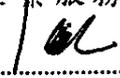


CERTIFIED TRUE COPY

For and on behalf of
HENDERSON CORPORATE SERVICES LIMITED
恒基企業服務有限公司



.....
Director(s)

Company Secretary
of AI YOU (HONG KONG) FOUNDATION
LIMITED

AI YOU (HONG KONG) FOUNDATION LIMITED

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

W. M. SUM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG



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AI YOU (HONG KONG) FOUNDATION LIMITED

REPORT OF THE DIRECTORS

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2020.

Principal place of operations

Ai You (Hong Kong) Foundation Limited (the "Foundation") is incorporated in Hong Kong with liability limited by guarantee and has its registered office and principal place of operations at 75/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

Principal activities

The principal activities of the Foundation are those of a charitable institution.

Donations

Donations of HK\$16,644,575 (2019: HK\$15,594,375) were made by the Foundation during the year.

Directors

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

Lee Ka Kit
Wang Bing

In accordance with article 31 of the Foundation's articles of association, all the directors shall continue to remain in office.

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 any other body corporate.

Permitted indemnity provision (as defined in Section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Foundation is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

Save for the material related party transactions as set out in note 7 to the financial statements, no other transaction, arrangement or contract of significance to which the Foundation was a party, and in which a director of the Foundation had a material interest, subsisted at the end of the year or at any time during the year.

Business review

Main areas of works

The Foundation is a charitable organisation which is exempt from tax under Section 88 of the Inland Revenue Ordinance, Chapter 112 of The Laws of Hong Kong (the "IRO"). The primary objective of the Foundation is to ensure that children who suffer from congenital heart disease could have the best possible chance of survival and having a better future. This is to be achieved by continuous implementation of the following three projects :

- (1) Ai You's Funding for Operation
To support orphan and poor children who suffer from congenital heart disease undergoing surgical treatment.
- (2) Ai You's Pre- and Post-Operative Care
To determine which orphans and poor children qualify for surgery and more extensive care before and after surgical treatment.
- (3) Ai You's Medical Research Study
To support medical research on congenital heart disease and autism.

AI YOU (HONG KONG) FOUNDATION LIMITED

REPORT OF THE DIRECTORS

Business review (continued)

Main areas of works (continued)

Donors are asked to designate the amount of their donations to each of the above three projects. In particular, the Foundation has entered into a co-operative agreement (the "Agreement") with Ai You Foundation, a foundation registered in China and founded in 2004. Pursuant to the Agreement, all donations received by the Foundation that are designated to fund the "Ai You's Funding for Operation" project are donated to Ai You Foundation's "Ai You Young Heart Project", a surgical treatment project that is set up for orphaned and poor children who suffer from congenital heart disease.

Key financial performance

The aggregate donations received during the year amounted to HK\$16,461,550 (2019: HK\$15,772,093), while donations made amounted to HK\$16,644,575 (2019: HK\$15,594,375).

Details of the donations made during the year are set out in note 4 to the financial statements.

Principal risks and uncertainties

The Foundation's charitable activities have no significant risks as referred to in note 9 to the financial statements of the Foundation for the year ended 31 December 2020.

Important events affecting the Foundation after the financial year end

It is considered that there are no important events which affect the Foundation after the financial year end.

Environmental protection

The Foundation aims to minimise the impact of its activities on the environment whenever possible, e.g. using recycled paper and email communications.

Compliance with relevant laws and regulations

The Foundation always adheres to relevant laws, its governing instrument (i.e. the articles of association) and the guidelines issued by the Inland Revenue Department in the normal course of its operations.

Key relationships with employees, customers and suppliers and others having significant impact

The Foundation neither carries out any business operations nor has any employees. To enhance the effectiveness of its charitable activities, the Foundation endeavours to keep a close relationship with the donors, entities involved in the abovesaid medical projects and beneficiaries so as to ascertain their needs and objectives.

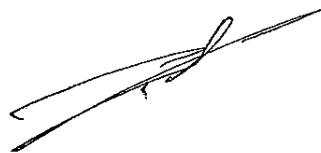
Future development

The Foundation will endeavor to accomplish the abovesaid medical projects and continue to follow the charitable strategies being set.

Auditor

W. M. Sum & Co. retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of W. M. Sum & Co. as auditor of the Foundation is to be proposed at the forthcoming annual general meeting.

