

LOK CHI ASSOCIATION LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2021



Yuen & Chu CPA Limited

Certified Public Accountants

LOK CHI ASSOCIATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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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 2021.

Financial statements

The state of the Association's affairs as at 31 March 2021 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 24 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 23 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)
Mr. Chiu Tak On	(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	
Ms. Leung Pik Han, Alice	
Dr. Wong Chung Hin, Willy	
Ms Wu Ka Wai, Karen	
Ms Ng Yuet Ngor	(appointed on 27 March 2021)
Ms. Kwan Chui Kuen	(resigned on 13 August 2021)
Ms Ko Kit Mui	(resigned on 12 December 2020)
Ms Yeung Mee Ling	(resigned on 12 December 2020)

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 : 26 OCT 2021

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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“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 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 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 : 26 OCT 2021

Chu Wai Yin

Practising certificate number : P03995

LOK CHI ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2021

	<u>Note</u>	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Revenue	6	6,423,058	5,895,145
Other revenue	6	521,078	-
Administrative and operating expenditure		<u>(6,334,029)</u>	<u>(5,737,885)</u>
Operating surplus	7	<u>610,107</u>	<u>157,260</u>
Fund appropriation			
Transfer to LWB subvention	9	(64,479)	(67,918)
Transfer to SWD reserve fund	10	(6,664)	(726)
Transfer to SWD CBSP gateway reserves	11	(18,296)	-
Transfer from / (to) SWD gateway subvention fund	12	29,193	(9,684)
Transfer from Kok Kwong Charitable Fund	13	42,603	58,008
Transfer to SWD lump sum grant reserves	14	(102,969)	(80,928)
Transfer to SWD Anti-epidemic Fund - Time-limited Posts	15	(4,581)	-
Transfer from / (to) Lotteries fund - Block grant	16	70,281	(19,351)
Transfer from / (to) Lotteries fund - Wifi project	17	25,521	(46,500)
Transfer from / (to) SWD Social Welfare Development Fund	18	355,929	(174,630)
Transfer from / (to) SWD one off project	19	10,000	(10,000)
Transfer from / (to) SWD gateway one off project	20	6,000	(6,000)
Transfer from / (to) The Hong Kong Jockey Club Charities Trust	21	138,342	(76,669)
Transfer to SWD Arts Development Fund	22	<u>(44,344)</u>	<u>-</u>
		436,536	(434,398)
Transfer to designated funds	23	<u>(360,406)</u>	<u>(91,953)</u>
		<u>76,130</u>	<u>(526,351)</u>
Surplus / (deficits) and total comprehensive income / (expenditure) for the year		686,237	(369,091)
Balance, being surplus, brought forward		<u>3,597,519</u>	<u>3,966,610</u>
Balance, being surplus, carried forward		<u>4,283,756</u>	<u>3,597,519</u>

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2021**

	<u>Note</u>	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Non-current assets			
Property, plant and equipment	24	<u>2,017,966</u>	<u>1,904,411</u>
Current assets			
Accounts receivable		479,458	2,279,007
Utility deposit		11,300	11,300
Prepayments and sundry debtors		22,900	15,912
Cash and bank balances		<u>7,731,405</u>	<u>7,336,934</u>
		<u>8,245,063</u>	<u>9,643,153</u>
Current liabilities			
Accounts payable		118,250	1,469,848
Receipts in advance		341,465	705,275
Deferred income	26	2,012,931	1,897,699
Accruals		<u>75,178</u>	<u>28,269</u>
		<u>2,547,824</u>	<u>4,101,091</u>
Net current assets		<u>5,697,239</u>	<u>5,542,062</u>
Net assets		<u>7,715,205</u>	<u>7,446,473</u>

LOK CHI ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION (Cont'd)

AS AT 31 MARCH 2021

	<u>Note</u>	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Reserve funds represented by:			
General fund	8	4,283,756	3,597,519
LWB subvention	9	141,161	76,982
SWD reserve fund	10	6,664	726
SWD CBSP gateway reserves	11	18,296	-
SWD gateway subvention fund	12	-	29,193
Kok Kwong Charitable Fund	13	37,231	79,834
SWD lump sum grant reserves	14	1,201,683	1,098,714
SWD Anti-epidemic Fund - Time-limited Posts	15	4,581	-
Lotteries fund - Block grant	16	84,253	154,534
Lotteries fund - Wifi project	17	20,979	46,500
SWD Social Welfare Development Fund	18	103,452	799,730
SWD one off project	19	-	10,000
SWD gateway one off project	20	-	6,000
The Hong Kong Jockey Club Charities Trust	21	(61,673)	76,669
SWD Arts Development Fund	22	44,344	-
Designated funds	23	1,830,478	1,470,072
		<u>7,715,205</u>	<u>7,446,473</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 2021

