

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
拔萃男書院基金有限公司

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST AUGUST 2021

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Diocesan Boys' School Foundation Limited (the "Foundation") for the year ended 31st August 2021.

Principal activities

The principal activities of the Foundation are to support Diocesan Boys' School in advancing education, promoting and enhancement of quality of teachings and for other purposes of a charitable nature beneficial to the community of Hong Kong.

Business review

1. Principal business

The Foundation's mission is to ensure the Diocesan Boys' School ("the School") will continue to have sustainable resources available to advance, enhance, and promote all aspects of education for future generations of DBS boys.

The Foundation serves as an intermediary to pool funds from donors and distributes them in support of the School's initiatives and operation expenses. The current fundraising activities can be broadly classified into three categories, namely Endowment, Annual Giving and Foundation Events, all of which are to address both the long-term and short-term funding needs of the School. In addition, we have also received donations directed at specific projects.

2. Financial review

During the financial year 2020-2021, we received approximately HK\$28 million in donations, of which HK\$11.1 million was attributable to endowment fund. We have made a grant of HK\$18.5 million to the School and spent HK\$3.2 million on operational expenses.

3. Principal risks and uncertainties

- (a) The Foundation does not bear any significant credit risk or interest risk.
- (b) The Foundation's activities expose it to a variety of financial risks as set out in note 3.1 to the financial statements.
- (c) The Foundation's investment strategy for Endowment Fund is to target investments with an annual net return of 4% to fund spending needs. The securities and investments which offer longer term potential capital appreciation are also being considered to support growth in expenses and to provide sustainable resources required for the Foundation's operations. The value of investments are subject to economic and market fluctuations.
- (d) The Foundation's liquidity risk is relatively low since it has been receiving steady contributions from different donors and it has been adopting a prudent management for its cashflow requirements.

4. Important events affecting the Foundation that have occurred since the end of the financial year

No subsequent event identified.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Business review (Continued)

5. Indication of likely future development in the Foundation's business

The Foundation's activities are expected to be similar in the coming financial year.

6. Key financial indicators

Since the Foundation is a non-profit-oriented and non-governmental organisation in Hong Kong, no financial key performance indicators are set for analysis of the financial performance.

7. Relationships with funders and employees

There have been no non-compliance of law and regulations and no environmental issues that might have a significant impact on the Foundation. The Foundation has maintained good relationships with its employees, members, donors and suppliers. Therefore, the operating risks and uncertainties faced by the Foundation are minimal.

Results

The results of the Foundation for the year ended 31st August 2021 are set out in the statement of comprehensive income on page 8.

Directors

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

Cheng Kay Yen, Ronnie	
Jat Sew Tong	
Lee Ching Kwok, Rin	
Lee Luen Wai, John	
Li Yuet Ting	(resigned on 12th March 2022)
Ngai Joseph Luc	
Pang Kin Kee	
Kuo Dah Chih Stanford	(appointed on 1st September 2020)
Tsang On Yip Patrick	(appointed on 1st September 2020)
MA Tao Li Geoffrey	(appointed on 1st April 2021)

In accordance to Article 27 of the Foundation's Article of Association, the remaining directors retire and being eligible, offer themselves for re-election.

Mr. Li Yuet Ting resigned on 12th March 2022 as a director of the Foundation. He has confirmed that there is no disagreement with the Board of Directors and nothing relating to the affairs of the Foundation needed to be brought to the attention of the member of the Foundation.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Foundation's business

No transactions, arrangements and contracts of significance in relation to the Foundation's business to which the Foundation was a party and in which a director 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.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors' interests in the shares and debentures of the Foundation or any specified undertaking of the Foundation

The Foundation is a company limited by guarantee and has not issued any shares or debentures. As such, at no time during the year was the Foundation a party to any arrangement to enable the directors of the Foundation to hold any interests in the shares or debentures of, the Foundation or its specified undertakings.

Management contracts

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

Permitted indemnity provisions

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Foundation (whether made by the Foundation or otherwise) or an associated company (if made by the Foundation).

