

THE CARAVEL FOUNDATION LIMITED

Reports and Financial Statements
For the year ended 31 December 2020

Certified True Copy



Tang Wing Fong
Company Secretary



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THE CARAVEL FOUNDATION LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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THE CARAVEL FOUNDATION LIMITED

DIRECTORS' REPORT

The directors presents their annual report and audited financial statements for The Caravel Foundation Limited (the "Foundation") for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity is to engage in charity activities such as providing financial support or making donations to other charitable institutions for furtherance of education and relief of poverty. The Foundation also offers financial assistance and grants subsidies or scholarships to students who are in need of such assistance.

RESULTS

The results of the Foundation for the year are set out in the income and expenditure account on page 6.

DIRECTORS

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

Harindarpal Singh Banga
Indra Banga
Dana Kulik Banga

In accordance with Article 12 of the Foundation's Articles of Association, unless otherwise specified in the appointment, directors who are appointed by ordinary resolution or by decision of the directors are eligible to hold office for an unlimited period of time.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Foundation a party to any arrangements to enable the directors of the Foundation to acquire benefits by means of the acquisition of shares in, or debentures of, the Foundation or any other body corporate.

THE CARAVEL FOUNDATION LIMITED

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Foundation was a party and in which the directors of the Foundation had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report was any permitted indemnity provision being in force for the benefit of any of the directors of the Foundation.

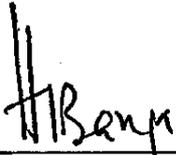
BUSINESS REVIEW

The Foundation is not required to present a business review under the Hong Kong Companies Ordinance as the Foundation is a small guarantee company as defined in section 363 of the Hong Kong Companies Ordinance.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Foundation.

On behalf of the Board



Harindarpal Singh Banga
Director
22 June 2021

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF THE CARAVEL FOUNDATION LIMITED
(incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of The Caravel Foundation Limited (the "Foundation") set out on page 6 to 20, which comprise the statement of financial position as at 31 December 2020, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2020, and of its financial performance and 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF THE CARAVEL FOUNDATION LIMITED - continued
(incorporated in Hong Kong and limited by guarantee)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with 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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF THE CARAVEL FOUNDATION LIMITED - continued
(incorporated in Hong Kong and limited by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 June 2021

THE CARAVEL FOUNDATION LIMITED

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>NOTE</u>	<u>2020</u> US\$	<u>2019</u> US\$
INCOME			
Donation income		1,482,000	4,555,000
Bank interest income		-	199
		<u>1,482,000</u>	<u>4,555,199</u>
EXPENDITURE			
Donations		1,482,000	4,536,153
Professional expenses		4,158	6,332
Finance charge		271	256
Sponsorship fee		-	12,467
Depreciation		-	430
Other expenses		-	678
		<u>1,486,429</u>	<u>4,556,316</u>
DEFICIT FOR THE YEAR	6	<u>(4,429)</u>	<u>(1,117)</u>

THE CARAVEL FOUNDATION LIMITED

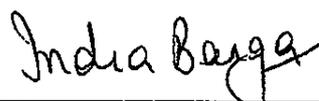
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	<u>NOTES</u>	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
NON-CURRENT ASSET			
Plant and equipment	7	-	-
CURRENT ASSET			
Bank balances		10,097	14,535
CURRENT LIABILITIES			
Accrued expense		1,987	3,983
Amount due to a related company	8	16,766	14,779
Amount due to a director	8	15,756	15,756
		<u>34,509</u>	<u>34,518</u>
NET CURRENT LIABILITIES		<u>(24,412)</u>	<u>(19,983)</u>
NET LIABILITIES		<u>(24,412)</u>	<u>(19,983)</u>
Represented by:			
ACCUMULATED DEFICIT		<u>(24,412)</u>	<u>(19,983)</u>

The financial statements on pages 6 to 20 were approved and authorised for issue by the Board of Directors on 22 June 2021 and are signed on its behalf by:



