **21.5 Credit risk (Continued)**

#### *Donation receivables*

The Institution performs impairment assessment under ECL model under application of HKFRS 9 on donation receivables based on provision matrix. In this regard, the directors of the Institution consider that the credit risk is significantly reduced. Based on the impairment assessment performed by the Institution, the management of the Institution considers the loss allowance for donation receivables within lifetime ECL (neither credit-impaired nor not credit impaired) as at 30 September 2020 was insignificant and accordingly no allowance for credit losses is provided.

#### *Bank balances*

The credit risk on liquid funds is limited because the counterparty is a bank with high credit rating.

## **22. CAPITAL MANAGEMENT**

The Institution is limited by guarantee and do not having a share capital. Capital comprises accumulated surplus as stated on the statement of financial position. The Institution's objective when managing capital is to safeguard its ability to continue as a going concern.

The Institution manages capital by monitoring its current and expected liquidity requirements. The Institution is not subject to any internally or externally imposed capital requirement.