



CHINA CARE FUND LIMITED
(培苗行動有限公司)
(incorporated in Hong Kong as a company limited
by guarantee)

**Directors' Report and
Financial Statements
For the year ended 30 June 2023**

CHINA CARE FUND LIMITED
(培苗行動有限公司)
DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of China Care Fund Limited (the "Association") for the year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The Association is a charitable organisation and is engaged in propagating education in the People's Republic of China and in Hong Kong.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Association for the year ended 30 June 2023 and the financial position of the Association as at 30 June 2023 are set out in the financial statements on pages 6 to 35.

DIRECTORS

The directors of the Association during the year and up to the date of this report are as follows:

Sister Agnes LAW Yuen Ming
Mr. Arthur TSO Yeung
Mr. WONG Kwan Yiu (resigned on 9 January 2023)

In accordance with Article 45 of the Association's Articles of Association, Sister Agnes Law Yuen Ming shall retire from office by rotation and being eligible offers herself for re-election.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed in note 16 to the financial statements, there is no other transactions, arrangements or contracts of significance in relation to the Association's business to which the Association was a party and in which a director of the Association or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Association a party to any arrangement to enable the Association's directors to acquire benefits by means of the acquisition of shares in, or debentures of any body corporate.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Association was entered into or existed during the year.

BUSINESS REVIEW

The Association is a company limited by guarantee at all times during the financial year and therefore is exempted from preparing a business review under Section 359(3) of the Hong Kong Companies Ordinance, Cap. 622.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Association to re-appoint the auditor, BDO Limited.

On behalf of the directors



Mr. Arthur TSO Yeung
Director

Hong Kong, 09 MAY 2024



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA CARE FUND LIMITED
(培苗行動有限公司)**

(incorporated in Hong Kong as a company limited by guarantee)

Opinion

We have audited the financial statements of China Care Fund Limited (the "Association") set out on pages 6 to 35, which comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in total funds 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 30 June 2023 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA CARE FUND LIMITED
(培苗行動有限公司)**

(incorporated in Hong Kong as a company limited by guarantee)

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 directors of the Association either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA CARE FUND LIMITED
(培苗行動有限公司)**
(incorporated in Hong Kong as a company limited by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited
Certified Public Accountants
Leung Tze Wai
Practising Certificate Number P06158

Hong Kong, **09 MAY 2024**

CHINA CARE FUND LIMITED
(**培苗行動有限公司**)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023			2022		
		Special purpose funds HK\$ (Note 12)	General Fund HK\$	Total HK\$	Special purpose funds HK\$ (Note 12)	General fund HK\$	Total HK\$
Income							
Donations		7,197,635	1,654,848	8,852,483	10,892,524	954,411	11,846,935
Government grants		-	64,000	64,000	-	32,000	32,000
Net exchange loss		-	(402,748)	(402,748)	-	(22,977)	(22,977)
Interest income		-	47,763	47,763	-	25,094	25,094
		<u>7,197,635</u>	<u>1,363,863</u>	<u>8,561,498</u>	<u>10,892,524</u>	<u>988,528</u>	<u>11,881,052</u>
Expenditure							
Function expenditure		-	(391,170)	(391,170)	-	(2,173)	(2,173)
Administrative expenditure		-	(1,427,695)	(1,427,695)	-	(1,470,127)	(1,470,127)
Sponsorship expenditure		(5,281,736)	-	(5,281,736)	(9,968,139)	-	(9,968,139)
Interest on lease liabilities		-	(2,690)	(2,690)	-	(620)	(620)
		<u>(5,281,736)</u>	<u>(1,821,555)</u>	<u>(7,103,291)</u>	<u>(9,968,139)</u>	<u>(1,472,920)</u>	<u>(11,441,059)</u>
Surplus/(deficit) and total comprehensive income for the year	5	<u>1,915,899</u>	<u>(457,692)</u>	<u>1,458,207</u>	<u>924,385</u>	<u>(484,392)</u>	<u>439,993</u>

