

Report of the Trustees and Audited Financial Statements

SAVE THE CHILDREN HONG KONG LIMITED  
香港救助兒童會有限公司

31 December 2021



# SAVE THE CHILDREN HONG KONG LIMITED

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# SAVE THE CHILDREN HONG KONG LIMITED

## REPORT OF THE TRUSTEES

The trustees have the pleasure of submitting their annual report together with the audited financial statements for the year ended 31 December 2021.

### Principal place of business

Save the Children Hong Kong Limited (“the Company” or “SCHK”) is a charitable organisation limited by guarantee, incorporated and domiciled in Hong Kong. Its registered office and principal place of business is at 8/F Pacific Plaza, 410-418 Des Voeux Road West, Sai Wan, Hong Kong.

### Principal activities

The principal activities of SCHK are fundraising and creating and delivering evidence-based health, education, protection, and humanitarian programmes for children in Hong Kong and across the world, as well as advocating for and promoting children’s rights.

### Business review

#### ***Background and business objectives***

Save the Children believes every child deserves a future. In Hong Kong and around the world, we do whatever it takes – every day and in times of crisis – so children can fulfill their rights to a healthy start in life, the opportunity to learn and protection from harm.

Established in 2009, SCHK is part of the Save the Children global movement which is made up of 30 member organisations and operates in almost 120 countries. With over 100 years of expertise, we are the world’s first and leading independent children’s organisation – transforming lives and the future we share.

SCHK raises funds and supports programmes in Hong Kong and around the world, to achieve its vision of a world in which every child attains their basic rights to survival, protection, development, and participation. The COVID 19 pandemic, coupled with the impact of conflict and climate change, posed new, urgent challenges for children around the world that Save the Children sought to address directly as well as in collaboration with local partners and communities.

#### ***Key Areas of Our Work***

SCHK, together with other offices in the Save the Children global movement, focuses on the following areas:

#### **Child Protection**

At least three-quarters of the world’s children experience violence. Violence takes many forms, including physical and emotional abuse, sexual abuse and exploitation, and neglect or deliberate deprivation. Growing up with violence, and the threat of violence, can lead to life-long physical, emotional and mental health problems. SCHK works with children, families, communities and societies to put in place laws, policies and services to protect children. We also promote social norms, gender equality, and positive changes in attitudes and behaviours. We work to prevent and respond to all forms of abuse, neglect, exploitation and violence affecting children.

#### **Health & Nutrition**

Every child has a right to survival. Yet, every year, millions of children are dying from illnesses that are entirely preventable – and most of them in their first years of life. Children most affected by inequality and discrimination are the most vulnerable as they lack access to quality healthcare, such as vaccines, medicines, or nutrients – all of which save lives. This is especially true in conflict and emergencies, or in poor and deprived areas, where the challenge of keeping children alive is heightened. At SCHK, we strive to provide effective health and nutrition programmes to save children’s lives and ensure they grow up healthy.

## SAVE THE CHILDREN HONG KONG LIMITED

### REPORT OF THE TRUSTEES

#### Business review (continued)

#### ***Key Areas of Our Work*** (continued)

##### **Education**

All children have the right to learn from a quality education. However, millions of children are being denied this opportunity simply because of who they are or where they live. They are deprived of learning because they are caught up in emergencies, face extreme poverty, or are discriminated against because of their gender, disability or ethnicity. SCHK works to help children develop so they are ready to learn when they start school. We ensure children learn to read and write, and give children safe places to develop essential cognitive and life skills.

##### **Child Poverty**

Children are more than twice as likely as adults to be living in extreme poverty. An estimated two out of every five children worldwide lives in multi-dimensional poverty. Children living in poverty face a higher risk of death before age 5, and malnutrition that stunts their growth and development. They also are at greater risk of being out of school, being forced into harmful labour or child marriage, or giving birth while they are still children themselves. SCHK works to lift families out of poverty. We equip adolescents and caregivers with the knowledge and skills they need to better manage their food security and livelihoods, and take a child-sensitive approach to all of our poverty alleviation programmes.

##### **Humanitarian Programmes**

SCHK is committed to providing child-focused emergency relief and humanitarian responses in the face of natural and man-made disasters, as well as conflict situations. We also help communities facing recurrent hazards and calamities, particularly those that are highly vulnerable to various hazards due to geographical location, socio-economic conditions and/or war, with disaster risk reduction measures integrated into development programmes to build community resilience.

