

**LOK CHI ASSOCIATION LIMITED**

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2019



**Yuen & Chu** CPA Limited

**Certified Public Accountants**

**LOK CHI ASSOCIATION LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH, 2019**

**INDEX**

	<b>PAGES</b>
REPORT OF THE MANAGEMENT COMMITTEE	1 - 2
INDEPENDENT AUDITOR'S REPORT	3 - 5
STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE	6
STATEMENT OF FINANCIAL POSITION	7 - 8
STATEMENT OF CHANGES IN TOTAL FUNDS	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 23

## **LOK CHI ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE**

The members of the Management Committee have pleasure in submitting their report and audited financial statements for the year ended 31 March, 2019.

#### **Financial statements**

The state of the Association's affairs as at 31 March, 2019 together with results for the financial year ended on the same date, are set out in the financial statements and notes on pages 6 to 23.

#### **Principal activities**

The Association is a charitable organisation and the principal activities for which the Association is established are to promote the welfare of the intellectually impaired and to support their families in this respect.

#### **Property, plant and equipment**

Details of movements in property, plant and equipment during the year are set out in note 18 to the financial statements.

#### **Reserves**

Details of movements in the reserves of the Association during the year are set out in the statement of changes in total funds and notes 8 to 17 to the financial statements.

#### **Members of the Management Committee**

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

##### **Officers:**

Ms. Wong Chee Mun	(Chairperson)
Ms. Kwan Chui Kuen	(Vice-Chairperson)
Ms. Yeung Mee Ling	(Vice-Chairperson)
Ms. Luk Yim Ling	(Honorary Treasurer)
Ms. Tsang Chi Hung	(Honorary Secretary)

##### **Others:**

Ms. Cheung Hang Mui	
Ms. Ko Kit Mui	
Dr. Chiu Ching Tak Lan, Rosa	
Dr. Wong Chung Hin, Willy	
Ms. Leung Pik Han, Alice	
Ms. Ho Shuk Han	
Mr. Chiu Tak On	
Ms. Cheung King Fong	
Mr. Leung Chun Ping	(appointed on 15 December, 2018)
Ms. Wu Ka Wai, Karen	(appointed on 13 March, 2019)
Dr. Chung Po Yee	(resigned on 15 December, 2018)

In accordance with Article 12 of the Association's Articles of Association, all members of the Management Committee shall retire and, being eligible, offer themselves for re-election but they shall not hold the same office for three consecutive years.

**LOK CHI ASSOCIATION LIMITED**

**REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)**

**Management Committee members' interest in contracts**

No contract of significance to which the Association was a party and in which a member of the Management Committee had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**Permitted indemnity provision**

At no time during the financial year were there any permitted indemnity provisions in force for the benefit of one or more members of the Management Committee of the Association.

**Management contract**

No contract concerning the management and administration of the Association was entered into or existed during the year.

**Business review**

The Association falls within reporting exemption for the financial year. Accordingly, the Association is exempted from preparing a business review.

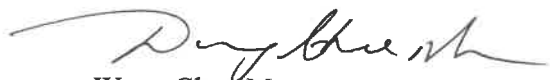
**Equity-linked arrangements**

No equity-linked arrangements were entered into by the Association, during the year or subsisted at the end of the year.

**Auditor**

A resolution for the re-appointment of Yuen & Chu CPA Limited as auditor of the Association is to be proposed at the forthcoming Annual General Meeting.

By Order of the Management Committee



Wong Chee Mun  
Chairperson

Hong Kong

Date : 25 OCT 2019

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF THE MANAGEMENT COMMITTEE OF LOK CHI ASSOCIATION LIMITED**

**(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)**

#### **Opinion**

We have audited the financial statements of Lok Chi Association Limited (“the Association”) set out on pages 6 to 23, which comprise the statement of financial position as at 31st March, 2019, and the statement of comprehensive income and expenditure, statement of changes in total 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 Association as at 31st March, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“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 Association 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 members of the Management Committee of the Association are responsible for the other information. The other information comprises the information included in the report of the Management Committee, but does not include 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 (Cont'd)**

### **TO THE MEMBERS OF THE MANAGEMENT COMMITTEE OF LOK CHI ASSOCIATION LIMITED**

**(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)**

#### **Responsibilities of Members of the Management Committee and Those Charged with Governance for the Financial Statements**

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

Those charged with governance are responsible for overseeing the Association's financial reporting process.

