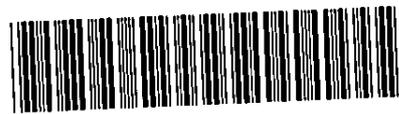




Bo Charity Foundation Limited
(Limited by Guarantee)
小寶慈善基金有限公司

Financial Statements
Year ended 31 March 2020



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Directors' Report

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

Principal place of business

Bo Charity Foundation Limited ("the Foundation") is a foundation incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 2A, Fung Sing Building, 235 Hai Tan Street, Sham Shui Po, Kowloon.

Principal activity

The Foundation is a charitable organisation limited by guarantee. The principal activity of the Foundation is to help fight against hunger & food waste.

Business Review

Business Objectives

Since founded in 2009 as a registered charitable organization, Bo Charity Foundation Limited is dedicated to conserving the environment and caring for the underprivileged communities in Hong Kong.

The Foundation strives to accomplish its missions to reduce food waste, alleviate hunger and poverty, and educate the next generation through our food rescue and food assistance programmes, central kitchen and food processing centre initiatives, food collection effort of our delivery fleet, community outreach services, education programmes and volunteer teams.

Our Work in the year ended 31 March 2020

1. Food Rescue & Food Assistance

The mission of the Foundation is "Waste Not, Hunger Not, With Love." We target to rescue edible surplus food from different sectors of the food industry, that would otherwise be disposed of as waste. Following strict safety protocols, we prepare nutritious meals in our central kitchens and food preparation centre with the rescued food, and serve them to underprivileged communities.

In the current financial year, we have rescued 1,447,467 kg of edible surplus food from the food industry in Hong Kong. Making use of the surplus food, we have prepared total of 1,992,941 hot and cook chilled meal boxes and soups, as well as 206,121 food packs. Also, meal and supermarket coupons supported by donors have been distributed for the needy population. These special food packs, coupons, as well as our production of cook-chilled meals are all part of our continued strive to fulfilling our service mission despite the operating challenges brought about by COVID-19, including periods of temporary suspension of our hot meals production and community centre / school canteens services based on careful health and safety considerations of our service users and staff.

Altogether, the meal boxes, soups, food packs and meal coupons have been provided to our service users through over 200 charity partners during the year.

Business Review (continued)

2. Community Service

We operate a community centre at which we provide free dine-in meals to the vulnerable and frail elderly as well as low income families in Sham Shui Po district. Free dine-in meals are also served to elderly in need via two community canteens in collaboration with school charity partners. In addition, our outreach teams deliver hot nutritious meal boxes and food packs to singletons and deprived elderly. Dine-in service at the height of the COVID-19 pandemic was suspended. Instead, food packs, meal coupons and cook-chilled food were offered to our service users. In addition, total of 507,893 pieces of hygiene items (masks and sanitizers) were prepared during the first three months of 2020 alone to serve the heightened needs in the Hong Kong community amidst the COVID-19 pandemic.

3. Education

We run a variety of educational activities throughout the school year to build our young generation's consciousness of cherishing food and preserving natural resources. School children are encouraged to learn about issues of food waste, hunger, poverty and elderly care in our society. In the current financial year, our Green Angel has visited 32 local and international schools and inspired more than 14,553 kindergarten and primary students.

The Foodstep Journey Experience Centre was established in 2017. It is the first Experience Centre in Hong Kong that advocates the virtue of cherishing food and caring for the community. During the journey, participants are introduced to interesting facts about 'Food Smart', as well as issues of food wastage and elderly poverty in Hong Kong. Face-to-face education talks were temporarily suspended during the COVID-19 pandemic period.

Financial Performance for the year ended 31 March 2020

Total income amounted to HK\$71,511,252, representing an increase of 22% or HK\$12,906,110 from the last financial year. This was mainly driven by increase in designated donation which rose by 36% or HK\$10,415,799, coupled with an increase of 8% or HK\$2,153,882 in general donation.

Total programme expense was HK\$52,904,793, which was 23% or HK\$10,047,875 higher than the last financial year. This was primarily driven by the continued growth in our food rescue and food assistance efforts as well as expenditures for special assistance efforts to the community due to COVID-19.

Administration expense was HK\$2,830,962, largely stable compared with HK\$2,825,451 for the last financial year.

