



Children's Cancer Foundation

兒童癌病基金

31 October 2023

# Report of the governors

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

## Principal place of business

Children's Cancer Foundation (the "Foundation") is a charitable institution incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Room 702, Tung Ning Building, 125 Connaught Road Central, Hong Kong.

## Principal activities

The Foundation is a charitable institution limited by guarantee. Tax is exempted under Section 88 of the Inland Revenue Ordinance. The principal activities of the Foundation during the financial year were to look after the physical, psychological and social well-being of the young patients suffering from childhood cancer and other serious illnesses and their families. The Foundation also helped doctors to improve the survival rate of children with cancer the sponsorship of drugs, clinical/diagnostic tests, research and the purchase of equipment for the Hong Kong Children's Hospital.

## Business review

### *Review of the Foundation's business*

#### *Nature of business*

The Foundation owns its principal place of business in Sheung Wan, a unit donated to the Foundation by a long-term benefactor in 1995 to be used as the Foundation's administration headquarter. Its two service centres, one in Wong Tai Sin and the other one in So Uk Estate provide comprehensive clinical and professional psychosocial services for young patients and their families, which include child life (accreditation by Association of Child Life Professionals in the USA), family counselling, integrated education and learning enhancement, survivor potential development, palliative care as well as financial and social support. It has also rented three flats from the Hong Kong Housing Authority to use as half-way homes for patients undergoing bone-marrow/blood stem cell transplantation, intensive chemotherapy or surgery when their home is considered not suitable for convalescing.

#### *External environment impacting the business*

The Hong Kong economy staged a moderate recovery in 2023. The restoration of normalcy and the lifting of all anti-epidemic measures created favourable conditions for fundraisers to organise events to raise fund for the Foundation. Positive effects on donations were also observed in the increased societal awareness of health and medical issues. Nevertheless, due to the detrimental effects of the conservatism on the worldwide economy, corporate sponsorships and donations were affected. In addition, the shortage of manpower supply in the social service sector intensified, led to a growing rate of experienced practitioner turnover and created difficulties for hiring replacement.

## **Business review (continued)**

### *Performance and financial position of the Foundation*

During the year under review, the surplus of the Foundation for the year was HK\$6,749,618 (2022: HK\$5,111,028) and the net assets of the Foundation were HK\$97,392,415 as at 31 October 2023 (2022: HK\$90,642,797). The surplus of the year was due to securing a 3-year project sponsorship and some big donations received during the year.

The Foundation's financial key performance indicators during the year were income and the number of patients/families served and research/diagnostic test projects sponsored:

1. Total income for the year increased by 14% from HK\$43,702,969 to HK\$49,972,389;
2. Number of beneficiaries/attendances receiving interventions/services stayed flat at 55,121 (2021: 56,290);
3. Number of approved financial assistants increased by 10% from 120 to 132, with corresponding grant awarded increase by 31% from HK\$2,830,317 to HK\$3,698,569; and
4. New or on-going research/diagnostic test projects remained at 11 (2022:11), of which the corresponding grants increased 47% from HK\$16,949,712 to HK\$24,886,872.

### *Environmental policies and performance and compliance with the relevant laws and regulations*

There were no environmental policies, environmental issues and non-compliance with laws and regulations that have a significant impact on the Foundation.

### *Key relationships with its employees, clients, donors and supporters*

The Foundation has built good relationships with its employees, clients, donors and supporters.

### ***Principal risks and uncertainties facing the Foundation***

The principal risks and uncertainties that the Foundation faces can be broadly grouped as – business risk, competition risk and financial risks.

#### *Business risk*

The performance and operations of the Foundation largely depend on the donations and sponsorships received during the year. The uncertainty in the external environment affecting Hong Kong's economy and the shifting priorities of stakeholder institutions may pose a risk to the Foundation in getting donations from the public. The Foundation has been adapting strategy to maximise outreach to new donors while maintaining relevance to existing donors.

The Foundation would continue to equip with new technologies and abilities in order to adapt to the social change. While our current services at the public hospitals have been gradually restored, we further extend our service to the hospital's ambulatory care center and specialist outpatient department, offering patient care and parenting support. We also enhanced the survival support program by creating a sunshine pathway to help survivors become Sunshine Kids on their journey to recovery and reintegration to the community.