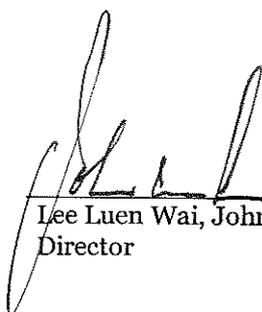
Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board

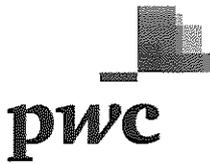


Pang Kin Kee
Director



Lee Luen Wai, John
Director

Hong Kong, **24 MAY 2022**



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED**
(Incorporated in Hong Kong and limited by guarantee)

Opinion

What we have audited

The financial statements of Diocesan Boys' School Foundation Limited (the "Foundation"), which are set out on pages 7 to 30, comprise:

- the balance sheet as at 31st August 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory notes.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31st August 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

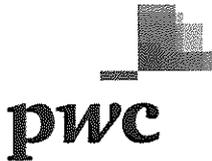
Independence

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.

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED (CONTINUED)**
(Incorporated in Hong Kong and limited by guarantee)

Other information (Continued)

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 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.

The directors 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. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED (CONTINUED)**
(Incorporated in Hong Kong and limited by guarantee)

Auditor's responsibilities for the audit of the financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.
- 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 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.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 MAY 2022

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET

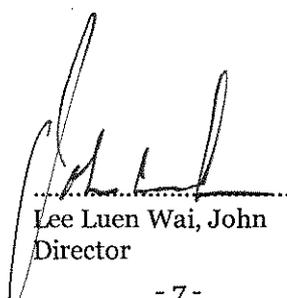
	Note	As at 31st August	
		2021	2020
ASSETS			
Non-current assets			
Property and equipment	5	4,401,298	4,489,205
Financial assets at fair value through other comprehensive income ("FVOCI")	6	69,907,434	65,919,420
Financial assets at amortised cost	7	15,797,977	23,787,662
Financial assets at fair value through profit or loss ("FVPL")	8	94,924,764	25,231,810
Total non-current assets		185,031,473	119,428,097
Current assets			
Prepayments and other receivables	10	233,313	253,340
Cash and cash equivalents	11	71,514,513	107,386,554
Total current assets		71,747,826	107,639,894
Total assets		256,779,299	227,067,991
FUNDS			
Accumulated funds		3,140,523	5,021,756
Revaluation reserve	12	(19,165,088)	(23,663,544)
Other reserves and funds			
- Donation reserve - endowment fund	13(a)	188,611,995	177,555,968
- Investment income reserve - endowment fund	13(b)	15,702,230	6,722,206
- Donation reserve - annual giving	13(c)	40,101,248	37,128,691
Total funds		228,390,908	202,765,077
LIABILITIES			
Current liabilities			
Accruals and other payables	14	500,937	490,245
Amount due to Diocesan Boys' School (the "School")	15	12,047,825	6,530,920
Deferred income	16	15,839,629	17,281,749
Total liabilities		28,388,391	24,302,914
Total funds and liabilities		256,779,299	227,067,991

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on page 7 to 30 were approved by the board of directors on and were signed on its behalf.

24 MAY 2022


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Pang Kin Kee
Director


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Lee Luen Wai, John
Director

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31st August	
		2021	2020
Income			
Donations and fund raisings	17	27,991,338	40,402,510
Net investment income and loss	18	14,691,152	4,532,699
Sundry income		107,039	73,854
Total income		42,789,529	45,009,063
Expenditure			
Grants awarded		(18,465,025)	(18,686,545)
Other operating expenses		(3,236,282)	(10,270,458)
Total expenditure	19	(21,701,307)	(28,957,003)
Surplus for the year		21,088,222	16,052,060
Other comprehensive income/(loss) for the year:			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gain/(losses) on financial assets at FVOCI	6(d)	4,537,609	(16,272,150)
Total comprehensive income/(loss) for the year		25,625,831	(220,090)
Allocated to:			
Accumulated funds		(1,920,386)	(2,427,428)
Other reserves and funds			
- Donation reserve - endowment fund	13(a)	11,056,027	13,567,579
- Investment income reserve - endowment fund	13(b)	8,980,024	1,671,986
- Donation reserve - annual giving	13(c)	2,972,557	3,239,923
Revaluation reserve	12	4,537,609	(16,272,150)
		25,625,831	(220,090)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CHANGES IN FUNDS