##### ***Investment in Programmes***

In 2021, SCHK supported vulnerable children in Hong Kong and around the world, with a primary focus on Asia.

As a strategic priority, SCHK continued to expand significantly its programmes in Hong Kong, with establishment of a centre in a district with one of the highest child poverty rates. In addition to providing direct service, SCHK also collaborated with 15 partner organisations to serve vulnerable children in other districts. In 2021, SCHK's domestic programmes supported 43,713 children and adults. Our programmes primarily focus on ensuring a safe and caring environment for children, free of violence and abuse, and enhancing children's mental wellbeing. Our Heart to Heart Parent-Child Programme teaches parenting without violence to prevent violence in the homes, and our Child Safeguarding services support organisations with policy development and training to ensure that their operating environment is child-safe. Our mental wellbeing programmes continued to build children's resilience and support their social and emotional development. Our advocacy efforts complement programme activities to raise awareness of child protection and mental health issues affecting children, and promote laws and policies that contribute to an enabling environment for child development.

In 2021, SCHK supported development programmes across 15 countries. In Bhutan, China, Sri Lanka, and Thailand, we delivered programmes to ensure that children are better protected from violence and abuse in their families and communities, as well as to strengthen national and local child protection systems. To give every child a healthy start in life, SCHK supported programmes to improve maternal, newborn and child health in China, and to tackle pneumonia in Bangladesh and Indonesia. SCHK also worked with families, communities, schools and governments to improve education outcomes for children in Cambodia, China, Laos, Pakistan, Philippines, Thailand and Vietnam.

# SAVE THE CHILDREN HONG KONG LIMITED

## REPORT OF THE TRUSTEES

### Business review (continued)

#### ***Investment in Programmes*** (continued)

To address child poverty, our programme in India empowered rural, adolescent girls with financial literacy, livelihoods and self-protection skills; and in Philippines and China, we helped adolescents build livelihood and other skills to succeed in life. SCHK also contributed support to humanitarian responses across the globe, which helped the movement respond to emergencies across all continents of the world.

During 2021, Save the Children's global movement supported 31.1 million children and family members affected by humanitarian disasters across 80 countries. SCHK contributed to the global funding, providing vital resources to humanitarian crises worldwide, including the earthquakes that struck Haiti, and the conflict that engulfed Afghanistan.

In addition, SCHK secured a grant of HK\$3.31 million from the Disaster Relief Fund of the Government of Hong Kong Special Administrative Region (HKDRF) to support families affected by typhoons in the Philippines. We also directly supported India's response to the devastating COVID-19 surge that struck during 2021.

#### ***Financial Performance***

Faced with a challenging economy, driven substantially by the effects of the global pandemic, SCHK experienced a related reduction in donations. In response SCHK took steps to closely manage all costs, reducing administration costs where possible and carefully allocating programme expenditure between the many areas of need.

#### Key Financial Summary

- Total income was HK\$138.96 million, a decrease of 10%, or HK\$16.25 million from 2020. This comprised general donations from the public of HK\$111.4 million, designated donations primarily from leading corporates, foundations and government of HK\$27.4 million and other income of HK\$0.1 million.
- Funding for programmes was HK\$107.21 million, a decrease of 13%, or HK\$15.33 million from 2020. Total funding for programmes represented 77% of total expenditures in 2021 (2020: 82%).
- Fundraising costs were HK\$27.68 million, an increase of 19%, or HK\$4.38 million from 2020. Total fundraising costs represented 20% of total expenditures in 2021 (2020: 16%).
- Administration costs were HK\$3.50 million, a decrease of 10%, or HK\$0.36 million from 2020. Total administration costs represented 3% of total expenditures in 2021 (2020: 3%).

#### Donations Summary

SCHK income is derived primarily from donations from individuals, foundations, corporations, and the Hong Kong Government. These donations are either (i) general donations, with no restrictions by the donor on how they may be used or (ii) designated donations, whose use is restricted to a designated programme, programmes, or types of programmes.

In 2021, faced with a challenging economy, we received total donations of HK\$138.8 million thanks to the ongoing support of our individual donors, leading corporates, foundations and the Hong Kong government. This represents a decrease of 9% from our 2020 donations of HK\$152.7 million.

#### Governance and administration

Administration expenditure was HK\$3.50 million in 2021, a decrease of 10%, or HK\$0.36 million, from our 2020 expenditure of HK\$3.87 million.