## Business review (continued)

### *Competition risk*

With the establishment of the Hong Kong Children's Hospital and the increased number of charities both for children and different illnesses, the public and other potential donor pools may be pleaded with competing appeals for donations. The Foundation not only faces the situation of the already limited donations being shared by other charities, but also requires extra effort to get our messages across to the public effectively in order to raise awareness of our cause and solicit the much needed support.

### *Financial risks*

- *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Details on the Foundation's credit risk and policy are set out in note 19(a) to the financial statements.

- *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Details on the Foundation's liquidity risk and policy are set out in note 19(b) to the financial statements.

- *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will cause a financial loss for the entity. Details on the Foundation's interest rate risk and policy are set out in note 19(c) to the financial statements.

- *Foreign currency risk*

Foreign currency risk is the risk that changes in foreign exchange rates will cause a financial loss for the entity. Details on the Foundation's foreign currency risk and policy are set out in the note 19(d) to the financial statements.

## **Business review (continued)**

### ***Particulars of important events affecting the Foundation that have occurred since the end of the financial year***

From necessities support and sponsorships, to mental support and emergency coordination with hospitals, the Foundation stood by its mission to provide timely and practical support in taking care of any physical and psychological needs and ease any challenging situations for the young patients and their families.

After the three-year Jockey Club Child Life Care Project was concluded this year, the Foundation has secured funding support from the Jockey Club Charities Trust and a private trust fund, to start two three-year projects on palliative care services. While one project aims to build a six-dimensional care and support model for the needs of patients and their families admitted to/discharged from intensive care units, another includes child life service to support community palliative care services for children suffering from end-stage renal failure, life-threatening and life-limiting metabolic disease and life-threatening and life-limiting neurodegenerative disease.

At the same time, the Foundation would continue to look for sponsorship to support our Child Life service so that we can remain committed in local engagement in promoting child life services and continue to advocate it as an integral part of all paediatric medical care services.

### **Indication of likely future development in the Foundation's business**

To help doctors improve the survival rate of children suffering from cancer, the Foundation has provided self-financed drugs sponsorship to paediatric oncology patients for more than thirty years. In order to provide a secure and sustainable source of income to support the grant of sponsorship to patients with financial difficulties, we intended to set up an endowment fund. We hope that the annual investment income generated not only catches up with inflations, but also allow us to help more patients in need. In the long run, the extension of drug sponsorship coverage enables relevant paediatric doctors to collect data on the efficacy of the self-financed drugs and treatment, providing support for doctors to advocate drugs commonly needed to be listed in the Hospital Authority's Drug Formulary.

Through public education, promotion and awareness campaigns, the Foundation visions to gather more people jointly to ignite hope for sick children, so that they can live a bright and vivid life with the best of themselves.

### **Governors**

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

Cheung Tsu-wang, Benson	
Ho Kwok-chung, Anthony	
Hui Yick-chi	(resigned and reappointed on July 28, 2023)
Lam Chee-yau, Timothy	
Lam Yuk-wah, Peter	
Leung Wai-pui	
Yu Hon-choi, Edward	(resigned and reappointed on July 28, 2023)

## **Business review (continued)**

The three-year term of office for governors under article 29 of the new articles of association of the Foundation applies to governors elected or re-elected from the date of adoption of the new articles of association on 14 October 2013. In accordance with article 29, Cheung Tsu-wang, Benson, Ho Kwok-chung, Anthony and Lam Yuk-wah, Peter will retire from the Board at the upcoming annual general meeting. Among them, Cheung Tsu-wang, Benson and Lam Yuk-wah, Peter being eligible offer themselves for election for the ensuing year.

At no time during the year was the Foundation a party to any arrangement to enable the governors of the Foundation to acquire benefits by means of the acquisition of shares in or debentures of anybody corporate.

## **Indemnity of governors**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the governors of the Foundation is currently in force throughout this year.

## **Governors' interests in transactions, arrangements or contracts**

No contract of significance to which the Foundation was a party, and in which a governor of the Foundation had a material interest, subsisted at the end of the year or at any time during the year.