Assets depreciation was HK\$7,990,614. Compared with asset depreciation of HK\$3,589,923 for the last financial year, the year-on-year increase was primarily due to depreciation expense resulting from the new Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") issued by the Hong Kong Institute of Certified Public Accountants, which was initially applied as from 1 April 2019 for the Foundation. Except for effect due to HKFRS 16, assets depreciation was HK\$4,360,893, representing an increase of HK\$770,970 or 21% from the last financial year.

Responsibility and Accountability

The Foundation's Board of Directors ("the Board"), comprising chiefs in the finance, legal, public affairs and social service sectors, is in place and responsible for formulating and revising visions and missions of the Foundation from time to time. The Board also oversees strategic directions, financial performance, management of capital and risks of the Foundation and approves key initiatives proposed by the Directors.

Our board members are leaders and subject matter experts who bring in new expertise and propel the healthy growth of the Foundation.

The Foundation complies with section 88 of the Inland Revenue Ordinance on Charitable Institution.

Potential Risks

In the changing and sometimes challenging financial climate, a steady inflow of donation is critical in the provision of uninterrupted service to our existing beneficiaries.

Currently, with the continued support of funders, foundations and the HK community, we have been able to maintain a stable income to sustain our long-term commitment.

Upcoming Key Development

To help tackle the mounting volume of edible surplus food and to meet the growing demand from the community on free meal service, we will continue to look for opportunities to streamline and expand our capability to meet such needs. Among which, one key initiative is to widen our delivery channels via the set-up of automated food dispensers in selected districts in Hong Kong by stages first starting in the third quarter of 2020. Together with this new additional delivery channel offering flexible food assistance access, we will be able to reach out and connect with a widened group of those in need in the community as well as provide additional service flexibility to our service users.

Directors

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

Kam Chung Leung
Alice Oi Lai Tung
Rex Pak-Kuen AuYeung
Ming Git Cheng
Kitty Kit Hing Ip
Joseph Luc Ngai
Douglas Cheung Tak So
Kenny Oi Kan Yiu

In accordance with articles 37 & 38 of the Foundation's articles of association, all present directors shall retire from the board every two years and, being eligible, offer themselves, for re-election.

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

Directors' interests in transactions, arrangements or contracts

Save as disclosed in note 18 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.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Foundation is to be proposed at the forthcoming Annual General Meeting.

By order of the board



KAM CHUNG LEUNG

Hong Kong,

23 NOV 2020



Independent auditor's report to the members of Bo Charity Foundation Limited

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Bo Charity Foundation Limited ("the Foundation") set out on pages 8 to 35, which comprise the statement of financial position as at 31 March 2020, the statement of profit or loss and other comprehensive income, the statement of changes in fund and the 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 March 2020 and of its financial performance and its cash flows for the year then ended in accordance with the 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.



Independent auditor's report to the members of Bo Charity Foundation Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

Responsibilities of the 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement 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.



Independent auditor's report to the members of Bo Charity Foundation Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

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

- 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.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 NOV 2020

Statement of profit or loss and other comprehensive income for the year ended 31 March 2020

(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
Income			
General donation	2	\$ 30,429,666	\$ 28,275,784
Designated donation		39,129,085	28,713,286
Green education		1,047,291	1,311,833
Other income		905,210	304,239
		<u>\$ 71,511,252</u>	<u>\$ 58,605,142</u>
Other net (loss)/gain	3	<u>\$ (338,353)</u>	<u>\$ 110,433</u>
Expenditure			
Program expenses	4(a)	\$ 52,904,793	\$ 42,856,918
Donation campaign expenses		369,471	567,499
Administrative expenses		2,830,962	2,825,451
Finance cost	4(b)	221,711	-
		<u>\$ 56,326,937</u>	<u>\$ 46,249,868</u>
Surplus and total comprehensive income for the year	4	<u>\$ 14,845,962</u>	<u>\$ 12,465,707</u>

Note: The Foundation has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 12 to 35 form part of these financial statements.