#### **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 the report.

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

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

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

**INDEPENDENT AUDITOR'S REPORT (Cont'd)**

**TO THE MEMBERS OF THE MANAGEMENT COMMITTEE OF LOK CHI ASSOCIATION LIMITED**

**(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)**

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

- Conclude on the appropriateness of the members of the Management Committee of the Association'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 Association'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 Association 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 those charged with governance 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.

*Yuen & Chu CPA Ltd.*

YUEN & CHU CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

Hong Kong

Date : 25 OCT 2019

Chu Wai Yin

Practising certificate number : P03995

**LOK CHI ASSOCIATION LIMITED****STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE****FOR THE YEAR ENDED 31 MARCH, 2019**

	<u>Note</u>	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
<b>Revenue</b>	6	5,196,440	4,804,622
<b>Other revenue</b>	6	1,150	39,331
<b>Administrative and operating expenditure</b>		<u>(5,071,235)</u>	<u>(4,879,747)</u>
<b>Operating surplus / (deficits)</b>	7	<u>126,355</u>	<u>(35,794)</u>
<b>Fund appropriation</b>			
Transfer from LWB subvention	9	2,990	14,762
Transfer from Hongkong Bank Foundation	10	-	39,370
Transfer from SWD reserve fund	11	316	6,132
Transfer from SWD gateway subvention fund	12	3,896	16,692
Transfer to Kok Kwong Charitable Fund	13	(137,842)	-
Transfer to SWD lump sum grant reserves	14	(74,147)	(48,228)
Transfer to Lotteries fund - Block grant	15	(32,017)	(22,923)
Transfer to SWD Social Welfare Development Fund	16	<u>(128,755)</u>	<u>(162,453)</u>
		(365,559)	(156,648)
Transfer to designated funds	17	<u>(46,191)</u>	<u>(26,252)</u>
		<u>(411,750)</u>	<u>(182,900)</u>
<b>Deficits and total comprehensive expenditure for the year</b>		(285,395)	(218,694)
<b>Balance, being surplus, brought forward</b>		<u>4,252,005</u>	<u>4,470,699</u>
<b>Balance, being surplus, carried forward</b>		<u>3,966,610</u>	<u>4,252,005</u>

The accompanying notes form part of the financial statements.



**LOK CHI ASSOCIATION LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH, 2019**

	<u>Note</u>	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
<b>Non-current assets</b>			
Property, plant and equipment	18	<u>66,760</u>	<u>113,883</u>
<b>Current assets</b>			
Accounts receivable		21,152	36,418
Utility deposit		4,300	4,300
Prepayments and sundry debtors		44,300	24,990
Cash and bank balances		<u>7,364,581</u>	<u>7,197,533</u>
		<u>7,434,333</u>	<u>7,263,241</u>
<b>Current liabilities</b>			
Receipts in advance		81,593	63,990
Deferred income	19	66,759	113,882
Accruals		<u>63,704</u>	<u>42,701</u>
		<u>212,056</u>	<u>220,573</u>
<b>Net current assets</b>		<u>7,222,277</u>	<u>7,042,668</u>
<b>Net assets</b>		<u>7,289,037</u>	<u>7,156,551</u>

**LOK CHI ASSOCIATION LIMITED**

**STATEMENT OF FINANCIAL POSITION (Cont'd)**

**AS AT 31 MARCH, 2019**

	<u>Note</u>	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
<b>Reserve funds represented by:</b>			
General fund	8	3,966,610	4,252,005
LWB subvention	9	9,204	12,195
Hongkong Bank Foundation	10	-	-
SWD reserve fund	11	(316)	(6,132)
SWD gateway subvention fund	12	19,509	23,405
Kok Kwong Charitable Fund	13	137,842	-
SWD lump sum grant reserves	14	1,017,786	943,639
Lotteries fund - Block grant	15	135,183	103,166
SWD Social Welfare Development Fund	16	625,100	496,345
Designated funds	17	<u>1,378,119</u>	<u>1,331,928</u>
		<u>7,289,037</u>	<u>7,156,551</u>

The accompanying notes form part of the financial statements.



