

LOK CHI ASSOCIATION LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2020



Yuen & Chu CPA Limited
Certified Public Accountants

LOK CHI ASSOCIATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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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 2020.

Financial statements

The state of the Association's affairs as at 31 March 2020 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 25.

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 21 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 20 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:

Mr. Leung Chun Ping	(Chairperson)
Ms. Ho Shuk Han, Lilian	(Vice-Chairperson)
Ms. Yeung Mee Ling	(Vice-Chairperson)
Ms. Luk Yim Ling	(Honorary Treasurer)
Ms. Cheung King Fong	(Honorary Secretary)

Others:

Ms. Cheung Hang Mui	
Dr. Chiu Ching Tak Lan, Rosa	
Mr. Chiu Tak On	
Ms. Ko Kit Mui	
Ms. Kwan Chui Kuen	
Ms. Leung Pik Han, Alice	
Dr. Wong Chung Hin, Willy	
Ms. Wu Ka Wai, Karen	
Ms. Tsang Chi Hung	(resigned on 14 December 2019)
Ms. Wong Chee Mun	(resigned on 14 December 2019)

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


Leung Chun Ping
Chairperson

Hong Kong

Date : 27 OCT 2020

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 25, which comprise the statement of financial position as at 31st March 2020, 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 2020, 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 LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

Hong Kong

Date : 27 OCT 2020

Chu Wai Yin

Practising certificate number : P03995

LOK CHI ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE****FOR THE YEAR ENDED 31 MARCH 2020**

	<u>Note</u>	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Revenue	6	5,895,145	5,196,440
Other revenue	6	-	1,150
Administrative and operating expenditure		<u>(5,737,885)</u>	<u>(5,071,235)</u>
Operating surplus	7	<u>157,260</u>	<u>126,355</u>
Fund appropriation			
Transfer from LWB subvention	9	(67,918)	2,990
Transfer (to) / from SWD reserve fund	10	(726)	316
Transfer (to) / from SWD gateway subvention fund	11	(9,684)	3,896
Transfer from / (to) Kok Kwong Charitable Fund	12	58,008	(137,842)
Transfer to SWD lump sum grant reserves	13	(80,928)	(74,147)
Transfer to Lotteries fund - Block grant	14	(19,351)	(32,017)
Transfer to Lotteries fund - Wifi project	15	(46,500)	-
Transfer to SWD Social Welfare Development Fund	16	(174,630)	(128,755)
Transfer to SWD one off project	17	(10,000)	-
Transfer to SWD gateway one off project	18	(6,000)	-
Transfer to The Hong Kong Jockey Club Charities Trust	19	<u>(76,669)</u>	-
		(434,398)	(365,559)
Transfer to designated funds	20	<u>(91,953)</u>	<u>(46,191)</u>
		<u>(526,351)</u>	<u>(411,750)</u>
Deficits and total comprehensive expenditure for the year		(369,091)	(285,395)
Balance, being surplus, brought forward		<u>3,966,610</u>	<u>4,252,005</u>
Balance, being surplus, carried forward		<u>3,597,519</u>	<u>3,966,610</u>

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Non-current assets			
Property, plant and equipment	21	<u>1,904,411</u>	<u>66,760</u>
Current assets			
Accounts receivable		2,279,007	21,152
Utility deposit		11,300	4,300
Prepayments and sundry debtors		15,912	44,300
Cash and bank balances		<u>7,336,934</u>	<u>7,364,581</u>
		<u>9,643,153</u>	<u>7,434,333</u>
Current liabilities			
Accounts payable		1,469,848	-
Receipts in advance		705,275	81,593
Deferred income	23	1,897,699	66,759
Accruals		<u>28,269</u>	<u>63,704</u>
		<u>4,101,091</u>	<u>212,056</u>
Net current assets		<u>5,542,062</u>	<u>7,222,277</u>
Net assets		<u>7,446,473</u>	<u>7,289,037</u>


LOK CHI ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION (Cont'd)

