

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

(Limited by Guarantee)

Reports and Financial Statements

For the year ended 31 December 2020

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Reports and Financial Statements
For the year ended 31 December 2020

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Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Council Members' Report

The Council Members have pleasure to present their annual report together with the audited financial statements of the Association for the year ended 31 December 2020.

Principal activities

The principal activities of the Association are to provide both emergency and sustained aid to children, their families and their communities in distressed regions throughout the world. The Association offers financial grants, technical resources and sends volunteers to charitable program overseas to meet the physical, emotional and spiritual needs of people in distress.

The Association depends on individuals, other grant-making entities and the business community to provide the resources needed to secure, ship and deploy resources, as well as to provide the technical support of "capacity building" for indigenous charitable programs to provide essential aid to relieve poverty, distress and suffering of people in distress.

Results

The financial performance and movement of reserves of the Association for the year ended 31 December 2020 and its financial position as at that date are set out in the financial statements on pages 4 to 15.

Council Members

The Council Members who held office during the year and up to the date of this report were,

Mr. Michael Nasri BATARSEH
Ms. Neila Mae CAREY
Mr. Lawrence Edwin CUTTING

There being no provision in the Association's Articles of Association for retirement of Council Members by rotation, all the council members remain in office.

Council Members' interest in contract

At no time during the year was the Association a party to any significant contract in which the Council Members of the Association had directly or indirectly material interest.

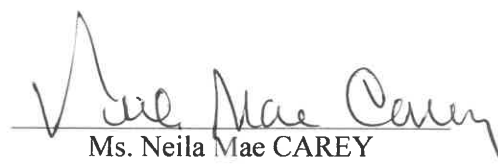
Business review

The Association is exempted from preparing a business review as it falls within reporting exemption for the financial year.

Auditor

The financial statements have been audited by Messrs. LKY China who offer themselves for re-appointment.

On behalf of the Council


Ms. Neila Mae CAREY
Chairman

Hong Kong, 21 OCT 2021



華強會計師事務所

LKY CHINA

Certified Public ACCOUNTANTS (Practising), Hong Kong

Independent Auditor's Report

To the Members of Children's Hope Fund Hong Kong Limited 兒童希望基金(香港)有限公司
(Incorporated in Hong Kong with liability limited by guarantee)

Partners:

甄達華會計師

JOSEPH T. W. YAN

FCPA (Practising), FCA, FCCA,
CTA, FTIHK, FSCA

蔡少芬會計師

NATALIE S.F. CHOY

CPA (Practising), FCCA,
MA (Acctg)

Principal:

張文傑主管

KEN M.K. CHEUNG

Opinion

We have audited the financial statements of Children's Hope Fund Hong Kong Limited (the "Association") set out on pages 4 to 15 which comprise the statement of financial position as at 31 December 2020, and the statement of 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 Association as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 Association 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 Council Members of the Association are responsible for the other information. The other information comprises the information included in the Council 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.

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 Council Members and Those Charged with Governance for the Financial Statements

The Council 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 Council 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 Council Members are responsible for assessing the Association'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 Council Members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

香港中環德輔道中99-105號大新人壽大廈五字樓

5th Floor, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

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華強會計師事務所

LKY CHINA

Certified Public Accountants (Practising), Hong Kong

Independent Auditor's Report (cont'd)

To the Members of Children's Hope Fund Hong Kong Limited 兒童希望基金(香港)有限公司
(Incorporated in Hong Kong with liability limited by guarantee)

Partners:

甄達華會計師

JOSEPH T. W. YAN

FCPA (Practising), FCA, FCCA,
CTA, FTIHK, FSCA

蔡少芬會計師

NATALIE S.F. CHOY

CPA (Practising), FCCA,
MA (Acctg)

Principal:

張文傑主管

KEN M.K. CHEUNG

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council Members.
- Conclude on the appropriateness of the Council 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 Association'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 Association 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.

