

CHI HENG FOUNDATION LIMITED

Reports and Financial Statements
For the year ended 31 December 2024

**CHI HENG FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

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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 2024.

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 underprivileged children, including 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 2024 are set out in the statement of profit or loss and other comprehensive income on page 13.

3. BUSINESS REVIEW

The fiscal years 2023 and 2024 marked the 21st and 22nd consecutive years of the Foundation’s support for the Orphans, Vulnerable Children and Youths Program (“OVCY Program”) in China.

With the generous and ongoing support of our donors and supporters, the Foundation has provided education sponsorship and psychosocial programs to over 40,000 HIV/AIDS-impacted and underprivileged children for more than two decades.

The Foundation would like to highlight various OVCY Program activities in this review.

(1) Education Sponsorship

Since its inception, the Foundation has been providing support to students from HIV/AIDS-impacted families through its Starfish Program (“Starfish”). To reach even more underprivileged children, the Foundation introduced a new Seahorse Program (“Seahorse”) in 2019. The purpose of Seahorse is to extend our service, based on the solid foundation established over the past two decades, to aid students who excel academically but face hardships from poverty, illness, or discrimination, even though they are not from HIV/AIDS-impacted families.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT**

3. BUSINESS REVIEW (CONT'D)

(1) Education Sponsorship (cont'd)

During the 2023-24 school year, a total of 5,233 students received financial sponsorship from the Foundation, of which 3,784 were under the Starfish while 1,449 were under the Seahorse. After accounting for students who graduated and pausing acceptance of new students, there was a net decrease of 26.2%, or 1,855 fewer sponsored students in 2023-24 school year when compared to 7,088 students supported in the 2022-23 school year.

School Grade / School Year	Sponsored Students					
	Starfish		Seahorse		Total	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
Primary	1,462	1,112	583	382	2,045	1,494
Junior High	1,390	1,075	511	367	1,901	1,442
Senior High	680	561	579	302	1,259	863
Vocational School	383	319	-	-	383	319
University	1,021	717	479	398	1,500	1,115
Total	4,936	3,784	2,152	1,449	7,088	5,233

Province	Sponsored Students					
	Starfish		Seahorse		Total	
	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24
Henan	1,857	1,390	970	683	2,827	2,073
Yunnan	1,128	844	91	11	1,219	855
Anhui	186	142	281	220	467	362
Guangxi	948	771	-	-	948	771
Guangdong	221	187	-	-	221	187
Shandong	227	166	258	205	485	371
Others	369	284	552	330	921	614
Total	4,936	3,784	2,152	1,449	7,088	5,233

In the 2023-24 school year, the Seahorse Program benefited 1,449 students from underprivileged families. Of the senior high students, 193 out of 302 (or 63.9%) successfully progressed to university. Without the support of Chi Heng Foundation, many of these students may have missed the opportunity to pursue higher education due to financial hardship.

The Foundation has noted that many of our Starfish students in Henan have progressed to senior high school or above. Consequently, the costs of providing education sponsorship on an average per student basis have risen, reflecting the increased expenses associated with senior high schools, vocational schools, and universities. As a larger proportion of existing students enter higher grades, we anticipate that sponsorship costs may grow at a faster rate than the total number of students we support.

CHI HENG FOUNDATION LIMITED DIRECTORS' REPORT

3. BUSINESS REVIEW (CONT'D)

(2) Psychosocial Activities

With over 20 years of experience, the Foundation has recognized that offering education sponsorship alone is insufficient to fully equip underprivileged children to navigate life's challenges and empower them to achieve personal development. To address this, the Foundation has effectively implemented a more comprehensive approach, focusing on the emotional well-being of these children. Besides poverty, many of them face issues such as low self-esteem and social stigma. The Foundation strongly believes that psychosocial support provided to these vulnerable children is crucial to their high education progression rate and long-term personal growth. The Foundation organizes a wide range of psychosocial activities for children with diverse needs, including summer camps, mentorship, career development camps, village visits, cultural tours, academic acceleration activities, graduation events for junior and senior high students, psychological and legal counselling hotlines. Our analyses show that students who participate in these activities have a higher rate of academic progression.