Statement of financial position at 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
Non-current asset			
Property, plant and equipment	7	\$ 14,396,693	\$ 12,217,805
Current assets			
Other receivables, prepayments and deposits	8	\$ 27,447,996	\$ 22,032,309
Deposits maturing beyond three months when placed	9	-	40,105,857
Cash and cash equivalents	9	72,025,244	22,287,448
		<u>\$ 99,473,240</u>	<u>\$ 84,425,614</u>
Current liabilities			
Creditors and accruals	10	\$ 3,333,970	\$ 3,436,459
Unearned income	11	18,057,693	19,661,041
Lease liabilities	12	3,029,773	-
		<u>\$ 24,421,436</u>	<u>\$ 23,097,500</u>
Net current assets		<u>\$ 75,051,804</u>	<u>\$ 61,328,114</u>
Total assets less current liabilities		<u>\$ 89,448,497</u>	<u>\$ 73,545,919</u>
Non-current liability			
Lease liabilities	12	\$ 1,056,616	\$ -
NET ASSETS		<u>\$ 88,391,881</u>	<u>\$ 73,545,919</u>
Fund			
General fund	13	\$ 88,391,881	\$ 73,545,919

Approved and authorised for issue by the board of directors on **23 NOV 2020**




} Directors

ALICE OI LAI TUNG KENNY OI KAN YIU

Note: The Foundation has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 12 to 35 form part of these financial statements.

Statement of changes in fund
for the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	<i>General fund</i> (Note)
Balance at 31 March 2018	\$ 61,080,212
Surplus and total comprehensive income for the year	<u>12,465,707</u>
Balance at 31 March 2019 and 1 April 2019	\$ 73,545,919
Surplus and total comprehensive income for the year	<u>14,845,962</u>
Balance at 31 March 2020	<u><u>\$ 88,391,881</u></u>

Note: The Foundation has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 12 to 35 form part of these financial statements.

Cash flow statement
for the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
Operating activities			
Cash generated from operations	9(b)	\$ 15,454,514	\$ 20,474,729
Net cash generated from operating activities		<u>\$ 15,454,514</u>	<u>\$ 20,474,729</u>
Investing activities			
Bank interest received		\$ 820,602	\$ 274,349
Proceeds from disposal of property, plant and equipment		7,500	200,000
Decrease/(increase) in deposits with banks with maturity more than three months when placed		40,105,857	(40,105,857)
Payment for the purchase of property, plant and equipment		<u>(2,706,965)</u>	<u>(7,035,671)</u>
Net cash generated from/(used in) investing activities		<u>\$ 38,226,994</u>	<u>\$ (46,667,179)</u>
Financing activities			
Capital element of lease rentals paid	9(c)	\$ (3,722,001)	\$ -
Interest element of lease rentals paid	9(c)	<u>(221,711)</u>	<u>-</u>
Net cash used in financing activities		<u>\$ (3,943,712)</u>	<u>\$ -</u>
Net increase/(decrease) in cash and cash equivalents		\$ 49,737,796	\$ (26,192,450)
Cash and cash equivalents at the beginning of the year		<u>22,287,448</u>	<u>48,479,898</u>
Cash and cash equivalents at the end of the year	9(a)	<u>\$ 72,025,244</u>	<u>\$ 22,287,448</u>

Note: The Foundation has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 12 to 35 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Foundation. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Foundation for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Foundation.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Foundation's results and financial position for the current or prior periods have been prepared or presented. The Foundation has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Foundation has initially applied HKFRS 16 as from 1 April 2019. The Foundation has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Foundation applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Foundation has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

1 Significant accounting policies (continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Foundation is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Foundation is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 7. For an explanation of how the Foundation applies lessee accounting, see note 1(e).

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Foundation determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.46%.

To ease the transition to HKFRS 16, the Foundation applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment) when measuring the lease liabilities at the date of initial application of HKFRS 16.

The following table reconciles the operating lease commitments as disclosed in note 17 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	<i>1 April 2019</i>
Operating lease commitments at 31 March 2019	\$ 6,893,896
Less: total future interest expenses	<u>(286,411)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and total lease liabilities recognised at 1 April 2019	<u>\$ 6,607,485</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities at 31 March 2019.

1 Significant accounting policies (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Foundation's statement of financial position:

Line items in the statement of financial position impacted by the adoption of HKFRS 16:	<i>Carrying amount at 31 March 2019</i>	<i>Capitalisation of operating lease contracts</i>	<i>Carrying amount at 1 April 2019</i>
Property, plant and equipment	\$ 12,217,805	\$ 6,607,485	\$ 18,825,290
Total non-current asset	\$ 12,217,805	\$ 6,607,485	\$ 18,825,290
Lease liabilities (current)	\$ -	\$ 3,405,842	\$ 3,405,842
Current liabilities	\$ 23,097,500	\$ 3,405,842	\$ 26,503,342
Net current assets	\$ 61,328,114	\$ (3,405,842)	\$ 57,922,272
Total assets less current liabilities	\$ 73,545,919	\$ 3,201,643	\$ 76,747,562
Lease liabilities (non-current)	\$ -	\$ 3,201,643	\$ 3,201,643
Total non-current liability	\$ -	\$ 3,201,643	\$ 3,201,643
Net assets	\$ 73,545,919	\$ -	\$ 73,545,919

c. Impact on the financial result and cash flows of the Foundation

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Foundation as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Foundation's statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Foundation as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 9(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 9(d)).