# SAVE THE CHILDREN HONG KONG LIMITED

## REPORT OF THE TRUSTEES

### Business review (continued)

#### ***Financial Performance*** (continued)

#### ***Funds Allocation***

The majority of organisational spending is dedicated to delivering evidence-based health, education, protection, and humanitarian programmes for children, as well as the promotion of children's rights and alleviation of poverty. In 2021, SCHK spent HK\$107.21 million on programmes, a decrease of 13%, or HK\$15.33 million from 2020.

To ensure every dollar raised is properly used and/or invested to maximise impact, all operations are bound by cost controls and internal policies, in line with Save the Children's global procedures. In addition to continuously improving our efficiencies and costs, SCHK also strives to maintain an optimum balance between investment in key activities such as fundraising and programme delivery, with a target programme expenditure ratio of 75-80% of total expenditure.

#### ***Accountability measures and internal controls***

SCHK remains focused on continually strengthening its governance, risk, child safeguarding and internal control measures in adherence with the Save the Children global accountability framework, and enhancing the efficiency and effectiveness of its local operations and fundraising efforts under the guidance and stewardship of the Board. By both enhancing and streamlining its operations, SCHK will continue to its efforts to reduce costs as a percentage of income over time.

#### ***Board Subcommittees***

Our subcommittees under the Board continued to guide our operations. Each Committee is chaired by one SCHK Board member and all Board members are expected to be members of at least two subcommittees.

*Audit, Finance and Risk Committee:* Reviews all financial, auditing, governance and risk management issues related to SCHK, including accounting policy and guidelines, capital expenditure, three years growth plan, bi-annual forecast, review of financial results as well as operational, financial and business risks related to SCHK.

*Programme Committee:* Provides guidance, advice and oversight on the implementation of best-in-class standards in policies and procedures in managing project funding, proper use of donations, as well as monitoring and evaluating the effectiveness of projects to maximise impact for children.

*Partnerships and Philanthropy Committee:* Defines and approves fundraising strategies and risk mitigation, supports key signature events and facilitates introductions to corporates and foundations. Also provides strategic support to ensure focus and direction of communication and media engagement.

*Governance and Nomination Committee:* Reviews current board members based on regular participation and contribution to Board meetings, and identifies suitable candidates to fill Board vacancies, taking into account the qualifications and characteristics requirements formulated by the Board.

*Strategy Committee:* Supports and oversees the development, refinement and implementation of a medium and long-term strategic plan to support continuous growth and increased capacity to deliver our objectives.

#### ***Financial statements***

The surplus of the Company for the year ended 31 December 2021 and the state of the Company's affairs as at that date are set out in the financial statements on pages 9 to 32.

# SAVE THE CHILDREN HONG KONG LIMITED

## REPORT OF THE TRUSTEES

### Funds

Details of the movements in funds, as described in note 15 to the financial statements, are set out in the statement of changes in funds.

### Share capital

The Company was incorporated under the laws of Hong Kong as a company limited by guarantee and without any share capital. The details of the liability of its members are set out in note 1 to the financial statements.

### Trustees

The trustees, who pursuant to section 2 of the Hong Kong Companies Ordinance are regarded as directors of the Company, during the year were:

Hing Lun Chan

Lin Ho-Ping

Winnie Yu Wing, Au-Yeung

Michael Klosson

Ming Yunn Stephanie Hui

Kwong Yui Spencer Wong

Paul Michael Kennedy

Lok Man Norman Tam

(appointed on 19 February 2021)

Wai Man June Wong

(appointed on 22 April 2021)

Wing Ho Ringo Ng

(appointed on 11 June 2021)

Rebecca Wei

(appointed on 13 December 2021)

Farhan Faruqui

(resigned on 17 December 2021)

In accordance with article 29 of the Company's articles of association, all present trustees continue in office for the following year.

### Trustees' interests

At no time during the year was the Company a party to any arrangement to enable the trustees of the Company to acquire benefits by means of the acquisition of an interest in the Company or any other body corporate.

### Trustees' interests in transactions, arrangements and contracts

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

### Auditor

Ernst & Young retired as the auditor of the Company and did not seek re-appointment. The Board shall as soon as practicable fill the vacancy so arising and convene a special general meeting for approval by the members.

