



## Watchdog Limited

31 March 2020

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# Report of the Executive Committee

The Executive Committee submits herewith its annual report together with the audited financial statements for the year ended 31 March 2020.

## Principal place of business

Watchdog Limited ("the company") is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at G/F, 12 Borrett Road, Central, Hong Kong.

## Principal activities

The company is a charitable institution limited by guarantee. Its aim is to provide early education and well rounded therapy services to children with special educational needs.

## Executive Committee and office bearers

The members of the Executive Committee and the offices held by them, where appropriate, are set out below:

Amanda Wong, Chairperson	(appointed on 4 December 2019)
Dorothy Fan, Chairperson	(resigned on 4 December 2019)
Anissa Wong, Vice-Chairperson	
Sandra Au Yeung	(appointed on 4 December 2019)
Shella Cheng, Secretary	(resigned on 4 December 2019)
Judy Tong, Treasurer	
Lucia Tsang	
Minnie Ling	
Kitty So	

All members of the Executive Committee now retire in accordance with the articles of association which provide that each member may be re-elected.

At no time during the year was the company a party to any arrangements to enable the members of the Executive Committee to acquire benefits by means of the acquisition of shares in or debentures of any other body corporate.

Under the provisions of the company's memorandum and articles of association, no member of the Executive Committee is permitted to hold any office of profit in the company.

## Indemnity of Executive Committee

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the members of Executive Committee of the company is currently in force and was in force throughout this year.

**Executive Committee members' interests in transactions, arrangements or contracts**

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

**Auditors**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as honorary auditors is to be proposed at the forthcoming Annual General Meeting.

By order of the Executive Committee



Amanda Wong

Chairperson

Hong Kong,

**30 OCT 2020**

# Independent auditor's report to the members of Watchdog Limited

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

## Opinion

We have audited the financial statements of Watchdog Limited ("the company") set out on pages 6 to 35, which comprise the statement of financial position as at 31 March 2020, the statement of income and expenditure and other comprehensive income, the statement of changes in accumulated funds and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2020 and of the company's financial performance and 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 ("HSAs") 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 Executive Committee is responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

# Independent auditor's report to the members of Watchdog Limited (continued)

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

## **Responsibilities of the Executive Committee for the financial statements**

The Executive Committee is 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 Executive Committee determines 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 Committee is 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 Executive Committee either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, 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.



## Independent auditor's report to the members of Watchdog Limited (continued)

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

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

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee.
- Conclude on the appropriateness of the Executive Committee's 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 Executive Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

**30 OCT 2020**

# Statement of income and expenditure and other comprehensive income for the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Note	General Fund 2020	2019 (Note)	Capital Fund 2020	2019	Specific Fund 2020	2019	Total 2020	2019 (Note)
<b>Income</b>									
Principal sources of revenue	4	\$ 20,575,196	\$ 17,626,441	\$ 885,100	\$ 897,160	\$ 125,038	\$ 514,872	\$ 21,585,334	\$ 19,038,473
Other revenue	5	1,403,439	2,390,700	630,246	2,329,787	-	-	2,033,685	4,720,487
<b>Total</b>		<b>\$ 21,978,635</b>	<b>\$ 20,017,141</b>	<b>\$ 1,515,346</b>	<b>\$ 3,226,947</b>	<b>\$ 125,038</b>	<b>\$ 514,872</b>	<b>\$ 23,619,019</b>	<b>\$ 23,758,960</b>
<b>Other net loss</b>	5	<b>\$ (325,271)</b>	<b>\$ (282,245)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (325,271)</b>	<b>\$ (282,245)</b>
<b>Expenditure</b>									
Staff costs	6	\$ 20,428,656	\$ 18,690,759	\$ -	\$ -	\$ -	\$ -	\$ 20,428,656	\$ 18,690,759
Other operating expenses	7	2,327,294	2,083,729	695	263,477	133,158	171,228	2,461,147	2,518,434
<b>Total</b>		<b>\$ 22,755,950</b>	<b>\$ 20,774,488</b>	<b>\$ 695</b>	<b>\$ 263,477</b>	<b>\$ 133,158</b>	<b>\$ 171,228</b>	<b>\$ 22,889,803</b>	<b>\$ 21,209,193</b>
<b>Finance costs</b>	8	\$ 12,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,470	\$ -
<b>(Deficit)/surplus for the year</b>		<b>\$ (1,115,056)</b>	<b>\$ (1,039,592)</b>	<b>\$ 1,514,651</b>	<b>\$ 2,963,470</b>	<b>\$ (8,120)</b>	<b>\$ 343,644</b>	<b>\$ 391,475</b>	<b>\$ 2,267,522</b>



# Statement of income and expenditure and other comprehensive income for the year ended 31 March 2020 (continued) (Expressed in Hong Kong dollars)

