

CHI HENG FOUNDATION LIMITED

Reports and Financial Statements
For the year ended 31 December 2021

CHI HENG FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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CHI HENG FOUNDATION LIMITED DIRECTORS' REPORT

The directors of Chi Heng Foundation Limited (the “Foundation”) present their annual report together with the audited financial statements for the year ended 31 December 2021.

1. PRINCIPAL ACTIVITIES

The Foundation is engaged in performing general charitable works with the objective of preventing HIV/AIDS in China, education and care for children impacted by HIV/AIDS in China and equal opportunity for vulnerable groups. The Foundation is an approved charitable institution under Section 88 of the Inland Revenue Ordinance.

2. RESULTS AND APPROPRIATIONS

The results of the Foundation for the year ended 31 December 2021 are set out in the statement of profit or loss and other comprehensive income on page 14.

3. BUSINESS REVIEW

The financial year 2021 marked the nineteenth consecutive year the Foundation providing support to Orphans, Vulnerable Children and Youths Program (“OVCY Program”) in China.

Thanks to the generous and continual support of the donors and supporters, the Foundation has cumulatively served over 33,000 HIV/AIDS-impacted and/or underprivileged children with education sponsorship and psychosocial programs in the last eighteen years.

The Foundation would like to provide some highlights on the OVCY Program activities of in this review.

(1) Education Sponsorship

Since its inception, the Foundation has been serving students from HIV/AIDS impacted families under the Starfish Program (“Starfish”). To help more underprivileged children, the Foundation started a new Seahorse Program (“Seahorse”) in 2019. The purpose of Seahorse is to extend our service, based on the sound infrastructure built up in the last two decades, to aid students having outstanding academic achievements not from HIV/AIDS impacted families but suffering from poverty, illness, or discrimination.

During the 2020-21 school year, a total of 7,964 students received financial sponsorship from the Foundation, of which 6,345 were under the Starfish and 1,619 were under the Seahorse. After adding new students offset by graduating students, there was a slight 0.2% net decrease of 18 sponsored students in 2020-21 school year when compared to 7,982 students in 2019-20.

CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT

3. BUSINESS REVIEW (CONT'D)

(1) Education Sponsorship (cont'd)

School Grade	Sponsored Students		
	Starfish	Seahorse	Total
Primary	1,974	219	2,193
Junior High	1,854	211	2,065
Senior High	824	921	1,745
Vocational School	455	-	455
University	1,238	268	1,506
Total	6,345	1,619	7,964

Province	Sponsored Students		
	Starfish	Seahorse	Total
Henan	2,629	893	3,522
Yunnan	1,503	233	1,736
Anhui	252	58	310
Guangxi	922	-	922
Guangdong	285	-	285
Shandong	278	112	390
Others	476	323	799
Total	6,345	1,619	7,964

The Foundation observes that most victims of the tragic AIDS epidemic through blood selling in Henan are now at middle or old age with little newborn children in recent years. Most of our Starfish students in Henan province have become senior high, university students or even graduates. As a result, our education sponsorship costs gradually increased, reflecting the higher costs of senior high schools, vocational schools, and universities. With an increased proportion of students in higher school grades, the education sponsorship costs might increase faster than the total number of sponsored students.

In the 2020-21 school year, the Seahorse Program has benefited 1,619 students from underprivileged families. Among the senior high students, 296 out of 346 or 85.5% of them made their way to university. Without Seahorse, these students might have missed the chance to further their education due to poverty.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT**

3. BUSINESS REVIEW (CONT'D)**(2) Psychosocial Activities**

From experience accumulated from the past 20 years, the Foundation sees that providing education sponsorship support alone is not enough to equip these underprivileged children to cope with life's challenges and empower them for better development. The Foundation has adopted an effective and more comprehensive approach to address these children's emotional well-being. Besides poverty, most of them suffer from low self-image, lack of confidence, and are stigmatized. The Foundation strongly believes that psychosocial support provided to these vulnerable children is crucial to their high education progression rate and future life development. The Foundation organizes a range of psychosocial activities for children with different needs, including summer camps, career development camps, festive village visits, cultural tours, academic acceleration activities, junior high graduation activities, and senior high graduation gatherings. Based on our analysis, students that participated in our psychosocial activities have a higher school progression rate.

The Foundation originally planned to have 20 summer camps in 2021 summer break. Yet the sudden spread-out of COVID-19 across the nation again, we could only manage to arrange 9 summer camps respectively in Shanghai, Guangzhou, Nanyang, Shanxi, Changsha, Kaifeng, Kunming, and Zhengzhou, benefiting a total of 264 students.

To cope with the ever-changing COVID-19 endemic situations, the Foundation has taken contingency to arrange for both online and offline psychosocial activities. When time and conditions were not allowed for physical activities, we would arrange for online psychosocial program. We have newly initiated an online program asking Chi Heng university alumni who are specialized in psychology to provide counselling services serving the emotionally needed students and families. This online counselling program was particularly helpful when our students and families were locked down in the endemic areas.