Wong Chee Mun  
Chairperson



Luk Yim Ling  
Honorary Treasurer

**LOK CHI ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN TOTAL FUNDS**

**FOR THE YEAR ENDED 31 MARCH, 2019**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Total funds at 1 April	7,156,551	7,192,591
Net movements in funds	<u>132,486</u>	<u>(36,040)</u>
Total funds at 31 March	<u><u>7,289,037</u></u>	<u><u>7,156,551</u></u>

**LOK CHI ASSOCIATION LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH, 2019**

	<u>Note</u>	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
<b>Cash flows generated from operating activities</b>	24	<u>178,944</u>	<u>4,851</u>
<b>Cash flows from investing activities</b>			
Bank interest received		2,632	147
Purchase of property, plant and equipment		<u>(20,659)</u>	<u>(21,838)</u>
<b>Net cash used in investing activities</b>		<u>(18,027)</u>	<u>(21,691)</u>
<b>Cash flows from financing activities</b>			
Backpay of deficits of grants from SWD		7,716	3,867
Refund of surplus of grants to SWD		(1,584)	(4,113)
Refund of surplus of grants to LWB		<u>(1)</u>	<u>-</u>
<b>Net cash from / (used in) financing activities</b>		<u>6,131</u>	<u>(246)</u>
<b>Net decrease in cash and cash equivalents</b>		167,048	(17,086)
<b>Cash and cash equivalents at beginning of year</b>		<u>7,197,533</u>	<u>7,214,619</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>7,364,581</u></u>	<u><u>7,197,533</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances		<u><u>7,364,581</u></u>	<u><u>7,197,533</u></u>

The accompanying notes form part of the financial statements.

# LOK CHI ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH, 2019

### 1. General information

Lok Chi Association Limited is a limited company incorporated in Hong Kong with limited liability by guarantee and not having a share capital. The Association's registered office is located at G/F., Tai Wo Hau Community Centre, 15 Tai Wo Hau Road, Kwai Chung, New Territories, Hong Kong. The Association is a charitable organisation and the principal activities for which the Association is established are to promote the welfare of the intellectually impaired and to support their families in this respect.

### 2. Status of the Association

The Association is a non-profit making incorporated association. In the event of this Association being wound up, any person being a member or within one year after he ceased to be a member should be required to contribute to the deficit of the Association for a sum not exceeding ten dollars in Hong Kong currency.

### 3. Statement of compliance with Hong Kong Financial Reporting Standards

The Association's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which 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 significant accounting policies is set out in note 5.

In the current year, the Association has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 April, 2018. A summary of the changes in accounting policies resulting from the Association's application of these HKFRSs is set out in note 4.

The Association has not applied any new standard or interpretation that has been issued but not yet effective for the current accounting period.

### 4. Changes in accounting policies

In the current year, the Association has initially applied the following new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 April, 2018:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Annual improvements to HKFRSs 2014 - 2016 cycle.	

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and / or disclosure set out in these financial statements.

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**5. Significant accounting policies**

**(a) Basis of preparation**

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The measurement basis used in the preparation of the financial statements is historical cost.

The financial statements are presented in Hong Kong dollars, the currency in which the majority of the Association's transactions are dominated.

**(b) Property, plant and equipment**

Property, plant and equipment are stated at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, on a straight-line basis at the following rates:

Leasehold improvement	Over unexpired lease terms
Furniture, fixtures and reference books	20% per annum
Computer equipment	33.33% per annum

**(c) Impairment of assets**

The Association recognises loss allowances for expected credit loss on the financial instruments that are not measured at fair value through profit or loss. The Association considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Association considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognised in profit or loss. The receivable is written off against the receivable impairment charges account when the Association has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognised in profit or loss.

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**5. Significant accounting policies (Cont'd)**

**(d) Recognition of revenue**

Grants, donations and subventions received from donors and government bodies for specific purposes are deferred and released to the income and expenditure account as income when these funds are expended on those specific purposes. Any unused funds are classified as funds within the funds employed section of the statement of financial position.

Income from functions organized by the Association and membership fee income is recognised on accrual basis.

Bank interest income is recognised on effective interest method.

**(e) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income and expenditure on a straight-line basis over the lease periods.