## **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



Ho Kwok-chung, Anthony

Governor

Hong Kong, 10 JUL 2024

# Independent auditor's report to the members of Children's Cancer Foundation

(Incorporated in Hong Kong and limited by guarantee)

## Opinion

We have audited the financial statements of Children's Cancer Foundation ("the Foundation") set out on pages 9 to 34, which comprise the statement of financial position as at 31 October 2023, the statement of income and expenditure 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 October 2023 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for opinion

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

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

The governors are responsible for the other information. The other information comprises all 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 Children's Cancer Foundation (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

## **Responsibilities of the governors for the financial statements**

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

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

## **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.
- 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.

# Independent auditor's report to the members of Children's Cancer Foundation (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governors.
- Conclude on the appropriateness of the governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the governors 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

**10 JUL 2024**

**Statement of financial position at 31 October 2023**  
(Expressed in Hong Kong dollars)

	Note	2023	2022
<b>Non-current assets</b>			
Property, plant and equipment	2	\$ 1,843,818	\$ 3,325,947
<b>Current assets</b>			
Sponsorship receivable	3	\$ 3,300,000	\$ 4,218,775
Bank interest receivable	3	818,248	653,905
Other debtors, deposits and prepayments	3	506,618	961,501
Cash and deposits with banks	4	100,612,330	86,922,203
		\$105,237,196	\$ 92,756,384
<b>Current liabilities</b>			
Other payables and accruals		\$ 5,099,169	\$ 1,838,540
Deferred income	5	3,755,300	2,380,000
Lease liabilities	7	574,384	512,337
		\$ 9,428,853	\$ 4,730,877
<b>Net current assets</b>		<b>\$ 95,808,343</b>	<b>\$ 88,025,507</b>
<b>Total assets less current liabilities</b>		<b>\$ 97,652,161</b>	<b>\$ 91,351,454</b>
<b>Non-current liabilities</b>			
Lease liabilities	7	\$ 259,746	\$ 708,657
<b>NET ASSETS</b>		<b>\$ 97,392,415</b>	<b>\$ 90,642,797</b>

**Statement of financial position at 31 October 2023**  
(Expressed in Hong Kong dollars)

	<i>Note</i>	2023	2022
<b>RESERVES</b>	8		
Accumulated fund		\$ 3,866,230	\$ 3,128,665
Specific funds		<u>93,526,185</u>	<u>87,514,132</u>
		<u>\$ 97,392,415</u>	<u>\$ 90,642,797</u>

Approved and authorised for issue by the board of governors on **10 JUL 2024**



Ho Kwok-chung, Anthony  
Governor



Yu Hon-choi, Edward  
Governor

The notes on pages 15 to 34 form part of these financial statements.

**Statement of income and expenditure and  
other comprehensive income  
for the year ended 31 October 2023**  
(Expressed in Hong Kong dollars)

	Note	2023	2022
<b>Income - donations</b>	9	\$ 46,891,961	\$ 41,627,431
<b>Other revenue</b>	10	3,080,428	2,075,538
		\$ 49,972,389	\$ 43,702,969
<b>Expenditure for providing services to child cancer patients and their families and support to hospitals and doctors</b>	11	(38,871,119)	(34,522,276)
<b>Administrative expenses</b>	12	(2,112,255)	(2,017,324)
<b>Other operating expenses</b>	13	(2,199,807)	(2,018,032)
<b>Finance costs</b>	14(a)	(39,590)	(34,309)
<b>Surplus and total comprehensive income for the year</b>	14	\$ 6,749,618	\$ 5,111,028

The notes on pages 15 to 34 form part of these financial statements.

**Statement of changes in reserves  
for the year ended 31 October 2023  
(Expressed in Hong Kong dollars)**

	Patient service development fund			Hospital service development fund			Specific funds (note 8(b))			
	Accumulated fund			Research grants reserve			Sub-total			Total
<b>Balance at 1 November 2021</b>	\$ 2,642,898	\$ 54,910,311	\$ 25,302,590	\$ 672,927	\$ 2,003,043	\$ 82,888,871	\$ 85,531,769			
<b>Changes in reserves for 2021/22:</b>										
Surplus and total comprehensive income for the year	5,111,028		285,515				409,760		4,625,261	5,111,028
Inter-fund transfer	(4,625,261)	3,929,986								
<b>Balance at 31 October 2022 and 1 November 2022</b>	\$ 3,128,665	\$ 58,840,297	\$ 25,588,105	\$ 672,927	\$ 2,412,803	\$ 87,514,132	\$ 90,642,797			
<b>Changes in reserves for 2022/23:</b>										
Surplus and total comprehensive income for the year	6,749,618		333,519				353,907		6,012,053	6,749,618
Inter-fund transfer	(6,012,053)	5,324,627								
<b>Balance at 31 October 2023</b>	\$ 3,866,230	\$ 64,164,924	\$ 25,921,624	\$ 672,927	\$ 2,766,710	\$ 93,526,185	\$ 97,392,415			

The notes on pages 15 to 34 form part of these financial statements.