(3) University Students Summer Work

Each year, the Foundation organizes community self-help initiatives and Chi Heng Academy training for sponsored university students. During the summer break, most of our sponsored university students take part in our Summer Work Program. Through their work in conducting interest classes and organizing home visits, the university students bring one of the Foundation's core values of "one helps three, three help nine" to life. They also serve as role models to younger students and encourage them to persist in their studies despite the adversities.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT**

3. BUSINESS REVIEW (CONT'D)**(3) University Students Summer Work (cont'd)**

Originally about 600 university students were scheduled to participate in the summer work in the summer of 2021, but because of the endemic situation, the working group has come up a contingency plan before the start of summer work in 2021. When we faced the national endemic in early August and floods in Henan, the working group immediately adjusted and shifted some of our works to be online, not risking the personal safety of our participating students. We finally had a total of 465 university students successfully participated in the summer work in 2021.

The summer work in 2021 has accomplished the followings:

- Performed 3,889 home visits comprising of 1,775 primary and junior high students, 951 senior high students, 280 vocational school students, 880 university students, and 3 graduates.
- Organized 54 interest groups with 35 offline and 19 online groups benefiting 1,224 primary and junior high students.
- Arranged 33 group activities with 471 participating students.
- Opened 3 village serve-the-senior centers helping 305 village seniors.

(4) VolunOnline

VolunOnline aims to build a sustainable distance learning platform that brings companioned learning and quality teaching to children in rural China. It involves setting up and operating student real time and online learning rooms in rural China by the Foundation directly or in partnership with schools. It also involves recruiting volunteer teachers, developing classroom resources, and establishing best practices. It is a cost-effective way to allow poor students in rural China to have access to quality and diverse education.

2021 marked the 8th year of this distance learning program. In 2021, our VolunOnline program ran 128 classrooms over 1,152 lesson-hours, benefiting 3,539 student-counts. The student-count of 3,539 represents a 62.7% increase from 2,175 in 2020.

CHI HENG FOUNDATION LIMITED DIRECTORS' REPORT

3. BUSINESS REVIEW (CONT'D)

(4) VolunOnline (cont'd)

Province	Classroom	Lesson-hour	Student-count
Henan	81	732	2,195
Anhui	7	64	207
Guangxi	19	170	606
Hunan	4	30	104
Hubei	1	7	33
Yunnan	13	122	258
Jiangxi	3	27	136
Total	128	1,152	3,539

The volunteer teachers continued to increase, serving a total of 1,152 lesson-hours in 2021. The volunteer teachers came from various parts of the world and brought a diverse set of experiences with them. Other than teachers from Shanghai, Beijing, Suzhou, Wuxi, Chengdu, Xian, Guangzhou, Shenzhen, Zhengzhou, Ningbo, Hangzhou, Nanjing, and Tianjin, we also had overseas teachers from Canada, the United States and France overcoming time zone differences to serve our students. Some of our volunteer teachers work in well-known enterprises, education institutions, universities, and partner NGOs. Some are studying at international schools and overseas universities. Many online classrooms were complimented by offline activities conducted by our local staff. We believe our offline capacity is a major success factor. Regardless, they all helped provide invaluable learning experiences to our students. These classes were very well received by the students, parents, and the schools. They were also widely publicized by companies, universities, and the media.

(5) Shanghai Young Bakers

Following COVID-19 restrictions, our Shanghai Young Bakers ("SYB") delayed starting their one-year intensive bakery training. Only 16 or half of the students of the 13th batch could start in November 2020. Other 8 students of the 13th batch joined in February 2021 and the final 8 students only arrived in March 2021.

Despite the additional challenge to study during COVID-19 pandemic, SYB could still manage to enable 32 underprivileged students to undergo the one-year intensive bakery training of French bakery and French pastry for the school year 2020-21. During the school year, the students followed 400 hours training of French bakery & pastry theory and practice based on the French "Certificate of Professional Aptitude" diploma content, 208 hours training of Chinese Western theory & practice bakery, 104 hours learning of English language, 130 hours attending life skills classes, 100 days serving practical internship in the bakery or pastry departments of 5-star hotels, and 25 days participating in professional or personal development activities. All 32 students successfully graduated from the program.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT**

3. BUSINESS REVIEW (CONT'D)**(5) Shanghai Young Bakers (cont'd)**

In 2021, SYB also continued the partnership with Social Café, its affiliated social enterprise in Shanghai, to provide customized pastries to SYB supporters starting from October 2019. SYB was responsible for the product development, technical support, and marketing whereas Social Café, with all the bakers being SYB graduates, looked after the production, sales, and delivery of the customized pastries. The partnership benefited SYB program with new revenue stream and at the same time enhanced Social Café with new product knowledge and wider marketing coverage.