During the 2024 summer break, the Foundation organized 16 summer camps in cities across China, including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Guilin, Nanjing, Kunming, Hangzhou, Zhengzhou as well as Hong Kong. These camps provided valuable experiences to a total of 533 students.

(3) Big Brothers Big Sisters Campaign (previously known as University Students Summer Work)

Each year, the Foundation organizes community self-help initiatives and provides Chi Heng Academy training for sponsored university students. During summer break, hundreds of our sponsored university students take part in the Summer Work Program. Through their involvement in conducting interest-based classes and organizing home visits, the university students bring the Foundation's core value of "one helps three, three help nine" to life. Additionally, they serve as role models for younger students, encouraging them to persevere in their studies despite the adversities they face.

Approximately 350 university students were recruited online to participate in pre-work summer training, designed to familiarize them with the objectives of the Summer Work Program. Online learning covered areas such as interpersonal and coordinating skills required for home visits and interest-based classes. Following a month of online learning in their spare time, 206 students successfully passed the assessments and screenings to take part in the 2024 Summer Work Program.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT**

3. BUSINESS REVIEW (CONT'D)

(3) Big Brothers Big Sisters Campaign (previously known as University Students Summer Work) (cont'd)

The summer work in 2024 accomplished the following results:

- Conducted 2,794 home visits comprising 1,540 primary and junior high students, 443 senior high students, 150 vocational school students, and 661 university students.
- Organised 15 interest-based classes benefiting 1,332 primary and junior high students.
- Arranged 34 group activities with 379 student participants.

(4) VolunOnline

VolunOnline aims to establish a sustainable distance-learning platform that brings companioned learning and high-quality teaching to children in rural China. It includes setting up and operating real-time online learning rooms, either directly managed by the Foundation or in partnership with schools. It also involves recruiting volunteer teachers, developing classroom resources, and implementing best practices. It is a cost-effective approach to allow underprivileged students in rural areas to have access to diverse and high-quality educational opportunities.

In 2024, VolunOnline operated 138 classrooms delivering 1,305 lesson-hours and benefiting 4,341 student-counts.

Province / Year	Classroom		Lesson-hour		Student-count	
	2023	2024	2023	2024	2023	2024
Henan	84	80	742	778	2,880	2,714
Anhui	10	0	80	0	236	0
Guangxi	33	31	263	270	957	868
Hunan	6	9	52	90	101	141
Hubei	0	0	0	0	0	0
Yunnan	17	8	156	75	333	193
Jiangxi	10	6	74	52	416	247
Shanxi	4	0	16	0	201	0
Shandong	2	4	20	40	72	178
Total	166	138	1,403	1,305	5,196	4,341

CHI HENG FOUNDATION LIMITED DIRECTORS' REPORT

3. BUSINESS REVIEW (CONT'D)

(4) VolunOnline (cont'd)

The number of volunteer teachers remained more or less unchanged, who came from various parts of the world and shared a diverse range of experiences with the students. In addition to teachers from Shanghai, Beijing, Suzhou, Wuxi, Chengdu, Xian, Guangzhou, Shenzhen, Zhengzhou, Ningbo, Hangzhou, Nanjing, and Tianjin, we also had international teachers from Canada, the United States and France overcoming time zone differences to contribute. Some of our volunteer teachers work in renowned enterprises, educational institutions, universities, and partner NGOs. Some are studying at international schools and universities abroad. Many online classrooms were complemented by offline activities facilitated by our local staff, which we believe is a key success factor. These classes were highly appreciated by students, parents, and schools, and gained wide recognition from companies, universities, and the media. Despite the cessation of the designated funding source effective from 2024, our enthusiastic volunteer teachers still kindly supported our classes and the reduction in the number of classes was not very significant.

(5) Reading Rooms

The Foundation has established 34 reading rooms over the past 16 years to improve the learning environments in primary and secondary schools, as well as rural communities across Anhui, Henan, Yunnan and Shanxi. Of these, 16 were newly constructed by the Foundation while 18 were developed by upgrading existing facilities in partner schools. Equipped with extracurricular books, quality furniture, and multimedia tools, all students are welcome to use these spaces, not just those sponsored by the Foundation. These reading rooms served more than 13,000 students in 2024.