	Note	General Fund 2020	2019 (Note)	Capital Fund 2020	2019	Specific Fund 2020	2019	Total 2020	2019 (Note)
<b>Other comprehensive income</b>									
<i>Item that will not be reclassified subsequently to profit or loss, net of nil tax:</i>									
Equity investments at fair value through other comprehensive income ("FVOCI"):									
- Net movement in fair value reserve (non-recycling)	17	\$ -	\$ -	\$ (380,587)	\$ (117,396)	\$ -	-	\$ (380,587)	\$ (117,396)
<b>Other comprehensive income for the year</b>		\$ -	\$ -	\$ (380,587)	\$ (117,396)	\$ -	-	\$ (380,587)	\$ (117,396)
<b>Total comprehensive income for the year</b>		\$ (1,115,056)	\$ (1,039,592)	\$ 1,134,064	\$ 2,846,074	\$ (8,120)	\$ 343,644	\$ 10,888	\$ 2,150,126

Note: The company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 12 to 35 form part of these financial statements.

## Statement of financial position at 31 March 2020 (Expressed in Hong Kong dollars)


	Note	General Fund		Capital Fund		Specific Fund		Total	
		2020	2019 (Note)	2020	2019	2020	2019	2020	2019 (Note)
<b>Non-current assets</b>									
Other financial assets	11	\$ -	\$ -	\$ 1,349,163	\$ 1,727,566	\$ -	\$ -	\$ 1,349,163	\$ 1,727,566
Property, plant and equipment	12	1,704,603	37,481	-	-	128,138	456,288	1,832,741	493,769
Rental deposit		227,885	-	-	-	-	-	227,885	-
		<u>\$ 1,932,488</u>	<u>\$ 37,481</u>	<u>\$ 1,349,163</u>	<u>\$ 1,727,566</u>	<u>\$ 128,138</u>	<u>\$ 456,288</u>	<u>\$ 3,409,789</u>	<u>\$ 2,221,335</u>
<b>Current assets</b>									
Other receivables and prepayments		\$ 1,829,864	\$ 1,303,164	\$ -	\$ -	\$ -	\$ -	\$ 1,829,864	\$ 1,303,164
Utility deposits		25,273	17,673	-	-	-	-	25,273	17,673
Deposits maturing beyond three months when placed	13(a)	-	-	3,382,322	2,465,324	6,000,000	6,000,000	9,382,322	8,465,324
Cash and cash equivalents	13(a)	852,655	136,377	1,452,794	2,857,325	633,590	313,560	2,939,039	3,307,262
		<u>\$ 2,707,792</u>	<u>\$ 1,457,214</u>	<u>\$ 4,835,116</u>	<u>\$ 5,322,649</u>	<u>\$ 6,633,590</u>	<u>\$ 6,313,560</u>	<u>\$ 14,176,498</u>	<u>\$ 13,093,423</u>
<b>Current liabilities</b>									
Other payables and accrued expenses		\$ 1,981,560	\$ 1,332,383	\$ -	\$ -	\$ -	\$ -	\$ 1,981,560	\$ 1,332,383
Lease liabilities	14	1,039,756	-	-	-	-	-	1,039,756	-
		<u>\$ 3,021,316</u>	<u>\$ 1,332,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,021,316</u>	<u>\$ 1,332,383</u>
<b>Net current (liabilities)/assets</b>									
		<u>\$ (313,524)</u>	<u>\$ 124,831</u>	<u>\$ 4,835,116</u>	<u>\$ 5,322,649</u>	<u>\$ 6,633,590</u>	<u>\$ 6,313,560</u>	<u>\$ 11,155,182</u>	<u>\$ 11,761,040</u>
<b>Total assets less current liabilities</b>									
		<u>\$ 1,618,964</u>	<u>\$ 162,312</u>	<u>\$ 6,184,279</u>	<u>\$ 7,050,215</u>	<u>\$ 6,761,728</u>	<u>\$ 6,769,848</u>	<u>\$ 14,564,971</u>	<u>\$ 13,982,375</u>
<b>Non-current liabilities</b>									
Lease liabilities	14	\$ 571,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 571,708	\$ -
		<u>\$ 1,047,256</u>	<u>\$ 162,312</u>	<u>\$ 6,184,279</u>	<u>\$ 7,050,215</u>	<u>\$ 6,761,728</u>	<u>\$ 6,769,848</u>	<u>\$ 13,993,263</u>	<u>\$ 13,982,375</u>
<b>NET ASSETS</b>									

# Statement of financial position at 31 March 2020 (continued)

(Expressed in Hong Kong dollars)

Represented by:	Note	General Fund		Capital Fund		Specific Fund		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
Accumulated surplus	15	\$ 1,047,256	\$ 162,312	\$ 6,210,609	\$ 6,695,958	\$ 6,761,728	\$ 6,769,848	\$ 14,019,593	\$ 13,628,118
Fair value reserve (non-cycling)	17	-	-	(26,330)	354,257	-	-	(26,330)	354,257
<b>ACCUMULATED FUNDS</b>		<u>\$ 1,047,256</u>	<u>\$ 162,312</u>	<u>\$ 6,184,279</u>	<u>\$ 7,050,215</u>	<u>\$ 6,761,728</u>	<u>\$ 6,769,848</u>	<u>\$ 13,993,263</u>	<u>\$ 13,982,375</u>

The financial statements set out on pages 6 to 35 were approved and authorised for issue by the Executive Committee on **30 OCT 2020** and were signed on its behalf by:

  
Amanda Wong  
Chairperson

  
Judy Tong  
Hon. Treasurer

Note: The company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 12 to 35 form part of these financial statements.