CHINA CARE FUND LIMITED
(**培苗行動有限公司**)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment	9	-	-
Right-of-use assets	10	<u>66,530</u>	<u>41,315</u>
		<u>66,530</u>	<u>41,315</u>
Current assets			
Deposits, other receivables and prepayments		938,655	984,744
Cash and bank balances		<u>16,813,493</u>	<u>17,955,130</u>
		<u>17,752,148</u>	<u>18,939,874</u>
Total assets		<u>17,818,678</u>	<u>18,981,189</u>
Current liabilities			
Sponsorship fees payable		4,927,732	8,500,175
Other payable and accrued charges		3,113,450	905,575
Lease liabilities	11	<u>60,598</u>	<u>40,807</u>
Total current liabilities		<u>8,101,780</u>	<u>9,446,557</u>
Net current assets		<u>9,650,368</u>	<u>9,493,317</u>
Non-current liabilities			
Sponsorship fees payable		<u>1,086,876</u>	<u>2,362,817</u>
Net assets		<u>8,630,022</u>	<u>7,171,815</u>
Representing:			
General fund		5,318,552	5,776,244
Special purpose funds	12	<u>3,311,470</u>	<u>1,395,571</u>
Total funds		<u>8,630,022</u>	<u>7,171,815</u>



Mr. Arthur TSO Yeung
Director



Sister Agnes LAW Yuen Ming
Director

CHINA CARE FUND LIMITED
(培苗行動有限公司)
STATEMENT OF CHANGES IN TOTAL FUNDS
FOR THE YEAR ENDED 30 JUNE 2023

	General fund HK\$	Special purpose funds HK\$	Total funds HK\$
At 1 July 2021	6,260,636	471,186	6,731,822
Total comprehensive income for the year	<u>(484,392)</u>	<u>924,385</u>	<u>439,993</u>
At 30 June 2022 and 1 July 2022	5,776,244	1,395,571	7,171,815
Total comprehensive income for the year	<u>(457,692)</u>	<u>1,915,899</u>	<u>1,458,207</u>
At 30 June 2023	<u>5,318,552</u>	<u>3,311,470</u>	<u>8,630,022</u>

CHINA CARE FUND LIMITED
(**培苗行動有限公司**)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 HK\$	2022 HK\$
Cash flows from operating activities			
Surplus for the year		1,458,207	439,993
Adjustments for:			
Depreciation of property, plant and equipment		-	1,049
Depreciation of right-of-use assets		96,029	63,245
Exchange gain, net		269	(20)
Interest on lease liabilities		2,690	620
Interest expense		493,402	532,521
Interest income		<u>(47,763)</u>	<u>(25,094)</u>
Operating surplus before working capital changes		2,002,834	1,012,314
Decrease in deposits, other receivables and prepayments		46,089	209,798
Decrease in sponsorship fees payable		(5,341,786)	(1,821,505)
Increase/(decrease) in other payable and accrued charges		<u>2,207,875</u>	<u>(279,596)</u>
Net cash used in operating activities		<u>(1,084,988)</u>	<u>(878,989)</u>
Cash flows from investing activities			
Interest received		<u>47,763</u>	<u>25,094</u>
Net cash generated from investing activities		<u>47,763</u>	<u>25,094</u>
Cash flows from financing activities			
Repayment of principal amount of lease liabilities	17	(101,722)	(57,363)
Repayment of interest amount of lease liabilities	17	<u>(2,690)</u>	<u>(620)</u>
Net cash used in financing activities		<u>(104,412)</u>	<u>(57,983)</u>
Net decrease in cash and cash equivalents		(1,141,637)	(911,878)
Cash and cash equivalents at beginning of the year		<u>17,955,130</u>	<u>18,867,008</u>
Cash and cash equivalents at end of the year		<u>16,813,493</u>	<u>17,955,130</u>
Analysis of cash and cash equivalent:			
Cash and bank balances		<u>16,813,493</u>	<u>17,955,130</u>

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

1. GENERAL

China Care Fund Limited (“the Association”) was incorporated in Hong Kong as a company limited by guarantee and does not have share capital.