(6) Reading Rooms

The Foundation established 33 reading rooms over the last 14 years to improve the learning environments in primary schools, secondary schools and rural village communities in Anhui, Henan, Yunnan and Shanxi. Of these 33 reading rooms, 15 were newly built by the Foundation and 18 were established by improving the existing facilities of cooperative schools. All reading rooms were built by designated donations of the Foundation. Equipped with extracurricular books, good chairs and tables for a comfortable study environment, and multi-media equipment, all students in the schools, not only our sponsored students, are encouraged to use the reading rooms. These reading rooms served over 13,000 students in 2021.

The Reading Rooms program had started to have new cooperation with a school with special needs students in Shaanxi province in 2021. We sponsored to build up a “Chi Heng Lovely Supermarket” with school supplies including painting pens, schoolbags, toys, clothes, and daily consumables. The special needs students need to earn school coins to buy school supplies in the supermarket enhancing their self-care abilities.

(7) Home Visits

The unstable COVID-19 situation in the mainland China in 2021 has affected the ways that we conducted our home visits. The Foundation have conducted a total of 9,961 home visits in 2021. 6,072 home visits were done by Chi Heng staff of which 5,917 were physical visits and 155 were voice or video calls. The rest 3,889 home visits were done by 145 university students during July and August in our Summer Work program.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT**

3. BUSINESS REVIEW (CONT'D)**(7) Home Visits (cont'd)**

The Foundation also mobilized our home visits colleagues to share their own stories in home visits to conclude our works in 2021. The stories shared included their own home visit cognition and perception, mental journey overcoming helplessness, impressive people and matters during home visit, personal growth, and development. We hope that home visit colleagues can learn from the work experience of others, rethink and reenergize themselves, and gain motivation continuing the meaningful works but tough works in the coming years.

(8) University Student Development Camp

In 2021, a total of 7 sessions of the university student development camps were held, with a total of 820 university students sponsored by Chi Heng participating. In January, April, and October 2021, due to the serious epidemic, the university student development camps were held online, and the epidemic situation in May and July 2021 was better, so it was held offline in Zhengzhou and Kunming. The purpose of organizing the camps is to provide a platform for learning, exchanges and promoting all-rounded development for university students funded by the Foundation. The camps cover various subjects, such as self-protection knowledge, group discussions, team building, traditional culture, etiquette learning, psychological development and career planning.

Outstanding alumni of the Foundation shared their experiences and our founder Mr. Chung TO also gave his encouragement to university students. The aim is to provide university students the chance to meet with successful peers, increase their knowledge, inspire them with a sense of social responsibility, and nurture them to become all-rounded youngsters with a passion for helping others.

(9) Chi Heng Alumni Engagement

As of August 2021, the Foundation has cumulatively funded around 5,000 university graduates and students. Through the alumni association platform and various networking activities, the relationship with our sponsored university students and alumni has been well-maintained.

In 2021, several online activities were organized, including online exchanges, online public welfare interest classes, and psychological counselling providing psychological care services for all currently sponsored students.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT**

3. BUSINESS REVIEW (CONT'D)**(9) Chi Heng Alumni Engagement (cont'd)**

In the year of 2021, many sponsored students of the Foundation joined the community epidemic prevention and control centers as volunteers. During the Henan floods because of heavy rainfall in July 2021, lots of Chi Heng sponsored graduates and students with relevant rescue and evacuation experience volunteered to assist these works. Some other students also helped to unload and distribute relief supplies to the needed people. Our years of teaching them social responsibility have been put into action during the crisis.

Thanks to the continued support from our donors, supporters and volunteers, the Foundation had revenue of HK\$33.9 million. The Foundation experienced a tough year to incur a HK\$4.4 million loss in 2021. The Foundation expects that 2022 to be even tougher if the COVID-19 pandemic goes on.

4. DIRECTORS OF THE FOUNDATION

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

To Chung Chi	(Chairman)
Lam Man Ngar Norris	
Mok Wai Bun Ben	

In accordance with articles 29 of the Foundation's article and association, all of the directors shall retire and, being eligible, offer themselves for re-election.

5. DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transaction, arrangements and contracts of significance in relation to the Foundation's business to which the Foundation and related party was a party and in which a director of the Foundation had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT

6. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Foundation were entered into or existed during the year.

7. PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Directors' Report, was there a permitted indemnity provision in force for the benefit of any of the directors of the Foundation (whether made by the Foundation or otherwise) or an associated company (if made by the Foundation).

8. AUDITOR

The financial statements have been audited by RSM Hong Kong who retires, and, being eligible, offer themselves for re-appointment.

