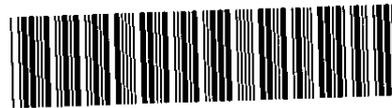


**CHILDREN'S HEART FOUNDATION**  
**REPORT OF THE EXECUTIVE COMMITTEE AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2020**



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## **CHILDREN'S HEART FOUNDATION**

### **REPORT OF THE EXECUTIVE COMMITTEE**

The executive committee submits its report together with the audited financial statements of Children's Heart Foundation (the "Foundation") for the year ended 31st December 2020.

#### **Principal activity**

The principal activity of the Foundation is to provide charitable services to the children suffering from heart diseases.

#### **Results**

The results of the Foundation for the year are set out in the statement of comprehensive income on page 7.

#### **Executive committee**

The members of the executive committee during the year and up to the date of this report are:

Kai Tung Chau	(Chairman)
Christine Wai Ching Ho	(Vice Chairman)
Jenny Ying Foon Cheng	(Vice Chairman)
Monica Kim To Woo	(Treasurer)
Connie Yuk Lin Lau	(Secretary)
Wai Kwan Au	
Tak Cheung Yung	
Kin Tak Wong	
Yu Hin Lo	
Kin Shing Lun	
Wei Yee Cheong	
Wa Luk	
Pui Suen Leung	

In accordance with Article 39 of the Foundation's Articles of Association, all executive committee members retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

#### **Executive committee members' material interests in transactions, arrangements and contracts that are significant in relation to the Foundation's business and business review**

As the Foundation falls within the reporting exemption as a small guarantee company under sections 359 to 366 of the Hong Kong Companies Ordinance (Cap. 622) for the year ended 31st December 2020, certain provisions of section 388(3)(a) and sections 3(3A), 4(3), 8(3) and 10(7)(a) of the Companies (Directors' Report) Regulation (Cap. 622D) do not apply. Consequently, this report of the executive committee does not contain the following information:

- business review;
- arrangements to enable executive committees to acquire benefits by the acquisition of shares or debentures;
- donations;
- executive committees' reasons for resignation or refusal to stand for re-election; and
- material interests of executive committees in transactions, arrangements or contracts that are of significance to the Foundation's business entered into by a specified undertaking of the Foundation, as defined in section 2 of Cap. 622D

#### **Management contracts**

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

**CHILDREN'S HEART FOUNDATION**

**REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)**

**Permitted indemnity provisions**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance (Cap. 622)) for the benefit of the executive committee of the Foundation is currently in force and was in force throughout the year.

**Auditor**

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

On behalf of the executive committee



Kai Tung Chau  
Executive committee member

Hong Kong, **30 JUL 2021**



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHILDREN'S HEART FOUNDATION**  
(Incorporated in Hong Kong and limited by guarantee)

**Opinion**

*What we have audited*

The financial statements of Children's Heart Foundation (the "Foundation") set out on pages 6 to 24, which comprise:

- the balance sheet as at 31st December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in fund for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31st 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Foundation in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Other information**

The executive committee members are responsible for the other information. The other information comprises the information included in the executive committees members' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHILDREN'S HEART FOUNDATION (CONTINUED)**  
(Incorporated in Hong Kong and limited by guarantee)

**Other information (Continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of executive committee members for the financial statements**

The executive committee members 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 executive committee members 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 executive committee members 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 executive committee members either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

The executive committee members' responsibilities include overseeing the Foundation's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHILDREN'S HEART FOUNDATION (CONTINUED)**  
(Incorporated in Hong Kong and limited by guarantee)

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive committee members.
- Conclude on the appropriateness of the executive committee members' 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 executive committee members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, **30 JUL 2021**

