

Bo Charity Foundation Limited

(Limited by Guarantee)

小寶慈善基金有限公司

Financial Statements
Year ended 31 March 2023

Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2023.

Principal place of business

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

Principal activity

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

Business Review

Business Objectives

Since registered in 2009 as a charitable foundation, Bo Charity Foundation Limited ("the Foundation"), has been dedicated to conserving the environment and caring for the underprivileged community in Hong Kong.

The Foundation strives to accomplish its missions of reducing food waste and alleviating hunger and poverty in our society. This is achieved through our food rescue and food assistance programme, which is derived from a chain of operations from central kitchen to food processing centre, and a fleet for food collection and delivery. Public education and volunteering service also form a major part of our operation to promote our missions and provide avenues for wider community participation in this meaningful cause.

Our Work in the year ended 31 March 2023

1. Food Rescue & Food Assistance

The mission of the Foundation is "Waste Not, Hunger Not, With Love." We target to collect edible surplus food that would otherwise go to waste from different sectors of the food industry and turn them to nutritious meals for the people in need. We adopt strict safety protocols throughout our chain of operations, from preparation of meals in our central kitchens to delivering to the underserved and financially difficult people for them to have cooked meals for free.

In the current financial year, we rescued 2,076,655 kg of edible surplus food from the food industry in Hong Kong, with food collected from over 250 food outlets everyday. We have produced 5,480,643 nutritious meals and helped distribute 2,421,241 other meals and food packs daily to the needy community in Hong Kong. In addition to meals, 970 meal and supermarket coupons have been distributed for those in need, thanks to our donors for their generosity to make this much-needed alternative possible.

Business Review (continued)

Amidst the challenges brought about by the Covid-19 pandemic, we were greatly encouraged by the expansion in the fleet of Automatic Food Dispensers (from 29 dispensers last year to 46 this year) that were installed in targeted districts to provide a safe and timely access of cook-chilled meals for the needy families. In addition, a total of 458,576 pieces of hygiene items (masks and sanitizers) were also distributed to give them added protection from the disease.

Our first self-serve food hub in Kwun Tong was serves as a fully automated self-served meal delivery hub and provides flexible meal collection hours at the convenience of our service users.

During the year, the food rescue smart system programme would enhance our food rescue channels, we had installed 8 smart machines which helped to foster the enhancement of the public's awareness and participation in reducing food waste while helping to meet the food assistance needs within the community.

Altogether, these meal boxes, soups, food packs and meal coupons were able to reach our service users through our Community Centre, Outreach team, Automatic Food Dispensers and about 231 of our charity partners during the year.

2. Community Service and Outreach Programme

We continued to operate a Community Centre at which we provided free meals to the deprived elderly as well as low-income families in Sham Shui Po district. Meals were also served to the elderly in need via five community canteens in collaboration with school charity partners. In addition, our Outreach teams pay daily visits to the home of vulnerable and frail elderly, and provide care and love on top of meals and other daily food supply. The suspended dine-in service at the height of the COVID-19 pandemic was resumed to normal.

3. Education

We run a variety of educational activities throughout the year to advocate the virtue of cherishing food and caring for the community. Our Education Team developed different sets of education material including videos, presentations, virtual reality films and workshops to communicate messages about the issues of food waste, hunger, poverty and elderly care in our society. In the current financial year, our Education Teams held over 244 sessions of experience tours and online classes to about 6,386 participants. Talks and activities were also delivered for 91 schools to more than 29,158 students.

Financial Performance for the year ended 31 March 2023

Total income amounted to HK\$141,699,504, representing an increase of 16% from the previous financial year. This was driven by the increase in designated donations from donors who pledged their support to the needy.

Business Review (continued)

Total programme expense was HK\$111,920,417, which was 31% higher than the previous financial year. This was primarily driven by the growth in our food rescue and food assistance efforts as operations resumed gradually after cancellation of issuing compulsory isolation orders to COVID-19 infected cases. Administrative expense was HK\$4,142,209, with minor increase compared with the previous financial year. Total Administrative expense represented around 3.5% of our Total Expenditure for the financial year.

Reserve and Surplus Funds

The Foundation is aware of the critical need to maintain adequate reserves in the face of economic uncertainty in our society and the need to ensure uninterrupted food assistance services to the underprivileged community in Hong Kong. In addition, the Foundation has in place a contingency reserve targeted to maintain this service continuity with a development fund to support new social service projects and activities to meet the evolving needs of the underserved and underprivileged.

Potential Risks

In a fast-changing and often-times challenging financial climate that we have faced in recent years, we realized that a steady inflow of donation is critical to our operation in order to maintain the lowest possible interruption to our service and the people we serve.

Currently, with the continued support of funders, foundations and the wider community, we have been able to maintain a stable income to fund our services. Nonetheless, we are always on alert to any risks to donors' support as a result of a volatile economic environment. It is thus crucial to maintain adequate reserves for operational purposes and to sustain our long-term commitment.