(6) Home Visits

Home visits are a fundamental component of Chi Heng's education sponsorship. Chi Heng staff pay visits to sponsored students and their families. First-hand insights into their living conditions and challenges are gained, allowing the Foundation to provide tailored education sponsorship and psychological support. Moreover, long-term and holistic care is ensured through ongoing follow-up visits.

Chi Heng staff completed 3,355 visits while another 2,794 visits were conducted by university students in the above-mentioned Big Brothers Big Sisters Campaign, bringing the total number of visits to 6,149 in 2024.

The online registration system initiated in 2022 is in good use for quicker updates of statistics, improved monitoring and reduced paper consumption.

CHI HENG FOUNDATION LIMITED DIRECTORS' REPORT

3. BUSINESS REVIEW (CONT'D)

(6) Home Visits (cont'd)

We will continue to explore innovative means to enhance our work efficiency and effectively make use of home visits to foster stronger connections and mutual trust between Chi Heng and the sponsored families, built on a foundation of care and support.

(7) University Student Development Camp

In 2024, a total of five university student development camps were held, each featuring four modules over two to three days, conducted both online and offline. A total of 544 university students participated.

The purpose of organizing these camps is to provide a platform for empowerment, social responsibility development, and promoting all-round development for university students sponsored by the Foundation. The camps cover a range of subjects, including self-protection, group discussions, team building, traditional culture, etiquette, psychological development, and career planning.

Outstanding alumni of the Foundation shared their personal experiences, while Mr. Chung TO delivered a keynote speech to the university students. The aim is to provide students with opportunities to network with successful peers, broaden their knowledge, and inspire a strong sense of social responsibility. The ultimate goal is to help shape them into well-rounded individuals who are passionate about making a difference in the lives of others.

(8) Chi Heng Alumni Engagement

As of August 2024, the Foundation has funded around 6,200 university graduates and students. Through the alumni association platform and various networking activities, strong relationship with our sponsored students has been well maintained.

Several online activities were organized, including virtual exchange sessions, charity interest classes, and psychological counselling services, all aimed at providing psychological support to the currently sponsored students.

CHI HENG FOUNDATION LIMITED DIRECTORS' REPORT

3. BUSINESS REVIEW (CONT'D)

(8) Chi Heng Alumni Engagement (cont'd)

We organized a variety of charitable activities in 2024 to empower Chi Heng university students to foster their personal growth through the principles of "receiving help, helping themselves and helping others". By using their own initiative to engage in charitable work, students advocated for the Foundation's ethos of "one helps three, three help nine" while providing support and companionship to primary and secondary school students sponsored by Chi Heng. These activities included online charity interest classes, the "Chi Heng 1+1" online growth companionship program, and the "Warm Winter" supply care initiative. Additionally, we launched the "Wisdom and Love Together" campaign to encourage university students to organize charity bazaars and awareness campaigns on their campuses or within their communities, promoting a strong sense of social responsibility.

In 2024, we partnered with a number of caring enterprises to organize activities related to career planning and employment advice for Chi Heng university students. Through interactive small group sessions, dedicated volunteers from these enterprises offered in-depth guidance, addressing students' questions and helping them prepare for employment. Looking ahead, we are exploring other partnerships with more enterprises.

Conclusion

When compared to the deficit of 2023, the Foundation achieved significant improvement in 2024. While attributing this encouraging result mainly to those cost cutting initiatives introduced since the second-half of 2023, fund-raising efforts were at full strength as well in order to mitigate the impact brought by the economy that has not fully recovered. For instance, charity sales and fund-raising events were organized not in Hong Kong alone, but in Canada also. The Foundation would like to extend our heartfelt gratitude to everyone who has supported our mission to serve the underprivileged children in China, and we are confident that financial break even can be achieved in 2025.

**CHI HENG FOUNDATION LIMITED
DIRECTORS' REPORT****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.

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.