# Statement of changes in accumulated funds for the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	General Fund (Note)	Capital Fund	Specific Fund	Total (Note)
<b>Balance at 1 April 2018</b>	\$ 1,201,904	\$ 4,204,141	\$ 6,426,204	\$11,832,249
<b>Change in accumulated funds account for 2018/2019:</b>				
Total comprehensive income for the year	<u>(1,039,592)</u>	<u>2,846,074</u>	<u>343,644</u>	<u>2,150,126</u>
<b>Balance at 31 March 2019 and 1 April 2019</b>	\$ 162,312	\$ 7,050,215	\$ 6,769,848	\$13,982,375
<b>Change in accumulated funds account for 2019/2020:</b>				
Total comprehensive income for the year	<u>(1,115,056)</u>	<u>1,134,064</u>	<u>(8,120)</u>	<u>10,888</u>
<b>Balance before transfer</b>	\$ (952,744)	\$ 8,184,279	\$ 6,761,728	\$13,993,263
Inter-fund transfer	<u>2,000,000</u>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 March 2020</b>	<u>\$ 1,047,256</u>	<u>\$ 6,184,279</u>	<u>\$ 6,761,728</u>	<u>\$13,993,263</u>

Note: The company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 12 to 35 form part of these financial statements.

## Cash flow statement for the year ended 31 March 2020

(Expressed in Hong Kong dollars)

	Note	2020	2019 (Note)
<b>Operating activities</b>			
Cash generated from operations	13(b)	\$ 1,129,900	\$ 2,259,708
<b>Net cash generated from operating activities</b>		<u>\$ 1,129,900</u>	<u>\$ 2,259,708</u>
<b>Investing activities</b>			
Payment for purchase of plant and equipment		\$ (54,455)	\$ (339,269)
Payment for purchase of equity securities		(2,184)	(433,060)
Interest received		180,835	235,547
Dividends received from investments in securities		66,725	53,540
Increase in deposits maturing beyond three months when placed		<u>(1,244,180)</u>	<u>(508,699)</u>
<b>Net cash used in investing activities</b>		<u>\$ (1,053,259)</u>	<u>\$ (991,941)</u>
<b>Financing activities</b>			
Capital element of lease rentals paid	13(c)	\$ (432,394)	\$ -
Interest element of lease rentals paid	13(c)	<u>(12,470)</u>	<u>-</u>
<b>Net cash outflow from financing activities</b>		<u>\$ (444,864)</u>	<u>\$ -</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		\$ (368,223)	\$ 1,267,767
<b>Cash and cash equivalents at 1 April</b>		<u>3,307,262</u>	<u>2,039,495</u>
<b>Cash and cash equivalents at 31 March</b>	13(a)	<u>\$ 2,939,039</u>	<u>\$ 3,307,262</u>

Note: The company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

The notes on pages 12 to 35 form part of these financial statements.

# Notes to the financial statements

(Expressed in Hong Kong dollars)

## 1 Status of the company

The company is limited by guarantee, such that under the provisions of the company's memorandum of association, every member shall, in the event of the company being wound up, contribute such amount as may be required to meet the liabilities of the company but not exceeding \$100 per member.

The company has been granted charitable institution status for the purposes of the Inland Revenue Ordinance and is exempt from Hong Kong taxation.

## 2 Significant accounting policies

### (a) Statement of compliance

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

A summary of the significant accounting policies adopted by the company is set out 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 company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- Investments in equity securities (see note 2(d)).

The preparation of financial statements in conformity with HKFRSs requires Executive Committee to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 2 Significant accounting policies (continued)

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.

### (c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the company.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the company's results and financial position for the current or prior periods have been prepared or presented. The company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The company has initially applied HKFRS 16 as from 1 April 2019. The company has elected to use the modified retrospective approach. The reclassifications and adjustments arising from the initial application of HKFRS 16 are therefore recognised in the opening statement of financial position at 1 April 2019. There is no impact on the opening balances of equity. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The company applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the company has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

## 2 Significant accounting policies (continued)

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

### b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the company is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the company is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 12. For an explanation of how the company applies lessee accounting, see note 2(f).

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the company determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.75%.

The following table reconciles the operating lease commitments as disclosed in note 22 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019
Operating lease commitments at 31 March 2019	\$ 176,000
Less: Operating lease committed at 31 March 2019, but commenced subsequently after 31 March 2019	(132,000)
Less: total future interest expenses	(49)
	<hr/>
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 April 2019	<u>\$ 43,951</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities. There is no impact on the opening balance of equity.