**(f) Retirement benefit costs**

The Association's contributions to retirement schemes are expensed as incurred. The assets of the schemes are held separately from those of the Association in an independently administered fund.

**(g) Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income and expenditure account over the expected useful life of the relevant asset by equal annual instalments.

**(h) 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.

**LOK CHI ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****YEAR ENDED 31 MARCH, 2019****6. Revenue and other revenue**

The Association is principally engaged in promoting the welfare of the intellectually impaired and supporting their families in this respect. Revenue and other revenue recognised during the year are as follows:-

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
<u>Revenue</u>		
Government grants and subventions	3,000,295	2,908,075
Grant from Lotteries fund - Block grant	46,322	36,013
Grant from Lotteries fund - Renovation reimbursement	-	53,000
SWD Social Welfare Development Fund	378,126	294,117
Donations from the Community Chest of Hong Kong	1,058,000	1,027,100
Donations from Hongkong Bank Foundation	802	25,261
Donations	329,428	56,369
Programme and membership fee income	380,835	404,540
Bank interest income	2,632	147
	<u>5,196,440</u>	<u>4,804,622</u>
<u>Other revenue</u>		
Other income	<u>1,150</u>	<u>39,331</u>

**7. Operating surplus / (deficits) for the year**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Operating surplus / (deficits) for the year is arrived at after charging:		
Staff costs (including Management Committee members' remuneration)	3,390,403	3,244,980
Pension costs	<u>187,808</u>	<u>175,409</u>
	<u>3,578,211</u>	<u>3,420,389</u>
Audit fee - LWB adult education subvention	3,500	3,500
Audit fee	17,000	14,000
Rental expenses in respect of land and buildings	2	2
Depreciation	<u>67,782</u>	<u>92,480</u>



**LOK CHI ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****YEAR ENDED 31 MARCH, 2019****8. General fund**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Surplus brought forward from previous year	4,252,005	4,470,699
Transfer to income and expenditure account	<u>(285,395)</u>	<u>(218,694)</u>
Surplus carried forward	<u><u>3,966,610</u></u>	<u><u>4,252,005</u></u>

**9. LWB subvention**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Surplus brought forward from previous year	12,195	26,957
Transfer to income and expenditure account	(2,990)	(14,762)
Refund to LWB during the year	<u>(1)</u>	<u>-</u>
Surplus carried forward	<u><u>9,204</u></u>	<u><u>12,195</u></u>

**10. Hongkong Bank Foundation**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Surplus brought forward from previous year	<u>-</u>	<u>39,370</u>
Add: Income during the year	-	-
Less: Expenditure during the year: Programme expenses	<u>-</u>	<u>39,370</u>
	<u>-</u>	<u>(39,370)</u>
Surplus carried forward	<u><u>-</u></u>	<u><u>-</u></u>

**LOK CHI ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****YEAR ENDED 31 MARCH, 2019****11. SWD reserve fund**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
(Deficits) / surplus brought forward from previous year	(6,132)	246
Transfer to income and expenditure account	(316)	(6,132)
Backpay from SWD during the year	7,716	3,867
Refund to SWD during the year	(1,584)	(4,113)
	<u>          </u>	<u>          </u>
Deficits carried forward	<u>(316)</u>	<u>(6,132)</u>

**12. SWD gateway subvention fund**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Surplus brought forward from previous year	<u>23,405</u>	<u>40,097</u>
Add: Income during the year:		
Subvention received	316,000	316,000
Programme and membership fee income	22,490	27,660
	<u>          </u>	<u>          </u>
	<u>338,490</u>	<u>343,660</u>
Less: Expenditure during the year:		
Staff salaries	296,057	306,675
Mandatory provident fund	12,232	13,073
Programme expenses	29,204	35,232
Office supplies	4,893	5,372
	<u>          </u>	<u>          </u>
	<u>342,386</u>	<u>360,352</u>
Surplus carried forward	<u>19,509</u>	<u>23,405</u>

**13. Kok Kwong Charitable Fund**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Surplus brought forward from previous year	-	-
Income during the year	148,000	-
Expenditure during the year	10,158	-
	<u>          </u>	<u>          </u>
Surplus carried forward	<u>137,842</u>	<u>-</u>

