

音樂兒童基金會有限公司
MUSIC CHILDREN FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Certified by :-



Lee Sheryl Ming Chi
the Director
Date : 30/06/2021

蘇彥威會計師行

ALEX SO & CO.

Certified Public Accountants

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Your Business Success is Our Mission

**MUSIC CHILDREN FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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MUSIC CHILDREN FOUNDATION LIMITED
REPORT OF THE GOVERNORS

The governors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 2020.

Principal Activity

The principal activity of the Foundation during the financial year continues to provide musical education program for the underprivileged children.

Results

The results of the Foundation for the year ended 30 September 2020 and the state of affairs of the Foundation at that date are set out in the financial statements on pages 5 to 17.

Property, Plant and Equipment

Movements in property, plant and equipment are set out in note 9 to the financial statements.

General Fund

The movements in the general fund of the Foundation during the year are set out in page 8 of the report.

Governors

The governors who held office during the year and up to date of this report are:-

Ms. Chan Ngar Mei Amy	(Resigned on 15 May 2020)
Ms. Lau Amanda Kuk Fan	
Ms. Lok Tsz Kwan Jenny	
Ms. Mak Sau Ying	
Mr. Tai Lun Paul	
Ms. Lee Sheryl Ming Chi	
Ms. Ho Wai Man Helen	
Mr. Fan Lok Pui Jimmy	

In accordance with the article 29 of Foundation's Articles of Association, with the exception of the first Governors of the board, all Governors shall retire from office at the Annual General Meeting of the Foundation but shall be eligible for re-election.

Governors' Interests in Transactions, Arrangements or Contracts

Except for those disclosed in the financial statements, no other transactions, arrangements or contracts of significance in relation to the Foundation's business in which a governor of the Foundation had a material interest, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

At no time during the financial year and at the time of approval of this report, there are no permitted indemnity provision in force for the benefit of one or more governors of the Foundation.

Business Review

Objectives

Music Children Foundation Limited ("MCF") was founded in 2013 with an aim to introduce music to underprivileged children at their early childhood.

Main Areas of Works

(1) Jockey Club Music Children Seed Programme

In September 2018, MCF commenced the Jockey Club Music Seed Programme with two sub programs namely Jockey Club Music Children Sprout Programme for children aged from 1 to 6 and Jockey Club Music Children Fruit Programme for children aged from 6 to 12. This year, the beneficiaries for Sprout Programme was 424.

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MUSIC CHILDREN FOUNDATION LIMITED
REPORT OF THE GOVERNORS

Business Review (continued)

Under the Fruit Programme, 506 children was learning music instruments, 359 children joining the choir and 266 children attending ensemble classes.

The Programme was completed in August 2020.

(2) Jockey Club Music Children Fruit Program

In September 2020, MCF commenced an enhanced programme of Jockey Club Music Children Program for children from 6 to 12.

(3) Great Eagle Music Children Ensemble

Provide an opportunity for talented children to further their music education and boarden their horizon in the field of music through access to advanced training and public performances. 46 children have a public performances and also attended a master class during the year.

(4) Link Music Scholarships

Link Together Initiatives Programme sponsored free music learning opportunities for 9 children with talents. They have two flash mobs in shopping malls of Link Properties Limited. The programme was completed in March 2020.

Risks and Uncertainties

MCF may need to move out the service site in Arran Street of Prince Edward but the exact timing is still uncertain.

As COVID-19 situation is still unstable, impacts continue in the near future.

Future Development

2020 was a challenging year for MCF.

Moving toward 2021, MCF will continue to strengthen their services and connection with other NGOs.

Auditors

Alex So and Co., Certified Public Accountants retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Alex So and Co., Certified Public Accountants as the Foundation's auditors is to be proposed at the forthcoming annual general meeting.

On behalf of the Board



Ms. LEI Sheryl Ming Chi
Chairman

Hong Kong, 15 January 2021

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MUSIC CHILDREN FOUNDATION LIMITED
(Incorporated in Hong Kong as a Company limited by guarantee and not having a share capital)**

Opinion

We have audited the financial statement of Music Children Foundation Limited ("the Foundation") set out on pages 5 to 17, which comprise the statement of financial position as at 30 September 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 30 September 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 (Cap. 622).

