



Bo Charity Foundation Limited

(Limited by Guarantee)

小寶慈善基金有限公司

Financial Statements
Year ended 31 March 2019

Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2019.

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 founded in 2009 as a registered charitable organization, Bo Charity Foundation Limited is dedicated to conserving the environment and caring for the underprivileged communities in Hong Kong.

The Foundation strives to accomplish its missions to reduce food waste, alleviate hunger and poverty, and educate the next generation through our food rescue and food assistance programmes, central kitchen and food processing centre initiatives, food collection effort of our delivery fleet, community outreach services, education programmes and volunteer teams.

Our Work in the year ended 31 March 2019

1. Food Rescue & Food Assistance

The mission of the Foundation is "Waste Not, Hunger Not, With Love." We target to rescue edible surplus food from different sectors of the food industry, that would otherwise be disposed of as waste. Following strict safety protocols, we prepare nutritious meals in our central kitchens and food preparation centre with the rescued food, and serve them to underprivileged communities. In addition to our earlier two central kitchens, our food assistance scope has further expanded to the preparation of cook chilled meals following the establishment and launch of our new central food preparation centre in Kwun Tong during the year.

In the current financial year, we have rescued 1,545,805 kg of edible surplus food from the food industry in Hong Kong. Making use of the surplus food, we have prepared total of 2,283,855 hot and cook chilled meal boxes and soups, as well as 486,842 non-perishable food packs. These meal boxes, soups and food packs have been provided to our beneficiaries through our 201 charity partners.

Business Review (continued)

2. Community Service

We operate a community centre at which we provide free dine-in meals to the vulnerable and frail elderly as well as low income families in Sham Shui Po district. In addition, our outreach teams deliver hot nutritious meal boxes and non-perishable food packs to singletons and deprived elderly. During the year, we have also begun serving free dine-in meals to elderly in need via two community canteens in collaboration with school charity partners.

3. Education

We run a variety of educational activities throughout the school year to build our young generation's consciousness of cherishing food and preserving natural resources. School children are encouraged to learn about issues of food waste, hunger, poverty and elderly care in our society. In the current financial year, our Green Angel has visited 83 local and international schools and inspired more than 26,411 kindergarten and primary students.

The Foodstep Journey Experience Centre was established in 2017. It is the first Experience Centre in Hong Kong that advocates the virtue of cherishing food and caring for the community. During the journey, participants are introduced to interesting facts about 'Food Smart', as well as issues of food wastage and elderly poverty in Hong Kong.

Financial Performance for the year ended 31 March 2019

Total income amounted to HK\$58,605,142, representing an increase of 5% or HK\$2,697,115 from the last financial year. This was primarily driven by increase in designated donation which rose by 22% or HK\$5,192,467 and helped offset a decrease in general donation of 11% or HK\$3,477,814, compared with the last financial year.

Total programme expense was HK\$42,856,918, which was 35% or HK\$11,115,027 higher than the last financial year. This was mainly driven by the continued growth as well as new initiatives in our food rescue and food assistance efforts (including the establishment of our new central food preparation centre during the year), which represented around 80% of the year-on-year increment collectively.

Administration expense was HK\$2,825,451, a rise of 22% or HK\$500,098 from the last financial year.

Depreciation of property, plant and equipment was HK\$3,589,923, representing an increase of 13% or HK\$424,917 from the last financial year.

Responsibility and Accountability

The Foundation's Board of Directors ("the Board"), comprising chiefs in the finance, legal, public affairs and social service 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 Directors.

Our board members 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.

Potential Risks

In the changing and sometimes challenging financial climate, a steady inflow of donation is critical in the provision of uninterrupted service to our existing beneficiaries.

Currently, with the continued support of funders, foundations and the HK community, we have been able to maintain a stable income to sustain our long-term commitment.

Upcoming Key Development

To help tackle the mounting volume of edible surplus food and to meet the growing demand from the community on free meal service, we will continue to look for opportunities to streamline and expand our capability to meet such needs. With the official launch of our new Kwun Tong central food processing centre in April 2019, our food processing capacity for extra food items will progressively increase and reach an expanding number of beneficiaries in Hong Kong. Furthermore, outreach service targeted at delivering meals and sharing our care to deprived elderly living in the remote areas of Hong Kong through a designated outreach team has started in mid-2019, as one of our efforts to continually enhance our reach to serve those in need in the Hong Kong community.