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**BALANCE SHEET**

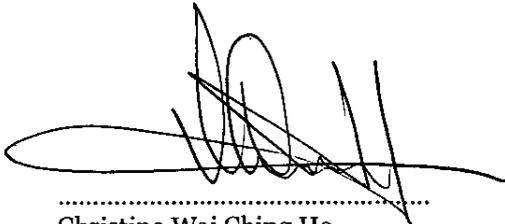
	Note	As at 31st December	
		2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	11,337,853	11,835,374
Right-of-use assets	5	225,315	405,566
Total non-current assets		11,563,168	12,240,940
<b>Current assets</b>			
Trade and other receivables	7	3,075,766	2,675,546
Bank deposits with original maturity over three months	8	3,633,703	10,877,709
Cash and cash equivalents	9	11,695,841	3,158,570
Total current assets		18,405,310	16,711,825
<b>Total assets</b>		<b>29,968,478</b>	<b>28,952,765</b>
<b>FUND</b>			
Accumulated surplus		28,978,872	28,000,436
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	10	46,701	230,481
<b>Current liabilities</b>			
Other payables and accruals	11	759,125	542,812
Lease liabilities	10	183,780	179,036
Total current liabilities		942,905	721,848
<b>Total liabilities</b>		<b>989,606</b>	<b>952,329</b>
<b>Total fund and liabilities</b>		<b>29,968,478</b>	<b>28,952,765</b>

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

The financial statements on pages 6 to 24 were approved by the executive committee on and were signed on its behalf.

**30 JUL 2021**

  
.....  
Kai Tung Chau  
Executive committee member

  
.....  
Christine Wai Ching Ho  
Executive committee member

**CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF COMPREHENSIVE INCOME**

		Year ended 31st December	
	Note	2020	2019
<b>Revenue</b>			
Donations from general public and corporates		4,613,830	4,828,119
Income from fund raising events - point in time		685,223	1,558,432
Dues and fees from House of Heart - point in time		1,550	73,800
		<u>5,300,603</u>	<u>6,460,351</u>
<b>Other income</b>			
Government subsidy		293,700	-
Interest income from bank deposits		130,497	155,578
		<u>424,197</u>	<u>155,578</u>
		<u>5,724,800</u>	<u>6,615,929</u>
<b>Less: Expenditure</b>			
Bank charges		4,871	9,325
Communication expenses		12,513	12,156
Conference expenses		23,746	23,554
Depreciation of owned property and equipment	4	552,704	552,704
Depreciation of right-of-use assets	5	180,251	135,188
Employee benefit expenses	12	2,159,994	1,806,373
Net exchange loss		11,705	72
Fund raising event expenses		47,377	64,397
Local travelling		8,404	17,826
Management fee		79,494	60,264
Medical sponsorship		1,312,776	1,454,109
Membership expenses		156,104	170,861
Operating expenses for House of Heart		15,595	66,148
Postage		25,339	10,476
Promotion		42,698	12,537
Printing charges		14,155	6,521
Short-term lease expenses in respect of office premises		-	43,725
Stationery		277	1,650
Sundry expenses		89,777	90,269
		<u>4,737,780</u>	<u>4,538,155</u>
<b>Less: Finance cost</b>			
Interest expense on lease liabilities		8,584	9,478
		<u>4,746,364</u>	<u>4,547,633</u>
<b>Surplus for the year</b>		<u>978,436</u>	<u>2,068,296</u>
<b>Total comprehensive income for the year</b>		<u><u>978,436</u></u>	<u><u>2,068,296</u></u>

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

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF CHANGES IN FUND**

	Accumulated surplus
<b>Balance at 1st January 2019</b>	25,932,140
<b>Comprehensive income</b> Surplus for the year	<u>2,068,296</u>
<b>Balances at 31st December 2019 and 1st January 2020</b>	28,000,436
<b>Comprehensive income</b> Surplus for the year	<u>978,436</u>
<b>Balance at 31st December 2020</b>	<u><u>28,978,872</u></u>

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

**CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**STATEMENT OF CASH FLOWS**

	Note	Year ended 31st December	
		2020	2019
<b>Cash flows from operating activities</b>			
Net cash generated from operating activities	15(a)	1,405,571	1,985,574
<b>Cash flows from investing activities</b>			
Decrease/(increase) in bank deposits with original maturity over three months		7,244,006	(10,877,709)
Purchases of property, plant and equipment	4	(55,183)	(1,372,730)
Interest received from bank deposits		130,497	155,578
<b>Net cash used in investing activities</b>		7,319,320	(12,094,861)
<b>Cash flows from financing activities</b>			
Principal element of lease payments	15(b)	(179,036)	(131,237)
Interest element of lease payments	15(b)	(8,584)	(9,478)
<b>Net cash used in financing activities</b>		(187,620)	(140,715)
<b>Net increase/(decrease) in cash and cash equivalents</b>		8,537,271	(10,250,002)
Cash and cash equivalents at the beginning of year		3,158,570	13,408,572
<b>Cash and cash equivalents at the end of year</b>	9	11,695,841	3,158,570

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

## **CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless otherwise stated)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 Status and activities of the Foundation**

Children's Heart Foundation (the "Foundation"), an entity limited by guarantee, is a non-profit making organisation and is engaged in providing charitable services to children suffering from heart diseases. The income and property of the Foundation are applied solely towards the promotion of the objectives set out in the Foundation's Memorandum of Association. The Foundation's fund is not distributed to its members.