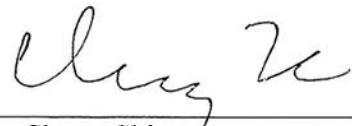
7. PERMITTED INDEMNITY PROVISIONS

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, 22 December 2025

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

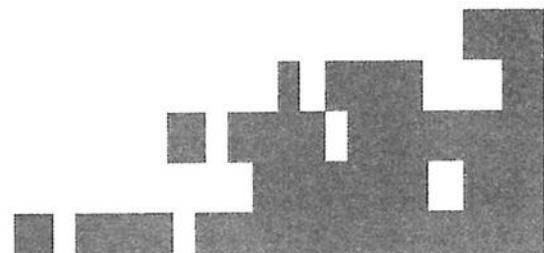
Opinion

We have audited the financial statements of Chi Heng Foundation Limited (the "Foundation") set out on pages 13 to 48, which comprise the statement of financial position as at 31 December 2024, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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") as 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.

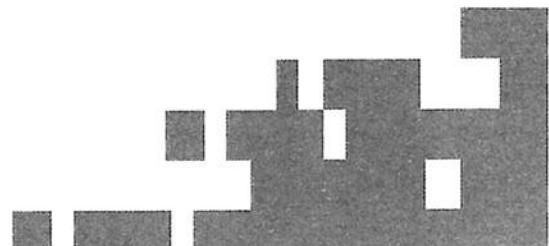
If, based on the work we have performed, we conclude that there is a material misstatement of this other Information, we are required to report that fact. We have nothing to report in this regard.

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 HKFRS Accounting Standards as 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)**

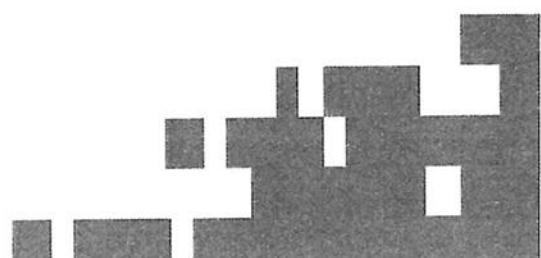
Auditor's Responsibilities for the Audit of the Financial Statements

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)

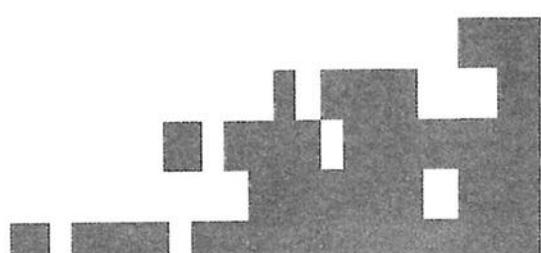
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. 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.



Certified Public Accountants

22 December 2025



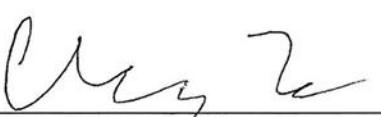
CHI HENG FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

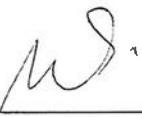
	Note	<u>2024</u> HK\$	<u>2023</u> HK\$
Income			
Donation		8,220,237	8,160,625
Sponsorship		4,151,976	4,911,439
Sponsorship received for social café		500	4,768
Fund-raising events	7	6,037,428	8,077,678
		18,410,141	<u>21,154,510</u>
Other income			
Bank interest income		353,324	318,248
Net gain on charity sales		849,445	999,220
Other income	8	4,234	3,000
		1,207,003	<u>1,320,468</u>
		19,617,144	<u>22,474,978</u>
Cost of projects and programs	9	(20,503,567)	(34,299,674)
Other operation expenses	10	(1,681,348)	(1,791,383)
Depreciation of right-of-use assets		(693,023)	<u>(862,372)</u>
Deficit from operations		(3,260,794)	(14,478,451)
Finance costs	11	(53,614)	<u>(112,404)</u>
Deficit before tax		(3,314,408)	(14,590,855)
Income tax expense	12	-	<u>-</u>
Deficit for the year		(3,314,408)	<u>(14,590,855)</u>