Directors

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

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

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,

12 DEC 2019

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 26, which comprise the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, the statement of changes in fund 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 2019 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 ("HKSAAs") 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

12 DEC 2019

Statement of profit or loss and other comprehensive income for the year ended 31 March 2019

(Expressed in Hong Kong dollars)

	Note	2019	2018
Income			
General donation	2	\$ 28,275,784	\$ 31,753,598
Designated donation		28,713,286	23,520,819
Green education		1,311,833	450,132
Other income		304,239	183,478
		<u>\$ 58,605,142</u>	<u>\$ 55,908,027</u>
Other net gain	3	<u>\$ 110,433</u>	<u>\$ -</u>
Expenditure			
Program expenses	4(a)	\$ 42,856,918	\$ 31,741,891
Donation campaign expenses		567,499	1,378,949
Administrative expenses		2,825,451	2,325,353
		<u>\$ 46,249,868</u>	<u>\$ 35,446,193</u>
Surplus and total comprehensive income for the year	4	<u>\$ 12,465,707</u>	<u>\$ 20,461,834</u>



The notes on pages 12 to 26 form part of these financial statements.

Statement of financial position at 31 March 2019

(Expressed in Hong Kong dollars)

	Note	2019	2018
Non-current asset			
Property, plant and equipment	7	\$ 12,217,805	\$ 6,528,624
Current assets			
Other receivables, prepayments and deposits	8	\$ 22,032,309	\$ 17,843,631
Deposits maturing beyond three months when placed	9	40,105,857	-
Cash and cash equivalents	9	22,287,448	48,479,898
		<u>\$ 84,425,614</u>	<u>\$ 66,323,529</u>
Current liabilities			
Creditors and accruals	10	\$ 3,436,459	\$ 732,325
Unearned income	11	19,661,041	11,039,616
		<u>\$ 23,097,500</u>	<u>\$ 11,771,941</u>
Net current assets		<u>\$ 61,328,114</u>	<u>\$ 54,551,588</u>
NET ASSETS		<u>\$ 73,545,919</u>	<u>\$ 61,080,212</u>
Fund			
General fund	12	<u>\$ 73,545,919</u>	<u>\$ 61,080,212</u>

Approved and authorised for issue by the board of directors on **12 DEC 2019**

 ALICE OI LAI TUNG KENNY OI KAN YIU

) Directors

The notes on pages 12 to 26 form part of these financial statements.

**Statement of changes in fund
for the year ended 31 March 2019**
(Expressed in Hong Kong dollars)

	<i>General fund</i>
Balance at 31 March 2017	\$ 40,618,378
Surplus and total comprehensive income for the year	<u>20,461,834</u>
Balance at 31 March 2018 and 1 April 2018	\$ 61,080,212
Surplus and total comprehensive income for the year	<u>12,465,707</u>
Balance at 31 March 2019	<u>\$ 73,545,919</u>

The notes on pages 12 to 26 form part of these financial statements.

Cash flow statement for the year ended 31 March 2019

(Expressed in Hong Kong dollars)

	Note	2019	2018
Operating activities			
Cash generated from operations	9(b)	\$ 20,474,729	\$ 17,480,393
Net cash generated from operating activities		<u>\$ 20,474,729</u>	<u>\$ 17,480,393</u>
Investing activities			
Bank interest received		\$ 274,349	\$ 65,744
Proceeds from disposal of property, plant and equipment		200,000	-
Increase in deposits with banks with maturity more than three months when placed		(40,105,857)	-
Payment for the purchase of property, plant and equipment		<u>(7,035,671)</u>	<u>(2,178,087)</u>
Net cash used in investing activities		<u>\$ (46,667,179)</u>	<u>\$ (2,112,343)</u>
Net increase in cash and cash equivalents		\$ (26,192,450)	\$ 15,368,050
Cash and cash equivalents at the beginning of the year		<u>48,479,898</u>	<u>33,111,848</u>
Cash and cash equivalents at the end of the year	9(a)	<u>\$ 22,287,448</u>	<u>\$ 48,479,898</u>

The notes on pages 12 to 26 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 new and revised 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.

1 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Foundation. Of these, the following developments are relevant to the Foundation's financial statements:

- (i) HKFRS 9, *Financial instruments*
- (ii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Foundation has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

There is no significant impact on how the Foundation's results and financial position for the current or prior period have been prepared or presented upon initial application at 1 April 2018.

(ii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Foundation.

There is no significant impact on how the Foundation's results and financial position for the current or prior period have been prepared or presented upon initial application at 1 April 2018.

1 Significant accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment 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:

- Leasehold improvement	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.

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) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Foundation are classified as operating leases.

Where the Foundation has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

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:

(A) Policy applicable from 1 April 2018

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.

(B) Policy applicable prior to 1 April 2018

Impairment losses were recognised when there was objective evidence of impairment and were measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting was material. Objective evidence of impairment included observable data that came to the attention of the Foundation about events that had an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

When the recovery of a trade debtor or other receivable was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Foundation was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

1 Significant accounting policies (continued)

(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 cost.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions 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.

(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.

1 Significant accounting policies (continued)

(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 fulfillment 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.

(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.

1 Significant accounting policies (continued)

- (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.

2 General donation

	2019	2018
General donation from:		
- Public	\$ 19,526,707	\$ 20,214,240
- Donation campaign	4,842,743	7,101,102
- Programs	3,906,334	4,438,256
	<u>\$ 28,275,784</u>	<u>\$ 31,753,598</u>

3 Other net gain

	2019	2018
Gain on disposal of property, plant and equipment	\$ 110,433	\$ -
	<u>\$ 110,433</u>	<u>\$ -</u>

4 Surplus and total comprehensive income for the year

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

	2019	2018
(a) Program expenses#		
Food Angel Food Rescue & Assistance Program	\$ 32,769,811	\$ 23,888,180
Food Angel Community Service	5,912,873	4,246,665
Corporate Angel CSR Program	772,020	492,660
Green Angel Education Program and Experience Centre	2,819,264	2,538,264
Other programs	582,950	576,122
	<u>\$ 42,856,918</u>	<u>\$ 31,741,891</u>

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

	2019	2018
(b) Staff costs		
Contributions to defined contribution retirement plan	\$ 1,039,831	\$ 829,786
Salaries, wages and other benefits	22,478,632	17,722,718
	\$ 23,518,463	\$ 18,552,504
(c) Other items		
Auditor's remuneration	\$ -	\$ -
Depreciation	3,589,923	3,165,006
Logistics expenses	6,366,838	5,103,697
Operating lease charges in respect of		
- property rentals	3,594,260	2,124,696
- warehouse rentals	147,000	72,000
Interest income	(274,349)	(65,744)
	\$ -	\$ -

Program expenses include \$34,732,020 (2018: \$26,490,535) 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(b) and 4(c) 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:

	2019	2018
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

	<i>Leasehold improvement</i>	<i>Fixtures and kitchen equipment</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost:					
At 1 April 2017	\$ 9,016,122	\$ 4,736,067	\$ 58,582	\$ 700,702	\$ 14,511,473
Additions	1,952,317	83,250	93,320	49,200	2,178,087
At 31 March 2018	<u>\$ 10,968,439</u>	<u>\$ 4,819,317</u>	<u>\$ 151,902</u>	<u>\$ 749,902</u>	<u>\$ 16,689,560</u>
At 1 April 2018	\$ 10,968,439	\$ 4,819,317	\$ 151,902	\$ 749,902	\$ 16,689,560
Additions	5,079,995	3,693,372	29,900	565,404	9,368,671
Disposals	-	(325,700)	-	-	(325,700)
At 31 March 2019	<u>\$ 16,048,434</u>	<u>\$ 8,186,989</u>	<u>\$ 181,802</u>	<u>\$ 1,315,306</u>	<u>\$ 25,732,531</u>
Accumulated depreciation:					
At 1 April 2017	\$ 3,156,577	\$ 3,279,710	\$ 25,343	\$ 534,300	\$ 6,995,930
Charge for the year	2,128,499	869,258	22,999	144,250	3,165,006
At 31 March 2018	<u>\$ 5,285,076</u>	<u>\$ 4,148,968</u>	<u>\$ 48,342</u>	<u>\$ 678,550</u>	<u>\$ 10,160,936</u>
At 1 April 2018	\$ 5,285,076	\$ 4,148,968	\$ 48,342	\$ 678,550	\$ 10,160,936
Charge for the year	2,599,254	788,548	48,848	153,273	3,589,923
Written back on disposals	-	(236,133)	-	-	(236,133)
At 31 March 2019	<u>\$ 7,884,330</u>	<u>\$ 4,701,383</u>	<u>\$ 97,190</u>	<u>\$ 831,823</u>	<u>\$ 13,514,726</u>
Net book value:					
At 31 March 2019	<u>\$ 8,164,104</u>	<u>\$ 3,485,606</u>	<u>\$ 84,612</u>	<u>\$ 483,483</u>	<u>\$ 12,217,805</u>
At 31 March 2018	<u>\$ 5,683,363</u>	<u>\$ 670,349</u>	<u>\$ 103,560</u>	<u>\$ 71,352</u>	<u>\$ 6,528,624</u>