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

	<i>Note</i>	2023	2022
<b>Operating activities</b>			
Surplus for the year		\$ 6,749,618	\$ 5,111,028
Adjustments for:			
Depreciation	2	1,809,526	1,793,744
Loss on disposals of property, plant and equipment	14(b)	2,798	2,244
Interest income on bank deposits	10	(3,054,504)	(874,552)
Net exchange loss/(gain)	14(b)	11,790	(85,306)
Finance costs	14(a)	39,590	34,309
<b>Operating surplus before changes in working capital</b>		\$ 5,558,818	\$ 5,981,467
Changes in working capital			
Decrease/(increase) in sponsorship receivable		918,775	(1,902,948)
Decrease in other debtors, deposits and prepayments		454,883	119,127
Increase/(decrease) in other payables and accruals		3,260,629	(1,080,687)
Increase/(decrease) in deferred income		1,375,300	(124,199)
<b>Net cash generated from operating activities</b>		\$ 11,568,405	\$ 2,992,760
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		\$ (172,990)	\$ (250,893)
Interest received		2,890,161	266,109
Net decrease/(increase) in placement of deposits with bank with original maturity more than three months at acquisition		45,145,154	(32,459,497)
<b>Net cash generated from/(used in) investing activities</b>		\$ 47,862,325	\$ (32,444,281)

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

	Note	2023	2022
<b>Financing activities</b>			
Capital element of lease rentals paid	6	\$ (544,069)	\$ (540,993)
Interest element of lease rentals paid	6	<u>(39,590)</u>	<u>(34,309)</u>
<b>Net cash used in financing activities</b>		<u><u>\$ (583,659)</u></u>	<u><u>\$ (575,302)</u></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><u>\$ 58,847,071</u></u>	<u><u>\$ (30,026,823)</u></u>
<b>Effect of foreign exchange rate changes</b>		(11,790)	85,306
<b>Cash and cash equivalents at 1 November</b>		<u><u>22,556,798</u></u>	<u><u>52,498,315</u></u>
<b>Cash and cash equivalents at 31 October</b>	4	<u><u>\$ 81,392,079</u></u>	<u><u>\$ 22,556,798</u></u>

The notes on pages 15 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 a number of new and revised HKFRSs and 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.

## 1 Significant accounting policies (continued)

### (c) *Changes in accounting policies*

The Foundation has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract*

None of the developments have had a material effect on how the Foundation's results and financial position for current and prior periods have been prepared or presented.

### **New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism**

In July 2023, the HKICPA published "Accounting implications of the abolition of the mandatory provident fund ("MPF")-long service payment ("LSP") offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

To better reflect the substance of the abolition of the offsetting mechanism, the Foundation has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance. This change in accounting policy did not have a material impact on the Foundation's financial statements.

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 are stated at cost less accumulated depreciation and impairment losses (see note 1(g)):

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

- Properties leased for own use	Over the unexpired term of lease
- Leasehold improvements	5 years
- Furniture, fixtures and equipment and motor vehicles	5 years

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

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 income and expenditure 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. 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. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to income and expenditure in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(d) and 1(f)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(h) and 1(m)(ii)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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 income and expenditure if the carrying amount of the right-of-use asset has been reduced to zero.

The Foundation presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

### (f) *Impairment of assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased for property, plant and equipment, including right-of-use assets;

## 1 Significant accounting policies (continued)

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- Recognition of impairment losses

An impairment loss is recognised in income and expenditure if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income and expenditure in the year in which the reversals are recognised.

### (g) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 1 Significant accounting policies (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (h) ***Trade and other 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 that do not contain a significant financing component are initially measured at their transaction price. Receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an 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 management fee 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 income and expenditure. The Foundation recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of management fee 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.

### (i) ***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. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(h).