CHI HENG FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	Note	<u>2024</u> HK\$	<u>2023</u> HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	14	258,062	107,669
Right-of-use assets	15	608,626	1,478,155
		866,688	1,585,824
Current assets			
Deposits and other receivables	16	1,967,117	4,003,320
Bank and cash balances	17	14,246,039	15,181,671
		16,213,156	19,184,991
TOTAL ASSETS		17,079,844	20,770,815
FOUNDATION'S FUND AND LIABILITIES			
Foundation's fund			
Accumulated surplus of projects	18	12,935,751	16,250,159
Current liabilities			
Accruals and other payables	19	3,548,608	3,029,435
Lease liabilities	20	382,686	731,486
		3,931,294	3,760,921
Non-current liabilities			
Lease liabilities	20	212,799	759,735
TOTAL LIABILITIES		4,144,093	4,520,656
TOTAL FOUNDATION'S FUND AND LIABILITIES		17,079,844	20,770,815

Approved by the Board of Directors on 22 December 2025 and are signed on its behalf by:


 To Chung Chi
 CHAIRMAN


 Mok Wai Bun Ben
 DIRECTOR

CHI HENG FOUNDATION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Accumulated surplus of projects HK\$
At 1 January 2023	30,841,014
Deficit for the year	<u>(14,590,855)</u>
At 31 December 2023 and 1 January 2024	16,250,159
Deficit for the year	<u>(3,314,408)</u>
At 31 December 2024	<u><u>12,935,751</u></u>

CHI HENG FOUNDATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	<u>2024</u> HK\$	<u>2023</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit before tax	(3,314,408)	(14,590,855)
Adjustments for:		
Bank interest income	(353,324)	(318,248)
Depreciation of property, plant and equipment	154,389	24,408
Depreciation of right-of-use assets	693,023	862,372
Interest on lease liabilities	<u>53,614</u>	<u>112,404</u>
Operating loss before working capital changes	(2,766,706)	(13,909,919)
Decrease/(increase) in deposits and other receivables	<u>2,036,203</u>	<u>(2,591,890)</u>
Increase in accruals and other payables	<u>519,173</u>	<u>520,241</u>
Cash used in operating activities	(211,330)	(15,981,568)
Interest on lease liabilities	<u>(53,614)</u>	<u>(112,404)</u>
Net cash used in operating activities	<u>(264,944)</u>	<u>(16,093,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(304,782)	(5,961)
(Placement)/withdrawal of bank deposits with original maturity over three months	<u>(3,274,207)</u>	<u>8,411,428</u>
Bank interest received	<u>353,324</u>	<u>318,248</u>
Net cash (used in)/generated from investing activities	<u>(3,225,665)</u>	<u>8,723,715</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Principal element of lease payments	<u>(719,527)</u>	<u>(838,683)</u>
Net cash used in financing activity	<u>(719,527)</u>	<u>(838,683)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,210,136)	(8,208,940)
Effect of foreign exchange rate changes	297	248
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15,181,671	23,390,363
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10,971,832	15,181,671
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	17	14,246,039
Time deposits with maturity over three months		(3,274,207)
		<u>10,971,832</u>
		<u>15,181,671</u>

**CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

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 HIV/AIDS in China, education and care for underprivileged children, including 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 HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

The HKICPA has issued certain new and revised HKFRS Accounting Standards 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 2024

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

(a) Application of revised HKFRS Accounting Standards

The Foundation has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
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None of these developments have had a material effect on how the Foundation's results and financial position for the current or prior periods have been prepared or presented. The Foundation has not applied any amendments to HKFRS Accounting Standards that are not yet effective for the current accounting period.

(b) New and revised HKFRS Accounting Standards in issue but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. The Foundation has not early applied the following which may be relevant to the Foundation :

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1 - Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards - Volume 11	1 January 2026

**CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

**3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS
(CONT'D)**

(b) New and revised HKFRS Accounting Standards in issue but not yet effective (cont'd)

	Effective for accounting periods beginning on or after
HKFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027

The directors of the Foundation are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are 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 except for the following HKFRS 18.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 will replace HKAS 1 “Presentation of financial statements”, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Foundation presents and discloses financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Foundation are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the financial statements.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION

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

The preparation of financial statements in conformity with HKFRS Accounting Standards 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 material 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.

(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.

**CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(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.

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.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(c) Leases (cont'd)

(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. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. 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.