On behalf of the Board



To Chung Chi
CHAIRMAN

Hong Kong, 6 April 2023

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHI HENG FOUNDATION LIMITED
(Incorporated in Hong Kong with limited by guarantee)**

Opinion

We have audited the financial statements of Chi Heng Foundation Limited (the "Foundation") set out on pages 14 to 47, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2021, 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 (the "HKICPA") and have been properly prepared in compliance with the 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHI HENG FOUNDATION LIMITED
(Incorporated in Hong Kong with limited by guarantee)**

Other Information

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the Directors' 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.

Responsibilities of 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 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.

The directors are responsible for overseeing the Foundation's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHI HENG FOUNDATION LIMITED
(Incorporated in Hong Kong with limited by guarantee)**

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. We report our opinion solely to you, as a body, in accordance with section 405 of the Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHI HENG FOUNDATION LIMITED
(Incorporated in Hong Kong with limited by guarantee)**

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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.

RSM Hong Kong

Certified Public Accountants

6 April 2023

CHI HENG FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	<u>2021</u> HK\$	<u>2020</u> HK\$
Income			
Donation		14,006,741	15,183,644
Sponsorship		11,473,488	12,241,164
Sponsorship received for social café		176,638	280,442
Fund-raising events	7	<u>5,595,717</u>	<u>2,478,599</u>
		<u>31,252,584</u>	<u>30,183,849</u>
Other income			
Bank interest income		884,434	841,452
Net gain on charity sales		463,253	943,501
Other income	8	<u>1,351,719</u>	<u>2,787,535</u>
		<u>2,699,406</u>	<u>4,572,488</u>
		<u>33,951,990</u>	<u>34,756,337</u>
Cost of projects and programs	9	(35,697,885)	(35,652,363)
Other operation expenses	10	(1,480,602)	(1,437,795)
Depreciation of right-of-use assets		<u>(1,096,180)</u>	<u>(908,194)</u>
Deficit from operations		(4,322,677)	(3,242,015)
Finance costs	11	<u>(87,208)</u>	<u>(54,005)</u>
Deficit before tax		(4,409,885)	(3,296,020)
Income tax expense	12	<u>-</u>	<u>-</u>
Deficit for the year		<u>(4,409,885)</u>	<u>(3,296,020)</u>

CHI HENG FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Note	<u>2021</u> HK\$	<u>2020</u> HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	14	153,534	151,978
Right-of-use assets	15	<u>2,526,026</u>	<u>1,227,357</u>
		<u>2,679,560</u>	<u>1,379,335</u>
Current assets			
Deposits and other receivables	16	1,888,336	1,977,136
Bank and cash balances	17	<u>51,020,702</u>	<u>55,408,060</u>
		<u>52,909,038</u>	<u>57,385,196</u>
TOTAL ASSETS		<u>55,588,598</u>	<u>58,764,531</u>
FOUNDATION'S FUND AND LIABILITIES			
Foundation's fund			
Accumulated surplus of projects	18	<u>50,608,374</u>	<u>55,018,259</u>
Current liabilities			
Accruals and other payables	19	2,506,542	2,611,865
Lease liabilities	20	<u>1,017,883</u>	<u>650,620</u>
		<u>3,524,425</u>	<u>3,262,485</u>
Non-current liabilities			
Lease liabilities	20	<u>1,455,799</u>	<u>483,787</u>
TOTAL LIABILITIES		<u>4,980,224</u>	<u>3,746,272</u>
TOTAL FOUNDATION'S FUND AND LIABILITIES		<u>55,588,598</u>	<u>58,764,531</u>

Approved by the Board of Directors on 6 April 2023 and are signed on its behalf by:


 To Chung Chi
 CHAIRMAN


 Lam Man Ngar Norris
 DIRECTOR

CHI HENG FOUNDATION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Accumulated surplus of projects <u>HK\$</u>
At 1 January 2020	58,314,279
Deficit for the year	<u>(3,296,020)</u>
At 31 December 2020 and 1 January 2021	55,018,259
Deficit for the year	<u>(4,409,885)</u>
At 31 December 2021	<u><u>50,608,374</u></u>

CHI HENG FOUNDATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>2021</u> HK\$	<u>2020</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit before tax	(4,409,885)	(3,296,020)
Adjustments for:		
Bank interest income	(884,434)	(841,452)
Depreciation of property, plant and equipment	37,751	42,134
Depreciation of right-of-use assets	1,096,180	908,194
Interest on lease liabilities	87,208	54,005
Rent concession	-	(10,000)
Operating loss before working capital changes	(4,073,180)	(3,143,139)
Decrease in deposits and other receivables	88,800	1,557,441
(Decrease)/increase in accruals and other payables	(105,323)	2,028,346
Cash (used in)/generated from operating activities	(4,089,703)	442,648
Interest on lease liabilities	(87,208)	(54,005)
Net cash (used in)/generated from operating activities	(4,176,911)	388,643
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(39,307)	(50,962)
Withdrawal of bank deposits with original maturity over three months	6,024,349	14,592,929
Bank interest received	884,434	841,452
Net cash generated from investing activities	6,869,476	15,383,419
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal element of lease payments	(1,053,597)	(911,772)
Net cash used in financing activities	(1,053,597)	(911,772)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,638,968	14,860,290
Effect of foreign exchange rate changes	(1,977)	(5,756)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	43,991,355	29,136,821
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	45,628,346	43,991,355
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	51,020,702	55,408,060
Time deposits with maturity over three months	(5,392,356)	(11,416,705)
	45,628,346	43,991,355