## 2 Significant accounting policies (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the company's statement of financial position:

	Carrying amount at 31 March 2019	Capitalisation of operating lease contracts	Carrying amount at 1 April 2019
<b>Line items in the statement of financial position impacted by the adoption of HKFRS 16</b>			
Property, plant and equipment	\$ 493,769	\$ 43,951	\$ 537,720
<b>Total non-current assets</b>	<b>\$ 2,221,335</b>	<b>\$ 43,951</b>	<b>\$ 2,265,286</b>
Lease liabilities (current)	\$ -	\$ 43,951	\$ 43,951
<b>Current liabilities</b>	<b>\$ 1,332,383</b>	<b>\$ 43,951</b>	<b>\$ 1,376,334</b>
<b>Net current assets</b>	<b>\$ 11,761,040</b>	<b>\$ (43,951)</b>	<b>\$ 11,717,089</b>
<b>Net assets</b>	<b>\$ 13,982,375</b>	<b>\$ -</b>	<b>\$ 13,982,375</b>

### c. Impact on the financial result and cash flows of the company

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the company as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported results in the company's statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the company as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 13(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 13(d)).

### (d) Investments in equity securities

Investments are recognised/derecognised on the date the company commits to purchase/sell the investments or they expire. Investments in equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss.

## 2 Significant accounting policies (continued)

Investments in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the company makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(k).

### (e) **Property, plant and equipment**

Property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 2(f)), are stated at cost less accumulated depreciation and impairment losses.

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

- |                                 |  |
|---------------------------------|--|
| - Leasehold improvement         | shorter of 4 years or over the lease terms |
| - Furniture and fixtures        | 4 years                                    |
| - Office equipment              | 4 years                                    |
| - Properties leased for own use | Over the lease term                        |

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

The carrying amounts of property plant and equipment, including right-of-use assets, are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

## 2 Significant accounting policies (continued)

### (f) Leased assets

At inception of a contract, the company 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.

As a lessee

#### (A) Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the company 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 company recognises a right-of-use asset and a lease liability, except for leases of low-value assets. When the company enters into a lease in respect of a low-value asset, the company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(e)).

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 company'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 company 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.

## 2 Significant accounting policies (continued)

In the statement of financial position, the company presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

### (B) Policy applicable prior to 1 April 2019

In the comparative period, as a lessee the company classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the company. Leases which did not transfer substantially all the risks and rewards of ownership of assets to the company were classified as operating leases.

Where the company had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

### (g) Receivables

A receivable is recognised when the company 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.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The company recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

## **2 Significant accounting policies (continued)**

### **(h) Payables**

Payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### **(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### **(j) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

Government subventions, donations from The Community Chest of Hong Kong and fees from regular subverted program and Saturday/Self-financing program are accounted for on an accrual basis.

Interest income is recognised as it accrues using the effective interest method.

Donations and other income are recognised when the company becomes entitled to the donations and other income, which is generally upon receipt of cash.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

### **(l) 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 and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

## 2 Significant accounting policies (continued)

### (m) Related parties

- (a) A person, or a close member of that person's family, is related to the company if 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 the company's parent.
- (b) An entity is related to the company if any of the following conditions applies:
- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the 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 parent of the entity).
  - (viii) The entity, or any member of a group which it is part, provides key management personnel services to the company or to the company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 3 Funds managed by the company

### (a) General fund

The fund is used to finance the general running of the Early Education and Training Centre.

### (b) Capital fund

The fund represents income received which is to cover the deficiency in general fund.

### (c) Specific fund

The fund represents donations received which is to be used in accordance with the donors' wishes.

#### 4 Principal sources of revenue

	General Fund		Capital Fund		Specific Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Social welfare subvention	\$ 13,256,014	\$ 8,108,698	\$ -	\$ -	\$ -	\$ -	\$ 13,256,014	\$ 8,108,698
Fees from regular subvented program and Saturday/Self-financing program	6,165,482	8,451,543	-	-	-	-	6,165,482	8,451,543
Donations from The Community Chest of Hong Kong	1,010,700	981,200	-	-	-	-	1,010,700	981,200
Lotteries Fund Block Grant (note 16)	143,000	85,000	-	-	-	-	143,000	85,000
Other donations (note 9)	-	-	885,100	897,160	125,038	514,872	1,010,138	1,412,032
	<u>\$ 20,575,196</u>	<u>\$ 17,626,441</u>	<u>\$ 885,100</u>	<u>\$ 897,160</u>	<u>\$ 125,038</u>	<u>\$ 514,872</u>	<u>\$ 21,585,334</u>	<u>\$ 19,038,473</u>