1 Significant accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(e)), are stated at cost less accumulated depreciation and impairment losses.

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

- Properties leased for own use	Over the lease term
- Leasehold improvement	Over the lease term or 5 years
- Fixtures and kitchen equipment	3 to 4 years
- Office equipment	3 to 4 years
- Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(e) Leased assets

At inception of a contract, the Foundation assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 Significant accounting policies (continued)

As a lessee

(A) Policy applicable from 1 April 2019

At the lease commencement date, the Foundation recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Foundation enters into a lease in respect of a low-value asset, the Foundation decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(d)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Foundation's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Foundation will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the statement of financial position, the Foundation presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

1 Significant accounting policies (continued)

(B) Policy applicable prior to 1 April 2019

Leases which did not transfer substantially all the risks and rewards of ownership to the Foundation were classified as operating leases.

Where the Foundation had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made.

(f) *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 method less allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the Foundation's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the 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.

(g) *Creditors and accruals*

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

1 Significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(j) Provisions and contingent liabilities

Provisions are recognised 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.

(k) Revenue and other income

Income is classified by the Foundation as revenue when it arises from the receipt of donation in the ordinary course of the Foundation's business.

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

(i) General donation and Green education

General donation and Green education income ("Green education") are recognised when the Foundation becomes entitled to the donations, which is generally upon receipt of cash. Green education are a range of educational programmes, which aim to arouse the public awareness of cherishing food and caring for the community.

(ii) Designated donation

Designated donation is deferred in the statement of financial position initially when the Foundation assessed that they will be received and that the Foundation will comply with the conditions attached to them. Designated donation is recognised as income in profit or loss on a systematic basis, upon fulfilment of the conditions (if any), in the same periods in which the expenses are incurred.

1 Significant accounting policies (continued)

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(l) *Translation of foreign currencies*

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

(m) *Related parties*

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

- (i) has control or joint control over the company;
- (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.

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

- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Foundation or an entity related to the Foundation.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

2 General donation

	2020	2019
General donation from:		
- Public	\$ 21,671,519	\$ 19,526,707
- Donation campaign	5,323,323	4,842,743
- Programs	<u>3,434,824</u>	<u>3,906,334</u>
	<u>\$ 30,429,666</u>	<u>\$ 28,275,784</u>

Note: Included in the above donations, the below represents the fund-raising activities with the Public Subscription Permits issued by the Social Welfare Department.

<i>Public subscription Permit No.</i>	<i>Gross income raised</i>	<i>Gross expenditure incurred</i>	<i>Net Proceeds</i>	<i>Usage of the Net Proceeds</i>
For the year ended 31 March 2019				
2018/115/1	\$ 70,057	\$ -	\$ 70,057	To raise funds for hot meal boxes preparation for the needy in Hong Kong

3 Other net (loss)/gain

	2020	2019
(Loss)/gain on disposal of property, plant and equipment	<u>\$ (338,353)</u>	<u>\$ 110,433</u>

4 Surplus and total comprehensive income for the year

Surplus and total comprehensive income for the year is arrived at after charging/(crediting):

	2020	2019
(a) Program expenses#		
Food Angel Food Rescue & Assistance Program	\$ 40,166,458	\$ 32,769,811
Food Angel Community Service	9,118,133	5,912,873
Corporate Angel CSR Program	752,888	772,020
Green Angel Education Program and Experience Centre	2,691,127	2,819,264
Other programs	<u>176,187</u>	<u>582,950</u>
	<u>\$ 52,904,793</u>	<u>\$ 42,856,918</u>