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Total funds at 1 April	7,446,473	7,289,037
Net movements in funds	<u>268,732</u>	<u>157,436</u>
Total funds at 31 March	<u><u>7,715,205</u></u>	<u><u>7,446,473</u></u>

LOK CHI ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	<u>Note</u>	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Cash flows generated from operating activities	30	<u>1,212,484</u>	<u>2,062,365</u>
Cash flows from investing activities			
Bank interest received		120	8,020
Purchase of property, plant and equipment		<u>(476,758)</u>	<u>(2,098,208)</u>
Net cash used in investing activities		<u>(476,638)</u>	<u>(2,090,188)</u>
Cash flows from financing activities			
Backpay of deficits of grants from SWD		6,420	11,160
Refund of surplus of grants to SWD			
- SWD reserve fund		(7,146)	(10,844)
- SWD Social Welfare Development Fund		(340,349)	-
Refund of surplus of grants to LWB		<u>(300)</u>	<u>(140)</u>
Net cash (used in) / from financing activities		<u>(341,375)</u>	<u>176</u>
Net increase / (decrease) in cash and cash equivalents		394,471	(27,647)
Cash and cash equivalents at beginning of year		<u>7,336,934</u>	<u>7,364,581</u>
Cash and cash equivalents at end of year		<u><u>7,731,405</u></u>	<u><u>7,336,934</u></u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<u><u>7,731,405</u></u>	<u><u>7,336,934</u></u>

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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 2020. 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 2020:

Amendments to HKAS 1 and HKAS 8	Definition of material
Revised Conceptual Framework for Financial Reporting	

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 2021

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 financial 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 2021

5. Significant accounting policies (Cont'd)

(d) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognised in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognised in prior periods. Reversals of impairment charges are credited to surplus or deficit in the period in which the reversals are recognised.

(e) 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.

(f) Leases

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 lease 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.

(g) 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.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

5. Significant accounting policies (Cont'd)

(h) 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.

(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.

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>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Revenue		
Government grants and subventions	4,136,622	3,189,841
Grant from Lotteries fund - Block grant		
- recognised as income in current year	69,393	35,264
- grant received in prior years recognised as deferred income in current year	(70,936)	-
Grant from Lotteries fund - Wifi project	3,467	59,400
Grant from Lotteries fund - Renovation reimbursement	226,722	429,722
SWD Social Welfare Development Fund		
- recognised as income in current year	20,168	305,462
- grant received in prior years recognised as deferred income in current year	(35,574)	-
Donations from the Community Chest of Hong Kong	1,234,750	1,089,800
Donations from Hongkong Bank Foundation	802	802
Other donations	790,513	413,081
Fund raising project income	8,360	49,620
Programme and membership fee income	38,651	314,133
Bank interest income	120	8,020
	<u>6,423,058</u>	<u>5,895,145</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

6. Revenue and other revenue (Cont'd)

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
<u>Other revenue</u>		
Government subsidies		
- Employment Support Scheme under Anti-epidemic Fund	519,000	-
Sundry income	2,078	-
	<u>521,078</u>	<u>-</u>

7. Operating surplus for the year

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Operating surplus for the year is arrived at after charging:		
Staff costs (including Management Committee members' remuneration)	3,803,090	3,655,385
Pension costs	275,123	203,054
	<u>4,078,213</u>	<u>3,858,439</u>
Audit fee - Time-limited Service Project for Gateway Club	3,500	-
Audit fee - LWB adult education subvention	4,000	3,500
Audit fee	19,200	17,000
Loss on disposals of property, plant and equipment	401	752
Depreciation	362,802	259,805

8. General fund

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	3,597,519	3,966,610
Transfer from / (to) income and expenditure account	692,851	(369,091)
Transfer to SWD gateway subvention fund	<u>(6,614)</u>	<u>-</u>
Surplus carried forward	<u>4,283,756</u>	<u>3,597,519</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

9. LWB subvention

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	76,982	9,204
Transfer from income and expenditure account	64,479	67,918
Refund to LWB during the year	<u>(300)</u>	<u>(140)</u>
Surplus carried forward	<u><u>141,161</u></u>	<u><u>76,982</u></u>

10. SWD reserve fund

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus / (deficits) brought forward from previous year	726	(316)
Transfer from income and expenditure account	6,664	726
Backpay from SWD during the year	6,420	11,160
Refund to SWD during the year	<u>(7,146)</u>	<u>(10,844)</u>
Surplus carried forward	<u><u>6,664</u></u>	<u><u>726</u></u>