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Chi Heng Foundation Limited (the “Foundation”) was incorporated in Hong Kong with limited by guarantee not having a share capital. The address of its registered office is Room 703A, 7/F., Lai Cheong Factory Building, 479-479A Castle Peak Road, Kowloon, Hong Kong.

The Foundation is a non-profit making organisation and is an approved charitable institution under Section 88 of Inland Revenue Ordinance. It is engaged in performing general charitable works with objectives of preventing AIDS in China, education and care for children impacted by HIV/AIDS in China and equal opportunity for vulnerable groups. In 2017, the Foundation registered an overseas non-governmental organisation representative office in Henan Province in China.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These financial statements also comply with the requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Foundation are disclosed 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 3 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.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Foundation has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Reform – Phase 2	Benchmark
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Except as described above, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Foundation's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Foundation has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Foundation.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023

CHI HENG FOUNDATION LIMITED
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3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(b) New and revised HKFRSs in issue but not yet effective (cont'd)

	Effective for accounting periods beginning on or after
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Foundation is in the process of making an assessment of what the impact of these amendments and new standards 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.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgment in the process of applying the Foundation's accounting policies. The areas where assumptions and estimates are significant to the financial statements is disclosed in note 5.

The significant accounting policies applied in the preparation of these financial statements are set out below:

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Foundation operates (the "functional currency"). The financial statements are presented in Hong Kong dollars ("HK\$"), which is the Foundation's functional and presentation currency.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Foreign currency translation

(ii) Transactions and balances in the financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(b) Property, plant and equipment

Property, plant and equipment held for administrative purposes, are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture, fixtures and equipment	20%
Leasehold improvement	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (cont'd)

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

(c) Leases

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.

(i) The Foundation as a lessee

Where the contract contains lease component and non-lease component, the Foundation has elected not to separate non-lease component and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Foundation recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Foundation are primarily laptops and office furniture. 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 profit or loss in the accounting period in which they are incurred.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Leases (cont'd)

(i) The Foundation as a lessee (cont'd)

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.

Right-of-use assets in which the Foundation is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and 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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Leases (cont'd)

(i) The Foundation as a lessee (cont'd)

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

(d) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Foundation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Foundation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Foundation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Foundation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Recognition and derecognition of financial instruments (cont'd)

The Foundation derecognises financial liabilities when, and only when, the Foundation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(f) Other receivables

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(g) 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. Bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for expected credit losses ("ECL").

(h) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Foundation after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Revenue recognition and other income

Income from donations is recognised when cash is received up to the end of the reporting period.

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 assets.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Foundation contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Foundation and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Foundation to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Foundation can no longer withdraw the offer of those benefits, and when the Foundation recognises restructuring costs and involves the payment of termination benefits.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Government grants

A government grant is recognised when there is reasonable assurance that the Foundation will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

(m) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Foundation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Foundation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Taxation (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Foundation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Foundation intends to settle its current tax assets and liabilities on a net basis.

(n) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset / cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / cash-generating unit whose impairment is being measured.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment of non-financial assets (cont'd)

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(o) Impairment of financial assets

The Foundation recognises a loss allowance for ECL on other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all financial instruments, the Foundation recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Foundation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Foundation compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Foundation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Foundation's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Foundation's core operations.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of financial assets (cont'd)

Significant increase in credit risk (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Foundation assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Foundation considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Foundation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of financial assets (cont'd)

Definition of default

The Foundation considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Foundation, in full (without taking into account any collaterals held by the Foundation).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Foundation writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Foundation's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of financial assets (cont'd)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Foundation in accordance with the contract and all the cash flows that the Foundation expects to receive, discounted at the original effective interest rate.

If the Foundation has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Foundation measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Foundation recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(p) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow 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 is remote.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Events after the reporting period

Events after the reporting period that provide additional information about the Foundation's position at the end of the reporting period are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTIES

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Foundation has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Foundation estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2021 were HK\$153,534 (2020: HK\$151,978) and HK\$2,526,026 (2020: HK\$1,227,357) respectively.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL RISK MANAGEMENT

The Foundation's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Foundation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Foundation's financial performance.

(a) Foreign currency risk

The Foundation has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$, Canada Dollars ("CAD"), United States Dollars ("USD") and Renminbi ("RMB"). The Foundation currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

Considering that the exchange rate between HK\$ and USD is pegged, the Foundation believes its exposure to exchange rate risk is minimal.