#### 5 Other revenue and other net loss

	General Fund		Capital Fund		Specific Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Other revenue</b>								
Social Welfare Development Fund	\$ 235,070	\$ 165,339	\$ -	\$ -	\$ -	\$ -	\$ 235,070	\$ 165,339
Training subsidy program	810,798	1,011,142	-	-	-	-	810,798	1,011,142
On-Site Pre-School Rehabilitation Services	108,728	1,197,618	-	-	-	-	108,728	1,197,618
One-off grant	30,000	-	-	-	-	-	30,000	-
Sales of raffle tickets	-	-	-	340,700	-	-	-	340,700
Income from subsidy for rental expense	205,222	-	-	-	-	-	205,222	-
Income from summer program	-	-	350,387	501,752	-	-	350,387	501,752
Income from charity luncheon	-	-	-	1,082,984	-	-	-	1,082,984
Membership fee	13,600	16,600	-	-	-	-	13,600	16,600
Interest income	21	1	180,814	235,546	-	-	180,835	235,547
Dividend income	-	-	66,725	53,540	-	-	66,725	53,540
Others	-	-	32,320	115,265	-	-	32,320	115,265
	<u>\$ 1,403,439</u>	<u>\$ 2,390,700</u>	<u>\$ 630,246</u>	<u>\$ 2,329,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,033,685</u>	<u>\$ 4,720,487</u>
<b>Other net loss</b>								
Net foreign exchange loss	\$ (325,271)	\$ (281,834)	\$ -	\$ -	\$ -	\$ -	\$ (325,271)	\$ (281,834)
Loss on disposal on plant and equipment	-	(411)	-	-	-	-	-	(411)
	<u>\$ (325,271)</u>	<u>\$ (282,245)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (325,271)</u>	<u>\$ (282,245)</u>

## 6 Staff costs

	General Fund		Capital Fund		Specific Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Contributions to defined contribution retirement plans	\$ 829,682	\$ 742,168	\$ -	\$ -	\$ -	\$ -	\$ 829,682	\$ 742,168
Salaries, wages and other benefits	19,598,974	17,948,591	-	-	-	-	19,598,974	17,948,591
	<u>\$ 20,428,656</u>	<u>\$ 18,690,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,428,656</u>	<u>\$ 18,690,759</u>

## 7 Other operating expenses

	General Fund		Capital Fund		Specific Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Rent and rates	\$ 69,631	\$ 278,160	\$ -	\$ -	\$ -	\$ -	\$ 69,631	\$ 278,160
Printing and stationery	106,645	117,702	-	-	-	-	106,645	117,702
Utilities	112,845	115,477	-	-	-	-	112,845	115,477
Insurance	87,212	96,171	-	-	-	-	87,212	96,171
Training material	62,247	53,153	-	-	-	-	62,247	53,153
Food	17,788	23,136	-	-	-	-	17,788	23,136
Cleaning	99,424	86,626	-	-	-	-	99,424	86,626
Repairs and maintenance	199,941	177,404	-	-	-	-	199,941	177,404
Depreciation	672,013	190,173	-	-	87,328	95,178	759,341	285,351
MPT & MOT programme	270,000	405,000	-	-	-	-	270,000	405,000
Pilot Scheme	103,224	222,290	-	-	-	-	103,224	222,290
One-off grant expense	30,125	-	-	-	-	-	30,125	-
Miscellaneous	496,199	318,437	695	263,477	45,830	76,050	542,724	657,964
	<u>\$ 2,327,294</u>	<u>\$ 2,083,729</u>	<u>\$ 695</u>	<u>\$ 263,477</u>	<u>\$ 133,158</u>	<u>\$ 171,228</u>	<u>\$ 2,461,147</u>	<u>\$ 2,518,434</u>

Included in miscellaneous operating expenses are expenses of \$nil (2019: \$256,932) and \$nil (2019: \$5,800) incurred in relation to the charity luncheon and sale of raffle tickets respectively.

## 8 Finance costs

	General Fund		Capital Fund		Specific Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Interest on lease liabilities	\$ 12,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,470	\$ -



## 9 Other donations

The amounts represent donations received during the year from the following sources:

	2020	2019
<b>Capital Fund:</b>		
Mr. John Chi Hung Hsu	\$ 100,000	\$ -
The Incorporated Trustees of the Zoroastrian Charity		
Funds of Hongkong, Canton and Macao	80,000	-
Miss Isabella Lok Lam Lo	50,000	-
Mr. Jack Chi Kao Hsu	30,000	-
Mrs. Javier Kaikhashru Jokhi and Mr. Kaikhashru		
Fakirji Jokhi	25,000	-
Mr. Steve Geeking Hsu	20,000	-
Chanel Hong Kong Limited	15,000	-
HCS Foundation	10,000	-
Mr. Ying Choi Leung	10,000	-
Ms. Ada Sze Ah Ho	10,000	-
Dr. Linda Berman	8,400	-
Opus Two Entertainment Limited	-	100,000
Discovery Bay Recreation Club Limited	-	21,736
The Hong Kong Indian Women's Club	-	50,000
Ms. Ka Yin Li	-	45,800
Mrs. Purviz Rusy Shroff	-	40,000
Others	526,700	639,624
	<u>\$ 885,100</u>	<u>\$ 897,160</u>
<b>Specific Fund:</b>		
HSBC Trustee (HK)	\$ 50,000	\$ -
The American Women's Association	31,200	25,800
Goldman Sachs (Asia) LLC	28,100	6,400
Credit Suisse (Hong Kong) Ltd.	10,200	-
PVH Asia Limited	5,538	-
Swire Group Charitable Trust	-	100,000
The Hong Kong Jockey Club Charities Trust	-	244,106
The Ohel Leah Synagogue Charity	-	50,000
Sarjan Charity Foundation	-	20,000
Others	-	68,566
	<u>\$ 125,038</u>	<u>\$ 514,872</u>
	<u><u>\$ 1,010,138</u></u>	<u><u>\$ 1,412,032</u></u>

