



NEW HOPE FOUNDATION LIMITED
(Incorporated in Hong Kong with limited by guarantee)

Reports and Financial Statements
For the year ended 31 December 2022

**NEW HOPE FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

C O N T E N T S

	Pages
Executive Committees' Report	1 & 2
Independent Auditor's Report	3 - 6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Funds	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 31
 <u>Appendix</u> (For management purposes only)	
Detailed Statement of Profit or Loss	i

NEW HOPE FOUNDATION LIMITED EXECUTIVE COMMITTEES' REPORT

The Executive Committees present their annual report together with the audited financial statements for the year ended 31 December 2022.

1. PRINCIPAL ACTIVITIES

The Foundation is a non-profit making organisation and its principal activity is to provide charitable orphanage services in the People's Republic of China.

2. RESULTS

The results of the Foundation for the year ended 31 December 2022 are set out in the statement of profit or loss and other comprehensive income on page 7.

3. EXECUTIVE COMMITTEE MEMBERS

The Executive Committee members of the Foundation during the year and up to the date of this report were:

Robin Walter HILL
Frederick Vernon HSU
TAN Giong Seng, Johnson
LIM Chin Hian
Li Kin Hong, Pius

In accordance with Article 49 of the Foundation's Articles of Association, the term of office of every member of the Executive Committee shall be 2 years. At the end of the term of office, the members shall retire but shall be eligible for re-election or nomination.

4. 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.

**NEW HOPE FOUNDATION LIMITED
EXECUTIVE COMMITTEES' REPORT**

5. AUDITOR

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

On behalf of the Board



Robin Walter HILL
Hong Kong, 18 September 2023

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

Opinion

We have audited the financial statements of New Hope Foundation Limited (the "Foundation") set out on pages 7 to 31, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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
NEW HOPE FOUNDATION LIMITED
(Incorporated in Hong Kong with limited by guarantee)**

Other Information

The Executive Committees are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

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

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

Responsibilities of Executive Committees for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement 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 Executive Committees.
- Conclude on the appropriateness of the Executive Committees' 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.

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

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

We communicate with the Executive Committees 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

18 September 2023

NEW HOPE FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	<u>2022</u> HKD	<u>2021</u> HKD (Restated)
Donations received	7	15,292,955	12,357,736
Donations paid		<u>(13,450,918)</u>	<u>(12,654,017)</u>
		1,842,037	(296,281)
Other income	8	72,635	39,219
Other gains and losses - net foreign exchange gains/(losses)		276,116	(11,916)
Administrative expenses		(2,190,841)	(2,714,864)
Other expenses		<u>(144,674)</u>	<u>(220,360)</u>
Deficit before tax		(144,727)	(3,204,202)
Income tax expense	9	<u>-</u>	<u>-</u>
Deficit for the year	10	(144,727)	(3,204,202)
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>28,348</u>	<u>78,385</u>
Total comprehensive income for the year		<u>(116,379)</u>	<u>(3,125,817)</u>

NEW HOPE FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	At 31 December 2022 HKD	At 31 December 2021 HKD (Restated)	At 1 January 2021 HKD (Restated)
Non-current assets				
Property, plant and equipment	13	325,661	406,335	471,138
Right-of-use assets	14	41,713	65,707	-
		<u>367,374</u>	<u>472,042</u>	<u>471,138</u>
Current assets				
Prepayments and other receivables		201,074	266,367	384,959
Bank and cash balances		664,953	715,725	3,720,550
		<u>866,027</u>	<u>982,092</u>	<u>4,105,509</u>
Current liabilities				
Accruals and other payables		10,000	114,354	111,050
		<u>856,027</u>	<u>867,738</u>	<u>3,994,459</u>
Net current assets		<u>856,027</u>	<u>867,738</u>	<u>3,994,459</u>
NET ASSETS		<u>1,223,401</u>	<u>1,339,780</u>	<u>4,465,597</u>
TOTAL FUNDS		<u>1,223,401</u>	<u>1,339,780</u>	<u>4,465,597</u>

Approved by the Executive Committees on 18 September 2023 and are signed on its behalf by:



Robin Walter HILL



Li Kin Hong, Pius

NEW HOPE FOUNDATION LIMITED
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Foreign currency translation reserve HKD	Accumulated funds HKD	Total funds HKD
At 1 January 2021 (Restated)	1,091,785	3,373,812	4,465,597
Deficit for the year	-	(3,204,202)	(3,204,202)
Other comprehensive income	78,385	-	78,385
Total comprehensive income for the year	78,385	(3,204,202)	(3,125,817)
At 31 December 2021 (Restated)	1,170,170	169,610	1,339,780
At 1 January 2022	1,170,170	169,610	1,339,780
Deficit for the year	-	(144,727)	(144,727)
Other comprehensive income	28,348	-	28,348
Total comprehensive income for the year	28,348	(144,727)	(116,379)
At 31 December 2022	1,198,518	24,883	1,223,401