### (j) ***Trade and other payables***

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

## 1 Significant accounting policies (continued)

### (k) *Employee benefits*

#### (i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid, if the Foundation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

#### (ii) Defined benefit plan obligations

LSP under the Hong Kong Employment Ordinance

The Foundation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Foundation's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

### (l) *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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

## 1 Significant accounting policies (continued)

### (m) *Revenue and other income*

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

- (i) Donations are recognised as income when they are received, except for donations relating to expenditure for specific projects are deferred and recognised in the income and expenditure account over the period necessary to match them with the expenses that they are intended to compensate or period specified.
- (ii) Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(h)).
- (iii) Government grants 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. Grants that compensate the Foundation for expenses incurred are recognised as income in income and expenditure on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Foundation for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in income and expenditure over the useful life of the asset by way of reduced depreciation expense.

### (n) *Translation of foreign currency*

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in income and expenditure.

## 1 Significant accounting policies (continued)

### (o) *Related parties*

- (a) 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.
- (b) An entity is related to the Foundation if any of the following conditions applies:
  - (i) The entity and the Foundation are members of the same group (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 (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of the Foundation of which it is a part, provides key management personnel services to the Foundation or to the Foundation'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 Property, plant and equipment

### (a) Reconciliation of carrying amount

	Leasehold improvements	Furniture, fixtures and equipment and motor vehicles	Property leased for own use	Total
<b>Cost:</b>				
At 1 November 2021	\$ 6,624,994	\$ 3,756,454	\$ 1,272,121	\$ 11,653,569
Additions	-	250,893	1,454,662	1,705,555
Disposals	-	(661,538)	-	(661,538)
At 31 October 2022	<u>\$ 6,624,994</u>	<u>\$ 3,345,809</u>	<u>\$ 2,726,783</u>	<u>\$ 12,697,586</u>
<b>Accumulated depreciation:</b>				
At 1 November 2021	\$ 4,758,522	\$ 2,504,822	\$ 973,845	\$ 8,237,189
Charge for the year	829,051	418,167	546,526	1,793,744
Written back on disposals	-	(659,294)	-	(659,294)
At 31 October 2022	<u>\$ 5,587,573</u>	<u>\$ 2,263,695</u>	<u>\$ 1,520,371</u>	<u>\$ 9,371,639</u>
<b>Net book value:</b>				
At 31 October 2022	<u>\$ 1,037,421</u>	<u>\$ 1,082,114</u>	<u>\$ 1,206,412</u>	<u>\$ 3,325,947</u>
<b>Cost:</b>				
At 31 October 2022	\$ 6,624,994	\$ 3,345,809	\$ 2,726,783	\$ 12,697,586
Additions	12,510	160,480	157,205	330,195
Disposals	-	(173,162)	(1,127,951)	(1,301,113)
At 31 October 2023	<u>\$ 6,637,504</u>	<u>\$ 3,333,127</u>	<u>\$ 1,756,037</u>	<u>\$ 11,726,668</u>
<b>Accumulated depreciation:</b>				
At 1 November 2022	\$ 5,587,573	\$ 2,263,695	\$ 1,520,371	\$ 9,371,639
Charge for the year	827,451	429,685	552,390	1,809,526
Written back on disposals	-	(170,364)	(1,127,951)	(1,298,315)
At 31 October 2023	<u>\$ 6,415,024</u>	<u>\$ 2,523,016</u>	<u>\$ 944,810</u>	<u>\$ 9,882,850</u>
<b>Net book value:</b>				
At 31 October 2023	<u>\$ 222,480</u>	<u>\$ 810,111</u>	<u>\$ 811,227</u>	<u>\$ 1,843,818</u>

## 2 Property, plant and equipment (continued)

The Foundation's head office at Tung Ning Building, 125 Connaught Road Central, which is held under a long-term lease, was donated to the Foundation by a third party in 1995 and the amount of which has not been recorded in these financial statements.

Other property, plant and equipment are located at the Foundation's head office, the Family Service Centre, Community Service Centre, the Half-way Homes and storage room.

### (b) Right-of-use assets

The analysis of the net book value of right-of-use assets, carried at depreciated cost, by class of underlying asset is as follows:

	Note	2023	2022
Properties leased for own use	(i)	\$ 811,227	\$ 1,206,412

The analysis of expense items in relation to leases recognised in income and expenditure is as follows:

	2023	2022
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	\$ 552,390	\$ 546,526

  

	2023	2022
Interest on lease liabilities (note 14)	\$ 39,590	\$ 34,309

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 6 and 7, respectively.