LKY China
Certified Public Accountants (Practising)

Hong Kong, 21 OCT 2021

香港中環德輔道中99-105號大新人壽大廈五字樓

5th Floor, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

Tel: (852) 2845 4112 Fax: (852) 2845 2907 E-Mail: lkycpa@lky.com.hk Website: www.lky.com.hk

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020 HK\$	2019 HK\$
Income			
Gifts in kind received	3(h)	4,484,522	38,072,565
Cost of gifts in kind		(4,484,522)	(38,072,565)
		-	-
Contributions received		4,289,063	4,240,832
Operating expenditures			
Program expense		846,394	1,767,950
Administrative expense		1,287,451	1,135,899
Fund raising expenses		1,210,735	2,192,323
		(3,344,580)	(5,096,172)
Total comprehensive income/(expense) and surplus/ (deficit) for the year	5	944,483	(855,340)


Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Financial Position
as at 31 December 2020

	<u>Note</u>	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Non-current assets			
Properties and equipment	7	73,267	293,069
Current assets			
Prepayment and deposits paid		113,015	137,942
Cash and cash equivalents		2,472,528	1,548,060
		<u>2,585,543</u>	<u>1,686,002</u>
Current liabilities			
Accrued charges		431,145	474,484
Lease liabilities	8	79,713	240,358
		<u>510,858</u>	<u>714,842</u>
Net current assets		<u>2,074,685</u>	<u>971,160</u>
Total assets less current liabilities		<u>2,147,952</u>	<u>1,264,229</u>
Non-current liabilities			
Lease liabilities	8	-	60,760
Net assets		<u>2,147,952</u>	<u>1,203,469</u>
 Accumulated surplus		 <u>2,147,952</u>	 <u>1,203,469</u>

The financial statements together with the accompany notes as set out on pages 4 to 15 were approved and authorized for issued by the Council Members on **21 OCT 2021** and are signed on its behalf by:


 Ms. Neila Mae CAREY
 Council Member


 Mr. Lawrence Edwin CHITTING
 Council Member

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Changes in Reserves
For the year ended 31 December 2020

	Accumulated Surplus HK\$
Balance as at 1 January 2019	2,058,809
Deficit for the year	(855,340)
Balance as at 1 January 2020	<u>1,203,469</u>
Surplus for the year	944,483
Balance as at 31 December 2020	<u><u>2,147,952</u></u>

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Cash Flows
For the year ended 31 December 2020

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Cash flows from operating activities		
Surplus/(deficit) for the year	944,483	(855,340)
Adjustment for		
Depreciation on right-of-use assets	219,802	146,534
Interest on lease liabilities	9,067	12,065
Operating surplus before movement in working capital	1,173,352	(696,741)
Decrease in prepayment and deposits paid	24,927	62,556
(Decrease)/increase in accounts payable and accrued charges	(43,339)	330,314
Cash generated from/(used in) operating activities	<u>1,154,940</u>	<u>(303,871)</u>
Cash flows from financing activities		
Net payment of right-of-use assets (note 8)	(230,472)	(150,550)
Cash used in financing activities	<u>(230,472)</u>	<u>(150,550)</u>
Net increase/(decrease) in cash and cash equivalents	924,468	(454,421)
Cash and cash equivalents		
As at 1 January	1,548,060	2,002,481
As at 31 December	<u>2,472,528</u>	<u>1,548,060</u>

Notes to the Financial Statements
For the year ended 31 December 2020

1. General information

The Association is an association domiciled and incorporated in Hong Kong with liability limited by guarantee. The addresses of the registered office and principal place of operation of the Association are 5/F., Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong and Room 1205, 12/F, Clifford Centre, 778-784 Cheung Sha Wan Road, Kowloon, Hong Kong respectively. The Association has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution of a public character. The charity registration number of the Association is 91/5397. The functional currency of the Association is in Hong Kong dollars.

The principal activities of the Association are to provide both emergency and sustained aid to children, their families and their communities in distressed regions throughout the world. The Association offers financial grants, technical resources and sends volunteers to charitable program overseas to meet the physical, emotional and spiritual needs of people in distress.

The Association depends on individuals, other grant-making entities and the business community to provide the resources needed to secure, ship and deploy resources, as well as to provide the technical support of “capacity building” for indigenous charitable programs to provide essential aid to relieve poverty, distress and suffering of people in distress.

2. Statement of compliance with Hong Kong Financial Reporting Standards

The Association'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. A summary of significant accounting policies is set out in note 3.

In 2020, the Association 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 2020, including:

Amendments to HKFRS 3	Definition of a Business
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of material

The application of the above new and revised HKFRSs has no material effects on the Agency's financial performance and positions.

3. Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and including applicable disclosures required by 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective notes, if appropriate.

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements,

a. Property and equipment

Property and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Notes to the Financial Statements
For the year ended 31 December 2020

3. Summary of significant accounting policies (cont'd)

a. Property and equipment (cont'd)

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives. The residual value and the useful life of an asset are reviewed at least at each financial year-end.

The Association assesses at each reporting date whether there is any indication that any items of property and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Association estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in statement of comprehensive income.

b. Lease

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

c. Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

(i) Accounts receivable

Accounts receivables are recognised when the Association's right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Association has an unconditional right to consideration, the amount is presented as a contract asset. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

Notes to the Financial Statements
For the year ended 31 December 2020

3. Summary of significant accounting policies (cont'd)

c. Financial instruments (cont'd)

(i) Accounts receivable (cont'd)

A contract asset is recognised when the Association recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in (d) below and are reclassified to receivables when the right to the consideration has become unconditional. A contract liability is recognised when the customer pays consideration, or has an unconditional right to consideration (in such case, a corresponding receivable is recognised), before the Association recognises the related revenue.

(ii) 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.

(iii) Accounts payable

Accounts payable are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

d. Impairment of investments and other financial assets

The Association recognises loss allowances for expected credit loss on the financial instruments that are not measured at fair value through profit or loss. The Association considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Association considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognised in profit or loss. The receivable is written off against the receivable impairment charges account when the Association has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognised in profit or loss.

e. Provisions and contingent liabilities

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

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

Notes to the Financial Statements
For the year ended 31 December 2020

3. Summary of significant accounting policies (cont'd)

f. Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

g. Revenue recognition

The Association recognises revenue from contracts with customers when the Association satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of that asset. When a performance obligation is satisfied, the Association recognises as revenue the amount of the transaction price that is allocated to that performance obligation.

h. Gifts in kind

The Association records gift in kind donations and distributions in accordance with international industry standards developed by the Association of Evangelical Relief and Development Organizations and adopted by InterAction and the Sphere Project, and referred to as the InterAssociation GIK Standards, which is in accordance with generally accepted accounting principles. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded at such time as the Association distributes the goods for charitable purposes.

The recognition of the gift in kind revenue and expense is limited to instances where the Association takes possession of a gift in kind donation from the original donor, or takes possession as the end-user Association.

i. Functional expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statements of activity. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by the management of the Association.

4. Critical accounting estimates and judgement

The Association's management makes assumptions, estimates and judgements in the process of applying the Association'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.

a. Key assumption and other key sources of estimation uncertainty

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 10. In the opinion of council members, there is no other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

b. Critical judgements in applying the Association's accounting policies

In the opinion of council members, there is no critical judgements in applying the Association's accounting policies.

Children's Hope Fund Hong Kong Limited

兒童希望基金(香港)有限公司

Notes to the Financial Statements
For the year ended 31 December 2020

5. Surplus/(deficit) for the year

Surplus/(deficit) for the year is stated after charging,

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Council members' remuneration		
- council members' fee	-	-
- salaries and allowance	-	-
	<u>-</u>	<u>-</u>
Staff cost		
- staff salaries and allowances	632,064	631,032
- contributions to mandatory provident fund scheme	18,000	18,000
	<u>650,064</u>	<u>649,032</u>
Auditor's remuneration	27,000	22,000
Depreciation on right-of-use assets	219,802	146,534
Hire of premises under operating leases	-	63,889
Interest on lease liabilities	<u>9,067</u>	<u>12,065</u>

6. Income tax

The Association has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution of a public character.

7. Property and equipment

	<u>Properties</u> <u>-right-of-use</u> <u>HK\$</u>	<u>Leasehold</u> <u>improvement</u> <u>HK\$</u>	<u>Office</u> <u>equipment</u> <u>HK\$</u>	<u>Fixture and</u> <u>Furniture</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Cost					
At 1.1.2019	-	1,000	56,798	13,900	71,698
Upon adoption of HKFRS 16	439,603	-	-	-	439,603
As at 1.1.2020 and 31.12.2020	<u>439,603</u>	<u>1,000</u>	<u>56,798</u>	<u>13,900</u>	<u>511,301</u>
Aggregate depreciation					
At 1.1.2019	-	1,000	56,798	13,900	71,698
Charge for the year	146,534	-	-	-	146,534
At 1.1.2020	146,534	1,000	56,798	13,900	218,232
Charge for the year	219,802	-	-	-	219,802
At 31.12.2020	<u>366,336</u>	<u>1,000</u>	<u>56,798</u>	<u>13,900</u>	<u>438,034</u>
Carry amount					
At 31.12.2020	<u>73,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,267</u>
At 31.12.2019	<u>293,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,069</u>

Depreciation is charged on a straight-line basis at the annual rate of 20%.