By order of the trustees



Paul Michael Kennedy  
Hong Kong  
24 June 2022

**Independent auditor's report****To the members of Save the Children Hong Kong Limited**

(Incorporated in Hong Kong and limited by guarantee)

**Opinion**

We have audited the financial statements of Save the Children Hong Kong Limited (the "Company") set out on pages 9 to 32, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in funds and the 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 Company 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 ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for opinion**

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

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

The trustees of the Company are responsible for the other information. The other information comprises the information included in the report of the trustees.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**Independent auditor's report (continued)**  
**To the members of Save the Children Hong Kong Limited**  
(Incorporated in Hong Kong and limited by guarantee)

**Responsibilities of the trustees for the financial statements**

The trustees of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the trustees of the Company 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 trustees of the Company are responsible for assessing the Company'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 trustees of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

**Independent auditor's report (continued)**  
**To the members of Save the Children Hong Kong Limited**  
(Incorporated in Hong Kong and limited by guarantee)

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- conclude on the appropriateness of the trustees' 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 Company'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 Company 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 board of trustees 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  
Hong Kong  
24 June 2022

SAVE THE CHILDREN HONG KONG LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 HK\$	2020 HK\$
INCOME			
General donations	3	111,402,647	113,901,988
Designated donations	3	27,427,182	38,799,974
Wage subsidy from The Government of HKSAR		38,128	2,182,098
Other income		94,164	321,251
		<u>138,962,121</u>	<u>155,205,311</u>
EXPENDITURE			
Fundraising expenditure		27,676,821	23,297,330
Administrative expenses		3,504,558	3,866,059
Funding for programs		107,205,213	122,544,827
		<u>138,386,592</u>	<u>149,708,216</u>
SURPLUS BEFORE TAX	4	575,529	5,497,095
Income tax	5	<u>-</u>	<u>-</u>
SURPLUS FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>575,529</u>	<u>5,497,095</u>

SAVE THE CHILDREN HONG KONG LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK\$	2020 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	559,116	835,062
Right-of-use asset	8	728,497	2,041,056
Intangible assets	9	1,541,032	2,044,622
Total non-current assets		<u>2,828,645</u>	<u>4,920,740</u>
<b>CURRENT ASSETS</b>			
Receivables, prepayments, deposits and other receivables	10	1,308,332	3,687,059
Due from other Save the Children offices	11	8,442,853	1,326,895
Cash and bank balances	12	29,587,572	32,389,200
Total current assets		<u>39,338,757</u>	<u>37,403,154</u>
<b>CURRENT LIABILITIES</b>			
Creditors, accruals and contract liabilities	13	4,270,750	5,219,176
Due to other Save the Children offices	11	1,823,248	1,740,072
Deferred income	14	9,222,968	7,622,895
Lease liabilities	8	879,133	1,455,702
Total current liabilities		<u>16,196,099</u>	<u>16,037,845</u>
<b>NET CURRENT ASSETS</b>		<u>23,142,658</u>	<u>21,365,309</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	8	-	890,275
<b>NET ASSETS</b>		<u>25,971,303</u>	<u>25,395,774</u>
<b>GENERAL FUND</b>			
General fund	15	<u>25,971,303</u>	<u>25,395,774</u>



Paul Michael Kennedy  
Trustee



Lin Ho-Ping  
Trustee

SAVE THE CHILDREN HONG KONG LIMITED

STATEMENT OF CHANGES IN FUNDS

Year ended 31 December 2021

	General fund HK\$ (note 15)
At 1 January 2020	19,898,679
Surplus for the year and total comprehensive income for the year	<u>5,497,095</u>
At 31 December 2020 and 1 January 2021	25,395,774
Surplus for the year and total comprehensive income for the year	<u>575,529</u>
At 31 December 2021	<u><u>25,971,303</u></u>

SAVE THE CHILDREN HONG KONG LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK\$	2020 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus before tax		575,529	5,497,095
Adjustments for:			
Bank interest income		( 1,212)	( 16,539)
Depreciation of items of property, plant and equipment	4	552,402	592,244
Depreciation of right-of-use asset	4	1,312,559	1,289,088
Amortisation of intangible assets	4	503,590	317,402
Interest on lease liabilities	8	82,272	177,259
		3,025,140	7,856,549
Decrease/(increase) in receivables, prepayments, deposits and other receivables		2,378,727	( 1,612,020)
Increase /(decrease) in creditors, accruals, and contract liabilities		( 948,426)	970,407
Decrease/(increase) in amounts due from other Save the Children offices		( 7,115,958)	6,729,687
Increase/(decrease) in amounts due to other Save the Children offices		83,176	( 78,684)
Increase/(decrease) in deferred income		1,600,073	( 1,539,467)
Cash generated from/(used in) operations		( 977,268)	12,326,472
Interest element on lease liabilities		( 82,272)	( 177,259)
Net cash flows from/(used in) operating activities		( 1,059,540)	12,149,213
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		( 276,456)	( 130,500)
Addition of intangible assets		-	( 479,967)
Interest received		1,212	16,539
Net cash flows used in investing activities		( 275,244)	( 593,928)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal portion of lease payments		( 1,466,844)	( 1,323,011)
Net cash flows used in financing activities		( 1,466,844)	( 1,323,011)

continued/...