Upcoming Key Developments

Food Angel not only provides assistance to meet the growing demand of the community for free and safe food for the underprivileged, but is itself a solution to the problem of a mounting volume of edible surplus food that would otherwise go wasted if not sold or consumed at store. We shall continue to look for opportunities to streamline our operation and enhance our capability to meet such needs.

To centralise our production units in one location and increase production capacity to serve more needy people, we are going to develop a modest, green and sustainable building in 3-storeys at Shatin. The construction will commence in the coming financial year.

Responsibility and Accountability

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

The Board are leaders and subject matter experts who bring in new expertise and propel the healthy growth of the Foundation. The Foundation complies with section 88 of the Inland Revenue Ordinance on Charitable Institution.

Directors

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

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

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

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

Directors' interests in transactions, arrangements or contracts

Save as disclosed in note 17 to the financial statements, no other transaction, arrangement or contract of significance to which the Foundation was a party, and in which a director of the Foundation had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

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

By order of the board



KAM CHUNG LEUNG

Hong Kong,

25 DEC 2023



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

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Bo Charity Foundation Limited ("the Foundation") set out on pages 8 to 34, which comprise the statement of financial position as at 31 March 2023, the statement of profit or loss and other comprehensive income, the statement of changes in reserves and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundation in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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



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

(Incorporated in Hong Kong and limited by guarantee)

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



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

(Incorporated in Hong Kong and limited by guarantee)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Certified Public Accountants

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

25 DEC 2023

Statement of profit or loss and other comprehensive income for the year ended 31 March 2023

(Expressed in Hong Kong dollars)

| | Note | 2023 | 2022 |
|--|------|----------------------|----------------------|
| Income | | | |
| General donation | 2 | \$ 54,655,924 | \$ 56,258,816 |
| Designated donation | | 83,856,070 | 65,074,578 |
| Green education | | 900,697 | 629,015 |
| Other income | | 2,286,813 | 323,540 |
| | | <u>\$141,699,504</u> | <u>\$122,285,949</u> |
| Other net gain/(loss) | 3 | <u>\$ 280,000</u> | <u>\$ (1,977)</u> |
| Expenditure | | | |
| Program expenses | 4(a) | \$111,920,417 | \$ 85,434,461 |
| Donation campaign expenses | | 415,463 | 470,417 |
| Administrative expenses | | 4,142,209 | 4,132,277 |
| Finance costs | 4(b) | 343,429 | 376,032 |
| | | <u>\$116,821,518</u> | <u>\$ 90,413,187</u> |
| Surplus and total comprehensive income for the year | 4 | <u>\$ 25,157,986</u> | <u>\$ 31,870,785</u> |

The notes on pages 13 to 34 form part of these financial statements.

Statement of financial position at 31 March 2023

(Expressed in Hong Kong dollars)

| | Note | 2023 | 2022 |
|---|------|----------------------|----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 7 | \$ 19,873,397 | \$ 18,144,322 |
| Current assets | | | |
| Other receivables, prepayments and deposits | 8 | \$ 34,945,232 | \$ 31,881,218 |
| Deposits maturing beyond three months when placed | 9 | - | 3,000,000 |
| Cash and cash equivalents | 9 | 172,820,729 | 152,691,440 |
| | | <u>\$207,765,961</u> | <u>\$187,572,658</u> |
| Current liabilities | | | |
| Creditors and accruals | 10 | \$ 4,002,880 | \$ 3,505,058 |
| Unearned income | 11 | 41,843,146 | 40,741,943 |
| Lease liabilities | 12 | 5,111,056 | 5,294,164 |
| | | <u>\$ 50,957,082</u> | <u>\$ 49,541,165</u> |
| Net current assets | | <u>\$156,808,879</u> | <u>\$138,031,493</u> |
| Total assets less current liabilities | | <u>\$176,682,276</u> | <u>\$156,175,815</u> |
| Non-current liabilities | | | |
| Lease liabilities | 12 | \$ 2,300,895 | \$ 6,952,420 |
| NET ASSETS | | <u>\$174,381,381</u> | <u>\$149,223,395</u> |

The notes on pages 13 to 34 form part of these financial statements.

Statement of financial position at 31 March 2023

(Expressed in Hong Kong dollars)

| | Note | 2023 | 2022 |
|---------------------|------|----------------------|----------------------|
| Reserves | 13 | | |
| Contingency reserve | | \$ 58,000,000 | \$ 50,000,000 |
| Development reserve | | 82,000,000 | 70,000,000 |
| General fund | | 34,381,381 | 29,223,395 |
| | | <u>\$174,381,381</u> | <u>\$149,223,395</u> |

Approved and authorised for issue by the board of directors on

25 DEC 2023



TUNG OI LAI, ALICE

)
)
) Directors
)
)



YIU OI KAN, KENNY

The notes on pages 13 to 34 form part of these financial statements.