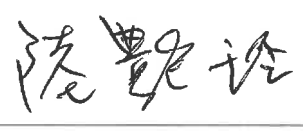
AS AT 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Reserve funds represented by:			
General fund	8	3,597,519	3,966,610
LWB subvention	9	76,982	9,204
SWD reserve fund	10	726	(316)
SWD gateway subvention fund	11	29,193	19,509
Kok Kwong Charitable Fund	12	79,834	137,842
SWD lump sum grant reserves	13	1,098,714	1,017,786
Lotteries fund - Block grant	14	154,534	135,183
Lotteries fund - Wifi project	15	46,500	-
SWD Social Welfare Development Fund	16	799,730	625,100
SWD one off project	17	10,000	-
SWD gateway one off project	18	6,000	-
The Hong Kong Jockey Club Charities Trust	19	76,669	-
Designated funds	20	<u>1,470,072</u>	<u>1,378,119</u>
		<u>7,446,473</u>	<u>7,289,037</u>

The accompanying notes form part of the financial statements.



Leung Chun Ping
Chairperson



Luk Yim Ling
Honorary Treasurer

LOK CHI ASSOCIATION LIMITED
STATEMENT OF CHANGES IN TOTAL FUNDS
FOR THE YEAR ENDED 31 MARCH 2020

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Total funds at 1 April	7,289,037	7,156,551
Net movements in funds	<u>157,436</u>	<u>132,486</u>
Total funds at 31 March	<u><u>7,446,473</u></u>	<u><u>7,289,037</u></u>

LOK CHI ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Cash flows generated from operating activities	27	<u>2,062,365</u>	<u>178,944</u>
Cash flows from investing activities			
Bank interest received		8,020	2,632
Purchase of property, plant and equipment		<u>(2,098,208)</u>	<u>(20,659)</u>
Net cash used in investing activities		<u>(2,090,188)</u>	<u>(18,027)</u>
Cash flows from financing activities			
Backpay of deficits of grants from SWD		11,160	7,716
Refund of surplus of grants to SWD		(10,844)	(1,584)
Refund of surplus of grants to LWB		<u>(140)</u>	<u>(1)</u>
Net cash from financing activities		<u>176</u>	<u>6,131</u>
Net (decrease) / increase in cash and cash equivalents		(27,647)	167,048
Cash and cash equivalents at beginning of year		<u>7,364,581</u>	<u>7,197,533</u>
Cash and cash equivalents at end of year		<u><u>7,336,934</u></u>	<u><u>7,364,581</u></u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<u><u>7,336,934</u></u>	<u><u>7,364,581</u></u>

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

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 2019. 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 2019:

HKFRS 16	Leases
Amenements to HKAS 19	Employee benefits
Annual improvements to HKFRSs 2015 - 2017 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 2020

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 2020

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) Leases

After the adoption of HKFRS 16, when the Association acts as a lessee, the Association assesses at inception of a contract 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.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Association elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At the commencement date, the Association recognises a right-of-use asset and a lease liability for the rights and obligations created by all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases for which the underlying asset is of low value. The Association recognise the lease payments associated with those short-term leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.

Before the adoption of HKFRS 16, leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Association. All other leases are classified as operating leases.

(i) Finance leases

Assets held under finance leases are recognised at amounts equal to the fair value of the leased assets, or if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases, which are presented as lease liabilities after the adoption of HKFRS 16. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

5. Significant accounting policies (Cont'd)

(e) Leases (Cont'd)

(ii) 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 2020****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>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Revenue		
Government grants and subventions	3,189,841	3,000,295
Grant from Lotteries fund - Block grant	35,264	46,322
Grant from Lotteries fund - Wifi project	59,400	-
Grant from Lotteries fund - Renovation reimbursement	429,722	-
SWD Social Welfare Development Fund	305,462	378,126
Donations from the Community Chest of Hong Kong	1,089,800	1,058,000
Donations from Hongkong Bank Foundation	802	802
Donations	413,081	329,428
Fund raising project income	49,620	-
Programme and membership fee income	314,133	380,835
Bank interest income	8,020	2,632
	<u>5,895,145</u>	<u>5,196,440</u>
Other revenue		
Other income	<u>-</u>	<u>1,150</u>

7. Operating surplus for the year

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Operating surplus for the year is arrived at after charging:		
Staff costs (including Management Committee members' remuneration)	3,655,385	3,390,403
Pension costs	203,054	187,808
	<u>3,858,439</u>	<u>3,578,211</u>
Audit fee - LWB adult education subvention	3,500	3,500
Audit fee	17,000	17,000
Loss on disposals of property, plant and equipment	752	-
Depreciation	259,805	67,782