To determine the incremental borrowing rate, the Foundation:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(c) Leases (cont'd)

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

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

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 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (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 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (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 HKFRS Accounting Standards. 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 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (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.

Income from sponsorship and fund-raising events is recognised when the events were held.

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.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(k) Employee benefits (cont'd)

(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.

(l) 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 temporary 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 temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences 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 and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

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 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(1) 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, or to realise the asset and settle the liability simultaneously.

(m) 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 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(m) 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.

(n) Impairment of financial assets

The Foundation recognises a loss allowance for ECL on other receivables, bank deposits and bank and cash balances. 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 2024**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(n) 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 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(n) 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 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(n) 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.

(o) 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. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

(o) Provisions and contingent liabilities (cont'd)

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.

(p) 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. CRITICAL JUDGEMENT AND KEY ESTIMATES

In applying the Foundation's accounting policies, which are described in note 4, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

(a) 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.

**CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. CRITICAL JUDGEMENT AND KEY ESTIMATES (CONT'D)

(a) Key sources of estimation uncertainties (cont'd)

(i) 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 2024 were HK\$258,062 (2023: HK\$107,669) and HK\$608,626 (2023: HK\$1,478,155) respectively.

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.

**CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Foreign currency risk (cont'd)

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 2024, if RMB had weakened/strengthened by 10% against HK\$ with all other variables held constant, the deficit for the year would have been HK\$85,000 (2023: HK\$559,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated bank and cash balances and other receivables.

At 31 December 2024, if CAD had weakened/strengthened by 10% against HK\$ with all other variables held constant, the deficit for the year would have been HK\$145,000 (2023: HK\$206,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of CAD-denominated bank and cash balance (2023: other receivables).

(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 account receivables, 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.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

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 2024				
Accruals and other payables	3,548,608	-	3,548,608	3,548,608
Lease liabilities	<u>403,569</u>	<u>220,331</u>	<u>623,900</u>	<u>595,485</u>
At 31 December 2023				
Accruals and other payables	3,029,435	-	3,029,435	3,029,435
Lease liabilities	<u>825,587</u>	<u>768,269</u>	<u>1,593,856</u>	<u>1,491,221</u>

(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

	2024 HK\$	2023 HK\$
Financial assets:		
Financial asset measured at amortised cost	<u>16,213,156</u>	<u>19,184,991</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>4,144,093</u>	<u>4,520,656</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
FOR THE YEAR ENDED 31 DECEMBER 2024

7. FUND-RAISING EVENTS

	Public Subscription Permit number	<u>2024</u> HK\$	<u>2023</u> HK\$
Donations received from Chi Heng HK Walk & Carnival for AIDS Orphans 2023	2023/052/1	-	28,070
Donations received from Chi Heng Carnival 2024	2024/029/1	40,570	-
Auditor's remuneration		(2,500)	-
Net income raised from approved fund-raising activities		38,070	28,070
Income raised from other events		5,999,358	8,049,608
		6,037,428	8,077,678

There is no direct expenditure incurred for the above approved fund-raising activities and the net proceeds for the year is HK\$38,070 (2023: HK\$28,070).

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

8. OTHER INCOME

	<u>2024</u> HK\$	<u>2023</u> HK\$
Sundry income	4,234	3,000

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

9. COST OF PROJECTS AND PROGRAMS

	<u>2024</u> HK\$	<u>2023</u> HK\$
Education sponsorship and living expenses	4,926,420	13,345,041
Psychosocial education and support expenses	4,986,876	5,869,080
Orphans, vulnerable children and youth services:		
- Salaries and allowances (China offices)	4,915,832	8,426,398
- Rental	235,441	103,072
- Others	760,052	1,181,346
AIDS prevention and equal opportunity programs and services:		
- Salaries and allowances (China offices)	-	82,623
- Others	-	1,016,373
Publicity and resource development expenses:		
- Salaries and allowances	928,049	338,961
- MPF scheme	39,178	11,483
- Others	2,678,370	1,665,792
Fund-raising costs	1,033,349	2,253,944
Sponsorship expenses to Café (note 23)	-	5,561
	<u>20,503,567</u>	<u>34,299,674</u>