Statement of changes in reserves for the year ended 31 March 2023

(Expressed in Hong Kong dollars)

| | <i>Contingency reserve</i> (note 13(b)(i)) | <i>Development reserve</i> (note 13(b)(ii)) | <i>General fund</i> (note 13(b)(iii)) | <i>Total</i> |
|--|---|--|--|-----------------------|
| Balance at 31 March 2021 | \$ 41,000,000 | \$ 53,000,000 | \$ 23,352,610 | \$ 117,352,610 |
| Transfer to contingency reserve | 9,000,000 | - | (9,000,000) | - |
| Transfer to development reserve | - | 17,000,000 | (17,000,000) | - |
| Surplus and total comprehensive income for the year | - | - | 31,870,785 | 31,870,785 |
| Balance at 31 March 2022 and 1 April 2022 | \$ 50,000,000 | \$ 70,000,000 | \$ 29,223,395 | \$ 149,223,395 |
| Transfer to contingency reserve | 8,000,000 | - | (8,000,000) | - |
| Transfer to development reserve | - | 12,000,000 | (12,000,000) | - |
| Surplus and total comprehensive income for the year | - | - | 25,157,986 | 25,157,986 |
| Balance at 31 March 2023 | <u>\$ 58,000,000</u> | <u>\$ 82,000,000</u> | <u>\$ 34,381,381</u> | <u>\$ 174,381,381</u> |

The notes on pages 13 to 34 form part of these financial statements.

Cash flow statement for the year ended 31 March 2023 (Expressed in Hong Kong dollars)

| | Note | 2023 | 2022 |
|---|------|-----------------------|-----------------------|
| Operating activities | | | |
| Cash generated from operations | 9(b) | \$ 30,290,163 | \$ 53,341,073 |
| Net cash generated from operating activities | | <u>\$ 30,290,163</u> | <u>\$ 53,341,073</u> |
| Investing activities | | | |
| Bank interest received | | \$ 1,994,686 | \$ 167,517 |
| Decrease/(increase) in deposits with banks with maturity more than three months when placed | | 3,000,000 | (3,000,000) |
| Payment for the purchase of property, plant and equipment | | (9,649,252) | (3,655,650) |
| Proceeds from sale of property, plant and equipment | | 280,000 | - |
| Net cash used in investing activities | | <u>\$ (4,374,566)</u> | <u>\$ (6,488,133)</u> |
| Financing activities | | | |
| Capital element of lease rentals paid | 9(c) | \$ (5,442,879) | \$ (4,681,355) |
| Interest element of lease rentals paid | 9(c) | (343,429) | (376,032) |
| Net cash used in financing activities | | <u>\$ (5,786,308)</u> | <u>\$ (5,057,387)</u> |
| Net increase in cash and cash equivalents | | \$ 20,129,289 | \$ 41,795,553 |
| Cash and cash equivalents at the beginning of the year | | <u>152,691,440</u> | <u>110,895,887</u> |
| Cash and cash equivalents at the end of the year | 9(a) | <u>\$172,820,729</u> | <u>\$152,691,440</u> |

The notes on pages 13 to 34 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Foundation.

None of the developments have had a material effect on how the Foundation’s results and financial position for the current or prior periods have been prepared or presented. The Foundation has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1 Significant accounting policies (continued)

(d) Property, plant and equipment

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

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

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

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

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

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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

(e) Leased assets

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

1 Significant accounting policies (continued)

(i) As a lessee

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

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.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Foundation took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

1 Significant accounting policies (continued)

(f) Receivables

A receivable is recognised when the Foundation has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Foundation has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

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

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

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Foundation determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(g) Creditors and accruals

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

(h) Cash and cash equivalents

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

(i) Employee benefits

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

1 Significant accounting policies (continued)

(j) Provisions and contingent liabilities

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

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

(k) Revenue and other income

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

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

(i) General donation and Green education

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

(ii) Designated donation

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

(iii) Interest income

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

(l) Translation of foreign currencies

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

1 Significant accounting policies (continued)

(m) Related parties

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

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

(n) Government subsidies

Government subsidies are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Foundation will comply with the conditions attaching to them. Subsidies that compensate the Foundation for expenses incurred are recognised as deduction of expenses in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2 General donation

| | 2023 | 2022 |
|------------------------|----------------------|----------------------|
| General donation from: | | |
| - Public | \$ 36,572,385 | \$ 33,558,156 |
| - Donation campaign | 15,203,872 | 20,470,397 |
| - Programs | 2,879,667 | 2,230,263 |
| | <u>\$ 54,655,924</u> | <u>\$ 56,258,816</u> |

3 Other net gain/(loss)

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Gain/(loss) on disposal of property, plant and equipment | \$ 280,000 | \$ (1,977) |
| | <u>\$ 280,000</u> | <u>\$ (1,977)</u> |