The address of its registered office is Rooms 1808-9, 18th Floor, Wing On House, No. 71 Des Voeux Road Central, Hong Kong.

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

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **2.1 Basis of preparation**

The financial statements of the Foundation have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Foundation's accounting policies. In the opinion of the executive committee members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

The Foundation has applied the following Amendments for the first time for its annual reporting period commencing 1st January 2020:

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

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

## CHILDREN'S HEART FOUNDATION

(All amounts in Hong Kong dollars unless stated otherwise)

### NOTES TO THE FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

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

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

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions <sup>1</sup>
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform –Phase 2 <sup>1</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use <sup>2</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual Framework <sup>2</sup>
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Annual Improvement Project	Annual Improvements to HKFRS Standards 2018-2020 (Amendments) <sup>2</sup>
AG 5 (Revised)	Merger Accounting for Common Control Combinations <sup>2</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>3</sup>
HKFRS 17 (Amendments)	Insurance Contracts <sup>3</sup>
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause <sup>3</sup>
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

Note:

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

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

### 2.2 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

## **CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless stated otherwise)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.3 Property and equipment**

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

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

Leasehold improvements are depreciated over the shorter of their useful lives or the period of the lease while depreciation of property and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follow:

- Land and buildings	33 years
- Leasehold improvements	Over the lease term or estimated useful lives, whichever is shorter
- Furniture and fixtures	10 years
- Office equipment	10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.5).

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

##### **2.4 Impairment of non-financial assets**

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

##### **2.5 Financial assets**

###### **(a) Classification**

The Foundation classifies its financial assets as those to be measured at amortised cost.

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

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

## **CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless otherwise stated)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.5 Financial assets (Continued)**

###### **(b) Recognition and derecognition**

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

###### **(c) Measurement**

At initial recognition, the Foundation measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Foundation's business model for managing the asset and the cash flow characteristics of the asset. The Foundation classifies its debt instruments as amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other income. Impairment losses are presented as separate line item in the statement of comprehensive income.

###### **(d) Impairment**

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

For trade receivables, the Company applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

##### **2.6 Offsetting financial instruments**

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

##### **2.7 Receivables**

Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Foundation holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

If collection of receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.8 Cash and cash equivalents**

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

**2.9 Payables**

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

**2.10 Provisions**

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

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

**2.11 Specific donations from third parties**

Specific donations from third parties which are earmarked for specific purposes are recognised at their fair values when there is a reasonable assurance that the Foundation will comply with the conditions attaching to it and that the amount will be received.

Specific donations relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs they are intended to compensate.

**2.12 Employee benefits**

**(a) Short-term obligations**

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

**(b) Pension obligations**

The Foundation pays contribution to a mandatory provident fund scheme ("MPF scheme") in Hong Kong for its Hong Kong staff. The assets of the MPF scheme are held in a separate trustee-administered fund.

The Foundation has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.13 Revenue and other income recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amount received for service provided. The Foundation recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Foundation's activities as described below.

(a) Donation for general purpose

Donation income for general purpose is recognised when the right to receive payment is established.

(b) Fund raising event income

Fund raising event income is recognised when fund raising events take place and the right to receive payment is established.

(c) Dues and fees

Dues and fees are recognised on an accruals basis.

(d) Interest income

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

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

**2.14 Leases (as a leasee)**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the Company under residual value guarantees, if any;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options, if any, are also included in the measurement of the liability.

## **CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless otherwise stated)

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.14 Leases (as a lessee) (Continued)**

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is reassessed, the corresponding adjustment is reflected in the right-of-use asset, or comprehensive income if the right-of-use asset is already reduced to zero.