4 Surplus and total comprehensive income for the year (continued)

	2020	2019 (Note)
(b) Finance cost		
Interest on lease liabilities (note 9(c))	\$ 221,711	\$ -
	<u>221,711</u>	<u>-</u>
<p>Note: The Foundation has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).</p>		
(c) Staff costs	2020	2019
Contributions to defined contribution retirement plan	\$ 1,279,972	\$ 1,039,831
Salaries, wages and other benefits	27,808,601	22,478,632
	<u>29,088,573</u>	<u>23,518,463</u>
(d) Other items	2020	2019
Auditor's remuneration	\$ -	\$ -
Depreciation charge (note 7)		
- owned plant and equipment	4,360,893	3,589,923
- right-of-use assets*	3,629,721	-
	<u>7,990,614</u>	<u>3,589,923</u>
Logistics expenses	7,121,492	6,366,838
Total minimum lease payments previously classified as operating leases under HKAS 17*	-	3,089,118
Interest income	<u>(820,602)</u>	<u>(274,349)</u>

Program expenses include \$41,765,352 (2019: \$34,133,410) relating to staff costs, depreciation, logistic expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately in notes 4(c) and 4(d) for each of these types of expenses.

* The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Foundation as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

5 Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Foundation is an approved charitable institution and is exempted from taxation under section 88 of the Hong Kong Inland Revenue Ordinance.

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 are as follows:

	2020		2019
Directors' fees	\$ Nil	\$	Nil
Salaries, allowances and benefits in kind	Nil		Nil
Discretionary bonuses	Nil		Nil
Retirement scheme contributions	Nil		Nil

7 Property, plant and equipment

	Leasehold improvement	Fixtures and kitchen equipment	Office equipment	Motor vehicles	Properties leased for own use	Total
Cost:						
At 1 April 2018	\$ 10,968,439	\$ 4,819,317	\$ 151,902	\$ 749,902	\$ -	\$ 16,689,560
Additions	5,079,995	3,693,372	29,900	565,404	-	9,368,671
Disposals	-	(325,700)	-	-	-	(325,700)
At 31 March 2019	\$ 16,048,434	\$ 8,186,989	\$ 181,802	\$ 1,315,306	\$ -	\$ 25,732,531
Impact on initial application of HKFRS 16 (note)	-	-	-	-	6,607,485	6,607,485
At 1 April 2019	\$ 16,048,434	\$ 8,186,989	\$ 181,802	\$ 1,315,306	\$ 6,607,485	\$ 32,340,016
Additions	220,110	1,692,188	146,300	648,367	1,200,905	3,907,870
Disposals	(7,500)	(424,226)	-	-	-	(431,726)
At 31 March 2020	\$ 16,261,044	\$ 9,454,951	\$ 328,102	\$ 1,963,673	\$ 7,808,390	\$ 35,816,160
Accumulated depreciation:						
At 1 April 2018	\$ 5,285,076	\$ 4,148,968	\$ 48,342	\$ 678,550	\$ -	\$ 10,160,936
Charge for the year	2,599,254	788,548	48,848	153,273	-	3,589,923
Written back on disposals	-	(236,133)	-	-	-	(236,133)
At 31 March and 1 April 2019	\$ 7,884,330	\$ 4,701,383	\$ 97,190	\$ 831,823	\$ -	\$ 13,514,726
Charge for the year	2,685,138	1,434,917	74,693	166,145	3,629,721	7,990,614
Written back on disposals	-	(85,873)	-	-	-	(85,873)
At 31 March 2020	\$ 10,569,468	\$ 6,050,427	\$ 171,883	\$ 997,968	\$ 3,629,721	\$ 21,419,467
Net book value:						
At 31 March 2020	\$ 5,691,576	\$ 3,404,524	\$ 156,219	\$ 965,705	\$ 4,178,669	\$ 14,396,693
At 31 March 2019	\$ 8,164,104	\$ 3,485,606	\$ 84,612	\$ 483,483	\$ -	\$ 12,217,805

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

7 Property, plant and equipment (continued)

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 March 2020	1 April 2019
Properties leased for own use, carried at depreciated cost	\$ 4,178,669	\$ 6,607,485

The Foundation has obtained the right to use certain properties as its kitchens, education centre and office through tenancy agreements, which typically run for an initial period of 2 to 4 years.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	2019 (Note)
Depreciation charge of properties leased for own use	\$ 3,629,721	\$ -
Interest on lease liabilities (note 4(b))	221,711	-
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	<u>-</u>	<u>3,089,118</u>

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Foundation as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

During the year, additions to right-of-use assets were \$1,200,905. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 9(d) and 12 respectively.