## 10 Executive Committee members' emoluments

Executive Committee members' emoluments disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2020	2019
Fees	\$ Nil	\$ Nil
Other emoluments	<u>Nil</u>	<u>Nil</u>

## 11 Other financial assets

	2020	2019
<b>Equity securities measured at FVOCI (non-recycling)</b>		
- Equity securities, at fair value (see note (i))	<u>\$ 1,349,163</u>	<u>\$ 1,727,566</u>

Fair values of equity securities listed in Hong Kong are as follows:

<i>Name of company</i>	2020	2019
Bank of China Limited	\$ 356,400	\$ 427,200
China Life Insurance Company Limited	136,440	189,450
China Mobile Limited	115,000	159,900
HSBC Holdings plc	308,653	444,552
Industrial & Commercial Bank of China Ltd.	182,770	198,289
Tracker Fund of Hong Kong	<u>249,900</u>	<u>308,175</u>
	<u>\$ 1,349,163</u>	<u>\$ 1,727,566</u>

Note:

- (i) The company designated these equity securities as FVOCI (non-recycling), as the investment is held for strategic purposes. Dividends received on these investments during the year ended 31 March 2020 amounted to \$66,725 (2019: \$53,540).

## 12 Property, plant and equipment

	<i>Leasehold improvement</i>	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Properties leased for own use (Note)</i>	<i>Total</i>
<b>Cost:</b>					
At 1 April 2018	\$ 5,132,610	\$ 231,886	\$ 924,250	\$ -	\$ 6,288,746
Additions	195,400	4,540	139,329	-	339,269
Disposals	-	-	(940)	-	(940)
At 31 March 2019	<u>\$ 5,328,010</u>	<u>\$ 236,426</u>	<u>\$ 1,062,639</u>	<u>\$ -</u>	<u>\$ 6,627,075</u>
<b>Accumulated depreciation:</b>					
At 1 April 2018	\$ 4,999,978	\$ 196,292	\$ 652,214	\$ -	\$ 5,848,484
Charge for the year	147,663	12,035	125,653	-	285,351
Written back on disposals	-	-	(529)	-	(529)
At 31 March 2019	<u>\$ 5,147,641</u>	<u>\$ 208,327</u>	<u>\$ 777,338</u>	<u>\$ -</u>	<u>\$ 6,133,306</u>
<b>Net book value:</b>					
At 31 March 2019	<u>\$ 180,369</u>	<u>\$ 28,099</u>	<u>\$ 285,301</u>	<u>\$ -</u>	<u>\$ 493,769</u>
<b>Cost:</b>	<i>Leasehold improvement</i>	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Properties leased for own use (Note)</i>	<i>Total</i>
At 31 March 2019	\$ 5,328,010	\$ 236,426	\$ 1,062,639	\$ -	\$ 6,627,075
Impact of initial adoption of HKFRS 16 (Note)	\$ -	\$ -	\$ -	\$ 43,951	\$ 43,951
At 1 April 2019	\$ 5,328,010	\$ 236,426	\$ 1,062,639	\$ 43,951	\$ 6,671,026
Additions	-	-	54,455	1,999,907	2,054,362
At 31 March 2020	<u>\$ 5,328,010</u>	<u>\$ 236,426</u>	<u>\$ 1,117,094</u>	<u>\$ 2,043,858</u>	<u>\$ 8,725,388</u>
<b>Accumulated depreciation:</b>					
At 1 April 2019	\$ 5,147,641	\$ 208,327	\$ 777,338	\$ -	\$ 6,133,306
Charge for the year	76,138	12,669	146,235	524,299	759,341
At 31 March 2020	<u>\$ 5,223,779</u>	<u>\$ 220,996</u>	<u>\$ 923,573</u>	<u>\$ 524,299</u>	<u>\$ 6,892,647</u>
<b>Net book value:</b>					
At 31 March 2020	<u>\$ 104,231</u>	<u>\$ 15,430</u>	<u>\$ 193,521</u>	<u>\$ 1,519,559</u>	<u>\$ 1,832,741</u>

Note: The company has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 2(c).

## 12 Plant and equipment (continued)

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

The analysis of the net book value of right-of-use assets is as follows:

	31 March 2020	1 April 2019
Properties leased for own use	\$ 1,519,559	\$ 43,951

The company has obtained the right to use other properties as its training centres through lease agreements. The lease terms of the company's leases vary in accordance with the market practice in the relevant geographic locations and are ranging from one to two years. None of the leases includes variable lease payments.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	2019 (Note)
Depreciation charge of properties leased for own use	\$ 524,299	-
Interest on lease liabilities (note 8)	\$ 12,470	-
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	-	233,900

Note: The company has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the company as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

During the year, additions to right-of-use assets were \$1,999,907. This amount is primarily related to the capitalised lease payments payable under new lease agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 13(d) and 14 respectively.