The Association is a charitable organisation and is engaged in propagating education in the People’s Republic of China and in Hong Kong. The address of its registered office and principal place of business is located at Unit A, 20/F, Loyong Court Commercial Building, 212-220 Lockhart Road, Wan Chai, Hong Kong.

In the event of winding up, each member is liable to contribute not exceeding HK\$100 and, if there remains, after satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the Association, but shall be given or transferred to some other institution or institutions, having similar objects of the Association and which shall prohibit the distribution of its or their income and property amongst its or their members to an extent at least as great as is imposed on the Association under or by virtue of Clause 5 of the Memorandum of Association, such institution or institutions to be determined by the members of the Association at or before the time of dissolution and in default thereof by a Judge of the High Court of the Hong Kong Special Administrative Region having the jurisdiction in regards to charitable funds, and if and so far as effect cannot be given to the aforesaid provision then to some charitable objects.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Amendments to HKFRSs - Effective on 1 July 2022

In the current year, the Company has applied for the first time for following amendments issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Company’s financial statements for annual period beginning on 1 July 2022:

Amendments to HKAS 37
Annual Improvement to
HKFRSs 2018-2020

Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRS 9 Financial Instruments
and Amendments to Illustrative Examples
accompanying HKFRS 16 Leases

These amendments to HKFRS standards had no material impact on the Company’s financial statements.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New and amendments to HKFRSs that have been issued but are not yet effective

The following new and amendments to HKFRSs, potentially relevant to the Association’s financial statements, have been issued but are not yet effective and have not been early adopted by the Association.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

The directors of the Association anticipate that these pronouncements will be adopted in the Association’s accounting policies for the first period beginning after the effective date of the pronouncement. The directors of the Association anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

(c) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the number of years of employee’s service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(c) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism - Continued

To better reflect the substance of the interaction between the accrued benefits arising from employer MPF contributions and LSP obligation, the Association has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. In the opinion of the directors, this change in accounting policy did not have material impact on the statement of financial position at the end of the reporting period.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Association.

4. ACCOUNTING POLICIES

(a) Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

4. ACCOUNTING POLICIES - Continued

(a) Property, plant and equipment - Continued

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 Association and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in the profit or loss.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful life is as follows:

Furniture and fixtures	5 years
Leasehold improvements	5 years
Office equipment	2 years

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss on disposal.

At the end of each reporting period, the Association reviews the assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

4. ACCOUNTING POLICIES - Continued

(b) Leases

The Association as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Association has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Association measures the right-of-use assets applying a cost model. Under the cost model, the Association measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability other than adjustments to lease liability resulting from COVID-19-related rent concessions in which the Association applied the practical expedient.

Right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Lease liability

Lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Association uses the Association's incremental borrowing rate.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

4. ACCOUNTING POLICIES - Continued

(b) Leases - Continued

The Association as a lessee - Continued

Lease liability - Continued

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed lease payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Association presents lease liabilities separately in the statement of financial position.

(c) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Association commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

4. ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(i) Financial assets - Continued

Debt instruments

Subsequent measurement of debt instruments depends on the Association's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Association classifies its debt instruments is as follows:

Amortised cost

Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Association recognises loss allowances for expected credit loss ("ECLs") on trade receivables, other receivables and financial assets measured at amortised cost. ECLs are measured on either of the following bases: (1) 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Association is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Association in accordance with the contract and all the cash flows that the Association expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For other debt financial assets, the Association applies general approach to measure ECLs based on 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

4. ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Association's historical experience and informed credit assessment and including forward-looking information. The Association assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, such as past due status and credit risk ratings. The Association presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Association has reasonable and supportable information that demonstrate otherwise.