11. SWD CBSP Gateway Reserves

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	<u>-</u>	<u>-</u>
Income during the year:		
Subvention received	82,916	-
Expenditure during the year:		
Staff salaries	(60,603)	-
Mandatory provident fund	(3,030)	-
Office supplies	<u>(987)</u>	<u>-</u>
Surplus for the year	<u><u>18,296</u></u>	<u><u>-</u></u>
Surplus carried forward	<u><u>18,296</u></u>	<u><u>-</u></u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

12. SWD gateway subvention fund

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Add: Income during the year:		
Subvention received	237,000	316,000
Donation	20,000	-
Programme and membership fee income	1,320	15,556
	<u>258,320</u>	<u>331,556</u>
Less: Expenditure during the year:		
Staff salaries	210,286	281,025
Mandatory provident fund	9,371	12,361
Administrative Expenses	3,500	-
Programme expenses	67,703	24,216
Office supplies	3,267	4,270
	<u>294,127</u>	<u>321,872</u>
(Deficits) / surplus for the year	(35,807)	9,684
Surplus brought forward from previous year	<u>29,193</u>	<u>19,509</u>
	(6,614)	29,193
Transfer from general fund	<u>6,614</u>	<u>-</u>
Surplus carried forward	<u><u>-</u></u>	<u><u>29,193</u></u>

13. Kok Kwong Charitable Fund

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	79,834	137,842
Income during the year:		
Subvention received	-	140,000
Programme fee income	19,650	30,720
Expenditure during the year	<u>(62,253)</u>	<u>(228,728)</u>
Surplus carried forward	<u><u>37,231</u></u>	<u><u>79,834</u></u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

14. SWD lump sum grant reserves

	<u>SWD lump sum grant</u> HK\$	<u>Provident fund reserve - 6.8% and other posts</u> HK\$	<u>Total</u> HK\$
Balance as at 01.04.2019	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	550,443	548,271	1,098,714
Transfer from / (to) income and expenditure account	<u>110,872</u>	<u>(7,903)</u>	<u>102,969</u>
Balance as at 31.03.2021	<u><u>661,315</u></u>	<u><u>540,368</u></u>	<u><u>1,201,683</u></u>

15. SWD Anti-epidemic Fund - Time-limited Posts

	<u>2021</u> HK\$	<u>2020</u> HK\$
Surplus brought forward from previous year	-	-
Transfer from income and expenditure account	<u>4,581</u>	<u>-</u>
Surplus carried forward	<u><u>4,581</u></u>	<u><u>-</u></u>

16. Lotteries fund - Block grant

	<u>2021</u> HK\$	<u>2020</u> HK\$
Surplus brought forward from previous year	154,534	135,183
Transfer (to) / from income and expenditure account	<u>(70,281)</u>	<u>19,351</u>
Surplus carried forward	<u><u>84,253</u></u>	<u><u>154,534</u></u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

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

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

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Balance of Block Grant Reserve brought forward from previous financial year	154,534	135,183
Add: Block Grant received during the year	<u>41,000</u>	<u>39,000</u>
	195,534	174,183
Less: Expenditure during the year (Note)- Minor works projects	(14,260)	-
Furniture and equipment	<u>(97,021)</u>	<u>(19,649)</u>
	84,253	154,534
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>84,253</u></u>	<u><u>154,534</u></u>

Capital Commitments

As at 31 March 2021, the outstanding commitments in respect of Furniture and Equipment Replenishment and Minor Works Block Grant were as follows -

	<u>2021</u> <u>HK\$</u>	<u>2020</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 2020-21.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

17. Lotteries fund - Wifi project

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	46,500	-
Transfer (to) / from income and expenditure account	<u>(25,521)</u>	<u>46,500</u>
Surplus carried forward	<u><u>20,979</u></u>	<u><u>46,500</u></u>

18. 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 01.04.2019	<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)	<u>-</u>	<u>(59,684)</u>	<u>(59,684)</u>
Surplus for the year	<u>363</u>	<u>174,267</u>	<u>174,630</u>
Balance as at 31.03.2020	<u>340,349</u>	<u>459,381</u>	<u>799,730</u>
Income during the year:			
Interest received	-	9	9
Expenditure during the year:			
Training and professional development (scope A)	-	(239,550)	(239,550)
Business System Upgrading Projects (IT Projects)(scope B)	<u>-</u>	<u>(116,388)</u>	<u>(116,388)</u>
Deficits for the year	<u>-</u>	<u>(355,929)</u>	<u>(355,929)</u>
Refund to SWD during the year	<u>(340,349)</u>	<u>-</u>	<u>(340,349)</u>
Balance as at 31.03.2021	<u><u>-</u></u>	<u><u>103,452</u></u>	<u><u>103,452</u></u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