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

10. OTHER OPERATING EXPENSES

	<u>2024</u> HK\$	<u>2023</u> HK\$
Auditor's remuneration	12,000	12,000
Bank charges	45,454	53,400
Computer cost	43,331	66,513
Consultancy fee	41,200	107,200
Contribution to MPF scheme	42,000	28,958
Depreciation	154,389	24,408
Exchange loss, net	204,761	618,819
Insurance	17,236	13,297
Office supplies	7,333	7,530
Postage and couriers	5,851	7,965
Printing and stationery	15,538	13,400
Recruitment	1,071	11,626
Rates	693	-
Repairs and maintenance	120	750
Salaries and allowance - administration	1,018,327	754,528
Sundry expenses	39,468	34,615
Telecommunication	8,943	10,545
Travel and transportation	668	-
Utilities	<u>22,965</u>	<u>25,829</u>
	<u>1,681,348</u>	<u>1,791,383</u>

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

11. FINANCE COSTS

	<u>2024</u> HK\$	<u>2023</u> HK\$
Interest expenses on lease liabilities (note 15)	<u>53,614</u>	<u>112,404</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 (2023: Nil).

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

13. DIRECTORS' REMUNERATION

The directors did not receive any fees and emoluments in respect of their services rendered to the Foundation during the year (2023: HK\$Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixture and equipment HK\$	Leasehold improvement HK\$	Total HK\$
Cost			
At 1 January 2023	1,231,205	93,380	1,324,585
Additions	5,961	-	5,961
At 31 December 2023 and 1 January 2024	1,237,166	93,380	1,330,546
Additions	304,782	-	304,782
At 31 December 2024	1,541,948	93,380	1,635,328
Accumulated depreciation			
At 1 January 2023	1,106,135	92,334	1,198,469
Charge for the year	23,362	1,046	24,408
At 31 December 2023 and 1 January 2024	1,129,497	93,380	1,222,877
Charge for the year	154,389	-	154,389
At 31 December 2024	1,283,886	93,380	1,377,266
Carrying amount			
At 31 December 2024	258,062	-	258,062
At 31 December 2023	107,669	-	107,669

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

15. RIGHT-OF-USE ASSETS

	<u>2024</u> HK\$	<u>2023</u> HK\$
At 1 January	1,478,155	2,133,729
Additions	51,112	248,546
Depreciation	(693,023)	(862,372)
Modification	(199,698)	-
Exchange differences	<u>(27,920)</u>	<u>(41,748)</u>
At 31 December	<u>608,626</u>	<u>1,478,155</u>

Lease liabilities of HK\$595,484 (2023: HK\$1,491,221) are recognised with related right-of-use assets of HK\$608,626 (2023: HK\$1,478,155) as at 31 December 2024. 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.

	<u>2024</u> HK\$	<u>2023</u> HK\$
Depreciation of right-of-use assets	693,023	862,372
Interest expense on lease liabilities (included in finance costs)	53,614	112,404
Expenses relating to short-term lease (included in cost of projects and programs and other operating expenses)	<u>235,441</u>	<u>103,072</u>

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 five 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 2024

16. DEPOSITS AND OTHER RECEIVABLES

	<u>2024</u> HK\$	<u>2023</u> HK\$
Deposits	949,341	307,733
Other receivables	<u>1,017,776</u>	<u>3,695,587</u>
	<u>1,967,117</u>	<u>4,003,320</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.

17. BANK AND CASH BALANCES

	<u>2024</u> HK\$	<u>2023</u> HK\$
Bank accounts held in name of the Foundation	14,126,935	14,867,170
Bank accounts opened under the names of volunteers held in trust on behalf of the Foundation (note a)	84,769	294,174
Cash kept by Hong Kong and China offices	<u>34,335</u>	<u>20,327</u>
	<u>14,246,039</u>	<u>15,181,671</u>

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

17. BANK AND CASH BALANCES (CONT'D)

Cash and cash equivalent		
- Cash on hand and demand deposits	6,313,432	12,137,823
- Time deposits with maturity within three months	4,658,400	3,043,848
	<hr/>	<hr/>
	10,971,832	15,181,671
Time deposits with maturity over three months		
	3,274,207	-
	<hr/>	<hr/>
	14,246,039	15,181,671

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\$74,207 (2023: HK\$43,848).