	Accumulated funds	Revaluation reserve (note 12)	Other reserves and funds (note 13)	Total funds
Balance at 1st September 2019	4,896,970	(4,839,180)	202,927,377	202,985,167
Comprehensive income (Deficit)/surplus for the year	(2,427,428)	-	18,479,488	16,052,060
Other comprehensive income				
Change in fair value of financial assets at FVOCI (note 6)	-	(16,272,150)	-	(16,272,150)
Total comprehensive income for the year	(2,427,428)	(16,272,150)	18,479,488	(220,090)
Transfer of gain on disposal of equity investments at FVOCI to accumulated funds (note 12)	2,552,214	(2,552,214)	-	-
Balances at 31st August 2020 and 1st September 2020	5,021,756	(23,663,544)	221,406,865	202,765,077
Comprehensive income (Deficit)/surplus for the year	(1,920,386)	-	23,008,608	21,088,222
Other comprehensive income				
Change in fair value of financial assets at FVOCI (note 6)	-	4,537,609	-	4,537,609
Total comprehensive income for the year	(1,920,386)	4,537,609	23,008,608	25,625,831
Transfer of gain on disposal of equity investments at FVOCI to accumulated funds (note 12)	39,153	(39,153)	-	-
Balance at 31st August 2021	3,140,523	(19,165,088)	244,415,473	228,390,908

The above statement of changes in funds should be read in conjunction with the accompanying notes.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CASH FLOWS

	Note	Year ended 31st August	
		2021	2020
Cash flows from operating activities			
Surplus for the year		21,088,222	16,052,060
Adjustments for:			
- Depreciation	5	402,807	406,304
- Dividend income from investments	18	(4,399,755)	(3,544,516)
- Interest income from investments		(1,652,507)	(1,941,483)
- Fair value (gain)/losses on financial assets at FVPL	18	(8,810,306)	480,207
- Donations of financial assets at FVPL	23	(3,780,877)	(1,792,579)
Changes in operating assets and liabilities:			
- Prepayments and other receivables		20,027	2,024,703
- Accruals and other payables		10,692	(8,732,584)
- Amount due to the School		5,516,905	(10,773,604)
- Deferred income		(1,442,120)	(3,407,937)
Net cash inflow/(outflow) from operating activities		6,953,088	(11,229,429)
Cash flow from investing activities			
Dividend received	18	4,399,755	3,544,516
Interest received		1,652,507	1,941,483
Purchase of property and equipment	5	(314,900)	(4,442,305)
Proceeds from disposals of financial assets at FVOCI	6(d)	549,595	14,108,263
Purchase of financial assets at FVOCI	6(d)	-	(15,160,236)
Proceeds from matured financial assets at amortised cost	7	7,989,685	8,178,365
Purchase of financial assets at amortised cost	7	-	(11,774,852)
Proceeds from disposals of financial assets at FVPL	8(a)	-	9,044,669
Purchase of financial assets at FVPL		(57,101,771)	(9,730,246)
Net outflow from investing activities		(42,825,129)	(4,290,343)
Net decrease in cash and cash equivalents		(35,872,041)	(15,519,772)
Cash and cash equivalents at beginning of the year		107,386,554	122,906,326
Cash and cash equivalents at end of the year	11	71,514,513	107,386,554

The above statement of cash flows should be read in conjunction with the accompanying notes.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Diocesan Boys' School Foundation Limited (the "Foundation") is engaged in supporting Diocesan Boys' School ("the School") in advancing education, promoting and enhancement of quality of teachings and for other purposes of a charitable nature beneficial to the community in Hong Kong.

The Foundation was incorporated under the Hong Kong Companies Ordinance as a Company limited by guarantee and not having a share capital. The address of its registered office is 131, Argyle Street, Mongkok, Kowloon, Hong Kong.

Under the provisions of the Foundation's Memorandum of Association, every member shall, in the event of the Foundation being wound up, contribute to the assets of the Foundation an amount not exceeding HK\$100. At 31st August 2021, the Foundation had 1 (2020: 1) member.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Foundation have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which term collectively includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention as modified by the the financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL"), which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Foundation's accounting policies. 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.

- (a) New standards, amendments and interpretations to existing HKFRS (collectively, the "Amendments") adopted by the Foundation

The following Amendments have been adopted by the Foundation for the first time for the financial year commencing on 1st September 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform

The adoption of these Amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (b) Amendments that are not yet effective and have not been early adopted by the Foundation

Certain Amendments have been published that are mandatory for the Foundation's financial years commencing on or after 1st September 2021. The following Amendments are relevant and applicable to the Foundation; however, they have not been early adopted in these financial statements:

HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS39 (Amendments)	Interest Rate Benchmark Reform – Phase 2 ¹
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations ²
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ²
HKAS 37 (Amendments)	Cost of Fulfilling a Contract ²
Annual Improvements Project	Annual Improvements to HKFRS standards 2018-2020 Cycle ²
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds Before Intended use ²
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current ³
HK Int 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ³
HKAS 8 (Amendments)	Definition of Accounting Estimates ³
HKAS 12 (Amendments)	Deferred Tax Related to Assets And Liabilities Arising From A Single Transaction ³
HKFRS 17	Insurance Contracts ³
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

Note:

- (1) Effective for the Foundation's financial year beginning on 1st September 2021
- (2) Effective for the Foundation's financial year beginning on 1st September 2022
- (3) Effective for the Foundation's financial year beginning on 1st September 2023
- (4) Effective for the Foundation's financial year beginning on or after a date to be determined

The Foundation has already commenced an assessment of the impact of these Amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Foundation is expected when they become effective.

2.2 Foreign currency translation

- (a) Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the Foundation operates (the "functional currency"). The financial statements are presented in Hong Kong dollars ("HK\$"), which is the Foundation's functional and presentation currency.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

2.3 Property and equipment

Property and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property and equipment is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Computer equipment	3 years
Furniture and equipment	5 years
Pavilion	30 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.4 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Financial assets

(a) Classification

The Foundation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Foundation's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Foundation has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Foundation reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Foundation commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Foundation measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL or loss are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Foundation's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of comprehensive income.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Financial assets (Continued)

(c) Measurement (Continued)

(i) Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in comprehensive income. Interest income from these financial assets is included in investment and interest income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented as separate line items in the statement of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in comprehensive income and presented net in the period in which it arises.

(ii) Equity instruments

The Foundation subsequently measures all equity investments at fair value. Where the Foundation's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the Foundation's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Foundation assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For other financial assets at amortised cost, the Foundation has assessed that the expected credit losses for these receivables under either the 12 months or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Receivables

Receivables are amounts due from donors and other debtors.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.5 for further information about the Foundation's accounting for receivables.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Foundation currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Foundation has also entered into arrangements that do not meet the criteria for offsetting but still allow for related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts, if any.

2.9 Payables

These amounts represent liabilities for services provided to the Foundation prior to the end of financial year which are unpaid. The amounts are unsecured. Payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair values and subsequently measured at amortised cost using the effective interest method.

2.10 Provisions

Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.11 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 Employee benefits (Continued)

(b) Pension obligations

The Foundation pays contributions to mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in separate trustee-administered funds. Both the Foundation and the employees are required to contribute certain percentages of the employee's basic salaries according to the regulations in Hong Kong.

The Foundation has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.12 Income recognition

(a) Donations for specific purpose

Donations for specific purpose are recorded as deferred income and are released and credited to profit or loss when the specific purpose has been fulfilled.

(b) General donations and fund raising

General donations are recognised as income when received or receivable when the rights of collection can be established by the Foundation. Income from fund raising activities are recognised when the functions are held.

(c) Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

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

(d) Dividend income

Dividend income is recognised when the right to receive payment has been established.

(e) Sundry income

Sundry income is recognised on an accruals basis.

2.13 Endowment fund

The endowment fund is funded from donations which are set aside for investment purpose to produce investment income. The donation income relating to this specific fund is dealt with in the profit or loss. On an annual basis, the exact amount of donation and the related investment income will be transferred from the profit or loss to "donation reserve - endowment fund" and "investment income reserve - endowment fund" respectively. Such donations must be maintained intact in the "donation reserve - endowment fund" while the investment income can be used for the benefit of the School. Corresponding income and expenditure are recognised in the profit or loss. Any net surplus/deficit from the profit or loss will be transferred to/from the "investment income reserve - endowment fund".

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Donation reserve - annual giving

The donation reserve - annual giving is funded from donations received from annual giving which are set aside to support the operations of the Foundation. The donation income and expenses relating to this specific fund are accounted for in the profit or loss. Any surplus/deficits from the profit or loss will be transferred to/from "donation reserve - annual giving".

2.15 Contingent assets and liabilities

Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Foundation. A contingent asset is not recognised but is assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Foundation. Where it is not probable that an outflow of economic estimated reliably, the obligation is disclosed as a contingent liability.

3 Financial risk and fund risk management

3.1 Financial risk factors

The Foundation's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. Management regularly manages the financial risks of the Foundation.

(a) Foreign exchange risk

The Foundation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar. In the opinion of the directors, United States dollars are reasonably stable with Hong Kong dollars under the Linked Exchange Rate System, and accordingly, the Foundation does not have any significant foreign exchange risk in respect of transactions or balances as denominated in United States dollars.