##### **2.15 Government subsidy**

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

For the wage subsidies from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region ("HKSAR"), it is recognised as other income on a systematic basis over the periods that the costs for which it is intended to compensate.

## **CHILDREN'S HEART FOUNDATION**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **3 Financial risk and fund risk management**

##### **3.1 Financial risk factors**

The Foundation's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risks. The Foundation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Foundation's financial performance.

##### **(a) Foreign exchange risk**

Foreign exchange risk arising from future commercial transactions, recognised assets and liabilities denominated in a currency other than the Foundation's functional currency. The Foundation operates in Hong Kong and is exposed to foreign exchange risk primarily with respect to the United States dollars.

In the opinion of the executive committee members, as Hong Kong dollars is reasonably stable with United States dollars under the Linked Exchange Rate System, the foreign exchange risk in relation to Hong Kong dollars is low. Accordingly, no sensitivity analysis with respect to Hong Kong dollars is performed.

##### **(b) Credit risk**

The Foundation has no significant concentrations of credit risk. Credit risk arises from deposits with banks as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Foundation's financial assets are subject to the expected credit loss model. While cash at banks are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks.

The Foundation applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of services provided and the corresponding historical credit losses experienced over a period of past 12 months. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, no loss allowance as at 31st December 2020 and 2019 was determined for trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, if any. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Foundation.

Impairment losses on trade receivables, if any, are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off, if any, are credited against the same line item.

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Financial risk and fund risk management (Continued)**

**3.1 Financial risk factors (Continued)**

(b) Credit risk (Continued)

For other financial assets at amortised cost, the Company applies the HKFRS 9 general approach to measuring expected credit losses. The impairment provision is determined as 12-month expected credit losses as there was no significant increase in credit risk on these assets since initial recognition. The loss rates are also adjusted to reflect the forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. No loss allowance provision was determined as at 31st December 2020 as the executive committee members considered that the expected credit loss was immaterial.

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

(c) Liquidity risk

The Foundation adopts a prudent liquidity risk management by maintaining sufficient cash. The Foundation ensures that it maintains sufficient cash to meet its operating needs.

The table below analyses the Foundation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	2020	2019
<b>Less than one year</b>		
- Other payables and accruals (note 11)	413,969	120,711
- Undiscounted lease liabilities (note 10)	187,620	187,620
	<u>601,589</u>	<u>308,331</u>
<b>More than one year and less than five years</b>		
- Undiscounted lease liabilities (note 10)	46,905	234,525
	<u>648,494</u>	<u>542,856</u>

(d) Cash flow interest rate risks

Other than certain deposits which carry at market interest rates and expose the Foundation to cash flow interest rate risks, the Foundation has no significant interest-bearing assets and liabilities. In the opinion of the executive committee members, it would not be expected to have significant fluctuation to the interest rates of deposits and the exposure to cash flow interest rate risks is considered to be low. No sensitivity analysis is performed accordingly.

**3.2 Fund risk management**

The Foundation's objectives when managing fund are to safeguard the Foundation's ability to continue as a going concern. The Foundation's overall strategy remains unchanged from prior years.

In order to maintain or adjust the fund structure, the Foundation may appeal for donations from the general public and corporates.

**CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS****3 Financial risk and fund risk management (Continued)****3.3 Fair value estimation**

Fair value measurement by level of hierarchy is not disclosed as the Foundation has no financial instruments measured on three-level hierarchy basis.