SAVE THE CHILDREN HONG KONG LIMITED

STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2021

	2021 HK\$	2020 HK\$
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	( 2,801,628)	10,232,274
Cash and cash equivalents at the beginning of the year	<u>32,389,200</u>	<u>22,156,926</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>29,587,572</u>	<u>32,389,200</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>29,587,572</u>	<u>32,389,200</u>

# SAVE THE CHILDREN HONG KONG LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 1. CORPORATE INFORMATION

Save The Children Hong Kong Limited is incorporated in Hong Kong as a company limited by guarantee. Its registered office and principal place of business is located at 8/F, Pacific Plaza, 410-418 Des Voeux West, Sai Wan, Hong Kong.

During the year, the Company was involved in fund raising for the promotion of children's rights and the delivery of immediate and lasting relief to children.

Under the provision of the Company's memorandum and articles of association, every member shall, in the event of the Company being wound up, contribute such amount as may be required to meet the liability of the Company but not exceeding HK\$100 per member.

### 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

### 2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK\$").

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRS for the first time in the current year's financial statements.

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)



# SAVE THE CHILDREN HONG KONG LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of general fund at the beginning of the current accounting period. Earlier application is permitted.

The Company has early adopted the amendment on 1 January 2021. However, the Company has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

### 2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Company has not early applied any of the revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2021 in these financial statements:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2,3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

The Company is in the process of making an assessment of the impact of the revised HKFRSs upon initial application. The revised HKFRSs are not expected to have any significant impact on the financial position or performance of the Company upon adoption.

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a holding company of the Company;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the holding company of the Company.

31 December 2021

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	over the term of lease
Fixtures and furniture	33%
Computer equipment	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least annually at each financial year end.

*Computer software*

Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over its estimated useful life of 5 years.

*Website development costs*

Costs directly associated with the development of specific website, which include external direct costs of services incurred in developing the website, are capitalised. The capitalisation of such costs ceases no later than the point at which the website is substantially completed and ready for its intended purpose. Website development costs are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over its estimated useful life of 5 years.

Leases

The Company assesses at contract inception whether a 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.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use asset

Right-of-use asset is recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset is depreciated on the straight-line basis over the following depreciation period, which is the shorter of the lease term and the estimated useful life of the asset:

Office premise

5 years

If ownership of the leased asset is transferred to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

31 December 2021

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

*Company as a lessee* (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for termination of a lease, if the lease term reflects the Company exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease or, where that rate cannot be readily determined, the Company uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Financial assets

Financial assets of the Company are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

(b) Impairment

The Company applies the expected credit loss model on all the financial assets that are subject to impairment. For account receivables without a significant financial component, the Company applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) Impairment (continued)

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Company considers a default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include creditors and due to other Save the Children offices. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged or cancelled, or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

Government subsidy

Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

# SAVE THE CHILDREN HONG KONG LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### *General donations*

General donations are recognised when the Company becomes entitled to the donations and it is probable that they will be received, which is generally upon receipt of cash.

#### *Designated donations*

Designated donations are earmarked for specific purposes and are initially recognised as deferred income and then recognised in the statement of comprehensive income over the same period as the related costs which they are intended to compensate.

#### *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a donor before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company transfers control of the related goods or services to the donor.

#### Translation of foreign currencies

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

#### Employee benefits - pension scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

### 3. INCOME

The principal activities of the Company are fund raising for the promotion of children's rights and the delivery of immediate and lasting relief to children.

Income mainly represents general donations and designated donations received and receivable for the year.