#### (i) Properties leased for own use

The Foundation has obtained the right to use other properties as service centres, half-way home and storage room through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

## 3 Sponsorship receivable, bank interest receivable and other debtors, deposits and prepayments

Sponsorship receivable of \$3,300,000 (2022: \$4,218,775) is expected to be recovered within one year.

As at 31 October 2023 and 2022, no deposits are expected to be recovered after more than one year, all the bank interest receivable and other debtors, deposits and prepayments are expected to be recovered or recognised as an expense within one year.

#### 4 Cash and deposits with banks

	2023	2022
Deposits with banks with original maturity within three months at acquisition	\$ 72,986,380	\$ 19,447,460
Cash at bank and in hand	<u>8,405,699</u>	<u>3,109,338</u>
 Cash and cash equivalents in the cash flow statement	 \$ 81,392,079	 \$ 22,556,798
Deposits with banks with original maturity of more than three months at acquisition	<u>19,220,251</u>	<u>64,365,405</u>
 Cash and deposits with banks in the statement of financial position	 <u>\$100,612,330</u>	 <u>\$ 86,922,203</u>

Included in cash and deposits with banks in the statement of financial position are \$10,282,306 (equivalent to US\$1,313,194) (2022: \$9,118,754 (equivalent to US\$1,163,160)) denominated in United States dollars.

#### 5 Deferred income

The deferred income represented the balance of donations designated for specific projects, which are expected to be recognised as income and credited to the statement of income and expenditure when related expenditure was incurred. The amount includes \$2,958,000 (2022: \$2,380,000) received from the Hong Kong Jockey Club Charities Trust for implementation of Jockey Club Children's Palliative Care Project. The remaining balance amounted to \$797,300 was received from a private trust fund in respect of a project carried out after year end.

#### 6 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.

**6 Reconciliation of liabilities arising from financing activities (continued)**

	<i>Lease liabilities (note 7)</i>
<b>At 31 October 2022</b>	\$ 1,220,994
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	\$ (544,069)
Interest element of lease rentals paid	<u>(39,590)</u>
Total changes from financing cash flows	<u>\$ (583,659)</u>
<b>Other changes:</b>	
Increase in lease liabilities from entering into new lease during the year	\$ 157,205
Interest expenses (note 14)	<u>39,590</u>
Total other changes	<u>\$ 196,795</u>
<b>At 31 October 2023</b>	<u><u>\$ 834,130</u></u>
<b>At 1 November 2021</b>	\$ 307,325
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	\$ (540,993)
Interest element of lease rentals paid	<u>(34,309)</u>
Total changes from financing cash flows	<u>\$ (575,302)</u>
<b>Other changes:</b>	
Increase in lease liabilities from entering into new leases during the year	\$ 1,454,662
Interest expenses (note 14)	<u>34,309</u>
Total other changes	<u><u>\$ 1,488,971</u></u>
<b>At 31 October 2022</b>	<u><u>\$ 1,220,994</u></u>

## 6 Reconciliation of liabilities arising from financing activities (continued)

### ***Total cash outflow for leases***

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

	2023	2022
Within financing cash flows	<u>\$ 583,659</u>	<u>\$ 575,302</u>

## 7 Leases liabilities

The following table shows the remaining contractual maturities of the Foundation's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

	2023	2022		
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	<u>\$ 574,384</u>	<u>\$ 595,258</u>	<u>\$ 512,337</u>	<u>\$ 549,658</u>
After 1 year but within 2 years	<u>\$ 259,746</u>	<u>\$ 261,622</u>	<u>\$ 496,051</u>	<u>\$ 513,658</u>
After 2 year but within 5 years	<u>-</u>	<u>-</u>	<u>212,606</u>	<u>214,024</u>
	<u><u>\$ 259,746</u></u>	<u><u>\$ 261,622</u></u>	<u><u>\$ 708,657</u></u>	<u><u>\$ 727,682</u></u>
	<u><u>\$ 834,130</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,220,994</u></u>	<u><u>\$ 1,277,340</u></u>
Less: total future interest expenses		<u>(22,750)</u>		<u>(56,346)</u>
Present value of lease liabilities	<u><u>\$ 834,130</u></u>		<u><u>\$ 1,220,994</u></u>	

## 8 Reserves

### ***(a) Components of the Foundation's reserves***

The opening and closing balances of each component of the Foundation's reserves and a reconciliation between these amounts are set out in the statement of changes in reserves.