As 31 December 2021, if RMB had weakened/strengthened by 10% against HK\$ with all other variables held constant, the deficit for the year would have been HK\$3,704,000 lower/higher (2020: HK\$4,562,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of RMB-denominated bank and cash balances and other receivables.

At 31 December 2021, if CAD had weakened/strengthened by 10% against HK\$ with all other variables held constant, the deficit for the year would have been HK\$281,000 higher/lower (2020: HK\$309,000 higher/lower), mainly as a result of foreign exchange gain/losses on translation of CAD-denominated bank and cash balances and other receivables.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Foundation is exposed to credit risk from its operating activities (primarily deposits and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Foundation's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Foundation considers to have low credit risk.

Based on the Foundation's internal credit rating, no material impairment loss allowance is recognised for deposits and other receivables.

(c) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Foundation's non-derivative financial liabilities is as follows:

	Less than 1 year HK\$	Between 2 to 5 years HK\$	Total HK\$	Carrying amount HK\$
At 31 December 2021				
Accruals and other payables	2,506,542	-	2,506,542	2,506,542
Lease liabilities	1,108,697	1,572,503	2,681,200	2,473,682
At 31 December 2020				
Accruals and other payables	2,611,865	-	2,611,865	2,611,865
Lease liabilities	696,532	505,282	1,201,814	1,134,407

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NOTES TO THE FINANCIAL STATEMENTS
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6. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Interest rate risk

The Foundation's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Directors consider the Foundation have limited exposure to interest rate risk relating to the savings accounts as the changes in the interest rate of the savings accounts over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Foundation did not have any variable interest-bearing loans. The Foundation manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

(e) Categories of financial instruments at 31 December

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets:		
Financial asset measured at amortised cost	<u>52,909,038</u>	<u>57,385,196</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>4,980,224</u>	<u>3,746,272</u>

(f) Fair values

The carrying amounts of the Foundation's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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7. FUND-RAISING EVENTS

There is no approved fund-raising activities during the year (2020: Nil).

The net proceeds raised are used for the education support programs for children affected by HIV/AIDS in China.

8. OTHER INCOME

	<u>2021</u> HK\$	<u>2020</u> HK\$
Exchange gain, net	1,348,719	2,449,235
Government grants (note)	-	324,000
Rent concession	-	10,000
Sundry income	<u>3,000</u>	<u>4,300</u>
	<u>1,351,719</u>	<u>2,787,535</u>

Note: Government grants related to wage support from the Hong Kong government. Under the conditions of the grants, the Foundation was required to retain its employees even if business is affected by the COVID-19 outbreak.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. COST OF PROJECTS AND PROGRAMS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Education sponsorship and living expenses	17,121,925	20,161,858
Psychosocial education and support expenses	5,121,875	2,891,195
Orphans, vulnerable children and youth services:		
- Salaries and allowances (China offices)	8,934,119	6,978,901
- Rental	31,083	147,671
- Others	1,142,710	1,450,128
AIDS prevention and equal opportunity programs and services:		
- Salaries and allowances (China offices)	233,442	160,690
- Others	604,270	576,423
Publicity and resource development expenses:		
- Salaries and allowances	526,960	1,025,938
- MPF scheme	26,492	49,633
- Others	1,494,115	1,068,397
Fund-raising costs	393,084	451,192
Sponsorship expenses to Café (note 23)	67,810	690,337
	<u>35,697,885</u>	<u>35,652,363</u>

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. OTHER OPERATING EXPENSES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Auditor's remuneration	15,000	15,000
Bank charges	60,159	46,205
Computer cost	105,570	26,046
Contribution to MPF scheme	55,125	57,255
Depreciation	37,751	42,134
Insurance	14,204	17,709
Office supplies	7,952	8,837
Postage and couriers	9,099	5,380
Printing and stationery	13,288	13,200
Recruitment	3,730	5,574
Rent and rates	-	723
Repairs and maintenance	3,880	2,000
Salaries and allowance - administration	1,099,595	1,143,886
Sundry expenses	19,432	28,393
Telecommunication	8,662	8,086
Travelling	3,052	4,481
Utilities	24,103	12,886
	<u>1,480,602</u>	<u>1,437,795</u>

Most of the above operation expenses are incurred by the Foundation's Hong Kong office.

11. FINANCE COSTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest expenses on lease liabilities (note 15)	<u>87,208</u>	<u>54,005</u>

12. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Foundation is exempted from profits tax pursuant to Section 88 of the Hong Kong Inland Revenue Ordinance during the reporting period (2020: Nil).