Harindarpal Singh Banga
DIRECTOR



Indra Banga
DIRECTOR

THE CARAVEL FOUNDATION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Accumulated <u>deficit</u> US\$
At 1 January 2019	(18,866)
Deficit for the year	<u>(1,117)</u>
At 31 December 2019	(19,983)
Deficit for the year	<u>(4,429)</u>
At 31 December 2020	<u><u>(24,412)</u></u>

THE CARAVEL FOUNDATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>2020</u> US\$	<u>2019</u> US\$
OPERATING ACTIVITIES		
Deficit for the year	(4,429)	(1,117)
Adjustments for:		
Depreciation	-	430
Bank interest income	-	(199)
Operating cash flows before movement in working capital	(4,429)	(886)
(Decrease) increase in accrued expense	(1,996)	22
NET CASH USED IN OPERATING ACTIVITIES	<u>(6,425)</u>	<u>(864)</u>
CASH FROM AN INVESTING ACTIVITY		
Interest received	-	199
CASH FROM A FINANCING ACTIVITY		
Advance from a related company	<u>1,987</u>	<u>13,144</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,438)	12,479
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>14,535</u>	<u>2,056</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances	<u>10,097</u>	<u>14,535</u>

THE CARAVEL FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

The Caravel Foundation Limited (the "Foundation") is a private limited company incorporated in Hong Kong on 30 December 2015 as a company limited by guarantee in an amount not exceeding US\$100 by each member of the Foundation and not having a share capital.

The Foundation was established to engage in charity activities such as providing financial support or making donations to other charitable institutions for furtherance of education and relief of poverty. The Foundation also offers financial assistance and grants subsidies or scholarships to students who are in need of such assistance.

The address of the registered office and the principal place of business of the Foundation is Unit 2101, 21st Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The financial statements are presented in United States dollars ("US\$") which is the same as the functional currency of the Foundation.

As the Foundation is a charitable institution, an income and expenditure account is prepared to account for the result of its activities.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because the directors have agreed to provide adequate funds for the Foundation to meet in full its financial obligations as and when they fall due for a period of at least twelve months from the end of the reporting period.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Foundation 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 (the "HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the financial statements:

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 References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year has had no material impact on the Foundation's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

THE CARAVEL FOUNDATION LIMITED

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective

The Foundation has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ²

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

⁶ Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that the application of these new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

THE CARAVEL FOUNDATION LIMITED

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Foundation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies are set out below.

Income and expenditure

Income and expenditure is accounted for an accrual basis, except for donations which are accounted for on a cash basis.

Plant and equipment

Plant and equipment are tangible assets held for use for administrative purposes. Plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on plant and equipment

At the end of the reporting period, the Foundation reviews the carrying amounts of its plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of 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 values using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

THE CARAVEL FOUNDATION LIMITED

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment on plant and equipment - continued

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

Financial asset and financial liabilities are recognised when the Foundation becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial asset and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial asset and financial liabilities are added to or deducted from the fair value of the financial asset or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial asset

Classification and subsequent measurement of a financial asset

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

THE CARAVEL FOUNDATION LIMITED

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial asset - continued

Amortised cost and interest income

Interest income is recognised using the effective interest method for a financial asset measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial asset that has subsequently become credit-impaired. For a financial asset that has subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of a financial asset

The Foundation performs impairment assessment under the expected credit loss ("ECL") model on financial asset (representing bank balances) which is subject to impairment assessment under HKFRS 9 "Financial Instruments". 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 ("12m 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. Assessments are done based on the Foundation'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.

For the Foundation's instrument, the Foundation measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Foundation 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 Foundation 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 Foundation 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.

THE CARAVEL FOUNDATION LIMITED

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial asset - continued

Impairment of a financial asset - continued

(i) Significant increase in credit risk - continued

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;
- existing or forecast adverse 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, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Foundation assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Foundation considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Foundation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase 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.

THE CARAVEL FOUNDATION LIMITED

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial asset - continued

Impairment of a financial asset - continued

(ii) Definition of default

For internal credit risk management, the Foundation 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 Foundation, in full (without taking into account any collaterals held by the Foundation).