(b) Credit risk

The Foundation has no significant concentrations of credit risk. The credit risk of the Foundation mainly arises from bank balances and investments at amortised costs.

The School has concentration risk on bank balances and investments at amortised costs as its bank balances and investments at amortised costs are placed in banks and major financial institutions, which are also subject to the impairment requirements of HKFRS 9. In the opinion of directors, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks and major financial institutions.

For financial assets at amortised cost, the Foundation has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk and fund risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Foundation's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate lines of funding to meet its liquidity requirements in the short and long term. The financial liabilities as of the balance sheet date are expected to settle within one year or on demand.

The table below analyses the Foundation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2021	2020
<u>Less than 1 year</u>		
- Amount due to the School	12,047,825	6,530,920
- Accruals and other payables	500,937	490,245
	<u>12,548,762</u>	<u>7,021,165</u>

(d) Price risk

The Foundation is exposed to price risk because it holds investments. The investment portfolio is under close supervision of the directors.

If the price of these investments which are measured at fair value increased/decreased by 5% (2020: 5%) with all other variables held constant, the financial assets at FVOCI and FVPL and total funds of the Foundation as at 31st August 2021 would have approximately increased/decreased by approximately HK\$8,242,000 (2020: HK\$4,558,000).

(e) Cash flow and fair value interest rate risk

The Foundation's interest rate risk mainly arises from bank balances. The bank balances carrying at variable interest rates expose the Foundation to cash flow interest rate risk.

As the interest income generated from the bank balances is relatively insignificant, the Foundation considers that the cash flow interest rate risk is low. Accordingly, no sensitivity analysis is performed.

3.2 Fund risk management

The Foundation's primary objective when managing funds is to safeguard the Foundation's ability to continue as a going concern and to have sufficient funding for future operations. The Foundation's overall strategy remains unchanged from prior period. The fund of the Foundation comprises its accumulated funds, revaluation reserve, donation reserves and investment income reserve.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk and fund risk management (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The Foundation's financial instruments that are measured in the balance sheet at fair value are required for disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Foundation is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Foundation's financial assets that are measured at fair value at 31st August 2021 and 2020.

	Level 1	Level 2	Level 3	Total
Financial assets				
<u>31st August 2021</u>				
Financial assets at FVOCI (note 6)	69,907,434	-	-	69,907,434
Financial assets at FVPL (note 8)	-	94,924,764	-	94,924,764
	<u>69,907,434</u>	<u>94,924,764</u>	<u>-</u>	<u>164,832,198</u>
<u>31st August 2020</u>				
Financial assets at FVOCI (note 6)	65,919,420	-	-	65,919,420
Financial assets at FVPL (note 8)	-	25,231,810	-	25,231,810
	<u>65,919,420</u>	<u>25,231,810</u>	<u>-</u>	<u>91,151,230</u>

There is no Foundation's liabilities that are measured at fair values at 31st August 2021 and 2020.

(ii) Valuation techniques used to determine fair values

The fair value of such securities not quoted in an active market is determined by the available redemption price as at 31st August 2021 and 2020, as determined by the administrator of the investment.

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk and fund risk management (Continued)

3.3 Fair value estimation (Continued)

- (b) The carrying values less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Foundation for similar financial instruments.

3.4 Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made in these financial statements as there is no netting arrangement in place at balance sheet dates.

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 Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In the opinion of the directors, there are no estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

5 Property and equipment

	Computer equipment	Furniture and equipment	Pavilion	Motor vehicle	Total
At 1st September 2019					
Cost	897,356	296,918	-	220,000	1,414,274
Accumulated depreciation	(737,381)	(106,356)	-	(117,333)	(961,070)
Net book amount	<u>159,975</u>	<u>190,562</u>	<u>-</u>	<u>102,667</u>	<u>453,204</u>
Year ended					
31st August 2020					
Opening net book amount	159,975	190,562	-	102,667	453,204
Additions	-	724,600	3,717,705	-	4,442,305
Depreciation (note 19)	(134,477)	(108,808)	(119,019)	(44,000)	(406,304)
Closing net book amount	<u>25,498</u>	<u>806,354</u>	<u>3,598,686</u>	<u>58,667</u>	<u>4,489,205</u>
At 31st August 2020 and 1st September 2020					
Cost	897,356	1,021,518	3,717,705	220,000	5,856,579
Accumulated depreciation	(871,858)	(215,164)	(119,019)	(161,333)	(1,367,374)
Net book amount	<u>25,498</u>	<u>806,354</u>	<u>3,598,686</u>	<u>58,667</u>	<u>4,489,205</u>