The Association presumes that default does not occur later than when a financial asset is 90 days past due unless the Association has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Association recognises an impairment gain or loss in profit or loss for financial instruments carried at amortised cost by adjusting their carrying amount through the use of a loss allowance account. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Association determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2023

4. ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Financial liabilities

The Association classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Effective interest method

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

(iv) Derecognition

The Association derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 *Financial instruments* ("HKFRS 9").

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(d) Income recognition

Donations are recognised as income when the right to receive payment is established.

Interest income is accrued on a time basis on the principal outstanding at the interest rate applicable.

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4. ACCOUNTING POLICIES - Continued

(e) Government grants

Government grants are not recognised until there is reasonable assurance that the Association will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Association with no future related costs are recognised in profit or loss in the period in which they become receivable.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Association's cash management.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investment of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Association using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

(i) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in the statement of comprehensive income when the services are rendered by the employees.

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4. ACCOUNTING POLICIES - Continued

(i) Employee benefits - Continued

(ii) Short-term employee benefits

Employee entitlements to annual leave and statutory long service payments due on retirement or termination are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long-service payments as a result of services rendered by employees up to the end of the reporting period. The estimated liability is calculated net of expected reduction from benefits available from the Mandatory Provident Fund.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Association can no longer withdraw the offer of those benefits and when the Association recognises restructuring costs involving the payment of termination benefits.

(j) Impairment of non-financial assets

Property, plant and equipment and right-of-use assets are subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

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4. ACCOUNTING POLICIES - Continued

(j) Impairment of non-financial assets - Continued

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Association has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(l) Related parties

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

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

(b) An entity is related to the Association if any of the following conditions apply:

- (i) The entity and the Association are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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4. ACCOUNTING POLICIES - Continued

(l) Related parties - Continued

(b) - Continued

- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Association or an entity related to the Association.
- (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 key management personnel of the entity (or of a parent of the entity).
- (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the Association or to the Association's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. SURPLUS/(DEFICIT) FOR THE YEAR

Surplus/(deficit) for the year is arrived at after charging/(crediting):

	2023	2022
	HK\$	HK\$
Depreciation of property, plant and equipment	-	1,049
Depreciation of right-of-use assets	96,029	63,245
Bank interest income	(47,763)	(25,094)
Government grants (note (a))	(64,000)	(32,000)
Expenses relating to short-term leases	11,688	54,153
Interest on lease liabilities	2,690	620
Interest on financial liabilities repayable within five years (note (b))	<u>493,402</u>	<u>532,521</u>

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5. SURPLUS/(DEFICIT) FOR THE YEAR - - Continued

Notes:

- (a) The government grant was obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government. Under the ESS, the Association had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. There were no unfulfilled conditions attaching to the grants recognised during the current and prior years.
- (b) It represents interest on sponsorship fees payable calculated under effective interest method, which the effective interest rate is carried at 5.75% (2022: 5%) per annum. The interest was included in sponsorship expenditure.

6. STAFF COSTS

	2023	2022
	HK\$	HK\$
Staff costs comprise:		
Salaries	2,133,453	1,699,207
Contributions to defined contribution retirement plan	<u>65,500</u>	<u>64,987</u>
	<u><u>2,198,953</u></u>	<u><u>1,764,194</u></u>

7. DIRECTORS’ EMOLUMENTS

There were no directors’ fees or emoluments pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) for the years ended 30 June 2023 and 2022.

8. INCOME TAX EXPENSE

The Association is exempted from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

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9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
Cost				
At 1 July 2021, 30 June 2022 and 30 June 2023	71,221	284,424	89,370	445,015
Accumulated depreciation				
At 1 July 2021 Depreciation	71,221	284,424	88,321 1,049	443,966 1,049
At 30 June 2022 and 30 June 2023	71,221	284,424	89,370	445,015
Net book value				
At 30 June 2023	-	-	-	-
At 30 June 2022	-	-	-	-

10. RIGHT-OF-USE ASSETS

	Properties leased for own use HK\$
At 1 July 2021	6,370
Lease modification	99,467
Depreciation charges	(63,245)
Exchange realignments	(1,277)
At 30 June 2022 and 1 July 2022	41,315
Lease modification	125,604
Depreciation charges	(96,029)
Exchange realignments	(4,360)
At 30 June 2023	66,530

Total cash outflow for leases

For the year ended 30 June 2023, the total cash outflow for leases is HK\$116,100 (2022: HK\$112,136). Amounts include payments for principal and interest portion of lease liabilities and short-term leases. These amounts would be presented in Note 17 and Note 5, respectively.