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

(iii) Credit-impaired financial asset

A financial asset is credit-impaired when one or more events of default that has 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Foundation 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 proceedings. A financial asset written off may still be subject to enforcement activities under the Foundation's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

THE CARAVEL FOUNDATION LIMITED

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial asset - continued

Impairment of a financial asset - continued

(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 and 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 Foundation in accordance with the contract and the cash flows that the Foundation expects to receive, discounted at the effective interest rate determined at initial recognition.

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.

The Foundation recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of a financial asset

The Foundation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or fair value.

Financial liabilities at amortised cost

Financial liabilities (including amount due to a director and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Foundation derecognises a financial liability when, and only when, the Foundation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

THE CARAVEL FOUNDATION LIMITED

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the year as the Foundation is exempted from Hong Kong Profits Tax by virtue of Section 88 of the Inland Revenue Ordinance. There is no significant unprovided deferred tax in respect of the year and at the end of the reporting period.

6. DEFICIT FOR THE YEAR

Deficit for the year has been arrived at after charging:

	<u>2020</u> US\$	<u>2019</u> US\$
Auditor's remuneration - audit service	4,158	4,252
Depreciation of plant and equipment	-	430
Directors' remuneration	-	-
	<u> </u>	<u> </u>

7. PLANT AND EQUIPMENT

	<u>Computer equipment</u> US\$
COST	
At 1 January 2019, 31 December 2019 and 2020	<u>3,897</u>
DEPRECIATION	
At 1 January 2019	3,467
Provided for the year	430
At 31 December 2019 and 2020	<u>3,897</u>
CARRYING VALUES	
At 31 December 2020	<u> </u>
At 31 December 2019	<u> </u>

Depreciation is provided to write off the cost of computer equipment over its estimated useful lives using the straight-line method at 33% per annum.

8. AMOUNT DUE TO A DIRECTOR/A RELATED COMPANY

The amounts are unsecured, interest-free and repayable on demand.

The related company represents an entity controlled by the directors.

THE CARAVEL FOUNDATION LIMITED

9. RELATED PARTY DISCLOSURES

(a) Balance

Details of balances with related parties are set out in the statement of financial position and note 8.

(b) Transaction

During the year ended 31 December 2020, the Foundation received donation income of US\$1,482,000 (2019: US\$4,555,000) from a director.

(c) No remuneration of directors and key management personnel was paid during the year.

10. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2020</u> US\$	<u>2019</u> US\$
Financial asset		
At amortised cost	10,097	14,535
Financial liabilities		
At amortised cost	32,522	30,535

Financial risk management objectives and policies

The Foundation's major financial instruments include bank balances, amount due to a director and amount due to a related company. The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk and impairment assessment

Credit risk refers to the risk that the Foundation's counterparties default on their contractual obligations resulting in financial losses to the Foundation. The Foundation's credit risk exposures are primary attributable to bank balances. The Foundation does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial asset.

Bank balances

The credit risk on bank balances is limited because the counterparties is a bank with good reputation and credit profile.

THE CARAVEL FOUNDATION LIMITED

10. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

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

The Foundation also relies on amount due to a related company and amount due to a director as a significant source of liquidity. As detailed in note 2, the directors have agreed to provide adequate funds to enable the Foundation to meet in full its financial obligations as and when they fall due for a period of at least twelve months from the end of the reporting period. Accordingly, the directors consider that the liquidity risk of the Foundation is significantly reduced.

The Foundation's financial liabilities are interest-free with short maturity. The management considers that the undiscounted cash flows of the financial liabilities based on the earliest dates on which the Foundation can be required to pay approximate their carrying amounts at the end of the reporting period.

Fair value measurements of financial statements

The fair value of financial asset and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the Foundation's financial asset and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

11. RECONCILIATION OF LIABILITIES ARISING FROM THE FINANCING ACTIVITY

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

	<u>Amount due to a related company</u> HK\$
At 1 January 2019	1,635
Financing cash flows	13,144
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At 31 December 2019	14,779
Financing cash flows	1,987
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At 31 December 2020	<u>16,766</u>