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**14. SWD lump sum grant reserves**

	<u>SWD lump sum grant</u> <u>HK\$</u>	<u>Provident fund reserve - 6.8% and other posts</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance as at 01.04.2017	484,875	410,536	895,411
Transfer (to) / from income and expenditure account	<u>(4,092)</u>	<u>52,320</u>	<u>48,228</u>
Balance as at 31.03.2018	480,783	462,856	943,639
Transfer from income and expenditure account	<u>29,613</u>	<u>44,534</u>	<u>74,147</u>
Balance as at 31.03.2019	<u><u>510,396</u></u>	<u><u>507,390</u></u>	<u><u>1,017,786</u></u>

**15. Lotteries fund - Block grant**

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Surplus brought forward from previous year	103,166	80,243
Transfer from income and expenditure account	<u>32,017</u>	<u>22,923</u>
Surplus carried forward	<u><u>135,183</u></u>	<u><u>103,166</u></u>

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**15. Lotteries fund - Block grant (Cont'd)**

Movement of the Furniture and Equipment Replenishment and Minor Works Block Grant Reserve

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Balance of Block Grant Reserve brought forward from previous financial year	103,166	80,243
Add: Block Grant received during the year	<u>37,000</u>	<u>36,000</u>
	140,166	116,243
Less: Expenditure during the year (Note)- Furniture and equipment	<u>(4,983)</u>	<u>(13,077)</u>
	135,183	103,166
Contribution from NGO to cover the deficit (if any)	<u>-</u>	<u>-</u>
Balance of Block Grant Reserve carried forward to next financial year	<u><u>135,183</u></u>	<u><u>103,166</u></u>

**Capital Commitments**

As at 31 March 2019, the outstanding commitments in respect of Furniture and Equipment Replenishment and Minor Works Block Grant were as follows -

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Contracted for but not provided in the financial statements	-	-
Authorised but not contracted for	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Note :

Expenditure charged to Block Grant during the year should be full expenditure amount, i.e. the actual expenditure incurred in 2018-19.

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**16. SWD Social Welfare Development Fund**

	<u>Phase 2</u> <u>HK\$</u>	<u>Phase 3</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
<b>Balance as at 01.04.2017</b>	333,892	-	333,892
Income during the year:			
Subvention received	-	259,300	259,300
Interest received	3	2	5
Expenditure during the year:			
Training and professional development (scope A)	5,978	(79,530)	(73,552)
Administrative support	-	(23,300)	(23,300)
<b>Surplus for the year</b>	5,981	156,472	162,453
<b>Balance as at 31.03.2018</b>	339,873	156,472	496,345
Income during the year:			
Subvention received	-	359,300	359,300
Interest received	113	151	264
Expenditure during the year:			
Training and professional development (scope A)	-	(126,009)	(126,009)
Business System Upgrading Projects (IT Projects)(scope B)	-	(81,500)	(81,500)
Administrative Support	-	(23,300)	(23,300)
<b>Surplus for the year</b>	113	128,642	128,755
<b>Balance as at 31.03.2019</b>	339,986	285,114	625,100

**17. Designated funds**

	<u>Scout</u> <u>fund</u> <u>HK\$</u>	<u>Friends of</u> <u>Lok Chi fund</u> <u>HK\$</u>	<u>Development</u> <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance as at 01.04.2017	8,087	23,881	1,273,708	1,305,676
Transfer (to) / from income and expenditure account	(4,306)	(2,510)	33,068	26,252
Balance as at 31.03.2018	3,781	21,371	1,306,776	1,331,928
Transfer (to) / from income and expenditure account	(3,781)	(7,944)	57,916	46,191
Balance as at 31.03.2019	-	13,427	1,364,692	1,378,119

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**18. Property, plant and equipment**