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

**3.4 Offsetting financial assets and financial liabilities**

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

**4 Property and equipment**

	Land and buildings	Leasehold improve- ments	Furniture and fixtures	Office equipment	Total
<b>At 1st January 2019</b>					
Cost	10,699,000	1,447,200	173,130	266,776	12,586,106
Accumulated depreciation	(407,252)	(723,600)	(173,130)	(266,776)	(1,570,758)
Net book amount	<u>10,291,748</u>	<u>723,600</u>	<u>-</u>	<u>-</u>	<u>11,015,348</u>
<b>Year ended 31st December 2019</b>					
Opening net book amount	10,291,748	723,600	-	-	11,015,348
Additions	-	1,223,445	13,540	135,745	1,372,730
Depreciation	(320,970)	(226,283)	(442)	(5,009)	(552,704)
Closing net book amount	<u>9,970,778</u>	<u>1,720,762</u>	<u>13,098</u>	<u>130,736</u>	<u>11,835,374</u>
<b>At 31st December 2019</b>					
Cost	10,699,000	2,670,645	186,670	402,521	13,958,836
Accumulated depreciation	(728,222)	(949,883)	(173,572)	(271,785)	(2,123,462)
Net book amount	<u>9,970,778</u>	<u>1,720,762</u>	<u>13,098</u>	<u>130,736</u>	<u>11,835,374</u>
<b>Year ended 31st December 2020</b>					
Opening net book amount	9,970,778	1,720,762	13,098	130,736	11,835,374
Additions	-	-	50,138	5,045	55,183
Depreciation	(320,970)	(226,283)	(442)	(5,009)	(552,704)
Closing net book amount	<u>9,649,808</u>	<u>1,494,479</u>	<u>62,794</u>	<u>130,772</u>	<u>11,337,853</u>

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Property and equipment (Continued)**

	Land and buildings	Leasehold improve- ments	Furniture and fixtures	Office equipment	Total
<b>At 31st December 2020</b>					
Cost	10,699,000	2,670,645	236,808	407,566	14,014,019
Accumulated depreciation	(1,049,192)	(1,176,166)	(174,014)	(276,794)	(2,676,166)
Net book amount	<u>9,649,808</u>	<u>1,494,479</u>	<u>62,794</u>	<u>130,772</u>	<u>11,337,853</u>

Depreciation expense for the year of HK\$552,704 (2019: HK\$552,704) has been expensed in the statement of comprehensive income.

**5 Right-of-use assets**

	Office premises
<b>At 1st January 2019</b>	
Cost and net book amount	-
<b>Year ended 31st December 2019</b>	
Opening net book amount	-
Addition	540,754
Depreciation	(135,188)
Closing net book amount	<u>405,566</u>
<b>At 31st December 2019</b>	
Cost	540,754
Accumulated depreciation	(135,188)
Net book amount	<u>405,566</u>
<b>Year ended 31st December 2020</b>	
Opening net book amount	405,566
Depreciation	(180,251)
Closing net book amount	<u>225,315</u>
<b>At 31st December 2020</b>	
Cost	540,754
Accumulated depreciation	(315,439)
Net book amount	<u>225,315</u>

The Foundation leases office premises. Rental contracts are typically made for fixed period of 3 years with no extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose covenants, but lease assets may not be used as security for borrowing purposes.

Details of the maturity analysis of lease liabilities and total cash outflow for lease in 2020 and 2019 is set out in notes 10 and 15(b) respectively.

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**6 Financial instruments by category**

	2020	2019
<b>Financial assets at amortised costs</b>		
Trade and other receivables (note 7)	3,075,766	2,656,735
Bank deposits with original maturity over three months (note 8)	3,633,703	10,877,709
Cash and cash equivalents (note 9)	11,695,841	3,158,570
	<u>18,405,310</u>	<u>16,693,014</u>
<b>Financial liabilities at amortised cost</b>		
Other payables and accruals (note 11)	413,969	120,711
Lease liabilities (note 10)	230,481	409,517
	<u>644,450</u>	<u>530,228</u>

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

**7 Trade and other receivables**

	2020	2019
Trade receivables	268,217	406,080
Donation receivables	2,706,139	2,102,351
Other receivables	79,515	148,304
	<u>3,053,871</u>	<u>2,656,735</u>
Financial assets, maximum exposure to credit risk	3,053,871	2,656,735
Prepayments	21,895	18,811
	<u>3,075,766</u>	<u>2,675,546</u>

The Foundation applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

As at 31st December 2020, the executive committee members considered that the expected credit loss for trade and other receivables were immaterial thus no loss allowance was made (2019: nil).

The Foundation does not hold any collateral as security.

The carrying values of other receivables approximate their fair values at 31st December 2020 and 2019 and are denominated Hong Kong dollars.

**CHILDREN'S HEART FOUNDATION**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**8 Bank deposits with original maturity over three months**

The average effective interest rate on bank deposits with original maturity over three months as at 31st December 2020 is 1.68% (2019: 2.08%) per annum; these deposits has an average maturity of 325 days (2019: 306 days).