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5 Property and equipment (Continued)

	Computer equipment	Furniture and equipment	Pavilion	Motor vehicle	Total
Year ended					
31st August 2021					
Opening net book amount	25,498	806,354	3,598,686	58,667	4,489,205
Additions	-	2,200	312,700	-	314,900
Depreciation (note 19)	(20,260)	(194,400)	(144,147)	(44,000)	(402,807)
	<u>5,238</u>	<u>614,154</u>	<u>3,767,239</u>	<u>14,667</u>	<u>4,401,298</u>
At 31st August 2021					
Cost	897,356	1,023,718	4,030,405	220,000	6,171,479
Accumulated depreciation	(892,118)	(409,564)	(263,166)	(205,333)	(1,770,181)
	<u>5,238</u>	<u>614,154</u>	<u>3,767,239</u>	<u>14,667</u>	<u>4,401,298</u>

Depreciation expense of HK\$402,807 (2020: HK\$406,304) has been charged in other operating expenses.

6 Financial assets at FVOCI

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise of equity securities which are not held for trading, and which the Foundation has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Foundation considers this classification to be more relevant.

(b) Equity investment at FVOCI

Equity investments at FVOCI comprise the following individual investments:

	2021	2020
Listed equity securities, at fair value	<u>69,907,434</u>	<u>65,919,420</u>

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 3.3.

For an analysis of the exposure of these financial assets to price risk refer to note 3.1.

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6 Financial assets at FVOCI (Continued)

(d) The movement in financial assets at FVOCI is summarised as follows:

	2021	2020
Balance at beginning of the year	65,919,420	81,139,597
Additions	-	15,160,236
Disposals	(549,595)	(14,108,263)
Revaluation gain/(losses) transfer to revaluation reserve (note 12)	4,537,609	(16,272,150)
	<u>69,907,434</u>	<u>65,919,420</u>

(e) Financial assets at FVOCI are denominated in Hong Kong dollars.

7 Financial assets at amortised cost

The financial assets at amortised cost comprised of the following funds:

	2021	2020
Listed bond at amortised cost	<u>15,797,977</u>	<u>23,787,662</u>
Listed bond at fair value	<u>14,708,616</u>	<u>23,505,737</u>

The movement in financial assets at amortised cost is summarised as follows:

	2021	2020
Balance at beginning of the year	23,787,662	20,191,175
Additions	-	11,774,852
Matured	(7,989,685)	(8,178,365)
	<u>15,797,977</u>	<u>23,787,662</u>

The maximum exposure credit risk at the reporting date is the fair value of financial assets at amortised cost and denominated in United States dollars.

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8 Financial assets at FVPL

(a) Classification of financial assets at FVPL

Financial assets at FVPL comprises of debt investments that do not qualify for measurement at either amortised cost (see note 7 above) or FVOCI (note 6 above).

	2021	2020
Mutual fund, at fair value	<u>94,924,764</u>	<u>25,231,810</u>

The movement in financial assets at FVPL is summarised as follows:

	2021	2020
Balance at beginning of the year	25,231,810	23,233,861
Additions	60,882,648	11,522,825
Disposals	-	(9,044,669)
Fair value gain/(losses) during the year (note 18)	8,810,306	(480,207)
Balance at end of the year	<u>94,924,764</u>	<u>25,231,810</u>

(b) Fair value measurements and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 3.3.

For an analysis of the exposure of these financial assets to price risk refer to note 3.1.

The financial assets at FVPL are denominated in United States dollars.

9 Financial instruments by category

The Foundation's financial instruments include the following:

	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVPL	Total
Financial assets				
<u>31st August 2021</u>				
Financial assets at FVOCI (note 6)	-	69,907,434	-	69,907,434
Financial assets at amortised cost (note 7)	15,797,977	-	-	15,797,977
Financial assets at FVPL (note 8)	-	-	94,924,764	94,924,764
Other receivables (note 10)	176,165	-	-	176,165
Cash and cash equivalents (note 11)	71,514,513	-	-	71,514,513
Total	<u>87,488,655</u>	<u>69,907,434</u>	<u>94,924,764</u>	<u>252,320,853</u>

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9 Financial instruments by category (Continued)

The Foundation's financial instruments include the following: (Continued)