8 Other receivables, prepayments and deposits

All of the other receivables, prepayment and deposits, except for deposits of \$1,271,895 (2019: \$1,679,295), are expected to be recovered or recognised as expense within one year.

9 Deposits maturing beyond three months when placed and cash and cash equivalents

(a) Deposits maturing beyond three months when placed and cash and cash equivalents comprise:

	2020	2019
Deposits with banks and other financial institutions maturing beyond three months when placed	\$ -	\$ 40,105,857
Cash at banks and on hand	\$ 26,927,064	\$ 10,287,448
Deposits with banks and other financial institutions maturity within three months when placed	45,098,180	12,000,000
Cash and cash equivalents in the statement of financial position and the cash flow statement	<u>\$ 72,025,244</u>	<u>\$ 22,287,448</u>

(b) Reconciliation of surplus for the year to cash generated from operations:

	Note	2020	2019 (Note)
Surplus for the year		\$ 14,845,962	\$ 12,465,707
Adjustments for:			
Depreciation	4(d)	7,990,614	3,589,923
Loss/(gain) on disposal of property, plant and equipment	3	338,353	(110,433)
Bank interest income	4(d)	(820,602)	(274,349)
Finance cost	4(b)	221,711	-
Changes in working capital:			
Increase in other receivables, prepayments and deposits		(5,415,687)	(4,188,678)
(Decrease)/increase in creditors and accruals		(102,489)	371,134
(Decrease)/increase in unearned income		(1,603,348)	8,621,425
Cash generated from operations		<u>\$ 15,454,514</u>	<u>\$ 20,474,729</u>

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Foundation as a lessee of \$3,089,118 were classified as operating activities in the cash flow statement. Under HKFRS 16, all rentals paid on leases are now split into capital element and interest element (see note 9(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

9 Deposits maturing beyond three months when placed and cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities:

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

	<i>Lease liabilities</i> (Note 12)
At 31 March 2019	\$ -
Impact on initial application of HKFRS 16 (Note)	6,607,485
At 1 April 2019	<u>\$ 6,607,485</u>
Changes from financing cash flows:	
Capital element of lease rentals paid	\$ (3,722,001)
Interest element of lease rentals paid	(221,711)
Total changes from financing cash flows	<u>\$ (3,943,712)</u>
Other changes:	
Increase in lease liabilities from entering into new leases during the year	\$ 1,200,905
Interest expenses (note 4(b))	221,711
Total other changes	<u>\$ 1,422,616</u>
At 31 March 2020	<u>\$ 4,086,389</u>

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 1(c) and 9(b).

9 Deposits maturing beyond three months when placed and cash and cash equivalents (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020	2019 (Note)
Within operating cash flows	\$ -	\$ 3,089,118
Within financing cash flows	3,943,712	-
	<u>\$ 3,943,712</u>	<u>\$ 3,089,118</u>

Note: As explained in note 9(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

10 Creditors and accruals

All of the creditors and accruals, except for reinstatement cost of \$2,749,000 (2019: \$2,749,000), are expected to be settled within one year or are repayable on demand.

12 Lease liabilities

The following table shows the remaining contractual maturities of the Foundation's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

	31 March 2020		1 April 2019 (Note)	
	<i>Present value of the lease payments</i>	<i>Total lease payments</i>	<i>Present value of the lease payments</i>	<i>Total lease payments</i>
Within 1 year	\$ 3,029,773	\$ 3,135,064	\$ 3,405,842	\$ 3,615,288
After 1 year but within 2 years	\$ 1,056,616	\$ 1,067,920	\$ 2,607,933	\$ 2,680,488
After 2 years but within 5 years	-	-	593,710	598,120
	<u>\$ 1,056,616</u>	<u>\$ 1,067,920</u>	<u>\$ 3,201,643</u>	<u>\$ 3,278,608</u>
	<u>\$ 4,086,389</u>	<u>\$ 4,202,984</u>	<u>\$ 6,607,485</u>	<u>\$ 6,893,896</u>
Less: total future interest expenses		(116,595)		(286,411)
Present value of lease liabilities		<u>\$ 4,086,389</u>		<u>\$ 6,607,485</u>

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

13 Fund

(a) Components of the Foundation's fund

The reconciliation between the opening and closing balances of the Foundation's fund is set out in the statement of changes in fund.

(b) Nature and purpose of fund

General fund is used for the general operation and administration of the Foundation.