4 Surplus and total comprehensive income for the year

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

| | 2023 | 2022 |
|---|----------------------|----------------------|
| (a) Program expenses[#] | | |
| Food Angel Food Rescue & Assistance Program | \$ 85,928,877 | \$ 66,988,192 |
| Food Angel Community Service | 22,924,173 | 14,426,794 |
| Corporate Angel CSR Program | 940,845 | 611,558 |
| Green Angel Education Program and Experience Centre | 1,999,400 | 3,023,031 |
| Other programs | 127,122 | 384,886 |
| | <u>\$111,920,417</u> | <u>\$ 85,434,461</u> |
| (b) Finance costs | | |
| Interest on lease liabilities (note 9(c)) | \$ 343,429 | \$ 376,032 |
| | <u>\$ 343,429</u> | <u>\$ 376,032</u> |

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

| | 2023 | 2022 |
|---|----------------------|----------------------|
| (c) Staff costs | | |
| Contributions to defined contribution retirement plan | \$ 1,865,279 | \$ 1,850,703 |
| Salaries, wages and other benefits (note (i)) | <u>37,940,696</u> | <u>35,999,184</u> |
| | <u>\$ 39,805,975</u> | <u>\$ 37,849,887</u> |

- (i) During the year ended 31 March 2023, the Foundation successfully applied for funding support of \$3,628,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the subsidy, the Foundation is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

| | 2023 | 2022 |
|------------------------------|---------------------|---------------------|
| (d) Other items | | |
| Auditor's remuneration | \$ - | \$ - |
| Depreciation charge (note 7) | | |
| - owned plant and equipment | 3,212,772 | 4,097,339 |
| - right-of-use assets | <u>5,372,471</u> | <u>5,006,680</u> |
| | <u>\$ 8,585,243</u> | <u>\$ 9,104,019</u> |
| Logistics expenses | \$ 15,265,620 | \$ 10,915,340 |
| Interest income | <u>(1,994,686)</u> | <u>(167,517)</u> |

- # Program expenses include \$58,208,601 (2022: \$55,163,298) relating to staff costs, depreciation, logistic expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately in notes 4(c) and 4(d) for each of these types of expenses.

5 Taxation

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

6 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | 2023 | | 2022 | |
|---|------|-----|------|-----|
| Directors' fees | \$ | Nil | \$ | Nil |
| Salaries, allowances and benefits in kind | | Nil | | Nil |
| Discretionary bonuses | | Nil | | Nil |
| Retirement scheme contributions | | Nil | | Nil |
| | | Nil | | Nil |

7 Property, plant and equipment

| | Leasehold improvement | Fixtures and kitchen equipment | Office equipment | Motor vehicles | Properties leased for own use | Capital project in progress | Total |
|-----------------------------------|-----------------------|--------------------------------|------------------|----------------|-------------------------------|-----------------------------|---------------|
| Cost: | | | | | | | |
| At 1 April 2021 | \$ 16,316,944 | \$ 9,921,417 | \$ 403,342 | \$ 1,963,673 | \$ 17,078,721 | \$ - | \$ 45,684,097 |
| Additions | 643,710 | 753,350 | 6,500 | 1,364,956 | 7,341,845 | 887,134 | 10,997,495 |
| Disposals | - | (93,874) | - | - | - | - | (93,874) |
| At 31 March 2022 and 1 April 2023 | \$ 16,960,654 | \$ 10,580,893 | \$ 409,842 | \$ 3,328,629 | \$ 24,420,566 | \$ 887,134 | \$ 56,587,718 |
| Additions | 386,200 | 2,508,839 | 131,063 | 658,062 | 608,246 | 6,021,908 | 10,314,318 |
| Disposals | - | (9,800) | (5,560) | (49,200) | - | - | (64,560) |
| At 31 March 2023 | \$ 17,346,854 | \$ 13,079,932 | \$ 535,345 | \$ 3,937,491 | \$ 25,028,812 | \$ 6,909,042 | \$ 66,837,476 |
| Accumulated depreciation: | | | | | | | |
| At 1 April 2021 | \$ 12,669,361 | \$ 7,612,986 | \$ 269,694 | \$ 1,250,562 | \$ 7,628,671 | \$ - | \$ 29,431,274 |
| Charge for the year | 1,988,582 | 1,675,282 | 73,942 | 359,533 | 5,006,680 | - | 9,104,019 |
| Written back on disposals | - | (91,897) | - | - | - | - | (91,897) |
| At 31 March and 1 April 2022 | \$ 14,657,943 | \$ 9,196,371 | \$ 343,636 | \$ 1,610,095 | \$ 12,635,351 | \$ - | \$ 38,443,396 |
| Charge for the year | 1,315,109 | 1,212,967 | 79,569 | 605,127 | 5,372,471 | - | 8,585,243 |
| Written back on disposals | - | (9,800) | (5,560) | (49,200) | - | - | (64,560) |
| At 31 March 2023 | \$ 15,973,052 | \$ 10,399,538 | \$ 417,645 | \$ 2,166,022 | \$ 18,007,822 | \$ - | \$ 46,964,079 |
| Net book value: | | | | | | | |
| At 31 March 2023 | \$ 1,373,802 | \$ 2,680,394 | \$ 117,700 | \$ 1,771,469 | \$ 7,020,990 | \$ 6,909,042 | \$ 19,873,397 |
| At 31 March 2022 | \$ 2,302,711 | \$ 1,384,522 | \$ 66,206 | \$ 1,718,534 | \$ 11,785,215 | \$ 887,134 | \$ 18,144,322 |