	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVPL	Total
Financial assets				
<u>31st August 2020</u>				
Financial assets at FVOCI (note 6)	-	65,919,420	-	65,919,420
Financial assets at amortised cost (note 7)	23,787,662	-	-	23,787,662
Financial assets at FVPL (note 8)	-	-	25,231,810	25,231,810
Other receivables (note 10)	176,724	-	-	176,724
Cash and cash equivalents (note 11)	107,386,554	-	-	107,386,554
Total	<u>131,350,940</u>	<u>65,919,420</u>	<u>25,231,810</u>	<u>222,502,170</u>

Financial liabilities at amortised cost

	2021	2020
Accruals and other payables (note 14)	500,937	490,245
Amount due to the School	12,047,825	6,530,920
	<u>12,548,762</u>	<u>7,021,165</u>

The Foundation's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

10 Prepayments and other receivables

	2021	2020
Other receivables and maximum exposure to credit risk	176,165	176,724
Prepayments	57,148	76,616
	<u>233,313</u>	<u>253,340</u>

As at 31st August 2021, the directors considered that the expected credit losses for other receivables were immaterial thus no loss allowance was made (2020: Nil).

The maximum exposure to credit risk at the reporting date is the carrying values of other receivables. The Foundation does not hold any collateral as security.

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values as at 31st August 2021 and 2020. The other receivables are denominated in Hong Kong dollars.

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11 Cash and cash equivalents

	2021	2020
Cash at banks	71,499,628	37,371,668
Short-term bank deposits with original maturities less than three months	-	70,000,000
Cash in hand	14,885	14,886
	<u>71,514,513</u>	<u>107,386,554</u>
Cash and cash equivalents	<u>71,514,513</u>	<u>107,386,554</u>
Maximum exposure to credit risk	<u>71,499,628</u>	<u>107,371,668</u>

The effective interest rate and average maturity days of short-term bank deposits with original maturities less than three months were nil (2020: 0.2%) per annum and nil (2020: 81) days, respectively.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	2021	2020
Hong Kong dollars	49,153,658	94,409,672
United States dollars	22,360,855	12,976,882
	<u>71,514,513</u>	<u>107,386,554</u>

12 Revaluation reserve

	2021	2020
Balance at beginning of the year	(23,663,544)	(4,839,180)
Revaluation gain/(deficit) for the year (note 6(d))	4,537,609	(16,272,150)
Release of revaluation gain upon disposal	(39,153)	(2,552,214)
	<u>(19,165,088)</u>	<u>(23,663,544)</u>
Balance at end of the year	<u>(19,165,088)</u>	<u>(23,663,544)</u>

13 Other reserves and funds

(a) Donation reserve - endowment fund

	2021	2020
Balance at beginning of the year	177,555,968	163,988,389
Appropriation from accumulated funds (note 17)	11,056,027	13,567,579
	<u>188,611,995</u>	<u>177,555,968</u>
Balance at end of the year	<u>188,611,995</u>	<u>177,555,968</u>

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13 Other reserves and funds (Continued)

(b) Investment income reserve - endowment fund

	2021	2020
Balance at beginning of the year	6,722,206	5,050,220
Appropriation from accumulated funds	8,980,024	1,671,986
Balance at end of the year	<u>15,702,230</u>	<u>6,722,206</u>

(c) Donation reserve - annual giving

	2021	2020
Balance at beginning of the year	37,128,691	33,888,768
Appropriation from accumulated funds	2,972,557	3,239,923
Balance at end of the year	<u>40,101,248</u>	<u>37,128,691</u>

14 Accruals and other payables

The carrying amounts of accruals and other payables are considered to be the same as their fair values as at 31st August 2021 and 2020 due to their short-term nature, and are denominated in Hong Kong dollars.

15 Amount due to the School

Certain directors of the Foundation are members of the School Committee.

The amount due is unsecured, interest-free and repayable on demand.

The carrying amount of the amount due is considered to be the same as its fair value as at 31st August 2021 and 2020 due to its short-term nature and is denominated in Hong Kong dollars.

16 Deferred income

	2021	2020
Balance at beginning of the year	17,281,749	20,689,686
Donations received (note)	2,463,524	3,951,014
Recognised as income for the year (note 17)	(3,905,644)	(7,358,951)
Balance at end of the year	<u>15,839,629</u>	<u>17,281,749</u>

Note:

The income and expenditure of the raffle event (lottery license no. 4715) in FY2020 were HK\$450,000 and HK\$9,900 respectively. HK\$403,680 out of the balance of HK\$440,100 included in donation received in FY2020 has been recognised as income in FY2021 and has been utilized for the costs of campus maintenance of the School.