NEW HOPE FOUNDATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	<u>2022</u> HKD	<u>2021</u> HKD (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before tax		(144,727)	(3,204,202)
Adjustments for:			
Interest income	8	(638)	(701)
Depreciation on property, plant and equipment	13	50,341	122,501
Depreciation on right-of-use assets	14	19,880	14,910
Operating deficit before working capital changes		(75,144)	(3,067,492)
Decrease in prepayments and other receivables		65,293	39,074
(Decrease)/increase in accruals and other payables		(104,354)	3,304
Net cash used in operating activities		(114,205)	(3,025,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		638	701
Purchases of property, plant and equipment		-	(44,998)
Net cash generated from/(used in) investing activities		638	(44,297)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(113,567)	(3,069,411)
Effect of foreign exchange rate changes		62,795	64,586
CASH AND CASH EQUIVALENTS AT 1 JANUARY		715,725	3,720,550
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		664,953	715,725
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		664,953	715,725

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

New Hope Foundation Limited (the “Foundation”) was incorporated in Hong Kong as a company limited by guarantee and not having a share capital. The two founder members of the Foundation have agreed to contribute Hong Kong dollars (“HKD”) 50 each to the assets of the Foundation in the event of the Foundation being wound up. The Foundation is a non-profit making organisation and its principal activity is to provide charitable orphanage services in the People’s Republic of China. The address of its registered office is Room B, 16/F., Success Commercial Building, 245-251 Hennessy Road, Wanchai, Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Foundation. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Foundation for the current and prior accounting periods reflected in these financial statements.

(b) Change in presentation currency

Prior to 1 January 2022, Renminbi (“RMB”) was regarded as the presentation currency of the Foundation and the financial statements were also presented in RMB. Having considered that the Foundation was incorporated in Hong Kong, the Executive Committees believe that it is more appropriate to use HKD as the presentation currency as it enables the members to have a more accurate picture of the Foundation’s financial performance. The change in presentation currencies was accounted for in accordance with HKAS 21 The Effects of Changes in Foreign Exchange Rates. Comparative figures have been restated to reflect the change in the Foundation’s presentation currency. The Foundation has also presented the statement of financial position as at 1 January 2021 without related notes.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (CONT'D)

(b) Change in presentation currency (cont'd)

For the purpose of re-presentation of the financial statements of the Foundation from RMB to HKD, the assets and liabilities as at 1 January 2021 and 31 December 2021 were translated into HKD at the closing rate as of the respective reporting dates. Income and expenses were translated at the average exchange rates for the respective years. Accumulated funds were translated at the exchange rate at the date when the respective amounts were determined.

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

(a) Application of new and revised HKFRSs

The Foundation has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020

The Foundation did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

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

The Foundation has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Foundation.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 - Definition of Accounting Estimates	1 January 2023

The Foundation is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in HKD, which is the Foundation's presentation currency. The functional currency of the Foundation is RMB. The Executive Committees consider that choosing HKD as the presentation currency best suits the needs of the members and donors.

(ii) Transactions and balances in 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 assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Foundation initially recognises such non-monetary assets or liabilities.

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.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Foreign currency translation (cont'd)

(iii) Translation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Foundation's presentation currency are translated into the Foundation's presentation currency as follows:

- Assets and liabilities are translated at the closing rate;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(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:

Leasehold improvements	10%
Equipment	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

Where the contract contains lease component(s) and non-lease component(s), the Foundation has elected not to separate non-lease components 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. 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.

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.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Leases (cont'd)

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.

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 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.

(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 instrument.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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

A receivable is recognised when the Foundation has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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. Cash and cash equivalents are assessed for expected credit losses ("ECL").

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability under HKFRSs. The accounting policies adopted for specific financial liabilities are set out below.

(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 and other income

Donation income is recognised when cash is received.

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.

(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.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee benefits (cont'd)

(ii) Pension obligations

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

(iii) Termination benefits

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

(l) Taxation

No provision for Hong Kong profits tax has been made in these financial statements as the Foundation is a charitable organisation exempted from Hong Kong profits tax under section 88 of the Inland Revenue Ordinance.

(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 and other comprehensive income 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.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 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.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (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.

Irrespective of the outcome of the above assessment, the Foundation presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Foundation has reasonable and supportable information that demonstrates otherwise.

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.

**NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Significant increase in credit risk (cont'd)

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.

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).

Irrespective of the above analysis, the Foundation considers that default has occurred when a financial asset is more than 90 days past due unless the Foundation has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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;
- 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. 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.

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.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Measurement and recognition of ECL (cont'd)

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.

(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.

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.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. KEY ESTIMATES

In applying the Foundation's accounting policies, which are described in note 4, the Executive Committees are required 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.

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.

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 recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2022 were HKD325,661 (2021: HKD406,335) and HKD41,713 (2021: HKD65,707) respectively.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB and HKD. The Foundation currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Foundation monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

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

(c) Liquidity risk

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

The maturity based on contractual undiscounted cash flows of the Foundation's financial liabilities at 31 December 2022 and 31 December 2021 is less than one year.