8 Other receivables, prepayments and deposits

All of the other receivables, prepayment and deposits, except for deposits of \$1,679,295 (2018: \$1,057,465), 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:

	2019	2018
Deposits with banks and other financial institutions maturing beyond three months when placed	\$ 40,105,857	\$ -
Cash at banks and on hand	\$ 10,287,448	\$ 48,479,898
Deposits with banks and other financial institutions maturity within three months when placed	12,000,000	-
Cash and cash equivalents in the statement of financial position and the cash flow statement	\$ 22,287,448	\$ 48,479,898

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

	Note	2019	2018
Surplus for the year		\$ 12,465,707	\$ 20,461,834
Adjustments for:			
Depreciation	4(c)	3,589,923	3,165,006
Gain on disposal of property, plant and equipment	3	(110,433)	-
Bank interest income	4(c)	(274,349)	(65,744)
Changes in working capital:			
Increase in other receivables, prepayments and deposits		(4,188,678)	(8,328,321)
Increase/(decrease) in creditors and accruals		371,134	(270,326)
Increase in unearned income		8,621,425	2,517,944
Cash generated from operations		\$ 20,474,729	\$ 17,480,393

10 Creditors and accruals

All of the creditors and accruals, except for reinstatement cost of \$2,749,000 (2018: \$416,000), are expected to be settled within one year or are repayable on demand.

11 Unearned income

	Lee Hsian Food Recycling Alliance Hong Kong Project	Hong Kong Jockey Club - Food Angel Food Assistance Program (Kowloon & New Territories)	The Community Hong Kong Food Relief and Assistance Program	Hong Kong Airport Food Rescue & Assistance Program	Environmental Committee - Love Food Hate Waste Program	Social Welfare Department - S.P.A.R.E. Program	Wei Win Association - Sponsorship (Hong Kong Relief)	Hong Kong Experience Centre Program	BKFC Foundation - Food Rescue Program (Food Station)	Bank of China Foundation - Food Rescue Program (Meal for Underserved)	Standard Chartered Hong Kong Anniversary Charity Foundation - Meal for Underserved Program	LINK Asset Management (Charity and Engagement Programs - Food Rescue Program)	HONG KONG BANK FOUNDATION - Ringier Food Assistance & Care Program	Environmental Campaign - Food Rescue and Education Program	Environmental Committee - Food Angel Food Action Program	Total
Balance at 1 April 2017	\$ 37,185	\$ 314	\$ 314	\$ -	\$ -	\$ 27,198	\$ 374,235	\$ -	\$ 221,987	\$ 896,532	\$ 86,054	\$ 294,653	\$ -	\$ -	\$ -	\$ 6,521,672
Donation received or receivable during the year	1,297,199	9,592,552	3,000,500	1,019,873	2,325,356	228,782	-	2,733,922	1,551,188	1,854,120	1,382,825	820,335	-	-	-	26,038,763
Recognised as designated unearned income during the year	(1,205,724)	(9,592,552)	(2,988,160)	(1,019,873)	(2,325,356)	(253,960)	(325,805)	(836,052)	(1,454,596)	(1,088,123)	(1,345,427)	(174,503)	(4,967,226)	(509,556)	(657,185)	(23,520,919)
Balance at 31 March 2018	\$ 28,660	\$ -	\$ 34,854	\$ -	\$ -	\$ -	\$ 48,429	\$ 2,096,860	\$ 318,579	\$ 1,662,529	\$ 100,452	\$ 90,150	\$ 12,427,000	\$ 506,556	\$ 891,576	\$ 11,039,816
Donation received or receivable (reversed) during the year	744,000	8,539,430	3,090,600	352,982	(8,489)	-	-	-	1,551,186	2,412,000	2,834,470	297,800	(4,967,226)	(509,556)	(657,185)	\$ 11,039,816
Recognised as designated unearned income during the year	(772,890)	(8,539,430)	(3,090,600)	(352,982)	8,489	(48,429)	(48,429)	(707,175)	(1,547,819)	(2,594,095)	(2,801,997)	(172,854)	(4,967,226)	(509,556)	(657,185)	(28,713,289)
Balance at 31 March 2019	\$ -	\$ -	\$ 34,854	\$ -	\$ -	\$ -	\$ -	\$ 1,389,685	\$ 321,926	\$ 1,480,434	\$ 135,935	\$ 214,886	\$ 7,859,774	\$ -	\$ 324,060	\$ 19,691,041