7 Property, plant and equipment (continued)

(a) Right-of-use assets

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

| | 2023 | 2022 |
|--|--------------|---------------|
| Properties leased for own use, carried at depreciated cost | \$ 7,020,990 | \$ 11,785,215 |

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

| | 2023 | 2022 |
|--|--------------|--------------|
| Depreciation charge of properties leased for own use | \$ 5,372,471 | \$ 5,006,680 |
| Interest on lease liabilities (note 4(b)) | 343,429 | 376,032 |
| COVID-19-related rent concessions received | - | (105,000) |

During the year, additions to right-of-use assets were \$608,246 (2022: \$7,341,845). This amount primarily related to the capitalised lease payments payable under both new and renewed tenancy agreements.

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

During the year ended 31 March 2022, the Foundation has adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Foundation during the period. Further details are disclosed below.

Properties leased for own use

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

During the year, the Foundation received \$Nil (2022: \$105,000) rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

8 Other receivables, prepayments and deposits

All of the other receivables, prepayment and deposits, except for deposits of \$2,046,819 (2022: \$2,469,659), are expected to be recovered or recognised as expense within one year.

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

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

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Deposits with banks and other financial institutions maturity beyond three months when placed | \$ - | \$ 3,000,000 |
| Cash at banks and on hand | \$ 61,655,401 | \$ 67,892,042 |
| Deposits with banks and other financial institutions maturity within three months when placed | 111,165,328 | 84,799,398 |
| Cash and cash equivalents in the statement of financial position and the cash flow statement | <u>\$172,820,729</u> | <u>\$152,691,440</u> |
| | <u>\$172,820,729</u> | <u>\$155,691,440</u> |

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

| | Note | 2023 | 2022 |
|--|------|----------------------|----------------------|
| Surplus for the year | | \$ 25,157,986 | \$ 31,870,785 |
| Adjustments for: | | | |
| Depreciation | 4(d) | 8,585,243 | 9,104,019 |
| (Gain)/loss on disposal of property, plant and equipment | 3 | (280,000) | 1,977 |
| Bank interest income | 4(d) | (1,994,686) | (167,517) |
| Finance costs | 4(b) | 343,429 | 376,032 |
| COVID-19-related rent concessions received | 7(a) | - | (105,000) |
| Changes in working capital: | | | |
| Increase in other receivables, prepayments and deposits | | (3,064,014) | (3,800,270) |
| Increase in creditors and accruals | | 441,002 | 78,638 |
| Increase in unearned income | | 1,101,203 | 15,982,409 |
| Cash generated from operations | | <u>\$ 30,290,163</u> | <u>\$ 53,341,073</u> |

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

(c) Reconciliation of liabilities arising from financing activities:

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

| | <i>Lease liabilities</i> (Note 12) |
|---|---------------------------------------|
| At 1 April 2021 | \$ 9,691,094 |
| Changes from financing cash flows: | |
| Capital element of lease rentals paid | \$ (4,681,355) |
| Interest element of lease rentals paid | (376,032) |
| | (5,057,387) |
| Total changes from financing cash flows | \$ (5,057,387) |
| Other changes: | |
| Increase in lease liabilities from entering into new leases during the year | \$ 7,341,845 |
| COVID-19-related rent concessions received (note 7(a)) | (105,000) |
| Interest expenses (note 4(b)) | 376,032 |
| | 7,612,877 |
| Total other changes | \$ 7,612,877 |
| At 31 March 2022 and 1 April 2022 | \$ 12,246,584 |
| Changes from financing cash flows: | |
| Capital element of lease rentals paid | \$ (5,442,879) |
| Interest element of lease rentals paid | (343,429) |
| | (5,786,308) |
| Total changes from financing cash flows | \$ (5,786,308) |
| Other changes: | |
| Increase in lease liabilities from entering into new leases during the year | \$ 608,246 |
| Interest expenses (note 4(b)) | 343,429 |
| | 951,675 |
| Total other changes | \$ 951,675 |
| At 31 March 2023 | \$ 7,411,951 |

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

(d) Total cash outflow for leases

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

| | 2023 | 2022 |
|-----------------------------|---------------------|---------------------|
| Within financing cash flows | <u>\$ 5,786,308</u> | <u>\$ 5,057,387</u> |

10 Creditors and accruals

All of the creditors and accruals, except for reinstatement cost of \$2,749,000 (2022: \$2,749,000), are expected to be settled within one year or are repayable on demand.