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. DIRECTORS' REMUNERATION

The directors did not receive any fees and emoluments in respect of their services rendered to the Foundation during the year (2020: HK\$Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixture and equipment HK\$	Leasehold improvement HK\$	Total HK\$
Cost			
At 1 January 2020	1,133,940	93,380	1,227,320
Additions	50,962	-	50,962
At 31 December 2020 and 1 January 2021	1,184,902	93,380	1,278,282
Additions	39,307	-	39,307
At 31 December 2021	1,224,209	93,380	1,317,589
Accumulated depreciation			
At 1 January 2020	1,009,616	74,554	1,084,170
Charge for the year	36,206	5,928	42,134
At 31 December 2020 and 1 January 2021	1,045,822	80,482	1,126,304
Charge for the year	31,825	5,926	37,751
At 31 December 2021	1,077,647	86,408	1,164,055
Carrying amount			
At 31 December 2021	146,562	6,972	153,534
At 31 December 2020	139,080	12,898	151,978

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15. RIGHT-OF-USE ASSETS

	<u>2021</u> HK\$	<u>2020</u> HK\$
At 1 January	1,227,357	1,608,096
Additions	2,374,300	476,726
Depreciation	(1,096,180)	(908,194)
Exchange differences	<u>20,549</u>	<u>50,729</u>
At 31 December	<u><u>2,526,026</u></u>	<u><u>1,227,357</u></u>

Lease liabilities of HK\$2,473,682 (2020: HK\$1,134,407) are recognised with related right-of-use assets of HK\$2,526,026 (2020: HK\$1,227,357) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of total cash outflow for leases is set out in note 21.

For both years, the Foundation leases various offices for its operations. Lease contracts are entered into for fixed term of one to four years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Foundation applies the definition of a contract and determines the period for which the contract is enforceable.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. DEPOSITS AND OTHER RECEIVABLES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Deposits	137,107	129,910
Other receivables	<u>1,751,229</u>	<u>1,847,226</u>
	<u>1,888,336</u>	<u>1,977,136</u>

The other receivables are mostly designated donations received by charitable partners in China, Canada or USA less expenses of charitable activities incurred by them pending transfer to the Foundation.

Other receivables included an amount of HK\$446,883 (2020: HK\$795,860) are donations received by China Charities Aid Foundation for Children (“CCAFC”), one of the major foundations with national public fund-raising qualification in China, on behalf of the Foundation.

Donations received by CCAFC less administration fee are all used for supporting education sponsorship and psychosocial education programs of the Foundation.

17. BANK AND CASH BALANCES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Bank accounts held in name of the Foundation	50,822,985	54,752,997
Bank accounts opened under the names of volunteers held in trust on behalf of the Foundation (note a)	179,665	613,260
Cash kept by Hong Kong and China offices	<u>18,052</u>	<u>41,803</u>
	<u>51,020,702</u>	<u>55,408,060</u>
Cash and cash equivalent		
- Cash on hand and demand deposits	16,081,161	12,579,335
- Time deposits with maturity within three months	<u>29,547,185</u>	<u>31,412,020</u>
	<u>45,628,346</u>	<u>43,991,355</u>
Time deposits with maturity over three months	<u>5,392,356</u>	<u>11,416,705</u>
	<u>51,020,702</u>	<u>55,408,060</u>

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

17. BANK AND CASH BALANCES (CONT'D)

Note a:

Bank accounts are opened under the names of volunteers, held in trust on behalf of the Foundation are mainly time deposits with banks. At the end of reporting period, the time deposits held in trust on behalf of the Foundation by the volunteers amounted to HK\$159,185 (2020: HK\$593,800).

An analysis of the bank and cash balances denominated in currencies other than the presentation currency of the Foundation is as follows:

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
HK\$	9,329,473	7,558,596
USD	2,780,769	1,019,681
RMB	35,309,622	43,738,177
CAD	2,872,120	3,091,592
EUR	704,568	-
Others	24,150	14
	<u>51,020,702</u>	<u>55,408,060</u>

18. ACCUMULATED SURPLUS OF PROJECTS

	1 January 2021 HK\$	Income HK\$	Expenses HK\$	Overhead HK\$	31 December 2021 HK\$
Education and care for Children Impacted by HIV/AIDS	55,607,982	27,713,228	(32,678,082)	-	50,643,128
AIDS prevention and equal opportunity	(878,178)	1,478,954	(837,712)	-	(236,936)
Publicity, resources development	19,853	3,403,087	(3,403,231)	-	19,709
General	268,602	1,356,721	-	(1,442,850)	182,473
Total	<u>55,018,259</u>	<u>33,951,990</u>	<u>(36,919,025)</u>	<u>(1,442,850)</u>	<u>50,608,374</u>

	1 January 2020 HK\$	Income HK\$	Expenses HK\$	Overhead HK\$	31 December 2020 HK\$
Education and care for Children Impacted by HIV/AIDS	58,982,119	28,352,121	(31,726,258)	-	55,607,982
AIDS prevention and equal opportunity	(954,875)	813,810	(737,113)	-	(878,178)
Publicity, resources development	81,319	3,654,483	(3,715,949)	-	19,853
General	205,716	1,935,923	-	(1,873,037)	268,602
Total	<u>58,314,279</u>	<u>34,756,337</u>	<u>(36,179,320)</u>	<u>(1,873,037)</u>	<u>55,018,259</u>

Each individual project is supported, funded and operated separately. Surplus for each particular project is not allowed to transfer to other projects. Donation income without special instruction is allocated to the project "Education and care for children impacted by HIV-AIDS".