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NOTES TO THE FINANCIAL STATEMENTS

17 Donations and fund raisings

	2021	2020
General donations and income from fund raising activities	896,297	9,939,720
Deferred income recognised (note 16)	3,905,644	7,358,951
Donations received for endowment fund (note 13(a))	11,056,027	13,567,579
Donations received for annual giving	12,133,370	9,536,260
	<u>27,991,338</u>	<u>40,402,510</u>

During the year, general donations of HK\$4,000,000 (2020: HK\$4,000,000) are received from The D.H. Chen Foundation.

18 Net investment income and loss

	2021	2020
Dividend income	4,399,755	3,544,516
Bond interest income	1,611,645	1,499,153
Bank interest income	40,862	442,330
Administrative fee	(76,741)	(79,814)
Fair value gain/(losses) on financial assets at FVPL (note 8(a))	8,810,306	(480,207)
Others	(94,675)	(393,279)
	<u>14,691,152</u>	<u>4,532,699</u>

19 Expenses by nature

	2021	2020
Grants awarded to the School	18,465,025	18,686,545
Auditor's remuneration	103,500	103,200
Depreciation (note 5)	402,807	406,304
Employee benefit expense (note 20)	1,731,185	1,732,122
Fund raising event expenses	491,268	7,622,604
Other expenses	507,522	406,228
Total expenditure	<u>21,701,307</u>	<u>28,957,003</u>

20 Employee salary and benefit expense

	2021	2020
Salaries and bonuses	1,648,060	1,648,823
Pension costs - MPF Scheme	83,125	83,299
	<u>1,731,185</u>	<u>1,732,122</u>

DIOCESAN BOYS' SCHOOL FOUNDATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

21 Benefits and interests of directors

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance Cap. 622, and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

- (a) During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services (also represents key management compensation) were paid or made, directly or indirectly, to the directors; nor are any payable (2020: nil). No consideration was provided to or receivable by third parties for making available directors' services (2020: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: nil).
- (b) No director of the Foundation had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Foundation's business to which the Foundation was or is a party that subsisted at the end of the year or at any time during the year (2020: nil).

22 Income tax expense

The Foundation is an approved charitable institution and is exempted from Hong Kong profits tax under section 88 of the Hong Kong Inland Revenue Ordinance.

23 Contingencies and commitment

Contingencies

In 2015 and 2016, cash donations for endowment fund of US\$250,000 (equivalent to HK\$1,937,500) and HK\$1,700,000 were received respectively, which were restricted to subscribe shares of two different private funds (collectively, the "Investments"). In accordance with the donors' statements of intent, the Investments are subject to a five-year restriction holding period from the dates of subscription of the shares. The Foundation is unable to dispose of or enjoy any economic benefits from the Investments until the restriction periods end. In addition, any future interest or dividend income, if any, derived from or funded by the Investments after the restriction period will be deferred and released to profit or loss over the period to match with the costs incurred for providing financial aids and scholarships to students of the School. Therefore, they are not recognised in the financial statements of the Foundation for the year ended 31st August 2021.

During the year ended 31st August 2021, one private fund donated to the Foundation in financial year ended 31st August 2016 (2020: one private fund donated to the Foundation in financial year ended 31st August 2015) is recognised, at the market price as the recognition date of HK\$3,780,877 (2020: HK\$1,792,579), as an addition of financial asset at FVPL after the restriction period. As at 31st August 2021, the fair value of the remaining restricted Investments is HK\$1,554,643 (2020: HK\$5,612,217) based on brokers' monthly statements as at 31st August 2021 and 2020.

Financial commitment

Last year, the Foundation has signed and subscribed to a private investment fund - HealthQuest Partners III, L.P. with total capital commitment of US\$500,000. As at 31 August 2021, the Foundation has contributed US\$285,000 (2020: US\$45,000), equivalent to HK\$2,219,919 (2020: equivalent to HK\$352,129) as the cost of the investment, which gives rise to a remaining of financial commitment for US\$215,000 (2020: US\$455,000), equivalent to HK\$1,658,460 (2020: equivalent to HK\$3,526,250) as at 31st August 2021.

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24 Related party transactions

Other than disclosed elsewhere in the financial statements, the Foundation has no significant related party transactions during the year (2020: nil).