The right-of-use assets represent the prepaid operating lease payment of properties located in Hong Kong, of which rental contracts are typically made for fixed periods of 2 years. Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use assets can only be used by the Association and the Association is prohibited from selling or pledging the underlying assets. For leases of properties, the Association is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the leases.

**Notes to the Financial Statements
For the year ended 31 December 2020**

8. Lease liabilities

	<u>2020</u>	<u>2019</u>
	<u>HK\$</u>	<u>HK\$</u>
As at 1 January	301,118	-
Upon adoption of HKFRS 16	-	439,603
Repayment of lease liabilities	(221,405)	(138,485)
Total leases liabilities as at 31 December	<u>79,713</u>	<u>301,118</u>
Current portion	<u>79,713</u>	<u>240,358</u>
Non-current portion	<u>-</u>	<u>60,760</u>
Total cash outflow for leases		
Interest on leases liabilities charged to profit and loss	9,067	12,065
Repayment of lease liabilities (as above)	<u>221,405</u>	<u>138,485</u>
	<u>230,472</u>	<u>150,550</u>

9. Capital disclosure

The Association's objectives when managing capital are to safeguard the Association's ability to continue as a going concern, in order to carry out its principal activities. The Association's overall strategy remains unchanged from prior year.

The capital structure of the Association consists of accumulated surplus. In order to maintain or adjust the capital structure, the Association may appeal for donations from the Hong Kong Government and the general public.

10. Financial instruments

The Association has classified its financial assets and liabilities at amortised cost in the following categories:

	<u>2020</u>	<u>2019</u>
	<u>HK\$</u>	<u>HK\$</u>
Prepayment and deposits paid	<u>113,015</u>	<u>137,942</u>
Accrued charges	<u>431,145</u>	<u>474,484</u>

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

The Association is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Association's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

a. Credit risk

The Association is exposed to credit risk on financial assets, mainly attributable to deposit and prepayments. It sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit.

The Association's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Association has significant exposure to individual customers. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

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For the year ended 31 December 2020

10. Financial instruments (cont'd)

a. Credit risk (cont'd)

The Association measures loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As the Association's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Association's different customer bases.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

At 31 December 2020, the Association has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial assets.

b. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and bank balances so as to enable the Association to meet its liabilities as and when they fall due and to continue operating for the foreseeable future. The Council Members are of the opinion that the Association does not have any significant liquidity risk. They all are due not later than one year.

c. Market interest rate risk

The Association's exposure on fair value interest rate risk mainly arises from its deposits with banks. In consequence, no material exposure on fair value interest rate risk is expected. Even that, the Association closely monitors the fair value fluctuation of the investments and disposes of them in case of significant increase in interest rate is foreseen.

At 31 December 2020, if interest rates at that date had been 100 basis points lower with all other variables held constant, the Association's surplus for the year and reserves would have been HK\$24,725 (2019:HK\$15,480) lower, and other components of equity would have been HK\$24,725 (2019:HK\$15,480) lower.

At 31 December 2020, if interest rates at that date had been 100 basis points higher, with all other variables held constant, the Association's surplus and reserves would have been HK\$24,725 (2019:HK\$15,480) higher, and other components of equity would have been HK\$24,725 (2019:HK\$15,480) higher.

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the end of reporting date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represents management's assessment of a reasonably possible change in interest rates at that date over the period until the next annual end of reporting date. The analysis is prepared on the same basis for 2019.

Children's Hope Fund Hong Kong Limited
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11. Hong Kong Financial Reporting Standards issued but not yet effective for the year

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the Association's operations and financial statements:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle		1 January 2022
Amendments to HKAS 1	Presentation of Financial Statements: Classification of liabilities as Current or non-current	1 January 2023

The Association has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the Association's financial statements in the year of initial application. The Association will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.