CHINA CARE FUND LIMITED
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11. LEASE LIABILITIES

The Association leases various properties in the jurisdictions from which it operates. Rental contracts are typically made for fixed periods from 1 to 2 years (2022: fixed period of 1 year). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as a security for borrowing purposes.

	HK\$
At 1 July 2021	-
Lease modification	99,467
Interest on lease liabilities	620
Repayment of principal amount of lease liabilities	(57,363)
Repayment of interest amount of lease liabilities	(620)
Exchange realignments	<u>(1,297)</u>
At 30 June 2022 and 1 July 2022	40,807
Lease modification	125,604
Interest on lease liabilities	2,690
Repayment of principal amount of lease liabilities	(101,722)
Repayment of interest amount of lease liabilities	(2,690)
Exchange realignments	<u>(4,091)</u>
At 30 June 2023	<u>60,598</u>

The future lease payments of the Association's leases (excluding short-term leases) are scheduled to be repaid as follows:

	Minimum lease payments HK\$	Interest HK\$	Present value HK\$
At 30 June 2023			
Due within one year	<u>61,274</u>	<u>(676)</u>	<u>60,598</u>
At 30 June 2022			
Due within one year	<u>42,147</u>	<u>(1,340)</u>	<u>40,807</u>

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12. SPECIAL PURPOSE FUNDS

Details of surplus/(deficit) of Special Purpose Funds are as follows:

		2023		
	Note	Donations received HK\$	Sponsorship expenditure HK\$	Surplus/ (deficit) HK\$
Alison Chow's Scholarship		-	(74,400)	(74,400)
China Care Fund Scholarship		29,440	(74,400)	(44,960)
Emergency Relief Fund		-	(5,200)	(5,200)
Subject Project Fund (De Hong)	a	1,215,411	(825,336)	390,075
Subject Project Fund (Hua Long)	a	609,346	(629,908)	(20,562)
Subject Project Fund (Hui Ning)	a	52,532	159,577	212,109
Subject Project Fund (Min He)	a	1,487,936	(1,233,103)	254,833
Subject Project Fund (Ru Yuen)	a	71,323	129,441	200,764
Subject Project Fund (Teng Xian)	a	989,382	(232,991)	756,391
Subject Project Fund (Wei Yuan)	a	1,125,107	(607,908)	517,199
Subject Project Fund (Xun Hua)	a	649,125	(661,151)	(12,026)
Subject Project Fund (Long Chuan)	a	848,443	(1,084,628)	(236,185)
Maria Sze Scholarship		69,840	(69,840)	-
Learning Fee Fund		49,750	(71,889)	(22,139)
Total		7,197,635	(5,281,736)	1,915,899
		2022		
	Note	Donations received HK\$	Sponsorship expenditure HK\$	Surplus/ (deficit) HK\$
Alison Chow's Scholarship		-	(42,000)	(42,000)
China Care Fund Scholarship		91,300	(60,000)	31,300
Emergency Relief Fund		-	(23,420)	(23,420)
Subject Project Fund (De Hong)	a	1,259,688	(1,308,552)	(48,864)
Subject Project Fund (Hua Long)	a	631,199	(600,595)	30,604
Subject Project Fund (Hui Ning)	a	167,773	(21,287)	146,486
Subject Project Fund (Min He)	a	1,650,257	(2,123,947)	(473,690)
Subject Project Fund (Ru Yuen)	a	126,451	(37,630)	88,821
Subject Project Fund (Teng Chong)	a	-	277,950	277,950
Subject Project Fund (Teng Xian)	a	3,808,048	(3,445,663)	362,385
Subject Project Fund (Wei Yuan)	a	2,408,644	(1,879,769)	528,875
Subject Project Fund (Xun Hua)	a	689,014	(635,601)	53,413
Subject Project Fund (Long Chuan)	a	-	(7,475)	(7,475)
Maria Sze Scholarship		60,150	(60,150)	-
Total		10,892,524	(9,968,139)	924,385