### ***(b) Specific funds***

The specific funds were set up by the governors for the purpose of financing future development in patient service, hospital service, public service and on-going multi-year research projects to which the Foundation is committed, offset by any deficit arising from operation.

## 8 Reserves (continued)

### (c) Capital management

The Foundation is a charitable institution limited by guarantee and has no share capital. The Foundation considers its capital to be the aggregate of the accumulated fund and specific funds. The Foundation's primary objectives when managing its accumulated fund and specific funds are to safeguard the Foundation's ability to continue as a going concern, so that it can continue to provide services to look after the physical, psychological and social well-being of the child cancer patients in hospitals under the management of the Hospital Authority in Hong Kong. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Foundation to the extent that these do not conflict with the Governors' fiduciary duties towards the Foundation or the requirements of the Hong Kong Companies Ordinance.

There has been no change in the Foundation's capital management practice as compared to prior year and the Foundation is not subject to any externally imposed capital requirements.

## 9 Income - donations

	2023	2022
<b>Children's Cancer Foundation</b>		
General donations from public (including designated donations of \$4,842,421 (2022: \$2,676,886))	\$ 32,958,824	\$ 29,545,037
Project sponsorships received/receivable from the Hong Kong Jockey Club Charities Trust	\$ 4,527,222	\$ 4,175,188
Fund-raising campaign organised by		
- organisations (including designated donations of \$2,022,277 (2022: \$1,189,669))	\$ 4,693,440	\$ 2,405,969
- schools	940,910	1,554,050
- individuals	112,167	209,522
	<hr/> \$ 5,746,517	<hr/> \$ 4,169,541
<b>Children's Palliative Care Foundation</b>		
General donations from public (including designated donation and project sponsorship of \$1,688,952 (2022: \$2,719,666))	\$ 3,659,398	\$ 3,737,665
	<hr/> \$ 46,891,961	<hr/> \$ 41,627,431

## 10 Other revenue

	2023	2022
Interest income on bank deposits	\$ 3,054,504	\$ 874,552
Government grant (Note)	-	1,191,200
Miscellaneous income	25,924	9,786
	<hr/>	<hr/>
	<u>\$ 3,080,428</u>	<u>\$ 2,075,538</u>

Note: In 2022, the government subsidy amounted to \$1,191,200 refers to the Foundation successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region ("HKSAR"). 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 grant, the Foundation is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 11 Expenditure for providing services to child cancer patients and their families and support to hospitals and doctors

	2023	2022
<b>Expenditure for Children's Cancer Foundation</b>		
Patient Care and Community Service	\$ 7,718,721	\$ 8,515,910
Child Life	9,103,963	7,626,788
Drugs, devices, specialised tests and procedures	2,600,571	2,209,235
Family Service Centre	1,343,398	1,339,708
Research, medical conference and Medical Equipment	5,008,037	1,777,905
Community Service Centre	911,002	852,785
Clinical and diagnostic services	639,000	411,600
Depreciation		
- Owned property, plant and equipment	1,183,953	1,115,434
- Right-of-use assets	552,390	546,526
Half-way home	56,641	27,738
	<hr/>	<hr/>
	<u>\$ 29,117,676</u>	<u>\$ 24,423,629</u>

### Expenditure for Children's Palliative Care Foundation

Palliative and Home Care Service (Note)	\$ 9,720,790	\$ 10,070,624
Depreciation	29,855	28,023
Loss on disposal of property, plant and equipment	2,798	-
	<hr/>	<hr/>
	<u>\$ 9,753,443</u>	<u>\$ 10,098,647</u>
	<hr/>	<hr/>
	<u>\$ 38,871,119</u>	<u>\$ 34,522,276</u>

## 11 Expenditure for providing services to child cancer patients and their families and support to hospitals and doctors (continued)

### Note

The Children's Palliative Care Foundation, solely owned by the Children's Cancer Foundation, was established on 1 January 2018 and inaugurated on 14 October 2018 with the aim of providing in-depth palliative and home care service not only to child cancer patients but also to children with life-threatening and life-limiting diseases.