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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 Governors are responsible for the other information. The other information comprises all information included in the Governors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MUSIC CHILDREN FOUNDATION LIMITED**
(Incorporated in Hong Kong as a Company limited by guarantee and not having a share capital)

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKASs 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 HKASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- 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 governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Alex So & Co.
Certified Public Accountants

Hong Kong, 15 January 2021

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MUSIC CHILDREN FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

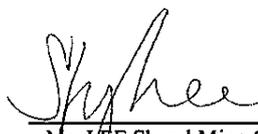
		2020	Restated 2019
	Note	HK\$	HK\$
Income	3(b)	15,905,240	19,957,292
Expenditure		<u>(16,193,329)</u>	<u>(17,946,798)</u>
(Deficit)/Surplus for the Year		(288,089)	2,010,494
Other Comprehensive Income for the year		<u>-</u>	<u>-</u>
Total Comprehensive (Income) for the year		<u><u>(288,089)</u></u>	<u><u>2,010,494</u></u>

The notes on pages 9 to 16 are part of these financial statements.

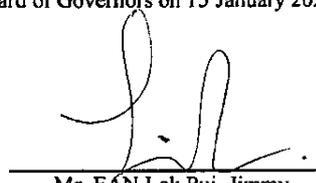
MUSIC CHILDREN FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	2020 HK\$	Restated 2019 HK\$
Non-Current Assets			
Property, Plant and Equipment	9	1,650,041	2,045,186
Right-Of-Use Assets	10	352,814	-
		2,002,855	2,045,186
Current Assets			
Expenses Recoverable from Donors		2,612,119	6,491,307
Deposits Paid and Prepayment		650,569	106,067
Other Assets		-	59,044
Other Receivable		975	1,224,142
Cash and Cash Equivalents	11	8,971,965	3,856,336
		12,235,628	11,736,896
Less: Current Liabilities			
Accounts Payable		(373,427)	(663,842)
Deposits Received		(251,750)	(85,750)
Funds Received in Advance		(7,651,724)	(7,162,142)
Accruals		(27,547)	(26,406)
Lease Liabilities	13	(161,116)	-
		(8,465,564)	(7,938,140)
Net Current Assets		3,770,064	3,798,756
Non-Current Liability			
Lease Liabilities	(13) 13	(217,066)	-
Net Assets		5,555,853	5,843,942
Financed By:			
General Fund	3(j)	2,505,853	2,793,942
Reserve Fund	3(k)	3,050,000	3,050,000
		5,555,853	5,843,942

The financial statements were approved and authorized for issue by the Board of Governors on 15 January 2021.



 Ms. LEE Sheryl Ming Chi
 Chairman



 Mr. FAN Lok Pui, Jimmy
 Governor

The notes on pages 9 to 16 are part of these financial statements.

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MUSIC CHILDREN FOUNDATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020	Restated 2019
Note	HK\$	HK\$
Cash Flows from Operating Activities		
(Deficit)/Surplus for the Year	(288,089)	2,010,494
Adjustment for:		
Bank Interest Received	(16,801)	(31,486)
Interest Expenses in Lease Liabilities	15,469	-
Depreciation	<u>1,119,830</u>	<u>697,563</u>
Operating cash flows before movements in working capital	830,409	2,676,571
Decrease/(Increase) in Expenses Recoverable from Donors	3,879,188	(1,550,465)
(Increase)/Decrease in Deposit Paid & Prepayment	(544,502)	54,588
Decrease/(Increase) in Other Receivable	1,223,167	(1,224,142)
Decrease/(Increase) in Other Assets	59,044	(22,553)
Increase in Accruals	1,141	6,406
Increase in Deposit Received	166,000	61,900
Increase/(Decrease) in Funds Received in Advance	489,582	(297,050)
(Decrease)/Increase in Accounts Payable	<u>(290,415)</u>	<u>486,914</u>
Cash generated from Operations	5,813,614	192,169
Interest Income	<u>16,801</u>	<u>31,486</u>
Net cash from Operating Activities	<u>5,830,415</u>	<u>223,655</u>
Cash Flows from Investing Activities		
Payments to acquire Property, Plant and Equipment	<u>(561,848)</u>	<u>(994,742)</u>
Net cash used in Investing Activities	<u>(561,848)</u>	<u>(994,742)</u>
Cash Flows from Financing Activities		
Payments of Lease Liabilities	<u>(152,938)</u>	-
Net cash used in Financing Activities	<u>(152,938)</u>	-
Net Increase in Cash and Cash Equivalents	5,115,629	(771,087)
Cash and Cash Equivalents as at 30 September 2019 / 2018	<u>3,856,336</u>	<u>4,627,423</u>
Cash and Cash Equivalents as at 30 September 2020 / 2019	<u>8,971,965</u>	<u>3,856,336</u>
Analysis of Cash and Cash Equivalents		
Short-term bank deposits	5,500,000	1,500,000
Cash at Bank	3,452,322	2,344,593
Cash in Hand	19,643	11,743
	<u>8,971,965</u>	<u>3,856,336</u>

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The notes on pages 9 to 16 are part of these financial statements.