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 Fund

(a) Components of the Foundation's fund

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

(b) Nature and purpose of fund

General fund is used for the general operation and administration of the Foundation.

	<i>Self supporting programs</i>	
	2019	2018
Income		
General donation	\$ 28,275,784	\$ 31,753,598
Green Education	1,311,833	450,132
Other income	304,239	183,478
Other net gain	110,433	-
	\$ 30,002,289	\$ 32,387,208
Expenditure		
Program expenses	\$ 14,143,632	\$ 8,221,072
Donation campaign expenses	567,499	1,378,949
Administrative expenses	2,825,451	2,325,353
	\$ 17,536,582	\$ 11,925,374
Surplus for the year	\$ 12,465,707	\$ 20,461,834

13 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.

14 Capital management

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

The Foundation defines "capital" as including the general fund maintained by the Foundation.

The Foundation's capital structure is regularly reviewed and managed. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Foundation, to the extent that these do not conflict with the directors' fiduciary duties towards the Foundation or the requirements of the Hong Kong Companies Ordinance.

15 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.

All financial liabilities are due within one year or repayable on demand and their carrying amounts approximate their contractual undiscounted cash flows at the end of the reporting period.

(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 2019 and 2018.

16 Operating lease commitments

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019	2018
Within one year	\$ 3,615,288	\$ 2,168,400
After one year but within five years	3,278,608	3,199,800
	<u>\$ 6,893,896</u>	<u>\$ 5,368,200</u>

The Foundation is the lessee in respect of a number of properties and warehouse held under operating leases. The leases typically run for an initial period of two to four years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

17 Material related party transaction

(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 \$607,600 (2018: \$576,000) from certain directors of the Foundation and their related companies.
- (ii) Rental fees of \$1,470,000 (2018: \$1,440,000) were paid by the Foundation to a company related to a family member of a director for three operation units and an office.
- (iii) 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 2019 and 2018.

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Foundation.

	<i>Effective for accounting periods beginning on or after</i>
HKFRS 16, <i>Leases</i>	1 January 2019
Annual improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Foundation is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Foundation has identified some aspects of HKFRS 16 which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Foundation, and further impacts may be identified before the standard is initially applied in the Foundation's financial statements for the year ending 31 March 2020. The Foundation may also change its accounting policy elections, including the transition options, until the standard is initially applied in the financial statements.

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019 (continued)

HKFRS 16, Leases

As disclosed in note 1(e), currently the Foundation classifies leases into operating leases.

HKFRS 16 is not expected to impact significantly on the way that the Foundation accounts for its rights and obligations under a lease when it is the lessor under the lease. However, once HKFRS 16 is adopted, the Foundation will no longer distinguish between finance leases and operating leases when it is the lessee under the lease. Instead, subject to practical expedients, the Foundation will be required to account for all leases of more than 12 months in a similar way to current finance lease accounting.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Foundation plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 16, at 31 March 2019, the Foundation's future minimum lease payments under non-cancellable operating leases amounted to \$6,893,896, which is payable within 5 years after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted, as at 1 April 2019.