After the establishment of the Children's Palliative Care Foundation, the expenditure for Palliative and Home Care Service was charged to the Children's Palliative Care Foundation.

## 12 Administrative expenses

	2023	2022
Salaries and wages of administrative and general staff	\$ 1,908,293	\$ 1,720,311
Staff welfare and recruitment (including contributions to defined contribution pension plan of \$102,645 (2022: \$80,603)	153,165	187,551
Depreciation	43,328	103,761
Insurance	7,469	5,701
	<hr/>	<hr/>
	\$ 2,112,255	\$ 2,017,324

## 13 Other operating expenses

	2023	2022
Fund-raising expenses	\$ 1,030,877	\$ 1,162,668
Public relations and communications	448,545	428,221
Auditor's remuneration	200,000	200,000
Promotion expenses	104,275	44,654
Net exchange loss/(gain)	11,790	(85,306)
Miscellaneous	179,152	83,827
Repairs and maintenance	109,897	78,892
Rates and management fee	61,940	55,101
Printing, stationery and postage	38,012	34,584
Telephone expenses	15,319	13,147
Loss on disposals of property, plant and equipment	-	2,244
	<hr/>	<hr/>
	\$ 2,199,807	\$ 2,018,032

## 14 Surplus for the year

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

	2023	2022
<b>(a) Finance costs</b>		
Interest on lease liabilities (note 6)	39,590	<u>34,309</u>
<b>(b) Other items</b>		
Salaries, wages and other benefits (including contributions to defined contribution pension plan of \$1,287,215 (2022: \$1,073,509) *)	\$ 27,969,815	\$ 26,004,776
Depreciation		
- Owned property, plant and equipment	1,257,136	1,247,218
- Right-of-use assets	552,390	546,526
Loss on disposals of property, plant and equipment	2,798	2,244
Net exchange loss/(gain)	11,790	(85,306)
Auditor's remuneration		
- Current year	<u>200,000</u>	<u>200,000</u>

\* Salaries, wages and other benefits are included within subcategories of "expenditure for providing services to child cancer patients and their families and support to hospitals and doctors", "administrative expenses" and "other operating expenses".

## 15 Governors' remuneration

None of the governors received any remuneration from the Foundation for the current and prior years.

## 16 Taxation

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

## 17 Members' liability

The liability of the members of the Foundation in the event of a winding up is limited to \$20 for each member. As at 31 October 2023, the Foundation has 29 (2022: 29) members.

## 18 Material related party transaction

The Foundation did not enter into any material related party transactions during the current and prior years.

## 19 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Foundation's business. 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 sponsorship receivable and bank deposits. The Foundation's exposure to credit risk arising from subsidies receivables is limited because the subsidies was receivable from institutions which is supported by the HKSAR government, for which the Foundation considers to have low credit risk. The Foundation's exposure to credit risk arising from cash and cash equivalents is limited because the Foundation only places deposits with major financial institutions with sound credit ratings, for which the Foundation considers to have low credit risk.

### (b) *Liquidity risk*

The Foundation's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and funding lines to meet its liquidity requirements in the short and longer term. All financial liabilities are expected to be settled within one year or are repayable on demand.

### (c) *Interest rate risk*

The Foundation's exposure to changes in interest rates primarily relates to the Foundation's bank deposits. The Foundation's bank deposits have an effective interest rate of 0.92% (2022: 0.86%).

At 31 October 2023, it is estimated that a general increase/decrease of 1% (2022: 1%) in interest rates, with all other variables held constant, would increase/decrease the Foundation's surplus and the Foundation's reserves by approximately \$922,066 (2022: \$574,802).

The sensitivity analysis above is the annualised impact and has been determined assuming the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to floating interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2022.

### (d) *Foreign currency risk*

The Foundation is exposed to foreign currency risks through certain bank deposits that are denominated in United States dollars ("USD"). As the HKD is pegged to USD, the Foundation does not expect any significant movements in the USD/HKD exchange rate.

### (e) *Fair value measurement*

All financial instruments are carried at amounts not materially different from their fair values as at 31 October 2023 and 2022, given their short-term maturities.

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

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Foundation.

	<i>Effective for accounting periods beginning on or after</i>
HKFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows</i> and HKFRS 7, <i>Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

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.