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**MUSIC CHILDREN FOUNDATION LIMITED
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Reserve Fund HK\$	General Fund HK\$	Total HK\$
Balance at 30 September 2019	3,050,000	2,541,620	5,591,620
Restated balance at beginning of year *	-	252,322	252,322
Total Comprehensive (Income) for the Year	<u>-</u>	<u>(288,089)</u>	<u>(288,089)</u>
Balance at 30 September 2020	<u>3,050,000</u>	<u>2,505,853</u>	<u>5,555,853</u>

The notes on pages 9 to 16 are part of these financial statements.

* The restatement is due to the adjustment of accumulated depreciation for Musical Instruments.

MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Music Children Foundation Limited is a Company incorporated in Hong Kong limited by guarantee and not having a share capital. The address of Foundation's registered office is Shop 1, G/F, Cheong Yat House, Nam Cheong Estate, Shamshuipo, Kowloon. Its principal places of operation are Shop 1, G/F, Cheong Yat House, Nam Cheong Estate, Shumshuipo, Kowloon and G/F, 9 Arran Street, Mongkok, Kowloon.

The Foundation continues to provide musical education program for the underprivileged children.

The financial statements are presented in Hong Kong Dollars, which is the same as the functional currency of the Foundation.

2. Statement of compliance with Hong Kong Financial Reporting Standards

The Foundation's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which 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. A summary of significant accounting policies adopted by the Foundation is set out in note 3.

In 2020, the Foundation has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2019. A summary of the changes in accounting policies resulting from the Foundation's application of these HKFRSs is set out in note 4.

3. Summary of Significant Accounting Policies

(a) Basis of Preparation of the Financial Statements

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

(b) Income and Expenditure Recognition

Income is recognized when it is probable that the economic benefits will flow to the Foundation and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Funding and Donation income is accounted for on an accrual basis.

All expenditure is accounted for on an accrual basis.

Interest income is recognized on a time proportional basis using the effective interest method.

(c) Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Foundation is an approved charitable institution. It is exempted from payment of tax by virtue of Section 88 of the Inland Revenue Ordinance.

MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Accounting Policies (continued)

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

Office Equipment	20% p.a.
Musical Instruments	33.33% p.a.
Leasehold Improvement	33.33% p.a./over the term of lease

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

(e) Leases

After the adoption of HKFRS 16, when the foundation acts as a lessee, the foundation assesses at inception of a contract 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.

At the commencement date, the foundation recognises a right-of-use asset and a lease liability for the rights and obligations created by all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases for which the underlying asset is of low value. The foundation recognise the lease payments associated with those short-term leases and leases for which the underlying asset is of low value as an expense on a straight-line 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 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 group'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 group 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.

Before the adoption of HKFRS 16, leases of assets are classified as finance lease when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Foundation. All other leases are classified as operating leases.

i) Operating Leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

(f) Cash and Cash Equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS**

3. Summary of Accounting Policies (continued)

(g) Other Payable and Accruals

Other payable and accruals are initially recognized at the fair value and thereafter stated at the amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(h) Related Parties

- a) A person or close member of that person's family is related to the foundation if that person:
 - i) has control or joint control over the reporting foundation;
 - ii) has significant influence over the reporting foundation; or
 - iii) is a member of the key management personnel of the foundation or of a parent of the foundation.
- b) An entity is related to the foundation if any of the following conditions applies:
 - i) The entity and the foundation are members of the same group.
 - ii) One entity is an associate or joint venture of the other entity.
 - iii) Both entities are joint venture 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 a)
 - vii) A person identified in a) (i) has significant influence over the entity or is a member of the key management personnel 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 Foundation or to the parent of the Foundation.

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.

(i) Financial Instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Foundation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial Assets

The Foundation's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each date of the statement of financial position subsequent to initial recognition, loans and receivables (including accounts and other receivables, cash and cash equivalents) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Accounting Policies (continued)

(i) **Financial Instruments (continued)**

Effective Interest Method

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

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in net gains and losses.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Institute's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognized in the profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rates.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into and the definitions of financial liability.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a short period.

Interest expenses is recognized in an effective interest basis.

MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Accounting Policies (continued)

(i) Financial Instruments (continued)

Derecognition of Financial Assets and Financial Liabilities

The Foundation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Foundation has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Foundation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Foundation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Foundation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in reserve is recognized in the profit or loss.

The Foundation derecognises financial liabilities when, and only when, the Foundation's obligations specified in the relevant contract is discharged, cancelled or they expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of comprehensive income and expenditure.

(j) General Fund

The purpose of the General Fund is to finance Foundation' s organized activities, to support and finance the administrative expenditure of the Foundation and to do all other lawful things as are incidental or conducive to the attainment of the objects of the Foundation.

(k) Reserve Fund

The purpose of the Reserve Fund is for future rental of MCF replacement site for Arran premises and the cost of the Musical to be held in 2022.

4. Changes in Accounting Policies

The Foundation had applied the following HKFRS and Amendments to HKFRSs issued by the Hong Kong Certified Public Accountants (the "HKICPA") for the first time in the current year.

- | | |
|--------------------------|-----------------------------------|
| - HKFRS16 : | Lease |
| - Amendments to HKFRS3 : | Reference to Conceptual Framework |

The application of the HKFRS and Amendments to HKFRSs in the current year has had no material effects on the Foundation's financial performance and positions for the current and prior years and/or disclosures set out in these financial statements.

5. Critical Accounting Estimates and Judgement

The Foundation's management makes assumptions, estimates and judgements in the process of applying the Foundation's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

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MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. Revenue	2020	2019
	HK\$	HK\$

Revenue is recognised during the year as follows:

Funding from Lo Ying Shek Chi Wai Foundation & Great Eagle Co. Ltd.	2,755,845	2,703,484
Funding from The DH Chen Foundation	919,703	993,639
Funding from Chow Tai Fook Charity Foundation	32,164	-
Funding from Swire Group Charitable Trust	-	174,435
Funding from The Link Properties Limited	243,989	750,790
Funding from The Ngai Family Foundation	14,395	44,010
Funding from Richards Basmajian Limited	910	67,400
Funding from Lee Hysan Foundation	32,228	843,036
Funding from The Hong Kong Jockey Club Charities Trust	10,531,326	10,835,533
Funding from Friends of Asia Hong Kong	-	100,000
Funding from Jean CK Ho Family Foundation	137,694	106,594
Funding from Other Donors	717,537	882,920
Donation & Sponsorship Income	502,648	1,756,578
Ticket Income	-	600,258
Interest Income	16,801	31,486
Fund-Raising Income	-	67,129
	15,905,240	19,957,292

Fund-Raising Income

The Social Welfare Department issued Public Subscription Permit No. 2019/135/1 and 2019/174/1 to the Foundation for fund-raising activities on 15 July 2019 and 14 & 15 September 2019 respectively.

	2020	2019
	HK\$	HK\$
Public Subscription Permit No. 2019/135/1		
Gross Income Raised	-	3,504
Gross Expenditure Incurred	-	-
Excess of Income over Expenditure	-	3,504
Public Subscription Permit No. 2019/174/1		
Gross Income Raised	-	63,625
Gross Expenditure Incurred	-	-
Excess of Income over Expenditure	-	63,625
Total Excess of Income over Expenditure	-	67,129

The net proceeds for the fund-raising activities are used to sustain the current operation of the Foundation and expanding and extending its services to more families.

7. (Deficit)/Surplus for the Year	2020	Restated 2019
	HK\$	HK\$
(Deficit)/Surplus for the year is arrived after charging:		
Auditors' Remuneration	25,500	24,800
Bank Charges	3,642	3,469
Depreciation	956,993	697,563
Depreciation-Right-of-Use Assets	162,837	-
Staff Costs		
- Staff MPF	75,222	61,635
- Staff Salaries	1,515,675	1,553,556
	502,648	1,756,578
and after crediting:		
Donation & Sponsorship Income	502,648	1,756,578

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MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. Governors' Remuneration

Remuneration of the governors disclosed pursuant to Section 383 of the Companies Ordinance is as follows:

	2020 HK\$	2019 HK\$
Fees	-	-
Other emoluments	-	-
	-	-

9. Property, Plant and Equipment

	Musical Instruments HK\$	Office Equipment HK\$	Leasehold Improvement HK\$	Total HK\$
Cost				
At 30 September 2018	925,499	461,432	1,139,393	2,526,324
Additions	948,832	45,910	-	994,742
At 30 September 2019	1,874,331	507,342	1,139,393	3,521,066
Additions	481,080	32,568	48,200	561,848
At 30 September 2020	2,355,411	539,910	1,187,593	4,082,914
Accumulated Depreciation				
At 30 September 2018 - As restated	(498,102)	(150,177)	(130,038)	(778,317)
Charge for the year - As restated	(351,779)	(97,724)	(248,060)	(697,563)
At 30 September 2019 - As restated	(849,881)	(247,901)	(378,098)	(1,475,880)
Charge for the year	(613,699)	(78,407)	(264,887)	(956,993)
At 30 September 2020	(1,463,580)	(326,308)	(642,985)	(2,432,873)
Net Book Value				
At 30 September 2020	891,831	213,602	544,608	1,650,041
At 30 September 2019 - As restated	1,024,450	259,441	761,295	2,045,186
At 30 September 2018 - As restated	427,397	311,255	1,009,355	1,748,007

10. Right-Of-Use Assets

	Leasehold Land and Building HK\$
Cost	
At 1 Oct 2019	-
Initial application of HKFRS 16 (see note 4)	515,651
At 30 Sep 2020	515,651
Less: Accumulated Depreciation	
At 1 Oct 2019	-
Initial application of HKFRS 16 (see note 4)	-
Charges	(162,837)
At 30 Sep 2020	(162,837)
Carrying Amount	
At 30 Sep 2020	352,814

At the end of reporting period, the Company subsisted of the following non-cancellable lease contract.

<u>Description of lease</u>	<u>Lease term</u>	<u>Lease payment</u>
Shop Nos. 1-4, G/F, Cheong Yat House, Nam Cheong Estate, Shamshuiipo, Kowloon.	From Dec 2017 to Dec 2022	Year 1 - Year 2 HK\$11,389 Year 3-HK\$13,016 Year 4-HK\$14,643 Year 5-HK\$16,270 per month

MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. Cash and Cash Equivalents

	2020	2019
	HK\$	HK\$
Short-term bank deposits	5,500,000	1,500,000
Cash at Bank	3,452,322	2,344,593
Cash on Hand	19,643	11,743
	8,971,965	3,856,336

12. Related Party Transaction

- (a) The governors are not aware of any related party transactions for the year.
- (b) No compensation has been paid to the key management personnel for the year.

13. Lease Liabilities

At the year ended, the Foundation had lease liabilities as follows:

	Present Value	Lease Interest	2020 Total	2019
	HK\$	HK\$	HK\$	HK\$
Not Later than one year	161,116	11,346	172,462	-
Later than 1 year and not later than 5 years	217,066	7,460	224,526	-
Later than five years	-	-	-	-
	378,182	18,806	396,988	-

14. Financial Instruments

- (a) Categories of Financial Instruments

	2020	2019
	HK\$	HK\$
<u>Financial Assets</u>		
Cash and Cash Equivalents (Note 11)	8,971,965	3,856,336
	2020	2019
	HK\$	HK\$
<u>Financial Liabilities</u>		
Accounts & other Payables	8,465,564	7,938,140

- (b) Financial Risk Management Objectives and Policies

The Foundation's major financial instruments include other receivable, cash and bank and accruals. Details of these financial instruments are disclosed in the respective notes.

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

- (a) Interest Rate Risk

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

**MUSIC CHILDREN FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS**

14. Financial Instruments (continued)

(b) Financial Risk Management Objectives and Policies (continued)

(b) Credit Risk

The Foundation's credit risk is primarily attributable to bank deposits. Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

Bank deposits are normally placed in financial institutions with sound credit rating.

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

(c) Liquidity Risk

As the Foundation maintains sufficient liquid funds, the liquidity risk is considered limited.

(d) Fair Value

The carrying amounts of the Foundation's financial instruments are carried at amounts not materially different from their fair values as 30 September 2020.

15. Capital Management

The Foundation defines "capital" as including all components of funds. On this basis the amount of capital employed as at 30 September 2020 is deficit of HK\$288,089.

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

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 governors fiduciary duties towards the Foundation or the requirements of the Hong Kong Companies Ordinance.

16. Comparative Figures

Certain comparative figures have been restated or re-classified to conform to current year's presentation.

17. Subsequent Event

On 11 March 2020, the World Health Organisation announced that the spread of COVID-19 is officially considered a pandemic. Although the full impact of the COVID-19 crisis is currently unprecedented and the ongoing measures cannot be reasonably estimated, the board of governors is of the opinion that sufficient measures have been taken to mitigate the negative impact as much as possible.

18. Approval and Issue of Financial Statements

The statement of financial position was approved and the financial statements were authorised for issue by the Governors on 15 January 2021.