The carrying amounts of bank deposits with original maturity over three months are denominated in the following currencies:

	2020	2019
Hong Kong dollars	3,633,703	7,776,250
United States dollars	-	3,101,459
	<u>3,633,703</u>	<u>10,877,709</u>

**9 Cash and cash equivalents**

	2020	2019
Bank balance and cash in hand	4,252,604	3,158,570
Short-term bank deposits with original maturity within three months	7,443,237	-
Cash and cash equivalents	<u>11,695,841</u>	<u>3,158,570</u>
Maximum exposure to credit risk	<u>11,638,484</u>	<u>3,124,469</u>

The effective interest rate on short-term bank deposits as at 31st December 2020 is 0.52% per annum; these deposits has an average maturity of 92 days.

The carrying values of cash and cash equivalents are denominated in the following currencies:

	2020	2019
Hong Kong dollars	7,355,751	1,966,213
United States dollars	4,333,482	1,185,448
Others	6,608	6,909
	<u>11,695,841</u>	<u>3,158,570</u>

**10 Lease liabilities**

	2020	2019
Current	183,780	179,036
Non-current	46,701	230,481
	<u>230,481</u>	<u>409,517</u>

**CHILDREN'S HEART FOUNDATION**  
(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS**

**10 Lease liabilities (Continued)**

	2020	2019
Minimum lease payments		
- Within one year	187,620	187,620
- Over one year and less than five years	46,905	234,525
	<u>234,525</u>	<u>422,145</u>
Less: total future interest expenses	(4,044)	(12,628)
	<u>230,481</u>	<u>409,517</u>

The nature of the Foundation's leasing activities by type of right-of-use assets recognised on balance sheet are detailed in note 5.

**11 Other payables and accruals**

	2020	2019
Other payables and accrued expenses, financial liabilities	413,969	120,711
Deferred income for donations from third parties for specific purposes	342,521	419,466
Provision for unused annual leaves	2,635	2,635
	<u>759,125</u>	<u>542,812</u>

The carrying values of other payables and accruals approximate their fair values at 31st December 2020 and 2019 and are denominated in Hong Kong dollars.

**12 Employee benefit expenses**

	2020	2019
Salaries	2,069,017	1,729,682
Pension costs - defined contribution to MPF scheme	90,977	76,691
	<u>2,159,994</u>	<u>1,806,373</u>

**13 Benefits and interests of executive committee members**

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

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of executive committee members' services (also represents key management compensation) were paid or made, directly or indirectly, to the executive committee members; nor are any payable (2019: nil). No consideration was provided to or receivable by third parties for making available executive committee members' service (2019: nil). There are no loans, quasi-loans or other dealings in favour of the executive committee members, their controlled bodies corporate and connected entities (2019: nil).

**CHILDREN'S HEART FOUNDATION**

(All amounts in Hong Kong dollars unless otherwise stated)

**NOTES TO THE FINANCIAL STATEMENTS****13 Benefits and interests of executive committee members (Continued)**

No executive committee members of the Foundation had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Foundation's business to which the Foundation was or is a party that subsisted at the end of the year or at any time during the year (2019: nil).

**14 Income tax**

No provision for Hong Kong profits tax has been made in the financial statements as the Foundation is exempted under Section 88 of the Inland Revenue Ordinance.

**15 Cash flow information****(a) Net cash generated from operating activities**

	2020	2019
Surplus for the year	978,436	2,068,296
Adjustments for:		
- Depreciation of property, plant and equipment (note 4)	552,704	552,704
- Depreciation of right-of-use assets (note 5)	180,251	135,188
- Interest income on bank deposits	(130,497)	(155,578)
- Interest expense on lease liabilities	8,584	9,478
Changes in operating assets and liabilities:		
- Trade and other receivables	(400,220)	(554,978)
- Other payables and accruals	216,313	(69,536)
Net cash generated from operating activities	<u>1,405,571</u>	<u>1,985,574</u>

**(b) Reconciliation of liabilities arising from financing activities during the year.**

	Lease liabilities
<b>At 1st January 2019</b>	-
Additions	540,754
Accrued interest	9,478
Cash flows from financing activities	
- payment for lease liabilities	(140,715)
<b>At 31st December 2019 and 1st January 2020</b>	<u>409,517</u>
Accrued interest	8,584
Cash flows from financing activities	
- payment for lease liabilities	(187,620)
<b>At 31st December 2020</b>	<u>230,481</u>