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. SURPLUS BEFORE TAX

The Company's surplus before tax is arrived at after charging/(crediting):

	Notes	2021 HK\$	2020 HK\$
Depreciation of items of property, plant and equipment	7	552,402	592,244
Depreciation of right-of-use asset	8	1,312,559	1,289,088
Amortisation of intangible assets <sup>#</sup>	9	503,590	317,402
Auditor's remuneration		-	-
Employee benefits expense:			
Wages, salaries and allowances		21,973,984	22,808,036
Pension scheme contributions		<u>726,936</u>	<u>715,753</u>
		22,700,920	23,523,789
Less: Amounts capitalised in intangible assets		<u>-</u>	<u>( 293,760)</u>
		<u>22,700,920</u>	<u>23,230,029</u>
Foreign exchange differences, net		<u>19,269</u>	<u>( 263,421)</u>

The Company's expenditure is allocated to one or more of the three expenditure categories shown in the statement of comprehensive income: "Fundraising expenditure", "Administrative expenses" and "Funding for programs". These allocations are based on various factors including estimates of time spent and office space utilised by the departments performing work in each of these three areas. Expenditure related to governance matters is allocated entirely to Administrative Expenses. Management reviews the basis of expenditure allocation annually to ensure that the estimates used fairly reflect the costs incurred.

<sup>#</sup> Amounts included in "Fundraising expenditure", "Administrative expenses" and "Funding for programs" on the face of the statement of comprehensive income are HK\$205,517 (2020: HK\$122,329), HK\$95,002 (2020: HK\$63,814) and HK\$203,071 (2020: HK\$131,259), respectively.



# SAVE THE CHILDREN HONG KONG LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 5. INCOME TAX

No provision for Hong Kong Profits Tax has been made in these financial statements as the Company is an approved charitable institution and is exempt from taxation under section 88 of the Hong Kong Inland Revenue Ordinance (2020: Nil).

### 6. TRUSTEES' EMOLUMENTS

No trustees received any fees or emoluments in respect of their services rendered to the Company during the year (2020: Nil).

### 7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Fixtures and furniture HK\$	Computer equipment HK\$	Total HK\$
Cost:				
At 1 January 2020	1,830,552	397,352	559,027	2,786,931
Additions	-	-	130,500	130,500
At 31 December 2020 and 1 January 2021	1,830,552	397,352	689,527	2,917,431
Additions	5,481	21,268	249,707	276,456
At 31 December 2021	1,836,033	418,620	939,234	3,193,887
Accumulated depreciation:				
At 1 January 2020	793,238	260,213	436,674	1,490,125
Charge for the year	366,111	112,874	113,259	592,244
At 31 December 2020 and 1 January 2021	1,159,349	373,087	549,933	2,082,369
Charge for the year	367,206	18,701	166,495	552,402
At 31 December 2021	1,526,555	391,788	716,428	2,634,771
Net book value:				
At 31 December 2021	309,478	26,832	222,806	559,116
At 31 December 2020	671,203	24,265	139,594	835,062

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

8. LEASES

The Company has a lease arrangement as a lessee for an office premise with an original lease term of 5 years for use in its operations. The Company is restricted from assigning and subleasing the leased office premises outside of the Company.

Right-of-use asset

The carrying amount of the Company's right-of-use asset for an office premise and the movements during the year are as follows:

	Office premise HK\$
At 1 January 2020	3,330,144
Depreciation provided during the year (note 4)	<u>(1,289,088)</u>
At 31 December 2020 and 1 January 2021	2,041,056
Depreciation provided during the year (note 4)	<u>(1,312,559)</u>
At 31 December 2021	<u><u>728,497</u></u>

Lease liabilities

The carrying amount of the Company's lease liabilities and the movements during the year are as follows:

	HK\$
At 1 January 2020	3,668,988
Accretion of interest recognised during the year	177,259
Payments	<u>(1,500,270)</u>
At 31 December 2020 and 1 January 2021	2,345,977
Accretion of interest recognised during the year	82,272
Payments	<u>(1,549,116)</u>
At 31 December 2021	879,133
Portion classified as current liabilities	<u>( 879,133)</u>
Non-current portion	<u><u>-</u></u>

The weighted average incremental borrowing rate applied to the lease liabilities recognised at 31 December 2021 was 6% (2020: 6%).