11 Unearned income

| | Hong Kong Jockey Club - Food Rescue & Assistance Program (Kowloon Kitchen) | The Community Chest of Hong Kong Food Rescue and Assistance & Green Angel Education | Food Angel Community Center Sponsorship | HSBC (The Hong Kong Bank Foundation) - Experience Centre Program | Bank of China HK Charitable Foundation - Food Rescue Program (Food Station & Food Sharing (Mobile Trucks) Program) | LINK Asset Management Ltd (Charity and Community Engagement Programme) - Food Rescue Program | St. James Settlement - FOOD-CO Program | Chow Tai Fook Jewellery Community Outreach Programme | Environmental Campaign Committee - Food Angel, Food Rescue and Education Workshop Program | HSBC (The Hong Kong Bank Foundation) - Integrated Food SF (MNT) Fund - Hong Kong Kitchen Program |
|---|--|---|---|--|--|--|--|--|---|--|
| Balance at 1 April 2021 | \$ - | \$ 898,160 | \$ 2,647,953 | \$ 451,581 | \$ 3,382,354 | \$ - | \$ 482,702 | \$ 1,247,946 | \$ - | \$ 1,355,492 |
| Designated donation received or receivable during the year | 7,006,927 | 3,279,000 | - | - | 4,809,540 | 3,945,027 | - | 1,123,088 | (7,422) | 16,564,177 |
| Recognised as designated donation income during the year | (7,006,927) | (4,081,277) | (674,900) | (429,570) | (4,818,777) | (3,727,686) | - | (1,196,358) | 7,422 | (17,919,669) |
| Balance at 31 March 2022 and 1 April 2022 | \$ - | \$ 95,883 | \$ 1,973,053 | \$ 22,011 | \$ 3,373,117 | \$ 217,341 | \$ 482,702 | \$ 1,174,656 | \$ - | \$ - |
| Designated donation received or receivable/(refunded) during the year | 6,733 | 3,279,000 | - | - | 4,809,540 | 3,340,400 | (50,702) | - | - | 21,323,139 |
| Recognised as designated donation income during the year | (4,108) | (3,374,883) | (679,449) | (22,011) | (4,774,077) | (3,750,317) | (432,000) | (297,988) | - | (18,967,262) |
| Donation transferred to general donation during the year | - | - | - | - | - | 192,576 | - | - | - | - |
| Reclassified to donation receivables | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2023 | \$ 2,625 | \$ - | \$ 1,293,604 | \$ - | \$ 3,408,580 | \$ - | \$ - | \$ 876,668 | \$ - | \$ 2,355,877 |

11 Unearned income (continued)

| | Chow Tai Fook – Jewellery Community Outreach Program | Li Ka Shing Foundation | Environmental Campaign Committee – Food Angel, Food Rescue and Sharing Action | Environmental Campaign Committee – Food Angel, City Food Rescue Program | Funding Support for families in need | Hong Kong Jockey Club – Community Project Grant | Environmental Campaign Committee – Food Angel Rescue and Education Workshop | Environmental Campaign Committee – Food Angel Rescue and Sharing Action | Hong Kong Jockey Club – Pandemic Recovery Through Food Assistance Vending Machine Program |
|---|--|---------------------------|---|---|--|--|---|--|--|
| Balance at 1 April 2021 | \$ - | \$ 7,500,000 | \$ - | \$ 365,700 | \$ 454,034 | \$ - | \$ - | \$ - | \$ - |
| Designated donation received or receivable during the year | - | 2,500,000 | 69,304 | 1,200,590 | - | - | 825,553 | 1,826,805 | 7,911,205 |
| Recognised as designated donation income during the year | - | - | (69,304) | (1,566,290) | - | - | (825,553) | (1,826,805) | (7,911,205) |
| Balance at 31 March 2022 and 1 April 2022 | \$ - | \$ 10,000,000 | \$ - | \$ - | \$ 454,034 | \$ - | \$ - | \$ - | \$ - |
| Designated donation received or receivable/(refunded) during the year | 1,343,193 | - | (1,004,179) | (2,540) | - | 3,158,000 | - | (315,680) | (7,455,706) |
| Recognised as designated donation income during the year | (807,720) | - | - | 2,540 | (454,034) | (3,158,000) | - | (462,951) | (10,335,819) |
| Donation transferred to general donation during the year | - | - | - | - | - | - | - | - | - |
| Reclassified to donation receivables | - | - | 1,004,179 | - | - | - | - | 778,631 | 26,791,525 |
| Balance at 31 March 2023 | \$ 535,473 | \$ 10,000,000 | \$ - | \$ - | \$ - | \$ - | \$ 825,832 | \$ - | \$ - |