By order of the board



Director

Hong Kong, 26 JUN 2021

W. M. Sum & Co

CERTIFIED PUBLIC ACCOUNTANTS

18/F, NAM WO HONG BUILDING
148 WING LOK STREET, SHEUNG WAN
HONG KONG

TEL 2541 0873
FAX 2815 3407

岑偉文會計師事務所

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AI YOU (HONG KONG) FOUNDATION LIMITED

(Incorporated in Hong Kong under the Companies Ordinance and limited by guarantee)

Opinion

We have audited the financial statements of Ai You (Hong Kong) Foundation Limited (the "Foundation") set out on pages 6 to 15, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in general fund and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

W. M. Sum & Co

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AI YOU (HONG KONG) FOUNDATION LIMITED

(Incorporated in Hong Kong under the Companies Ordinance and limited by guarantee)

(Continued)

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

W. M. Sum & Co

CERTIFIED PUBLIC ACCOUNTANTS

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岑偉文會計師事務所

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AI YOU (HONG KONG) FOUNDATION LIMITED

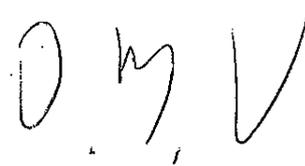
(Incorporated in Hong Kong under the Companies Ordinance and limited by guarantee)

(Continued)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.



W. M. Sum & Co.
Certified Public Accountants

Hong Kong, 26 JUN 2021

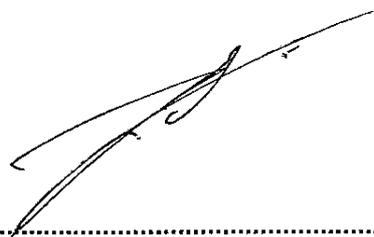
AI YOU (HONG KONG) FOUNDATION LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<u>Current assets</u>			
Bank balances		12,301,317	12,495,172
Other receivable		801	801
		<u>12,302,118</u>	<u>12,495,973</u>
<u>Current liability</u>			
Accrued expenses		<u>(15,727)</u>	<u>(15,727)</u>
<u>Net assets</u>		<u>12,286,391</u>	<u>12,480,246</u>
Representing:			
General fund – surplus	3	<u>12,286,391</u>	<u>12,480,246</u>

The notes on pages 10 to 15 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 26 JUN 2021



Lee Ka Kit
Director



Wang Bing
Director

AI YOU (HONG KONG) FOUNDATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Donations received		16,461,550	15,772,093
Less: Donations made	4	<u>(16,644,575)</u>	<u>(15,594,375)</u>
		(183,025)	177,718
Exchange gain		<u>122</u>	<u>224</u>
		<u>(182,903)</u>	<u>177,942</u>
Administrative expenses			
Auditor's remuneration		(1,000)	(1,000)
Bank charges		(1,080)	(1,706)
Charity event expenses		-	(638,730)
Internet and telephone charges		(1,094)	(4,312)
Printing, stationery and courier		-	(1,649)
Sundry expenses		(7,778)	(54,194)
Transportation fee		-	(29,788)
Travelling expenses		-	(2,090)
		<u>(10,952)</u>	<u>(733,469)</u>
Deficit and total comprehensive income for the year		<u>(193,855)</u>	<u>(555,527)</u>

The notes on pages 10 to 15 form part of these financial statements.

AI YOU (HONG KONG) FOUNDATION LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE YEAR ENDED 31 DECEMBER 2020

	General fund- <u>surplus</u> HK\$
Balance at 1 January 2019	13,035,773
Change in general fund for 2019: Deficit and total comprehensive income for the year	<u>(555,527)</u>
Balances at 31 December 2019 and 1 January 2020	12,480,246
Change in general fund for 2020: Deficit and total comprehensive income for the year	<u>(193,855)</u>
Balance at 31 December 2020	<u><u>12,286,391</u></u>

The notes on pages 10 to 15 form part of these financial statements.

AI YOU (HONG KONG) FOUNDATION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>2020</u> HK\$	<u>2019</u> HK\$
Cash flows from operating activities		
Deficit for the year	(193,855)	(555,527)
Operating deficit before changes in working capital	(193,855)	(555,527)
Decrease in accounts receivable	-	8,088
Decrease in accrued expenses	-	(59,156)
Net cash used in operating activities	(193,855)	(606,595)
Investing and financing activities	-	-
Net decrease in cash and cash equivalents	(193,855)	(606,595)
Cash and cash equivalents at 1 January	12,495,172	13,101,767
Cash and cash equivalents at 31 December	<u>12,301,317</u>	<u>12,495,172</u>
Analysis of the balance of cash and cash equivalents		
Bank balances	<u>12,301,317</u>	<u>12,495,172</u>

The notes on pages 10 to 15 form part of these financial statements.

AI YOU (HONG KONG) FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Foundation information

Ai You (Hong Kong) Foundation Limited (the “Foundation”) is incorporated in Hong Kong with liability limited by guarantee and has its registered office and principal place of operations at 75/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activities of the Foundation are those of a charitable institution.

2. Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the company is set out below.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Foundation, of which the following is relevant to the Foundation’s financial statements for the current accounting period.

Amendments to HKFRS 3, Definition of a business

The directors of the Foundation have assessed and considered that none of the abovementioned amendments has any material impact on the Foundation’s financial position at 31 December 2020 or the Foundation’s financial performance for the year then ended.

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

	Effective for accounting period beginning on or after
Amendments to HKAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Provisions and contingent liabilities: Onerous contracts - costs of fulfilling a contract</i>	1 January 2022
Amendments to HKFRS 3, <i>Business combinations: Reference to the conceptual framework</i>	1 January 2022
Annual improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Foundation is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Foundation’s financial statements.