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

8. LEASES (continued)

Other lease information

The amounts recognised in the statement of comprehensive income for the year in relation to leases are as follows:

	2021 HK\$	2020 HK\$
Interest expenses on lease liabilities	82,272	177,259
Depreciation of right-of-use asset	<u>1,312,559</u>	<u>1,289,088</u>
Total amount recognised in statement of comprehensive income	<u>1,394,831</u>	<u>1,466,347</u>

9. INTANGIBLE ASSETS

	Computer software HK\$	Website development costs HK\$	Total HK\$
Cost:			
At 1 January 2020	1,424,150	494,432	1,918,582
Additions	<u>1,015,566</u>	<u>-</u>	<u>1,015,566</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>2,439,716</u>	<u>494,432</u>	<u>2,934,148</u>
Accumulated amortisation:			
At 1 January 2020	547,403	24,721	572,124
Charge for the year	<u>218,516</u>	<u>98,886</u>	<u>317,402</u>
At 31 December 2020 and 1 January 2021	765,919	123,607	889,526
Charge for the year	<u>404,704</u>	<u>98,886</u>	<u>503,590</u>
At 31 December 2021	<u>1,170,623</u>	<u>222,493</u>	<u>1,393,116</u>
Net book value:			
At 31 December 2021	<u>1,269,093</u>	<u>271,939</u>	<u>1,541,032</u>
At 31 December 2020	<u>1,673,797</u>	<u>370,825</u>	<u>2,044,622</u>

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

10. RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021 HK\$	2020 HK\$
Receivables	(a)	101,546	2,493,066
Deposits, prepayments and other receivables	(a)	<u>1,206,786</u>	<u>1,289,993</u>
		1,308,332	3,783,059
Impairment	(b)	<u>-</u>	<u>( 96,000)</u>
		<u>1,308,332</u>	<u>3,687,059</u>

Notes:

- (a) All of the receivables, deposits, prepayments and other receivables are expected to be settled within one year.
- (b) The movements in loss allowance for impairment during the year are as follows:

	2021 HK\$	2020 HK\$
At 1 January	96,000	96,000
Written off	<u>(96,000)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>96,000</u>

Other than those mentioned above, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

11. BALANCES WITH OTHER SAVE THE CHILDREN OFFICES

The amounts due from/(to) other Save the Children offices are unsecured and interest-free.

*Impairment of balances with other Save the Children offices*

The carrying amount of amounts due from other Save the Children offices approximated to their fair values as at 31 December 2021 and 2020. Their recoverability was assessed with reference to their financial position provided by the management, and the expected credit losses as at 31 December 2021 and 2020 were considered to be minimal.

# SAVE THE CHILDREN HONG KONG LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 12. CASH AND BANK BALANCES

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with banks with high credit ratings and no recent history of default.

### 13. CREDITORS, ACCRUALS AND CONTRACT LIABILITIES

	Notes	2021 HK\$	2020 HK\$
Accruals	(a)	2,996,364	2,606,225
Creditors	(a)	308,786	793,351
Contract liabilities	(b)	<u>965,600</u>	<u>1,819,600</u>
		<u>4,270,750</u>	<u>5,219,176</u>

Notes:

(a) All of the creditors and accruals are expected to be settled within one year.

(b) Details of contract liabilities are as follows:

	31 December 2021 HK\$	31 December 2020 HK\$	1 January 2020 HK\$
Advances received from donors	<u>965,600</u>	<u>1,819,600</u>	<u>3,796,704</u>

Contract liabilities represented advances received from donors in respect of a charitable event to be held in 2022. The contract liabilities are expected to be recognised as income in the following year. The decrease in contract liabilities was mainly due to the recognition of certain donations received in prior year as income in 2021.

### 14. DEFERRED INCOME

The balance represents donations received for which the designated program activities had not been undertaken as at the end of the reporting period. They are recognised in the statement of comprehensive income over the period that matches the related costs which they are intended to fund.

### 15. GENERAL FUND

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

# SAVE THE CHILDREN HONG KONG LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 16. FUND-RAISING EVENTS SUBJECT TO GOVERNMENT LICENSE

No events, which required a public subscription permit, were held during the year ended 31 December 2021 and 2020.

### 17. RELATED PARTY DISCLOSURES

(a) In addition to those transactions and balances disclosed elsewhere in the financial statements, the Company had the following transactions with related parties during the year:

	2021 HK\$	2020 HK\$
Funding for programs granted to other Save the Children offices	83,186,626	100,707,793
Funding for programs received from other Save the Children offices	<u>-</u>	<u>2,330,270</u>

(b) Compensation of key management personnel of the Company

	2021 HK\$	2020 HK\$
Short term employee benefits	5,393,530	6,216,166
Pension scheme contributions	<u>70,475</u>	<u>90,000</u>
Total compensation paid to key management personnel	<u>5,464,005</u>	<u>6,306,166</u>

### 18. FAIR VALUE MEASUREMENT

The Company has assessed that the fair values of receivables, deposits and other receivables, amounts due from/(to) other Save the Children offices, cash and bank balances, creditors and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

# SAVE THE CHILDREN HONG KONG LIMITED

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments include receivables, deposits and other receivables, amounts due from/(to) other Save the Children offices, cash and bank balances, creditors and lease liabilities. Details of these financial instruments are disclosed in the respective notes to the financial statements.