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

8. General fund

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	3,966,610	4,252,005
Transfer to income and expenditure account	<u>(369,091)</u>	<u>(285,395)</u>
Surplus carried forward	<u><u>3,597,519</u></u>	<u><u>3,966,610</u></u>

9. LWB subvention

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	9,204	12,195
Transfer from / (to) income and expenditure account	67,918	(2,990)
Refund to LWB during the year	<u>(140)</u>	<u>(1)</u>
Surplus carried forward	<u><u>76,982</u></u>	<u><u>9,204</u></u>

10. SWD reserve fund

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Deficits brought forward from previous year	(316)	(6,132)
Transfer from / (to) income and expenditure account	726	(316)
Backpay from SWD during the year	11,160	7,716
Refund to SWD during the year	<u>(10,844)</u>	<u>(1,584)</u>
Surplus / (deficits) carried forward	<u><u>726</u></u>	<u><u>(316)</u></u>

LOK CHI ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****YEAR ENDED 31 MARCH 2020****11. SWD gateway subvention fund**

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	19,509	23,405
Add: Income during the year:		
Subvention received	316,000	316,000
Programme and membership fee income	15,556	22,490
	<u>331,556</u>	<u>338,490</u>
Less: Expenditure during the year:		
Staff salaries	281,025	296,057
Mandatory provident fund	12,361	12,232
Programme expenses	24,216	29,204
Office supplies	4,270	4,893
	<u>321,872</u>	<u>342,386</u>
Surplus carried forward	<u>29,193</u>	<u>19,509</u>

12. Kok Kwong Charitable Fund

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	137,842	-
Income during the year:		
Subvention received	140,000	148,000
Programme fee income	30,720	-
Expenditure during the year	<u>(228,728)</u>	<u>(10,158)</u>
Surplus carried forward	<u>79,834</u>	<u>137,842</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

13. 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 01.04.2018	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	510,396	507,390	1,017,786
Transfer from income and expenditure account	<u>40,047</u>	<u>40,881</u>	<u>80,928</u>
Balance as at 31.03.2020	<u><u>550,443</u></u>	<u><u>548,271</u></u>	<u><u>1,098,714</u></u>

14. Lotteries fund - Block grant

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	135,183	103,166
Transfer from income and expenditure account	<u>19,351</u>	<u>32,017</u>
Surplus carried forward	<u><u>154,534</u></u>	<u><u>135,183</u></u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

14. Lotteries fund - Block grant (Cont'd)

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

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Balance of Block Grant Reserve brought forward from previous financial year	135,183	103,166
Add: Block Grant received during the year	<u>39,000</u>	<u>37,000</u>
	174,183	140,166
Less: Expenditure during the year (Note)- Furniture and equipment	<u>(19,649)</u>	<u>(4,983)</u>
	154,534	135,183
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>154,534</u></u>	<u><u>135,183</u></u>

Capital Commitments

As at 31 March 2020, the outstanding commitments in respect of Furniture and Equipment Replenishment and Minor Works Block Grant were as follows -

	<u>2020</u> <u>HK\$</u>	<u>2019</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 2019-20.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

15. Lotteries fund - Wifi project

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	-	-
Transfer from income and expenditure account	<u>46,500</u>	<u>-</u>
Surplus carried forward	<u><u>46,500</u></u>	<u><u>-</u></u>

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>
Balance as at 01.04.2018	<u>339,873</u>	<u>156,472</u>	<u>496,345</u>
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)
Surplus for the year	<u>113</u>	<u>128,642</u>	<u>128,755</u>
Balance as at 31.03.2019	<u>339,986</u>	<u>285,114</u>	<u>625,100</u>
Income during the year:			
Subvention received	-	313,440	313,440
Interest received	363	478	841
Expenditure during the year:			
Training and professional development (scope A)	-	(79,967)	(79,967)
Business System Upgrading Projects (IT Projects)(scope B)	-	(59,684)	(59,684)
Administrative Support	-	-	-
Surplus for the year	<u>363</u>	<u>174,267</u>	<u>174,630</u>
Balance as at 31.03.2020	<u><u>340,349</u></u>	<u><u>459,381</u></u>	<u><u>799,730</u></u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