11 Unearned income (continued)

| | SF(MNT) Fund - Food Bags Program | Huiyiu Charitable Trust - Community Outreach Programme | Chen Yidan Foundation Ltd - Underprivileged Families with Assistance & Care Program | Ronald & Rita McAuliy Foundation - Expansion of Rescued Food Storage Program | Environmental Campaign Committee - Food Rescue and Sharing Action | HSBC (The Hong Kong Bank Foundation) - First Food Rescue Smart System | Hong Kong Jockey Club - Electronic Food Bank | Environmental Campaign Committee - Food Angel City Food Rescue Programme | HKEX Foundation - HKEX060 Self-serve Food Hub | Li Ka Shing Foundation - Assistance Support for the Needy Community during the Pandemic | Nan Fung Group - Support for Needy Families during the Pandemic |
|---|----------------------------------|--|---|--|---|---|--|--|---|---|---|
| Balance at 1 April 2021 | \$ 531,419 | \$ 174,622 | \$ 1,048,003 | \$ 2,122,330 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Designated donation received or receivable during the year | 2,485,500 | 87,520 | - | 1,740,000 | 1,575,971 | 4,000,000 | 2,602,000 | 1,102,721 | 400,000 | 4,000,000 | 8,963,000 |
| Recognised as designated donation income during the year | (2,478,938) | (262,127) | (1,048,003) | (1,751,208) | (1,575,971) | (890,482) | (368,246) | (525,917) | (25,543) | (1,353,121) | (623,833) |
| Balance at 31 March 2022 and 1 April 2022 | \$ 537,981 | \$ 15 | \$ - | \$ 2,111,121 | \$ - | \$ 3,109,518 | \$ 2,233,754 | \$ 576,804 | \$ 374,457 | \$ 2,646,879 | \$ 8,339,167 |
| Designated donation received or receivable/(refunded) during the year | 2,494,800 | - | - | 1,740,000 | 606,054 | 2,500,000 | 330,117 | - | 400,000 | - | - |
| Recognised as designated donation income during the year | (1,753,431) | (15) | - | (1,999,916) | (1,488,323) | (1,411,988) | (1,295,308) | (768,724) | (849,751) | (2,646,879) | (8,339,167) |
| Donation transferred to general donation during the year | (1,255,905) | - | - | - | 882,269 | - | - | 191,920 | 75,294 | - | - |
| Reclassified to donation receivables | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2023 | \$ 23,445 | \$ - | \$ - | \$ 1,851,205 | \$ - | \$ 4,197,530 | \$ 1,268,563 | \$ - | \$ - | \$ - | \$ - |

11 Unearned income (continued)

| | Environmental Campaign Committee Food Angel Food Rescue and Education Workshop | LINK Asset Management Ltd – Operation of Rice Boy Station | Hong Kong Jockey Club – Expansion and One-year extension of Jockey Club Food Assistance Program | SF(MNT) Fund – Vegetarian Meals and Soup Program | SF(MNT) Fund – Veggie Program | Funding Scheme to Support the Use of Vacant Government Sites by Non-government Organisation | Hong Kong Jockey Club – Shatin Production Facilities & Food Assistance and Education Program | HSBC (The Hong Kong Bank Foundation) – Upscaling and Assistance for the Underprivileged | Total |
|---|--|---|---|--|-------------------------------|---|--|---|---------------|
| Balance at 1 April 2021 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,759,534 |
| Designated donation received or receivable during the year | - | - | - | - | - | - | - | - | 81,056,987 |
| Recognised as designated donation income during the year | - | - | - | - | - | - | - | - | (65,074,578) |
| Balance at 31 March 2022 and 1 April 2022 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 40,741,943 |
| Designated donation received or receivable/(refunded) during the year | 824,400 | - | 9,336,000 | 1,158,000 | 1,050,000 | 608,000 | 2,496,655 | 3,000,000 | 59,950,120 |
| Recognised as designated donation income during the year | (1,281,734) | (116,541) | (1,361,355) | (857,985) | (191,421) | - | - | (35,150) | (83,856,070) |
| Donation transferred to general donation during the year | - | - | - | - | - | - | - | - | (5,483,116) |
| Reclassified to donation receivables | 457,334 | 116,541 | - | - | - | - | - | - | 30,490,269 |
| Balance at 31 March 2023 | \$ - | \$ - | \$ 7,974,645 | \$ 300,015 | \$ 858,579 | \$ 608,000 | \$ 2,496,655 | \$ 2,964,850 | \$ 41,843,146 |

Unearned income represents designated donation received from sponsors for individual programs. Income is recognised in profit or loss when expenses under these programs are incurred.

12 Lease liabilities

The following table shows the remaining contractual maturities of the Foundation's lease liabilities at the end of the reporting periods:

| | 31 March 2023 | 31 March 2022 |
|----------------------------------|---------------------|----------------------|
| Within 1 year | \$ 5,111,056 | \$ 5,294,164 |
| After 1 year but within 2 years | \$ 2,300,895 | \$ 4,802,830 |
| After 2 years but within 5 years | - | 2,149,590 |
| | <u>\$ 2,300,895</u> | <u>\$ 6,952,420</u> |
| | <u>\$ 7,411,951</u> | <u>\$ 12,246,584</u> |

13 Reserves

(a) Components of the Foundation's reserves

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

(b) Nature and purpose of reserves

- (i) The Foundation is aware of the critical need to maintain adequate reserves in the face of economic uncertainty in the society and the need to ensure uninterrupted food assistance services to the underprivileged community in Hong Kong.