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NOTES TO THE FINANCIAL STATEMENTS
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12. SPECIAL PURPOSE FUNDS - Continued

Note a:

Under the Subject Project Fund, the Association has entered into agreements with various schools and the relevant local authorities in the Mainland committing to pay for the 3-year tuition fees and other study related costs (“Sponsorship Fees”) of certain numbers of students in those schools (“Sponsored Students”). The total Sponsorship Fees are payable by the Association over three academic years, and the amounts outstanding at the end of the reporting period are included in the statement of financial position as sponsorship fees payable.

The Association has secured the commitment from donors (“Sponsors”) to sponsor all the Sponsored Students for their three year studies. Sponsors have the option to pay the donations annually over three years or as a lump sum upfront. Committed donations not yet received by the Association at the end of the reporting period amounted to HK\$1,968,390 (2022: HK\$7,660,194).

CHINA CARE FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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12. SPECIAL PURPOSE FUNDS - Continued

Details of movement of Special Purpose Funds:

	China Care Fund Scholarship HK\$	Emergency/Relief Fund HK\$	K. F. Foundation Fund HK\$	Scholarship HK\$	Subject Project Fund (De Hong) HK\$	Subject Project Fund (Gui Zhou) HK\$	Subject Project Fund (Hua Long) HK\$	Subject Project Fund (Hui Ning) HK\$	Subject Project Fund (Huizhu) HK\$	Subject Project Fund (Le Du) HK\$	Subject Project Fund (Min He) HK\$	Subject Project Fund (Ping An) HK\$	Subject Project Fund (Rong Shui) HK\$	Subject Project Fund (Ru Yuen) HK\$	Subject Project Fund (Teng Chong) HK\$	Subject Project Fund (Teng Xian) HK\$	Subject Project Fund (Wei Yuan) HK\$	Subject Project Fund (Xun Hua) HK\$	Subject Project Fund (Long Chuan) HK\$	Learning Fee Fund HK\$	Total HK\$
At 1 July 2021	279,146	208,379	1,010,326	5,959	(837,495)	95,037	(231,654)	(262,807)	147,322	148,382	(354,872)	435,607	87,887	(97,345)	(218,606)	406,774	(130,523)	(236,262)	-	-	471,186
Surplus/(deficit) for the year	(42,000)	(23,420)	-	(48,864)	-	30,604	146,486	-	-	(473,690)	88,821	277,950	362,385	528,875	53,413	(7,475)	-	-	-	-	924,385
At 30 June 2022	237,146	184,958	1,010,326	5,959	(886,359)	95,037	(201,050)	(116,321)	147,322	148,382	(828,562)	435,607	87,887	(8,524)	59,344	769,159	398,352	(182,849)	(7,475)	-	1,395,571
Surplus/(deficit) for the year	(74,400)	(5,200)	-	-	390,075	-	(20,562)	212,109	-	-	254,833	-	-	200,764	-	756,391	517,195	(12,026)	(236,185)	(22,139)	1,915,899
At 30 June 2023	162,746	179,758	1,010,326	5,959	(496,284)	95,037	(221,612)	95,788	147,322	148,382	(573,729)	435,607	87,887	192,240	59,344	1,525,550	915,551	(194,875)	(243,660)	(22,139)	3,311,470