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

	2024 HK\$	2023 HK\$
HK\$	7,728,793	9,408,904
USD	4,734,413	406,723
RMB	312,713	5,323,644
CAD	1,445,697	1,385
EUR	-	40,688
Others	24,423	327
	<hr/>	<hr/>
	14,246,039	15,181,671

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

18. ACCUMULATED SURPLUS OF PROJECTS

	1 January 2024 HK\$	Income HK\$	Expenses HK\$	Overhead HK\$	31 December 2024 HK\$
Education and care for Children Impacted by HIV/AIDS	20,838,371	12,373,946	(15,824,621)	-	17,387,696
Publicity, resources development	19,844	6,886,873	(4,678,946)	-	2,227,771
General	(4,608,056)	356,325	-	(2,427,985)	(6,679,716)
Total	16,250,159	19,617,144	(20,503,567)	(2,427,985)	12,935,751
	1 January 2023 HK\$	Income HK\$	Expenses HK\$	Overhead HK\$	31 December 2023 HK\$
Education and care for Children Impacted by HIV/AIDS	34,627,842	13,955,629	(27,745,100)	-	20,838,371
AIDS prevention and equal opportunity	(669,636)	1,768,631	(1,098,995)	-	-
Publicity, resources development	211,468	5,927,041	(6,118,665)	-	19,844
General	(3,328,660)	823,677	-	(2,103,073)	(4,608,056)
Total	30,841,014	22,474,978	(34,962,760)	(2,103,073)	16,250,159

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”.

19. ACCRUALS AND OTHER PAYABLES

	<u>2024</u> HK\$	<u>2023</u> HK\$
Accruals and other payables	<u>3,548,608</u>	<u>3,029,435</u>

The other payables 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.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

20. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2024 HK\$	2023 HK\$	2024 HK\$	2023 HK\$
Within one year	403,569	825,587	382,686	731,486
In the second to fifth years, inclusive	220,331	768,269	212,799	759,735
Less: Future finance charges	623,900 (28,415)	1,593,856 (102,635)	595,485 N/A	1,491,221 N/A
Present value of lease obligations	<u>595,485</u>	<u>1,491,221</u>	<u>595,485</u>	<u>1,491,221</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			(382,686)	(731,486)
Amount due for settlement after 12 months			<u>212,799</u>	<u>759,735</u>

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.

	2024 HK\$	2023 HK\$
<u>Lease liabilities (note 20)</u>		
1 January	1,491,221	2,122,858
Cash flows	(773,141)	(951,087)
Interest expenses	53,614	112,404
Exchange differences	(27,623)	(41,500)
Acquisition of leases	51,112	248,546
Modification	(199,698)	-
31 December	<u>595,485</u>	<u>1,491,221</u>

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

21. NOTES TO THE STATEMENT OF CASH FLOWS (CONT'D)

(b) Total cash outflow for leases

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Within operating cash flows	124,968	215,476
Within financing cash flows	<u>719,527</u>	<u>838,683</u>
Total	<u>844,495</u>	<u>1,054,159</u>

These amounts relate to the following:

	<u>2024</u> HK\$	<u>2023</u> HK\$
Lease rental paid	<u>844,495</u>	<u>1,054,159</u>

22. OPERATING LEASE ARRANGEMENTS

The Foundation as lessee

The Foundation regularly entered into short-term leases for offices. As at 31 December 2024, 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 2023, the Foundation did not enter into any new lease yet to commence.

At 31 December 2024, the Foundation entered into a new lease for Hong Kong office that was 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\$276,000.

CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

23. RELATED PARTY TRANSACTIONS

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

	2024 HK\$	2023 HK\$
Sponsorship income from Café	500	4,768
Sponsorship expense to Café	-	(5,561)
Surplus/(deficit)	500	(793)

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 realise 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 and trained many students to become bakers, thus the Foundation is well prepared to create, partner with and benefit from a Café social enterprise.

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.

**CHI HENG FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

23. RELATED PARTY TRANSACTIONS (CONT'D)

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.