	<i>Self supporting programs</i>	
	2020	2019
Income		
General donation	\$ 30,429,666	\$ 28,275,784
Green Education	1,047,291	1,311,833
Other income	905,210	304,239
Other net (loss)/gain	(338,353)	110,433
	\$ 32,043,814	\$ 30,002,289
Expenditure		
Program expenses	\$ 13,775,708	\$ 14,143,632
Donation campaign expenses	369,471	567,499
Administrative expenses	2,830,962	2,825,451
Finance cost	221,711	-
	\$ 17,197,852	\$ 17,536,582
Surplus for the year	\$ 14,845,962	\$ 12,465,707

14 Members' liability

The Foundation is not authorised to issue share capital and is limited by guarantee. Under the provision of the Foundation's memorandum and articles of association, every member shall, in the event of the Foundation being wound up, contribute such amount as may be required to meet the liabilities of the Foundation but not exceeding \$100 per member.

15 Capital management

The Foundation's primary objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern.

The Foundation defines "capital" as including the general fund maintained by the Foundation.

The Foundation's capital structure is regularly reviewed and managed. 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.

16 Financial risk management and fair values

Exposure to credit and liquidity 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.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Foundation. The Foundation's credit risk is primarily attributable to other receivables. The Foundation has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Foundation's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a sound credit rating, for which the Foundation considers to have low credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position. The Foundation does not provide any other guarantees which would expose the Foundation to credit risk.

(b) Liquidity risk

The Foundation's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	2020			
	Contractual undiscounted cash outflows			Carrying amount at 31 March
	Within 1 year or on demand	More than 1 year but within 2 years	Total	
Creditors and accruals	\$ 3,333,970	\$ -	\$ 3,333,970	\$ 3,333,970
Unearned income	18,057,693	-	18,057,693	18,057,693
Lease liabilities (Note)	3,135,064	1,067,920	4,202,984	4,086,389
	<u>\$ 24,526,727</u>	<u>\$ 1,067,920</u>	<u>\$ 25,594,647</u>	<u>\$ 25,478,052</u>

Note: The Foundation has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 1(c).

16 Financial risk management and fair values (continued)

	2019			
	Contractual undiscounted cash outflows			
	Within 1 year or on demand	More than 1 year but within 2 years	Total	Carrying amount at 31 March
Other payables and accrued charges	\$ 3,436,459	\$ -	\$ 3,436,459	\$ 3,436,459
Unearned income	19,661,041	-	19,661,041	19,661,041
	\$ 23,097,500	\$ -	\$ 23,097,500	\$ 23,097,500

(c) Fair value measurement

All financial instruments of the Foundation are carried at amounts not materially different from their fair values as at 31 March 2020 and 2019.

17 Commitments

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>Properties</i>
Within one year	\$ 3,615,288
After one year but within five years	3,278,608
	\$ 6,893,896

The Foundation is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Foundation has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Foundation adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(e), and the details regarding the Foundation's future lease payments are disclosed in note 12.

18 Material related party transaction

(a) Transactions with key management personnel

All members of key management personnel are directors of the Foundation, and their remuneration is disclosed in note 6.

(b) Transactions with other related parties

- (i) The Foundation received donations of \$1,053,852 (2019: \$607,600) from certain directors of the Foundation and their related companies.
- (ii) Rental fees of \$Nil (2019: \$1,470,000) were paid by the Foundation to a company related to a family member of a director for three operation units and an office (see note 18(c)).
- (iii) Free-of-charge rental was granted to the Foundation by a company related to a family member of a director for an operation unit during the years ended 31 March 2020 and 2019.

(c) Financing arrangements

		<i>Amount owed by the Foundation to a company related to a family member of a director</i>		<i>Related interest expense</i>	
	<i>Note</i>	<i>As at 31 March 2020</i>	<i>2019</i>	<i>Year ended 31 March 2020</i>	<i>2019</i>
Lease liabilities due to a related party	(i)	\$ 1,152,830	\$ -	\$ 81,526	\$ -

Note:

- (i) In January 2017, the Foundation entered into a four-year lease in respect of certain leasehold properties with a company related to a family member of a director for three operation units and an office. The amount of rent payable by the Foundation under the lease is HK\$120,000 to HK\$130,000 per month. At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Foundation recognised a right-of-use asset and a lease liability of \$2,631,304.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 March 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 periods
beginning on or after*

Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020

The Foundation is in the process of making an assessment of what the impact of these developments 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 financial statements.