CHINA CARE FUND LIMITED
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13. FINANCIAL INSTRUMENTS BY CATEGORIES

	2023 HK\$	2022 HK\$
Financial assets at amortised cost		
Deposit and other receivables	874,961	983,790
Cash and bank balances	<u>16,813,493</u>	<u>17,955,130</u>
	<u>17,688,454</u>	<u>18,938,920</u>
Financial liabilities at amortised cost		
Sponsorship fees payable	6,014,608	10,862,992
Other payables and accrued charges	<u>2,207,545</u>	<u>17,639</u>
	<u>8,222,153</u>	<u>10,880,631</u>
Other financial instruments		
Lease liabilities	<u>60,598</u>	<u>40,807</u>

14. FINANCIAL RISK MANAGEMENT

The Association's activities expose it to a variety of financial risks which comprise market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Association's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Association's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Association does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Association employs a conservative strategy regarding its financial risk management. As the directors consider that the Association's exposure to financial risk is kept at a minimum level, the Association has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Association is exposed to are described below:

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Association's interest rate risk mainly arises from cash and bank balances, sponsorship fees payable and lease liabilities. Transactions arranged at variable rates and fixed rates expose the Association to cash flow interest rate risk and fair value interest rate risk respectively.

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14. FINANCIAL RISK MANAGEMENT - Continued

(a) Interest rate risk - Continued

At the end of the reporting period, the Association had cash at bank which is exposed to prevailing market interest rate risk. In addition, sponsorship fees payable and lease liabilities which are fixed-rate instruments are insensitive to changes in interest rates and a change in interest rate at the end of the reporting period would not affect the Association's profit or loss.

The following table indicates the approximate changes in surplus in response to reasonably possible changes in interest rate to which the Association has significant exposure at the end of the reporting period.

	2023 HK\$	2022 HK\$
Increase by 25 (2022: 25) basis points	41,782	44,750
Decrease by 25 (2022: 25) basis points	<u>(41,782)</u>	<u>(44,750)</u>

The Association currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The policies to manage interest rate risk have been consistently applied and are considered to be effective in limiting the Association's exposure to interest rate risk to a desirable level.

(b) Foreign exchange risk

Foreign currency risk refers to the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates.

The Association operates in Hong Kong and its functional currency is HK\$ with certain of its business transactions being settled in Renminbi ("RMB"). The Association is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily RMB against the functional currency of the Association. Currently, the Association does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The policies to manage foreign currency risk have been consistently applied and are considered to be effective in limiting the Association's exposure to foreign currency risk to a desirable level.

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NOTES TO THE FINANCIAL STATEMENTS
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14. FINANCIAL RISK MANAGEMENT - Continued

(b) Foreign exchange risk - Continued

The Association's foreign exchange risk arises mainly from the cash at bank, sponsorship fees payable and lease liabilities. The carrying amounts of the Association's financial assets/liabilities denominated in foreign currencies at the end of the reporting period were analysed in the table below.

	Liabilities		Assets	
	2023 HK\$	2022 HK\$	2023 HK\$	2022 HK\$
RMB	6,075,206	10,903,799	11,803,942	11,039,826

The following table indicates the approximate change in the Association's surplus in response to reasonably possible change in RMB to which the Association had significant exposure.

	Effect on surplus	
	2023 HK\$	2022 HK\$
RMB to HKD		
Appreciate by 3%	(150,262)	(4,081)
Depreciate by 3%	150,262	4,081

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Association. The Association's credit risk is primarily attributable to its deposits and other receivables and cash and bank balances. The maximum exposure to credit risk of the Association in respect of these items at the end of the reporting period is their carrying amounts.

In order to minimise the credit risk, the management of the Association reviews the recoverable amount of each individual debt periodically and at the end of each reporting period to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the management of the Association considers that the Association's credit risk is significantly reduced.

In respect of cash and bank balances, the Association's exposure to credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions, for which the directors consider to have low credit risk.

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14. FINANCIAL RISK MANAGEMENT - Continued

(c) Credit risk - Continued

Impairment under ECL model

The Association assesses whether there has been a significant increase in credit risk for exposures since initial recognition on an ongoing basis. To assess whether there has been a significant increase in credit risk, the Association compares the risk of default occurring on the balances over the expected life between the reporting date and the date of initial recognition. For this purpose, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Association's historical experience and informed credit assessment and including forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Association; and
- actual or expected significant adverse change in the regulatory, economic, or technological environment in which the debtor operates that results in a significant change in the debtor's ability to meet its debt obligations.