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

19. ACCRUALS AND OTHER PAYABLES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Accruals and other payables	<u>2,506,542</u>	<u>2,611,865</u>

The accounts payable and accruals are mostly balance of a special situation fund ("SSF") provided and administered by a group of volunteered supporters. The SSF aims to support special and urgent needs of children not covered by the Foundation's projects and programs.

20. LEASE LIABILITIES

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>2021</u> HK\$	<u>2020</u> HK\$	<u>2021</u> HK\$	<u>2020</u> HK\$
Within one year	1,108,697	696,532	1,017,883	650,620
In the second to fifth years, inclusive	1,572,503	505,282	1,455,799	483,787
	<u>2,681,200</u>	1,201,814	<u>2,473,682</u>	1,134,407
Less: Future finance charges	<u>(207,518)</u>	<u>(67,407)</u>	N/A	N/A
Present value of lease obligations	<u>2,473,682</u>	<u>1,134,407</u>	<u>2,473,682</u>	1,134,407
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(1,017,883)</u>	<u>(650,620)</u>
Amount due for settlement after 12 months			<u>1,455,799</u>	<u>483,787</u>

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	<u>2021</u> HK\$	<u>2020</u> HK\$
<u>Lease liabilities</u> (note 20)		
1 January	1,134,407	1,534,480
Cash flows	(1,140,805)	(975,777)
Interest expenses	87,208	54,005
Exchange differences	18,572	44,973
Acquisition of leases	<u>2,374,300</u>	<u>476,726</u>
31 December	<u>2,473,682</u>	<u>1,134,407</u>

(b) Total cash outflow for leases

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

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within operating cash flows	118,291	192,399
Within financing cash flows	<u>1,053,597</u>	<u>911,772</u>
Total	<u>1,171,888</u>	<u>1,104,171</u>

These amounts relate to the following:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Lease rental paid	<u>1,171,889</u>	<u>1,104,171</u>

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

22. OPERATING LEASE ARRANGEMENTS

The Foundation as lessee

The Foundation regularly entered into short-term leases for offices. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 15.

At 31 December 2020, the Foundation entered into a new lease for Hong Kong office that is not yet commenced, with non-cancellable period of 1 year with extension options. The total future undiscounted cash flows over the non-cancellable period amounted to HK\$288,000.

At 31 December 2021, the Foundation did not enter into any new lease yet to commence.

23. RELATED PARTY TRANSACTIONS

The Foundation has the following material related party transactions during the year:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Sponsorship income to Café	176,638	280,442
Sponsorship expense to Café	<u>(67,810)</u>	<u>(690,337)</u>
Surplus/(deficit)	<u>108,828</u>	<u>(409,895)</u>

The sponsorship income for the Café has been booked as the Foundation's income and reflected in statement of profit or loss. The accumulated sponsorship income adequately covers all sponsorship expenses to the Café since the inception of its operations.

A group of social investors ("Investors") has provided funding to establish a social café/bakery ("Café") in Shanghai under the form of a Wholly Foreign Owned Enterprise ("WFOE"). The Investors' intention is that the Café will operate as a social enterprise, and realize many aspects of social mission, including providing employment and training to underprivileged youths as bakers and baristas, facilitating public involvement and discourse in philanthropy, and generating sustainable income for charitable work by offering high quality products. The Investors chose the Foundation to receive and manage the funding as the Foundation has operated a bakery training program in Shanghai successfully for years and trained many students to become bakers, thus the Foundation is well prepared to create, partner with and benefit from a Café social enterprise.

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NOTES TO THE FINANCIAL STATEMENTS
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23. RELATED PARTY TRANSACTIONS (CONT'D)

The Café is solely funded by designated funding from the Investors. Investors apply all financial returns generated from the Investors' portion of the Café to benefit various programs under the Foundation and Chi Oi Social Enterprise Company Limited ("COSE"). Specifically the Investors will not receive any dividend from the Café. The Foundation will also benefit from the Café in other ways, including employment and training opportunity for students sponsored by the Foundation, and a public showcase of the Foundation's programs and mission.

Due to the nature of social enterprise and regulations of running a food and beverage operation in China, COSE is appointed by the Foundation and has accepted the appointment to assume legal ownership and management of the Café.

COSE is a private limited company registered in Hong Kong aimed to promote social enterprise and impact investment. The sole director of COSE, who serves COSE on a pro bono basis and receives no financial compensation from COSE, is a common director of the Foundation.