19. SWD one off project

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	10,000	-
Transfer (to) / from income and expenditure account	<u>(10,000)</u>	<u>10,000</u>
Surplus carried forward	<u>-</u>	<u>10,000</u>

20. SWD gateway one off project

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	6,000	-
Transfer (to) / from income and expenditure account	<u>(6,000)</u>	<u>6,000</u>
Surplus carried forward	<u>-</u>	<u>6,000</u>

21. The Hong Kong Jockey Club Charities Trust

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	76,669	-
Transfer (to) / from income and expenditure account	<u>(138,342)</u>	<u>76,669</u>
(Deficits) / surplus carried forward	<u>(61,673)</u>	<u>76,669</u>

22. SWD Arts Development Fund

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Surplus brought forward from previous year	-	-
Transfer from income and expenditure account	<u>44,344</u>	<u>-</u>
Surplus carried forward	<u>44,344</u>	<u>-</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

23. Designated funds

	<u>Friends of Lok Chi fund</u> <u>HK\$</u>	<u>Development fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance as at 01.04.2019	13,427	1,364,692	1,378,119
Transfer (to) / from income and expenditure account	<u>(11,086)</u>	<u>103,039</u>	<u>91,953</u>
Balance as at 31.03.2020	2,341	1,467,731	1,470,072
Transfer (to) / from income and expenditure account	<u>(2,341)</u>	<u>362,747</u>	<u>360,406</u>
Balance as at 31.03.2021	<u>-</u>	<u>1,830,478</u>	<u>1,830,478</u>

24. 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 01.04.2019	83,295	714,633	529,404	1,327,332
Additions	1,842,485	247,233	8,490	2,098,208
Disposals	<u>(49,720)</u>	<u>(90,192)</u>	<u>(10,677)</u>	<u>(150,589)</u>
As at 31.03.2020	1,876,060	871,674	527,217	3,274,951
Additions	33,600	327,548	115,610	476,758
Disposals	<u>-</u>	<u>(17,894)</u>	<u>-</u>	<u>(17,894)</u>
As at 31.03.2021	<u>1,909,660</u>	<u>1,181,328</u>	<u>642,827</u>	<u>3,733,815</u>
<u>Accumulated depreciation</u>				
As at 01.04.2019	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	<u>(49,140)</u>	<u>(90,020)</u>	<u>(10,677)</u>	<u>(149,837)</u>
As at 31.03.2020	197,679	655,224	517,637	1,370,540
Charge for the year	190,966	126,550	45,286	362,802
Written back on disposals	<u>-</u>	<u>(17,493)</u>	<u>-</u>	<u>(17,493)</u>
As at 31.03.2021	<u>388,645</u>	<u>764,281</u>	<u>562,923</u>	<u>1,715,849</u>
<u>Net book value</u>				
As at 31.03.2021	<u>1,521,015</u>	<u>417,047</u>	<u>79,904</u>	<u>2,017,966</u>
As at 31.03.2020	<u>1,678,381</u>	<u>216,450</u>	<u>9,580</u>	<u>1,904,411</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH 2021

25. Right-of-use assets and lease liabilities

The Association has no significant leases with a term of more than 12 months. 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>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Lease commitments for short-term leases:		
- Within 1 year	<u>2</u>	<u>2</u>

26. 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.

27. 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.

28. Management Committee members' remuneration

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

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Fees and other emoluments	<u>-</u>	<u>-</u>

29. 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 2021

30. Note to the statement of cash flows

Reconciliation of operating surplus to cash generated from operating activities:

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Operating surplus for the year	610,107	157,260
Adjustments for:		
Depreciation	362,802	259,805
Loss on disposals of property, plant and equipment	401	752
Bank interest received	(120)	(8,020)
Operating surplus before working capital changes:	973,190	409,797
Decrease / (increase) in accounts receivable	1,799,549	(2,257,855)
Increase in utility deposit	-	(7,000)
(Increase) / decrease in prepayments and sundry debtors	(6,988)	28,388
(Decrease) / increase in accounts payable	(1,351,598)	1,469,848
(Decrease) / increase in receipts in advance	(363,810)	623,682
Increase in deferred income	115,232	1,830,940
Increase / (decrease) in accruals	46,909	(35,435)
Net cash generated from operating activities	<u>1,212,484</u>	<u>2,062,365</u>

31. 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.