The Association presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred which include significant financial difficulty of the debtors; a breach of contract, such as default or past due event; restructuring of the debt by the Association on terms that the Association would not consider otherwise; or it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation.

The Association considers an amount to be in default when the customer is considered unlikely to pay its credit obligations in full or when the financial asset is more than 90 days past due.

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14. FINANCIAL RISK MANAGEMENT - Continued

(c) Credit risk - Continued

Impairment under ECL model - Continued

The Association applies general approach to measure ECLs on deposits and other receivables and cash and bank balances. At 30 June 2023 and 2022, no loss allowance was provided for these outstanding balances. Other than that, management does not expect any losses from non-performance by the counterparties and assessed that the ECL rate in respect of these balances was immaterial.

(d) Liquidity risk

Liquidity risk relates to the risk that the Association will not be able to meet its obligations associated with its financial liabilities and other financial instruments that are settled by delivering cash or another financial asset. The Association is exposed to liquidity risk in respect of settlement of sponsorship fees payables, other payables and accrued charges, lease liabilities and its financing obligations, and also in respect of its cash flow management.

The Association's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer term. In particular, the Association has invited donors to sponsor the subject projects in order to fulfil the upcoming contractual payments of HK\$6,014,608 (2022: HK\$10,862,992). At the end of the reporting period, sponsorship amounting to HK\$1,968,390 (2022: HK\$7,660,194) has been committed by donors.

The following table details the contractual maturities of financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows and the earliest date the Association can be required to pay:

	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	Total undiscounted amount HK\$'000	Total carrying amount HK\$'000
At 30 June 2023				
Sponsorship fees payable	4,927,733	1,136,096	6,063,829	6,014,608
Other payables and accrued charges	2,207,545	-	2,207,545	2,207,545
Lease liabilities	61,274	-	61,274	60,598
	<u>7,196,552</u>	<u>1,136,096</u>	<u>8,332,648</u>	<u>8,282,751</u>

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14. FINANCIAL RISK MANAGEMENT - Continued

(d) Liquidity risk - Continued

	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	Total undiscounted amount <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
At 30 June 2022				
Sponsorship fees payable	8,500,175	2,480,958	10,981,133	10,862,992
Other payables and accrued charges	17,639	-	17,639	17,639
Lease liabilities	42,147	-	42,147	40,807
	<u>8,559,961</u>	<u>2,480,958</u>	<u>11,040,919</u>	<u>10,921,438</u>

15. CAPITAL MANAGEMENT

The directors regard the total funds as capital of the Association. Its objective when managing capital is to safeguard its ability to continue as a going concern. It manages capital by regularly monitoring its current and expected liquidity requirements.

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Association had no other material transactions with related parties during the year.

Management considers the directors of the Association as key management personnel of the Association. Details of directors' emoluments are disclosed in note 7.

CHINA CARE FUND LIMITED
(培苗行動有限公司)
NOTES TO THE FINANCIAL STATEMENTS
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17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (note 11)	
	2023 HK\$	2022 HK\$
At 1 July	40,807	-
<i>Other changes:</i>		
Lease modification	125,604	99,467
Interest on lease liabilities	2,690	620
Exchange realignments	(4,091)	(1,297)
Total other changes	<u>124,203</u>	<u>98,790</u>
<i>Changes from cash flows:</i>		
Repayment of principal amount of lease liabilities	(101,722)	(57,363)
Repayment of interest amount of lease liabilities	(2,690)	(620)
Total changes from financing cash flows	<u>(104,412)</u>	<u>(57,983)</u>
At 30 June	<u>60,598</u>	<u>40,807</u>

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Association for the year ended 30 June 2023 were approved and authorised for issue by the directors on **09 MAY 2024**