### 13 Deposits maturing beyond three months when placed and cash and cash equivalents

**(a) Deposits maturing beyond three months when placed and cash and cash equivalents comprise:**

	2020	2019
Deposits maturing beyond three months when placed	\$ 9,382,322	\$ 8,465,324
Cash at bank and on hand	\$ 2,939,039	\$ 3,307,262
Cash and cash equivalents in the statement of financial position and the cash flow statement	\$ 2,939,039	\$ 3,307,262

**(b) Reconciliation of surplus for the year to cash generated from operations:**

	Note	2020	2019 (Note)
Surplus for the year		\$ 391,475	\$ 2,267,522
Adjustments for:			
Interest income	5	(180,835)	(235,547)
Dividend income	5	(66,725)	(53,540)
Depreciation	7	759,341	285,351
Finance costs	8	12,470	-
Foreign exchange loss		327,182	286,290
Loss on disposal on plant and equipment	5	-	411
Changes in working capital:			
Increase in deposits, other receivables and prepayments		(762,185)	(386,607)
Increase in other payables and accrued expenses		649,177	95,828
<b>Cash generated from operations</b>		<b>\$ 1,129,900</b>	<b>\$ 2,259,708</b>

Note: The company has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the company as a lessee of \$233,900 were classified as operating activities in the cash flow statement. Under HKFRS 16, all other rentals paid on leases are now split into capital element and interest element (see note 13(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

### 13 Deposits maturing beyond three months when placed and cash and cash equivalents (continued)

#### (c) Reconciliation of liabilities arising from financing activities:

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

	<i>Lease liabilities</i>
<b>At 31 March 2019</b>	\$ -
Impact on initial application of HKFRS 16 (Note)	43,951
<b>At 1 April 2019</b>	<u>\$ 43,951</u>
<b>Changes from financing cash flows:</b>	
Capital element of lease rentals paid	(432,394)
Interest element of lease rentals paid	(12,470)
	<u>(444,864)</u>
<b>Other changes:</b>	
Increase in lease liabilities from new leases entered during the year	1,999,907
Interest on lease liabilities (Note 8)	12,470
	<u>2,012,377</u>
<b>At 31 March 2020</b>	<u><u>\$ 1,611,464</u></u>

Note: The company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2(c).

#### (d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following and wholly represent lease rentals paid.

	2020	2019 (Note)
Within operating cash flows	\$ -	\$ 233,900
Within financing cash flows	444,864	-
	<u>\$ 444,864</u>	<u>\$ 233,900</u>

Note: As explained in the note to note 13(c), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative information has not been restated.

## 14 Lease liabilities

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

	31 March 2020		1 April 2019 (Note)	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	\$ 1,039,756	\$ 1,060,584	\$ 43,951	\$ 44,000
After 1 year but within 2 years	571,708	575,056	-	-
	<u>\$ 1,611,464</u>	<u>\$ 1,635,640</u>	<u>\$ 43,951</u>	<u>\$ 44,000</u>
Less: total future interest expenses		<u>(24,176)</u>		<u>(49)</u>
Present value of lease liabilities		<u>\$ 1,611,464</u>		<u>\$ 43,951</u>

Note: The company has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

## 15 Accumulated Surplus - General Fund

At 31 March 2020, the accumulated surplus in General Fund was represented by the following reserve items:

	2020	2019
Lotteries Fund Block Grant Reserve (note 16)	\$ 98,538	\$ 13,042
Surplus fund transferred in from Capital Fund	947,703	148,673
Surplus subvention	1,015	597
	<u>\$ 1,047,256</u>	<u>\$ 162,312</u>

## 16 Lotteries Fund Block Grant Reserve

	2020	2019
At 1 April	\$ 13,042	\$ 18,851
Block Grant received during the year (note 4)	143,000	85,000
Interest income received during the year	21	1
Expenditure during the year	<u>(57,525)</u>	<u>(90,810)</u>
At 31 March	<u>\$ 98,538</u>	<u>\$ 13,042</u>

Block Grant received during the year included \$143,000 (2019: \$85,000) recognised in General Fund.

Expenditure during the year included repair and maintenance expense of \$57,525 (2019: \$90,810) recognised in the General Fund.

### Capital Commitments

As at 31 March 2020, the outstanding commitment in respect of Furniture and Equipment Replenishment and Minor Works Block Grant was nil.

## 17 Fair value reserve

	<i>Fair value reserve (non-recycling)</i>
At 1 April 2018	\$ 471,653
Net movement during the year	<u>(117,396)</u>
At 31 March and 1 April 2019	\$ 354,257
Net movement during the year	<u>(380,587)</u>
At 31 March 2020	<u>\$ (26,330)</u>

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(d)).