	<u>Leasehold improvement</u> <u>HK\$</u>	<u>Furniture, fixtures and reference books</u> <u>HK\$</u>	<u>Computer equipment</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
<u>At cost</u>				
As at 01.04.2017	83,295	728,780	513,784	1,325,859
Additions	-	17,978	3,860	21,838
Disposals	-	(13,426)	-	(13,426)
As at 31.03.2018	83,295	733,332	517,644	1,334,271
Additions	-	8,899	11,760	20,659
Disposals	-	(27,598)	-	(27,598)
As at 31.03.2019	83,295	714,633	529,404	1,327,332
<u>Accumulated depreciation</u>				
As at 01.04.2017	51,928	689,032	400,374	1,141,334
Charge for the year	3,547	16,307	72,626	92,480
Written back on disposals	-	(13,426)	-	(13,426)
As at 31.03.2018	55,475	691,913	473,000	1,220,388
Charge for the year	3,548	16,957	47,277	67,782
Written back on disposals	-	(27,598)	-	(27,598)
As at 31.03.2019	59,023	681,272	520,277	1,260,572
<u>Net book value</u>				
As at 31.03.2019	24,272	33,361	9,127	66,760
As at 31.03.2018	27,820	41,419	44,644	113,883

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**19. Deferred income**

Grants and subvention related to assets are recorded as deferred income and are released to the income and expenditure account as the related expenditure are incurred.

**20. Taxation**

No provision for Hong Kong profits tax has been made in these financial statements as the Association is an approved charitable organisation under Section 88 of the Hong Kong Inland Revenue Ordinance.

**21. Management Committee members' remuneration**

Pursuant to Section 383(1) of the Companies Ordinance, Management Committee members' remuneration is disclosed as follows:

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Fees and other emoluments	-	-

**22. Commitments under operating leases**

As at 31 March, 2019, the Association had the following future minimum lease payments under non-cancellable operating leases for the following periods:-

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Land and buildings: Within one year	2	2

**23. Staff provident fund**

The staff provident fund is managed by Principal Trust Company (Asia) Limited, the balance of which has not been dealt with in these financial statements.

**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**24. Note to the statement of cash flows**

Reconciliation of operating deficits to cash generated from operating activities:

	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
Operating surplus / (deficits) for the year	126,355	(35,794)
Adjustments for:		
Depreciation	67,782	92,480
Bank interest received	<u>(2,632)</u>	<u>(147)</u>
Operating surplus before working capital changes:	191,505	56,539
Decrease / (increase) in accounts receivable	15,266	(19,812)
(Increase) / decrease in prepayments and sundry debtors	(19,310)	47,180
Increase in receipts in advance	17,603	13,950
Decrease in deferred income	(47,123)	(70,642)
Increase / (decrease) in accruals	<u>21,003</u>	<u>(22,364)</u>
Net cash generated from operating activities	<u>178,944</u>	<u>4,851</u>

**25. Financial risk management**

Financial assets of the Association mainly include accounts receivable, prepayments and cash and bank balances. Financial liabilities of the Association mainly include receipts in advance, deferred income and accruals.

The Management Committee members considered that the carrying amounts of the Association's financial instruments approximated their fair values as at the end of the reporting period. Fair value estimates are made at a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainty and matters of significant judgment and therefore cannot be determined with precision. Changes in assumption could significantly affect the estimates.

The Association is exposed to various kinds of risks in its operations and financial instruments. These risks are limited by the Association's financial management policies and practices described below:

**(a) Credit risk**

The Association has placed its cash and bank balances and fixed deposits with reputable banks in Hong Kong.



**LOK CHI ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**YEAR ENDED 31 MARCH, 2019**

**25. Financial risk management (Cont'd)**

(b) Liquidity risk

The Association's liquidity risk is minimised by maintaining sufficient cash and liquid assets and the availability of funding through an adequate amount of funds.

**26. Hong Kong Financial Reporting Standards issued but not yet effective for the year**

HKFRSs that have been issued but are not yet effective for the year include the following which may be relevant to the Association's operations and financial statements:

	<u>Effective for annual periods beginning on or after</u>
Amendments to HKAS 1 and HKAS 8	1 January 2020
Amendments to HKAS 19	1 January 2019
HKFRS 16	1 January 2019
Annual improvements to HKFRSs 2015-2017 cycle	1 January 2019

The Association has not early adopted these HKFRSs. The Management Committee of the Association anticipate that the adoption of these HKFRSs will not have a significant impact on the results and financial position of the Association. The Association will be continuing with the assessment of what the impact of these HKFRSs is expected to be in the period of initial application.

**27. Approval of financial statements**

The financial statements were approved by the members of the Management Committee on **25 OCT 2019**