Contingency reserve is held for providing cushion for any unexpected downturns in donations and cope with unforeseeable circumstances posed by major external changes in the environment in future years.

- (ii) Development reserve is held for providing a source of funds to support the provision of new service projects, activities or developments of the Foundation's operations and capital projects to meet service needs of the underserved and underprivileged.
- (iii) General fund is used for the general operation and administration of the Foundation.

13 Reserves (continued)

| | <i>Self supporting programs</i> | |
|-----------------------------|---------------------------------|---------------|
| | 2023 | 2022 |
| Income | | |
| General donation | \$ 54,655,924 | \$ 56,258,816 |
| Green Education | 900,697 | 629,015 |
| Other income | 2,286,813 | 323,540 |
| Other net loss | 280,000 | (1,977) |
| | \$ 58,123,434 | \$ 57,209,394 |
| Expenditure | | |
| Program expenses | \$ 28,064,347 | \$ 20,359,883 |
| Donation campaign expenses | 415,463 | 470,417 |
| Administrative expenses | 4,142,209 | 4,132,277 |
| Finance cost | 343,429 | 376,032 |
| | \$ 32,965,448 | \$ 25,338,609 |
| Surplus for the year | \$ 25,157,986 | \$ 31,870,785 |

14 Members' liability

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

15 Capital management

The Foundation's primary objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern, support the Foundation's service stability and growth and to provide adequate funds for the purpose of achieving the Foundation's short to long-term objectives.

The Foundation defines "capital" as including the general fund, contingency reserve and development reserve maintained by the Foundation.

The Foundation's capital is regularly reviewed and managed. Adjustments are made to the capital structure in light of changes in the economic conditions affecting the Foundation, as well as the operation, funding structure and development plans of the Foundation to ensure effective use of funds and the sound financial status of the Foundation, to the extent that these do not conflict with the directors' fiduciary duties towards the Foundation or the requirements of the Hong Kong Companies Ordinance.

16 Financial risk management and fair values

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

(a) Credit risk

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

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

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

(b) Liquidity risk

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

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

| | 2023 | | | Total | Carrying amount at 31 March |
|------------------------|---|--|---|----------------------|-----------------------------------|
| | <i>Contractual undiscounted cash outflows</i> | | | | |
| | <i>Within 1 year or on demand</i> | <i>More than 1 year but within 2 years</i> | <i>More than 2 years but within 5 years</i> | | |
| Creditors and accruals | \$ 4,002,880 | \$ - | \$ - | \$ 4,002,880 | \$ 4,002,880 |
| Lease liabilities | 5,270,441 | 2,321,193 | - | 7,591,634 | 7,411,951 |
| | <u>\$ 9,273,321</u> | <u>\$ 2,321,193</u> | <u>\$ -</u> | <u>\$ 11,594,514</u> | <u>\$ 11,414,831</u> |

16 Financial risk management and fair values (continued)

| | 2022 | | | | Carrying amount at 31 March |
|------------------------|--|-------------------------------------|--------------------------------------|----------------------|-----------------------------|
| | Contractual undiscounted cash outflows | | | | |
| | Within 1 year or on demand | More than 1 year but within 2 years | More than 2 years but within 5 years | Total | |
| Creditors and accruals | \$ 3,505,058 | \$ - | \$ - | \$ 3,505,058 | \$ 3,505,058 |
| Lease liabilities | 5,625,246 | 4,948,313 | 2,168,473 | 12,742,032 | 12,246,584 |
| | <u>\$ 9,130,304</u> | <u>\$ 4,948,313</u> | <u>\$ 2,168,473</u> | <u>\$ 16,247,090</u> | <u>\$ 15,751,642</u> |

(c) Fair value measurement

All financial instruments of the Foundation are carried at amounts not materially different from their fair values as at 31 March 2023 and 2022.

17 Material related party transactions

(a) Transactions with key management personnel

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

(b) Transactions with other related parties

- (i) The Foundation received donations of \$1,712,000 (2022: \$327,700) from certain directors of the Foundation and their related companies.
- (ii) Free-of-charge rental was granted to the Foundation by a company related to a family member of a director for an operation unit during the years ended 31 March 2023 and 2022.
- (iii) The Foundation paid rent of \$1,710,000 (2022: \$1,680,000) in respect of certain leasehold properties with a company related to a family member of the same director (note (ii)) for three operation units and an office.

| | Amount owed by the Foundation to a company related to a family member of a director | | Related interest expense | |
|--|---|---------------------|--------------------------|-------------------|
| | As at 31 March 2023 | 2022 | Year ended 31 March 2023 | 2022 |
| | Lease liabilities due to a related party | <u>\$ 3,071,814</u> | <u>\$ 4,666,274</u> | <u>\$ 115,540</u> |

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these financial statements.

The Foundation is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.