AI YOU (HONG KONG) FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (“ECLs”) in accordance with the policy set out in note on “Receivables” below.

Receivables

A receivable is recognised when the Foundation has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Foundation has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest rate method less allowance for credit losses as determined below:

For other receivables, the Foundation recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the receivables since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at the end of each reporting period with any changes recognised as an impairment gain or loss in profit or loss. The Foundation recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of other receivables through a loss allowance account.

The gross carrying amount of other receivables is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Foundation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in the statement of comprehensive income in the period in which the recovery occurs.

AI YOU (HONG KONG) FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Payables

Payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are dealt with in surplus or deficit.

Provisions and contingent liabilities

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

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

Revenue recognition

Donations are accounted for on a cash receipt basis.

Related parties

(a) A person, or a close member of that person's family, is related to the Foundation if that person:

- (i) has control or joint control of the Foundation;
- (ii) has significant influence over the Foundation; or
- (iii) is a member of the key management personnel of the Foundation or the Foundation's parent.

(b) An entity is related to the Foundation if any of the following conditions applies:

- (i) The entity and the Foundation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Foundation or an entity related to the Foundation.

AI YOU (HONG KONG) FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

Related parties (continued)

(b) An entity is related to the Foundation if any of the following conditions applies: (continued)

- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the Foundation or to the Foundation's parent.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. General fund – surplus

	<u>2020</u> HK\$	<u>2019</u> HK\$
Surplus at 1 January	12,480,246	13,035,773
Deficit for the year	(193,855)	(555,527)
Surplus at 31 December	<u>12,286,391</u>	<u>12,480,246</u>

4. Donations made

Included in donations made is an amount of HK\$16,450,500 (2019: HK\$15,005,700) paid to a Swiss charitable foundation known as UBS Optimus Foundation (“the donee”). Pursuant to the donation agreements entered into between the Foundation and the donee, the donee will apply the above donations together with the pre-determined contributions to be made by it to fund projects involving mainly the provision of medical treatment to underprivileged children with heart diseases in Mainland China. The projects are to be implemented by Ai You Foundation China, a charitable foundation registered in the People's Republic of China.

5. Income tax

No provision for Hong Kong Profits Tax is required as the Foundation is an approved charitable institution and is exempted from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

AI YOU (HONG KONG) FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Directors' fees	Nil	Nil
Salaries, allowances, bonuses and benefits-in-kind	Nil	Nil
Retirement scheme contributions	Nil	Nil

There are no loans, quasi-loans or other dealings in favour of the directors and their controlled bodies corporate for disclosure pursuant to Section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2019: None).

7. Material related party transactions

The Foundation entered into the following material related party transactions during the year:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Donations received from a director	16,450,500	15,649,705
Donations made to related charitable institutions	194,075	588,675

Note: The transactions were carried out on normal terms and in the ordinary course of operations.

8. Capital management

For the purpose of capital disclosure, the Foundation regards the general fund as capital of the Foundation. The Foundation's primary objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern, to enable it to carry out charitable activities as stated in the objects clause of the memorandum and to fulfill the requirements under Section 88 of the Inland Revenue Ordinance. In particular, the general fund should be solely applied for charitable purposes.

The Foundation's capital structure is regularly reviewed and managed by the Board of Directors. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Foundation to the extent that these do not conflict with the directors' fiduciary duties towards the Foundation or the requirements of the Hong Kong Companies Ordinance.

There has been no change in the Foundation's capital management practices as compared to prior year and the Foundation was not subject to any other externally imposed capital requirements during the year and at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

9. Financial risk management and fair values of financial instruments

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

Credit risk

The credit and concentration risks on bank balances are low as the balances are placed with reputable and creditworthy banks.

All receivable balances are closely monitored to minimise exposure of the debts to credit risk. The Foundation assessed that there is no loss allowance required to be recognised in accordance with HKFRS 9, *Financial instruments* as at 31 December 2020.

Liquidity risk

The Foundation's policy is to regularly monitor its current and expected liquidity requirements including pledges to make donations to ensure that it maintains adequate funding from the founder member to meet its liquidity requirements in the short and longer term.

The contractual maturities at the end of the reporting period of the Foundation's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Foundation can be required to pay, are within one year or on demand.

Interest rate risk

At the end of the reporting period, the Foundation did not have any assets or liabilities which would expose the Foundation to interest rate risk.

Foreign currency risk

The Foundation has no exposure to foreign currency risk as all of the Foundation's transactions are denominated in Hong Kong dollars.

Fair value measurement

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2020 and 31 December 2019.

10. Directors' interests in transactions, arrangements or contracts

Save for the material related party transactions as set out in note 7 to the financial statements, no other transaction, arrangement or contract of significance to which the Foundation was a party, and in which a director of the Foundation had a material interest, subsisted at the end of the year or at any time during the year.