## 18 Social Welfare Development Fund

The cash changes in Social Welfare Development Fund are disclosed as follows:

### Phase II

	2020	2019
At the beginning of the year	\$ 279,851	\$ 271,211
Allocation received during the year	-	-
Contributions made by the company during the year	-	8,640
Interest income received	-	-
Expenditure during the year	-	-
At the end of the year	<u>\$ 279,851</u>	<u>\$ 279,851</u>

### Phase III

	2020	2019
At the beginning of the year	\$ 463,650	\$ 238,318
Allocation received during the year	89,555	390,327
Interest income received	198	345
Expenditure during the year		
- Expenditure for projects under Scope A	(55,325)	(124,985)
- Expenditure for projects under Scope B(IT)	(165,390)	(26,000)
- Expenditure for administrative support	(14,355)	(14,355)
At the end of the year	<u>\$ 318,333</u>	<u>\$ 463,650</u>

Expenditure during the year included staff costs of \$14,355 (2019: \$14,355) and training expense of \$220,715 (2019: \$150,985) recognised in the General Fund.

## 19 Wi-Fi project

	2020	2019
Income from Lotteries Fund Grant	\$ 71,400	\$ -
Expenditure during the year	-	-
	<u>\$ 71,400</u>	<u>\$ -</u>

All income and expenditure were received and incurred for the Wi-Fi project and in accordance with the Lotteries Fund Manual and the instructions issued by Social Welfare Department.

## 20 Special Grant to Step up Preventive Measures against the Spread of Severe Respiratory Disease associated with a Novel Infectious Agent

	2020	2019
Allocation received during the year	\$ 30,000	\$ -
Expenditure during the year		-
- Purchase of personal protective equipment	(8,065)	-
- Purchase of disinfection supplies	(8,060)	-
- Employment of helping hands	(14,000)	-
	<u>\$ (125)</u>	<u>\$ -</u>

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

Exposure to credit and liquidity risks arises in the normal course of the company's business. The company is also exposed to equity price risk arising from its equity investments in other entities.

The company's exposure to these risks and the financial risk management policies and practices used by the company to manage these risks are described below.

### (a) Credit risk

The company's credit risk is primarily attributable to other receivables and prepayments. Normally, the company does not obtain collateral from its debtors. The credit risk of the balances is low and management considers the ECLs of the balances are insignificant.

### (b) Liquidity risk

The company is responsible for its own cash management. The company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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 (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date of the company can be required to pay:

	2020			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but within 2 years	Total	Carrying amount at 31 March
Other payables and accrued expenses	\$ 1,981,560	\$ -	\$ 1,981,560	\$ 1,981,560
Lease liabilities	1,060,584	575,056	1,635,640	1,611,464
	<u>\$ 3,042,144</u>	<u>\$ 575,056</u>	<u>\$ 3,617,200</u>	<u>\$ 3,593,024</u>

## 21 Financial risk management and fair values of financial instruments (continued)

	<i>2019</i>		
	<i>Contractual undiscounted cash outflow</i>		
	<i>Within 1 year or on demand</i>	<i>Total</i>	<i>Carrying amount at 31 March</i>
Other payables and accrued expenses	\$ 1,332,383	\$ 1,332,383	\$ 1,332,383

### (c) Equity price risk

The company is exposed to equity price changes arising from equity investments classified as equity securities (see note 11), which are listed on The Stock Exchange of Hong Kong Limited. Listed investments that are not held for trading purposes have been chosen based on their long-term growth potential and are monitored regularly for performance against expectations.

The following table indicates the approximate change in the company's equity in response to reasonably possible changes in the share price of equity securities to which the company has significant exposure at the end of the reporting period.

	2020		2019	
	Increase/ (decrease) in share price	Effect on other components of equity	Increase/ (decrease) in share price	Effect on other components of equity
Market price of equity investments	20% (20)%	\$ 269,833 (269,833)	20% (20)%	\$ 345,513 (345,513)

The sensitivity analysis above indicates the instantaneous change on the company's fair value reserve that would arise assuming that the change in the share price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments which expose the company to equity price risk at the end of reporting period. It is also assumed that none of the company's investments would be considered impaired as a result of the decrease in the share price, and that all other variables remain constant. The analysis is performed on the same basis for 2019.

## 21 Financial risk management and fair values of financial instruments (continued)

### (d) Fair value measurement

#### (i) Financial instruments measured at fair value

##### *Fair value hierarchy*

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 31 March 2020, the only financial instruments of the company carried at fair value were equity securities of \$1,349,163 (2019: \$1,727,566) listed on The Stock Exchange of Hong Kong Limited (see note 11). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the years ended 31 March 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2020 and 2019.

## 22 Operating Lease Commitments

***At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:***

	2019
Within 1 year	\$ 176,000

The company is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The company has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the company adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(f), and the details regarding the company's future lease payments are disclosed in note 14.

## 23 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the company.

*Effective for  
accounting periods  
beginning on or after*

Amendments to HKFRS 3, *Definition of a business* 1 January 2020

Amendments to HKAS 1 and HKAS 8, *Definition of material* 1 January 2020

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