17. SWD one off project

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	-	-
Transfer from income and expenditure account	<u>10,000</u>	<u>-</u>
Surplus carried forward	<u>10,000</u>	<u>-</u>

18. SWD gateway one off project

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	-	-
Transfer from income and expenditure account	<u>6,000</u>	<u>-</u>
Surplus carried forward	<u>6,000</u>	<u>-</u>

19. The Hong Kong Jockey Club Charities Trust

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Surplus brought forward from previous year	-	-
Transfer from income and expenditure account	<u>76,669</u>	<u>-</u>
Surplus carried forward	<u>76,669</u>	<u>-</u>

20. Designated funds

	<u>Scout fund HK\$</u>	<u>Friends of Lok Chi fund HK\$</u>	<u>Development fund HK\$</u>	<u>Total HK\$</u>
Balance as at 01.04.2018	3,781	21,371	1,306,776	1,331,928
Transfer (to) / from income and expenditure account	<u>(3,781)</u>	<u>(7,944)</u>	<u>57,916</u>	<u>46,191</u>
Balance as at 31.03.2019	-	13,427	1,364,692	1,378,119
Transfer (to) / from income and expenditure account	<u>-</u>	<u>(11,086)</u>	<u>103,039</u>	<u>91,953</u>
Balance as at 31.03.2020	<u>-</u>	<u>2,341</u>	<u>1,467,731</u>	<u>1,470,072</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

21. Property, plant and equipment

	<u>Leasehold improvement</u> HK\$	<u>Furniture, fixtures and reference books</u> HK\$	<u>Computer equipment</u> HK\$	<u>Total</u> HK\$
<u>At cost</u>				
As at 01.04.2018	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
Additions	1,842,485	247,233	8,490	2,098,208
Disposals	(49,720)	(90,192)	(10,677)	(150,589)
As at 31.03.2020	<u>1,876,060</u>	<u>871,674</u>	<u>527,217</u>	<u>3,274,951</u>
<u>Accumulated depreciation</u>				
As at 01.04.2018	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
Charge for the year	187,796	63,972	8,037	259,805
Written back on disposals	(49,140)	(90,020)	(10,677)	(149,837)
As at 31.03.2020	<u>197,679</u>	<u>655,224</u>	<u>517,637</u>	<u>1,370,540</u>
<u>Net book value</u>				
As at 31.03.2020	<u>1,678,381</u>	<u>216,450</u>	<u>9,580</u>	<u>1,904,411</u>
As at 31.03.2019	<u>24,272</u>	<u>33,361</u>	<u>9,127</u>	<u>66,760</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2020

22. Right-of-use assets and lease liabilities

The Association has no significant leases with a term of more than 12 months at 1st April 2019 and 31st March 2020. As a lessee, the Association elects not to recognise a right-of-use asset and a lease liability for the rights and obligations created by the leases.

The analysis of lease commitments for short-term leases is as follows:

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Lease commitments for short-term leases:		
- Within 1 year	<u>2</u>	<u>2</u>

23. 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.

24. 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.

25. Management Committee members' remuneration

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

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Fees and other emoluments	<u>-</u>	<u>-</u>

26. 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 2020

27. Note to the statement of cash flows

Reconciliation of operating surplus to cash generated from operating activities:

	<u>2020</u> <u>HK\$</u>	<u>2019</u> <u>HK\$</u>
Operating surplus for the year	157,260	126,355
Adjustments for:		
Depreciation	259,805	67,782
Loss on disposals of property, plant and equipment	752	-
Bank interest received	<u>(8,020)</u>	<u>(2,632)</u>
Operating surplus before working capital changes:	409,797	191,505
(Increase) / decrease in accounts receivable	(2,257,855)	15,266
Increase in utility deposit	(7,000)	-
Decrease / (increase) in prepayments and sundry debtors	28,388	(19,310)
Increase in accounts payable	1,469,848	-
Increase in receipts in advance	623,682	17,603
Increase / (decrease) in deferred income	1,830,940	(47,123)
(Decrease) / increase in accruals	<u>(35,435)</u>	<u>21,003</u>
Net cash generated from operating activities	<u><u>2,062,365</u></u>	<u><u>178,944</u></u>

28. 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 2020

28. 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.

29. 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 Definition of material and HKAS 8	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

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.

30. Approval of financial statements

The financial statements were approved by the members of the Management Committee on **27 OCT 2020**