The Company's ordinary activities expose it to various financial risks, including credit risk and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below. Management monitors closely the Company's exposures to financial risks to ensure appropriate measures are implemented in a timely and effective manner.

#### *Credit risk*

All the Company's cash and cash equivalents are held in major financial institutions which management considered to be of high credit quality.

#### *Maximum exposure and year-end staging*

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021 and 2020. The amounts presented are gross carrying amounts for financial assets.

31 December 2021

	General approach			Simplified approach	Total
	Stage 1	Stage 2	Stage 3	approach	
	HK\$	HK\$	HK\$	HK\$	HK\$
Financial assets included in receivables, prepayments, deposits and other receivables*					
- Normal	569,202			101,546	670,748
- Doubtful	-	-	-	-	-
Due from other Save the Children offices					
- Not yet past due	8,442,853	-	-	-	8,442,853
Cash and cash equivalents					
- Not yet past due	29,587,572	-	-	-	29,587,572
	<u>38,599,627</u>	<u>-</u>	<u>-</u>	<u>101,546</u>	<u>38,701,173</u>

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)*

*Maximum exposure and year-end staging (continued)*

31 December 2020

	General approach			Simplified approach HK\$	Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$		
Financial assets included in receivables, prepayments, deposits and other receivables*					
- Normal	569,202			2,397,066	2,966,268
- Doubtful	-	-	-	96,000	96,000
Due from other Save the Children offices					
- Not yet past due	1,326,895	-	-	-	1,326,895
Cash and cash equivalents					
- Not yet past due	32,389,200	-	-	-	32,389,200
	<u>34,285,297</u>	<u>-</u>	<u>-</u>	<u>2,493,066</u>	<u>36,778,363</u>

\* The Company applies the simplified approach for impairment for its receivables.

The credit quality of the financial assets included in other receivables are considered as “normal” when they are not past due and there is no information indicating that the financial assets have significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets are considered as “doubtful”.

*Liquidity risk*

The Company’s policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in short and medium terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Company’s financial liabilities, which are based on contractual undiscounted cash flows and the earliest date that the Company could be required to repay:

At 31 December 2021

	On demand or within 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Beyond 5 years HK\$	Total HK\$
Creditors, accruals and contract liabilities	4,270,750	-	-	-	4,270,750
Due to other Save the Children offices	1,823,248	-	-	-	1,823,248
Lease liabilities	903,651	-	-	-	903,651
	<u>6,997,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,997,649</u>



SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk (continued)*

At 31 December 2020

	On demand or within 1 year HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Beyond 5 years HK\$	Total HK\$
Creditors, accruals and contract liabilities	5,219,176	-	-	-	5,219,176
Due to other Save the Children offices	1,740,072	-	-	-	1,740,072
Lease liabilities	1,549,116	903,651	-	-	2,452,767
	<u>8,508,364</u>	<u>903,651</u>	<u>-</u>	<u>-</u>	<u>9,412,015</u>

*Currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's currency risk arises from donation income, cash and bank balances, funding for programs granted to other Save the Children offices that are denominated in Euros ("EUR"), Renminbi ("RMB") and United States dollar ("USD"). As the HK\$ is pegged to the USD, the Company considers the risk of movements in exchange rates between the HK\$ and the USD to be insignificant. The movements in exchange rates between the EUR and RMB against HK\$ will affect the Company's financial position and results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR/HK\$ and RMB/HK\$ exchange rates, with all other variables held constant, of the Company's surplus before tax and the Company's funds.

	Increase/ (decrease) in surplus and funds 2021 HK\$	Increase/ (decrease) in surplus and funds 2020 HK\$
If Hong Kong dollar weakens against EUR by 10%	( 19,858)	254,275
If Hong Kong dollar strengthens against EUR by 10%	19,858	( 254,275)
If Hong Kong dollar weakens against RMB by 10%	601	( 21,417)
If Hong Kong dollar strengthens against RMB by 10%	<u>( 601)</u>	<u>21,417</u>

SAVE THE CHILDREN HONG KONG LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2021

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Capital management*

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return through the optimisation of the equity balance.

The Company reviews the capital structure on a periodic basis. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company, to the extent that these do not conflict with the trustees' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of trustees on 24 June 2022.