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Interest rate risk

As the Foundation has no significant interest-bearing assets and liabilities, the Foundation's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments at 31 December 2022

	<u>2022</u> HKD	<u>2021</u> HKD (Restated)
Financial assets:		
Financial assets at amortised cost	860,791	939,451
Financial liabilities:		
Financial liabilities at amortised cost	<u>10,000</u>	<u>114,354</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.

7. DONATIONS RECEIVED

The Foundation's donations received represent donations received from corporations and individuals during the year.

8. OTHER INCOME

	<u>2022</u> HKD	<u>2021</u> HKD (Restated)
Interest income	638	701
Sundry income	<u>71,997</u>	<u>38,518</u>
	<u>72,635</u>	<u>39,219</u>

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. INCOME TAX EXPENSE

The Foundation, being a charitable organisation, is exempted from Hong Kong profits tax by virtue of Section 88 of the Inland Revenue Ordinance.

10. DEFICIT FOR THE YEAR

The Foundation's deficit for the year is stated after charging the following:

	<u>2022</u> HKD	<u>2021</u> HKD (Restated)
Auditor's remuneration	10,000	18,072
Depreciation on property, plant and equipment	50,341	122,501
Depreciation on right-of-use assets	<u>19,880</u>	<u>14,910</u>

11. EMPLOYEE BENEFITS EXPENSE

	<u>2022</u> HKD	<u>2021</u> HKD (Restated)
Employee benefits expense:		
Salaries, bonus and allowances	11,782,961	10,818,213
Retirement benefit scheme contributions	<u>2,439,923</u>	<u>2,626,019</u>
	<u>14,222,884</u>	<u>13,444,232</u>

12. EXECUTIVE COMMITTEES' EMOLUMENTS

None of the Executive Committee members received any emoluments from the Foundation during the year (2021: Nil).

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HKD	Equipment HKD	Total HKD
Cost			
At 1 January 2021 (Restated)	2,083,913	3,209,828	5,293,741
Additions	-	44,998	44,998
Exchange differences	61,998	96,259	158,257
At 31 December 2021 (Restated) and 1 January 2022	2,145,911	3,351,085	5,496,996
Exchange differences	(178,118)	(278,153)	(456,271)
At 31 December 2022	1,967,793	3,072,932	5,040,725
Accumulated depreciation			
At 1 January 2021 (Restated)	2,083,914	2,738,689	4,822,603
Charge for the year	-	122,501	122,501
Exchange differences	61,997	83,560	145,557
At 31 December 2021 (Restated) and 1 January 2022	2,145,911	2,944,750	5,090,661
Charge for the year	-	50,341	50,341
Exchange differences	(178,118)	(247,820)	(425,938)
At 31 December 2022	1,967,793	2,747,271	4,715,064
Carrying amount			
At 31 December 2022	-	325,661	325,661
At 31 December 2021 (Restated)	-	406,335	406,335

NEW HOPE FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. RIGHT-OF-USE ASSETS

	<u>Leased properties HKD</u>	
At 1 January 2021	-	
Additions	79,518	
Depreciation	(14,910)	
Exchange differences	<u>1,099</u>	
At 31 December 2021 (Restated) and 1 January 2022	65,707	
Depreciation	(19,880)	
Exchange differences	<u>(4,114)</u>	
At 31 December 2022	<u><u>41,713</u></u>	
	<u>2022</u>	<u>2021</u>
	HKD	HKD
		(Restated)
Depreciation on right-of-use assets	19,880	14,910
Expenses relating to short-term lease (included in administrative expenses)	<u>37,108</u>	<u>48,759</u>

NEW HOPE FOUNDATION LIMITED
DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>2022</u> HKD	<u>2021</u> HKD (Restated)
DONATIONS RECEIVED	15,292,955	12,357,736
DONATIONS PAID	(13,450,918)	(12,654,017)
	1,842,037	(296,281)
OTHER INCOME		
Interest income	638	701
Sundry income	71,997	38,518
	72,635	39,219
OTHER GAINS AND LOSSES		
Net foreign exchange gains/(losses)	276,116	(11,916)
	2,190,788	(268,978)
ADMINISTRATIVE EXPENSES		
Auditor's remuneration	10,000	18,072
Automobile expenses	189,090	177,384
Baby supplies	32,050	8,999
Entertainment	5,135	17,361
Legal and professional fees	57,973	54,959
Marketing	24,641	4,641
Rent	37,108	48,759
Repairs	9,579	18,055
Retirement benefit scheme contributions	-	197,588
Salaries	1,476,753	1,840,230
Subscriptions	438	42,031
Sundry expenses	31,506	32,388
Telecommunication	126,935	124,746
Travelling	-	482
Utilities	189,633	129,169
	2,190,841	2,714,864
OTHER OPERATING EXPENSES		
Bank charges	74,453	82,949
Depreciation on property, plant and equipment	50,341	122,501
Depreciation on right-of-use assets	19,880	14,910
	144,674	220,360
DEFICIT BEFORE TAX	(144,727)	(3,204,202)

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING