

HONG KONG PHAB ASSOCIATION

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2021



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HONG KONG PHAB ASSOCIATION

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements of Hong Kong PHAB Association (the "Association") and its subsidiary (together, the "Group") for the year ended 31st March 2021.

Principal activity

The principal activity of the Association is to promote the PHAB concept which aims at the integration of persons with or without disabilities in the community of Hong Kong. The principal activity of the subsidiary is set out in Note 7 to the consolidated financial statements.

Business review

Main Business

Hong Kong PHAB Association was established in October 1972 and aimed at promoting the PHAB concept in Hong Kong. The acronym "PHAB" means the "Integration" of Physically Handicapped persons (more commonly known today as persons with physical disabilities) and Able-Bodied persons (more commonly known today as persons without physical disabilities). With the passage of time, the Association has been expanding its scope gradually to cover other forms of disability and other forms of integration, including the context of community inclusiveness and integration. Accordingly, services are provided, and activities are organised thereby to promote the social integration of persons with and without disabilities while synchronising with the development of social welfare services in Hong Kong.

The Association is registered in Hong Kong under the Companies Ordinance as a company limited by guarantee. A Certificate of Incorporation on Change of Name has been formerly obtained under Section 21 of the Companies Ordinance (Cap 32), so that the word "Limited" and/or the characters of "有限公司" in its company name has been dispensed with. The Association is also a charitable institution, which is exempted from tax under section 88 of the Inland Revenue Ordinance.

The services of the Association include rehabilitation services, elderly services, children & youth services, services for youth with special educational needs, residential services, employment services, counselling services, physiotherapy & fitness services, PHAB integration education & training services, and camp services. Through its wholly owned social enterprise, Phabulous Marketing Limited, the Association explores employment opportunities for persons with disabilities. These services and related activities aim at empowering persons with disabilities to facilitate their re-integration into the society, educating and advocating awareness of and acceptance by people without disabilities and promoting integration in the community. With generous donations from various donors, the Association also provides financial assistance to persons with disabilities.

The Association operates with the subventions from the Social Welfare Department, the Leisure and Cultural Services Department, and the Labour Department. It is also supported by The Hong Kong Jockey Club Charities Trust, The Community Chest of Hong Kong and various other funders. This year, the Association organised a Raffle Ticket Sale to raise funds. Furthermore, it also receives regular donations from the general public through both online platforms and traditional offline channels.

Since the Association receives subventions from the Social Welfare Department, the Leisure and Cultural Services Department, and the Labour Department, it accordingly observes the rules and regulations stipulated in the Funding and Services Agreements with The Government of the HKSAR.

The Association is also a member of the Hong Kong Council of Social Service and The Community Chest of Hong Kong.

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HONG KONG PHAB ASSOCIATION

REPORT OF THE DIRECTORS (CONTINUED)

Business review (Continued)

Business Review and Performance Analysis

Due to the COVID-19 pandemic, some planned programmes and activities were suspended while some were switched to be delivered through online platforms. For the year under review, over 117,000 persons with or without disabilities attended nearly 8,000 sessions of programmes/activities organised by different service units of the Association. Upon the request of the Social Welfare Department and with the view of fulfilling social responsibility in combating COVID-19 together with the government and the public, the Association entered into an agreement with the Social Welfare Department for using Jockey Club PHAB Camp as a quarantine centre for service users of licensed residential care homes for the elderly or licensed residential care homes for persons with disabilities who are classified as either “close contact” or “non-close contact” of COVID-19 confirmed patients since 29th April 2020. Thus, normal camp service was suspended during the year. To make this arrangement possible, the contribution of staff members in taking up the meaning task of providing support to the operation of the quarantine centre despite the exposure to unknown risk was undeniable. To minimise the potential risk to staff members, the Association had made every effort to ensure a safe working environment for staff members, such as arranging the work procedures to avoid possible contact with service users, providing them with the necessary personal protective equipment and training.

Total income and total expenditure for the year amounted to approximately HK\$119.1M (2019/20: HK\$101.4M) and HK\$110.7M (2019/20: HK\$103.6M) respectively, with the total funds accumulated to approximately HK\$43.3M at the end of the year (2019/20: HK\$31.3M). Apart from the drop in programme expenditures due to the suspension of programmes and activities during the COVID-19 pandemic, the surplus in 2020/21 was mainly attributable to the licence fee income for using the Jockey Club PHAB Camp as a quarantine centre, which was not recurring in nature. Moreover, a significant expenditure will be required upon the termination of the quarantine centre arrangement in restoring the Jockey Club PHAB Camp to a good condition before resumption of service.

In recent years, the Association worked tenaciously in the areas of counselling, job coaching and life planning services for young people with special educational needs, promotion of healthy ageing, as well as physiotherapy service for persons with disabilities. This year, The Hong Kong Jockey Club Charities Trust supported two new projects of the Association, including the “Community eHealth Care Project” which started from 1st November 2020, and “Jockey Club Support Programme for Persons with Newly Acquired Disabilities” which commenced operation on 1st July 2021. The Association also received funding from BOCHK Centenary Charity Programme for operating “PHAB Mobile Pain Centre” which commenced service on 1st October 2020. Aside from the subvention received from the Social Welfare Department, the Leisure and Cultural Services Department and the usual major donors, the Association also worked tirelessly to secure funding support from other sources to strengthen and expand its services, such as Career Kick Start Project supported by the Labour Department, which provides on-the-job training and placement opportunity for school leavers with emotional problems or special educational needs.

Staff members are important assets of the Association. Staff capacity building, through internal and external training, is essential for the development of the Association and the career development of the staff. During the year under review, the Association subsidised staff members to attend outside training programmes; further granted 1,049 hours of study leave to staff members to attend 72 outside training activities. In addition, PHAB Institute provided essential and fundamental training to colleagues. Due to the COVID-19 outbreak, most of the training programmes were conducted through online sharing of videos and notes instead of the traditional form of classroom training.

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HONG KONG PHAB ASSOCIATION

REPORT OF THE DIRECTORS (CONTINUED)

Business review (Continued)

Barrier-free Access Experiential Learning Unit runs training programmes for corporate staff on barrier-free access matters at full rate as corporates are now increasingly conscious of their social responsibilities. It was a difficult year with economic recession hence activities had to be conducted through online platforms.

With the above progress, together with other development of the Association, especially those in collaborating with the corporates and other organisations, the Association is certainly stepping forward towards the mission of promoting integration for persons with and without disabilities.

Principal Risks and Uncertainties

Over the years, the Association has been closely monitoring its financial situation. Although a surplus was recorded at the year end, mainly due to the steady income from the Social Welfare Department for using the Jockey Club PHAB Camp as a quarantine centre, and the decrease in expenditure for the suspension of some programmes and services during the year, it is foreseeable that significant expenditure will be needed to restore the Jockey Club PHAB Camp to its original condition before normal camp and service operation can be resumed. The Camp will also need to take some time before its utilisation rate rebound to pre-COVID-19 situation. Both the Board and senior management will continue to closely monitor the expenditures and devise strategies to enhance resource utilisation, and to ensure services and utilisation rate can resume normal. Simultaneously, the Association will also actively seek more funding support from different funding bodies to support its services.

Even though a significant percentage of the recurrent expenditure of the Association is supported by the government and specific funders, the operation of the Association is also partly dependent on donations from the public and other donors as well as incomes generated from certain services. The Association is aware that these incomes are vulnerable owing to the impact of COVID-19 pandemic. For example, fund-raising activities, such as charity walk and raffle ticket sale, might need to be cancelled or scaled down due to social distancing regulations. Delivery of services and programmes physically were also severely impacted due to social distancing regulations and other health related concerns, which might affect the service or fee income, especially for self-financing projects.

Relationships with Funders and Partners

The Association has always been committed to the development of its employees and the strengthening of relationship with service users and a variety of other stakeholders.

PHAB Institute and Barrier-free Access Experiential Learning Unit aim at promoting the professional development of the PHAB integration concept through developing new service modes and conducting research and education so as to enhance cross-sectoral cooperation to promote the concept to the entire community, making it ultimately the living protocol (or practices) and attitude of the public. During the year under review, the work of PHAB Institute and Barrier-free Access Experiential Learning Unit was severely impacted due to the COVID-19 pandemic. However, through the use of various online platforms, PHAB Institute provided education and training sessions to over 30 schools and institutes with more than 4,000 participants. Barrier-free Access Experiential Learning Unit delivered over 70 programmes to 49 companies, schools, government departments and public organisations such as stand-up comedy shows, community experiential activities, accessibility checks and audits.

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HONG KONG PHAB ASSOCIATION

REPORT OF THE DIRECTORS (CONTINUED)

Business review (Continued)

On many occasions, the Association also worked together with other organisations for promoting PHAB integration. Many organisations took such activities as an item in their Corporate Social Responsibility programme whilst involving their staff with a view to cultivate and develop their social consciousness. Companies were generous in supporting the services and members of the Association through donation of personal protective equipment during the pandemic especially when masks and alcohol hand rub were completely sold out in Hong Kong. Even though the charity walk was cancelled due to the pandemic, corporates still promote PHAB integration within their offices and raise funds through their internally organised physical challenges. A few long-term partners in this regard worthwhile mentioning included:

- 1 Allied World Assurance Company, Ltd.
- 2 BEA Life Limited
- 3 Betterment Catering Management Ltd.
- 4 Blue Cross (Asia-Pacific) Insurance Limited
- 5 Chevalier International Holdings Limited
- 6 Cheung Woo Industrial Manufactory Limited
- 7 Conrad Security Limited
- 8 Essere (Hong Kong) Limited
- 9 Ho Kam Yung Foundation
- 10 Hong Kong Kit Leung International Trading Limited
- 11 Lifestyle International Holdings Limited
- 12 Lok Hei Development Limited
- 13 Magnetic Massager Therapy Limited
- 14 Micro 2000 Ltd
- 15 New World Facilities Management Company Limited
- 16 New World Development Company Limited
- 17 Pacific Extend Limited
- 18 Pat Davie Limited
- 19 Polyking Services Limited
- 20 Protech Property Management Limited
- 21 Ricoh (Hong Kong) Limited
- 22 Shui On Building Contractors Limited
- 23 Shui On Construction Company Limited
- 24 SOCAM Asset Management (HK) Limited
- 25 SOCAM Development Limited
- 26 SOGO Hong Kong Company Limited
- 27 Sun Hung Kai Properties Limited
- 28 Sunlight Logistics Solution Limited
- 29 The Kowloon Motor Bus Co. (1933) Ltd
- 30 Tomorrow Communications Limited
- 31 Tradelink Electronic Commerce Limited
- 32 UPS Parcel Delivery Services Limited

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HONG KONG PHAB ASSOCIATION

REPORT OF THE DIRECTORS (CONTINUED)

Business review (Continued)

Being responsible for different stakeholders including funders, donors, service users and other partners, the Association has been implementing the Best Practice Manual that is introduced by the Social Welfare Department since 2014. The Association also provides different platforms for the stakeholders to gather opinions and put them into consideration while planning for development and devising new services and activities.

Environmental Awareness

As an NGO, the Association has always been making sure that its operations are environmentally friendly. The use of recycling materials, such as paper, stationeries and other materials, were emphasised in all aspects from daily office work to programme implementation.

The Association continued to join “The Energy Saving Charter 2020” launched by the Government of HKSAR to encourage community-wide participation in saving energy. The Association pledged to maintain an average indoor temperature between 24 °C and 26 °C in the summer months from June to September in 2020 for all the premises of the Association; to switch off electrical appliances & systems when not in use and to procure energy efficient electrical appliances & systems; to engage staff to adopt the above energy saving practices. The Association will continue its efforts in environmental awareness through such means in the future.

Future Development

Echoing the needs of society, services for elderly persons, persons with newly acquired disabilities, and employment services for persons with disabilities will continue to be the focal points for development of the Association. In the coming year, we will also focus on the promotion of integration of young people with and without disabilities, strengthening the employment of persons with disabilities, promoting healthy ageing, and enhancing counselling services and self-management programmes for persons with disabilities and supporting services for their carers. With the experience gained during the period of COVID-19, the Association will actively make use of social media and information technology to deliver programmes and services in addition to the traditional physical mode.

Moreover, the Association will look into consolidating physiotherapy and occupational therapy services, as well as counselling service for persons with disabilities, elderly persons and their carers. These services will provide a strong platform for the Association to serve persons in need, and facilitate them to live a fulfilling life.

With these new initiatives and expansion, integration of PHAB concept will further be demonstrated.

HONG KONG PHAB ASSOCIATION

REPORT OF THE DIRECTORS (CONTINUED)

Results and funds

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 13.

Movements in funds of the Group are set out in the consolidated statement of changes in funds on page 14.

Directors

(a) Directors of the Association

The directors of the Association during the year and up to the date of this report are:

Prof. Ho Wing Huen Frederick, SBS (Chairman)
Dr. Koong May Kay Maggie, BBS, JP (Vice-Chairperson)
Mr. Woo King Hang (Vice-Chairman)
Ms. Lai Yuet Ying Connie (Honorary Secretary)
Mr. Wong Sai Yeung Colin (Honorary Treasurer)
Mr. Chan Sai Wing Philip
Mr. Chan Wai Man Raymond
Ms. Chan Po Chui Sophia
Mr. Fan Wai Kong Michael
Prof. Hung Wai Man Witman, JP
Mr. Lee Tit Sun Augustine
Mr. Leung Sun Yee Sunny
Prof. Tse Tsun Him
Mr. Yu Chun Kau Jacob Hermit

In accordance with Articles 43 and 44 of the Association's Articles of Association, Ms. Chan Po Chui Sophia, Mr. Fan Wai Kong Michael, Prof. Ho Wing Huen Frederick, SBS, Mr. Leung Sun Yee Sunny and Mr. Wong Sai Yeung Colin would retire by rotation. They will be eligible for re-election.

(b) Directors of the Association's subsidiary

During the year and up to the date of this report, Mr. Chan Sai Wing Philip, Prof. Hung Wai Man Witman, JP, and Mr. Wong Sai Yeung Colin are also directors in the subsidiary of the Association. Other directors of the Association's subsidiary during the year and up to the date of this report include Ms. Ma Tsui Lan.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Association's business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Association's subsidiary was a party and in which a director of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in the shares and debentures of the Association or any specified undertaking of the Association

At no time during the year was the Association or its subsidiary a party to any arrangement to enable the directors of the Association to hold any interests in the shares or debentures of the Association or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the operations of the Association were entered into or existed during the year.

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HONG KONG PHAB ASSOCIATION

REPORT OF THE DIRECTORS (CONTINUED)

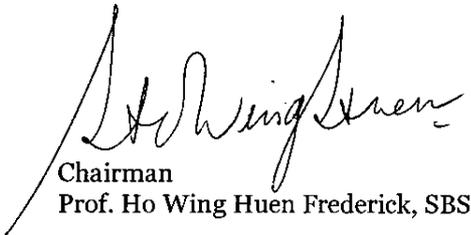
Permitted indemnity provisions

A directors and officers liability insurance policy was in place during the year to protect the directors of the Association (whether made by the Association or otherwise) or an associated company (if made by the Association) against potential costs and liabilities arising from claims brought against the directors.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman
Prof. Ho Wing Huen Frederick, SBS

Hong Kong, **29 OCT 2021**



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HONG KONG PHAB ASSOCIATION**
(Incorporated in Hong Kong and limited by guarantee)

Opinion

What we have audited

The consolidated financial statements of Hong Kong PHAB Association (the "Association") and its subsidiary (the "Group") set out on pages 11 to 50, which comprise:

- the consolidated balance sheet as at 31st March 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in funds for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March 2021, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

Other Information

The directors of the Association are responsible for the other information. The other information obtained at the date of this auditor's report is the information included in the directors' report, detailed consolidated balance sheet and detailed consolidated statement of comprehensive income (for management information purpose) as set out in Appendix I and II of the consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HONG KONG PHAB ASSOCIATION (CONTINUED)**
(Incorporated in Hong Kong and limited by guarantee)

Other Information (Continued)

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Association are responsible for the preparation of the consolidated 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 directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HONG KONG PHAB ASSOCIATION (CONTINUED)**
(Incorporated in Hong Kong and limited by guarantee)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, **29 OCT 2021**

HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	As at 31st March	
		2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	65,091,905	68,437,801
Right-of-use assets	6	2,377,478	2,270,330
Financial assets at fair value through other comprehensive income ("FVOCI")	9	11,343,939	7,864,591
Investments at amortised cost	10	5,736,924	5,557,788
Total non-current assets		<u>84,550,246</u>	<u>84,130,510</u>
Current assets			
Accounts receivable and prepayments	11	17,287,612	11,573,102
Bank balances and cash	12	42,438,850	32,277,960
Total current assets		<u>59,726,462</u>	<u>43,851,062</u>
Total assets		<u><u>144,276,708</u></u>	<u><u>127,981,572</u></u>
FUNDS			
Accumulated surplus/(deficit)		8,746,016	(1,333,573)
Chairman's discretionary account	13	105,853	105,280
Revaluation reserve for financial assets at FVOCI	14	5,963,253	2,854,021
Designated funds	15	28,460,175	29,660,388
Total funds		<u>43,275,297</u>	<u>31,286,116</u>
LIABILITIES			
Non-current liabilities			
Social Welfare subvention reserves	16	24,206,026	19,469,036
Lease liabilities	17	670,263	1,160,063
Provision for long service payments	18	767,137	834,328
Deferred income	19	2,771,286	2,296,948
Accounts payable and accruals	20	61,596,926	64,316,132
Deferred income tax liabilities	21	7,741	7,741
Total non-current liabilities		<u>90,019,379</u>	<u>88,084,248</u>

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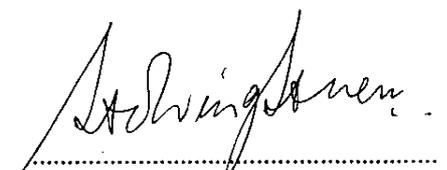
HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

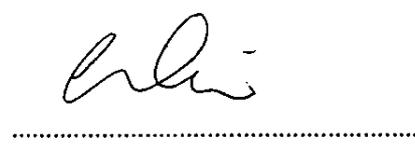
CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31st March	
		2021	2020
LIABILITIES (CONTINUED)			
Current liabilities			
Lease liabilities	17	1,767,790	1,179,266
Accounts payable and accruals	20	9,214,242	7,431,942
Total current liabilities		10,982,032	8,611,208
Total liabilities		101,001,411	96,695,456
Total funds and liabilities		144,276,708	127,981,572

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 11 to 50 were approved by the Board of Directors on
29 OCT 2021 and were signed on its behalf.


.....
Chairman
Prof. Ho Wing Huen Frederick, SBS


.....
Honorary Secretary
Ms. Lai Yuet Ying Connie

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31st March	
		2021	2020
Revenue and other income	22	119,068,793	101,415,825
Administrative and other operating expenses	23	(26,798,570)	(24,324,804)
Employee benefit expenses	24	(76,712,375)	(69,623,114)
Repairs and maintenance		(1,897,715)	(1,365,322)
Low value and short-term leases in respect of office premises and service centers		(524,020)	(526,920)
Transportation expenses		(861,344)	(709,572)
Programme expenses		(3,793,469)	(6,929,747)
Operating surplus/(deficit)		8,481,300	(2,063,654)
Finance cost – interest expenses on lease liabilities		(104,071)	(146,393)
Surplus/(deficit) for the year		8,377,229	(2,210,047)
Other comprehensive income/(loss) for the year			
<u>Items that will not be subsequently reclassified to profit or loss</u>			
Change in the fair value of financial assets at FVOCI	9	3,611,952	(1,424,741)
Total comprehensive income/(loss) for the year		11,989,181	(3,634,788)

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The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS

	Accumulated (deficit)/ surplus	Chairman's discretionary account (Note 13)	Revaluation reserve for financial assets at FVOCI (Note 14)	Designated funds (Note 15)	Total funds
Balance at 1st April 2019	866,430	106,377	4,278,762	29,669,335	34,920,904
Comprehensive loss					
Deficit for the year	(2,210,047)	-	-	-	(2,210,047)
Other comprehensive loss					
Change in the fair value of financial assets at FVOCI	-	-	(1,424,741)	-	(1,424,741)
Total comprehensive loss	(2,210,047)	-	(1,424,741)	-	(3,634,788)
Transfers	10,044	(1,097)	-	(8,947)	-
Balances at 31st March 2020 and 1st April 2020	(1,333,573)	105,280	2,854,021	29,660,388	31,286,116
Comprehensive income					
Surplus for the year	8,377,229	-	-	-	8,377,229
Other comprehensive income					
Change in the fair value of financial assets at FVOCI	-	-	3,611,952	-	3,611,952
Total comprehensive income	8,377,229	-	3,611,952	-	11,989,181
Transfer of gain on disposal of equity investments at FVOCI to accumulated surplus	502,720	-	(502,720)	-	-
Transfers	1,199,640	573	-	(1,200,213)	-
	1,702,360	573	(502,720)	(1,200,213)	-
Balance at 31st March 2021	8,746,016	105,853	5,963,253	28,460,175	43,275,297

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The above consolidated statement of changes in funds should be read in conjunction with the accompanying notes.

HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	<u>Year ended 31st March</u>	
		2021	2020
Cash flows from operating activities			
Cash generated from operating activities	28(a)	23,070,875	14,063,396
Net cash inflow from operating activities		<u>23,070,875</u>	<u>14,063,396</u>
Cash flows from investing activities			
Interest received		349,385	581,622
Dividend received		120,783	122,042
Decrease/(increase) in short-term bank deposits with maturities over 3 months and within 1 year		101,971	(2,892,937)
Purchases of property, plant and equipment	5	(12,113,485)	(16,815,561)
Purchases of financial assets at FVOCI	9	(570,800)	-
Purchases of investments at amortised cost	10	(2,354,513)	(1,010,482)
Proceeds from disposal of financial assets at FVOCI	9	781,594	-
Proceeds from redemption of investments at amortised cost	10	2,349,142	1,093,865
Net cash outflow from investing activities		<u>(11,335,923)</u>	<u>(18,921,451)</u>
Cash flows from financing activities			
Repayment of lease liabilities	28(c)	(1,368,020)	(1,022,698)
Interest expenses paid on lease liabilities	28(c)	(104,071)	(146,393)
Net cash outflow from financing activities		<u>(1,472,091)</u>	<u>(1,169,091)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		10,262,861	(6,027,146)
		<u>15,119,765</u>	<u>21,146,911</u>
Cash and cash equivalents at end of the year	12	<u><u>25,382,626</u></u>	<u><u>15,119,765</u></u>

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The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Hong Kong PHAB Association (the “Association”) and its subsidiary (together, the “Group”) promote the PHAB concept which aims at the integration of persons with or without disabilities in the community of Hong Kong. The principal activity of the subsidiary is set out in Note 7 to the consolidated financial statements.

The Association is incorporated under the Hong Kong Companies Ordinance as a company limited by guarantee. The address of its registered office is Unit 1402, The Hong Kong Federation of Youth Groups Building, 21 Pak Fuk Road, North Point, Hong Kong.

Under the provisions of the Association’s Memorandum of Association, every member shall in the event of the Association being wound up, contribute to the assets of the Association to the extent of HK\$20. At 31st March 2021, there were 54 (2020: 51) members.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Hong Kong PHAB Association have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through other comprehensive income (“FVOCI”), which are carried at fair values.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

- (a) New and amended standards and interpretations (collectively, the “Amendments”) adopted by the Group

The Group has applied the following Amendments for the first time for its annual reporting period commencing on 1st April 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments and standards and interpretation did not have any material impact on the current period or any prior period and is not likely to affect future periods. 0085

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Amendments that are not yet effective and have not been early adopted by the Group

Certain Amendments have been published that are mandatory for the Group's reporting periods beginning on or after 1st April 2021. The following Amendments are relevant and applicable to the Group; however, they have not been early adopted in these consolidated financial statements:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions ¹
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2 ¹
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use ²
HKAS 37 (Amendments)	Onerous Contracts – Cost to Fulfilling a Contract ²
HKFRS 3 (Amendments)	Reference to Conceptual Framework ²
Annual Improvements to HKFRS Standards 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²
Accounting Guideline 5	Merger Accounting for Common Control Combinations ²
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ³
HKAS 1 and HKAS 8 (Amendments)	Definition of Accounting Estimates ³
HKFRS 17	Insurance Contracts ³
Hong Kong Interpretation 5 (2020)	Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

Note:

- (1) Effective for the Association's reporting period beginning on 1st April 2021
- (2) Effective for the Association's reporting period beginning on 1st April 2022
- (3) Effective for the Association's reporting period beginning on 1st April 2023
- (4) Effective for the Association's reporting period beginning on or after a date to be determined

The Group has already commenced an assessment of the impact of these Amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Subsidiary

(a) Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Subsidiary (Continued)

(a) Consolidation (Continued)

Investment in subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiary are accounted for by the Association on the basis of dividend received and receivable.

(b) Separate financial statements

Impairment testing of the investment in subsidiary is required upon receiving a dividend from this investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company and the presentation currency of the Group and the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated profit or loss.

Translation differences on other non-monetary financial assets, such as equities classified as financial asset at FVOCI, are recognised in revaluation reserve for financial asset at FVOCI in equity, included in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separated asset is derecognised when replaced. All other repairs and maintenance are charged in the consolidated profit or loss during the reporting period in which they are incurred.

Construction in progress represents tangible assets under construction and is stated at cost. These include cost of development and construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and available for use. Upon the completion of the project, the costs will be reclassified to the respective categories in property, plant and equipment and depreciated in accordance with the policies as stated below.

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	10 years
Furniture and equipment	3 years
Motor vehicles	7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated profit or loss.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Investments and other financial assets (Continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and loss, net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Investments and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For account receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment of other financial assets at amortised cost are measured as either 12-month expected or lifetime credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.8 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

2.10 Payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. 0090

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.12 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including other welfare benefit that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Pension obligations

The Group operates a defined contribution scheme in Hong Kong, the assets of which are held in separate trustee-administered funds. The pension plan is funded by payments from employees and by the Group. The Group's contributions to the scheme are expensed as incurred and unvested contributions will be distributed to other remaining members in the scheme.

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 Employee benefits (Continued)

(b) Pension obligations (Continued)

The Group has established a mandatory provident fund scheme (the "MPF scheme") for its eligible employees in Hong Kong. The assets of the MPF scheme are held in separate trustee-administered funds. Both the Group and the employees are required to contribute certain percentage of the employees' relevant income up to a capped limit per employee per month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(c) Long service payments

The Group's employees who have completed the required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment provided that the circumstances specified in the Ordinance are met.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

2.13 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.14 Government grant and subvention or specific donations from third parties

Government grant and subvention or donations from third parties for general purposes are recognised as income in the consolidated statement of comprehensive income when received or the rights of collection can be established by the Association.

Government grant and subvention or specific donations from third parties, which are earmarked for specific purposes, are recognised at their fair values when there is a reasonable assurance that the Group will comply with the conditions attaching to it and that the amount will be received.

Grants and subvention or specific donation relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants and subvention or specific donations relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets. 0092

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.15 Chairman's discretionary account

This fund is set aside from accumulated surplus for designated purpose. The account is intended to be utilised by the Chairman of the Association for the purpose of meeting the expenses of non-subvented programmes or activities where those expenditures are not recognised by the government, especially those relating to maintaining good public relationships with other welfare agencies, government departments and potential donors.

2.16 Designated funds

These funds are set aside by the Group for designated purposes and for those non-subvented projects. The income and expenditure relating to these designated funds are directly dealt with in the consolidated statement of comprehensive income. Any net surpluses or deficits relating to these funds are transferred from/to the consolidated statement of comprehensive income to these designated funds.

2.17 Lump sum grant reserve fund

Lump sum grant reserve fund is implemented by the Social Welfare Department ("SWD") for the Association's approved expenditure including staff costs, provident fund contributions and other charges. Under the system, the unspent lump sum grant for the year will be transferred to the designated lump sum grant reserve for the Association's future use.

2.18 Furniture and equipment replenishment and minor works block grant reserve

Furniture and equipment replenishment and minor works block grant represents lump sum government grants for replenishment of furniture and equipment and minor works for existing premises providing subvented welfare services. The grants are recorded in the reserve account when received and are released to the consolidated statement of comprehensive income when the relevant expenditure has been incurred.

2.19 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amount received for goods sold, stated net of discounts, rebates and returns, and services rendered. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below.

(a) Catering service income

Revenue from catering service operation is recognised at the point in time when the catering services to the customers are completed.

(b) Dues and fees income

Revenue derived from the underlying functions and activities are recognised at the point in time when the provision of relevant camping and hostel services are completed.

(c) Raffle ticket sales income

Revenue from the sales of raffle ticket are recognised in time when tickets are accepted and surrendered by the customers.

(d) Flag day appeal income

Revenue from the flag day appeal are recognised in time when the right to receive payment is established.

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HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.20 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.21 Dividend income

Dividend income from financial assets at FVOCI is recognised when the right to receive payment is established.

2.22 Government subsidy

Subsidy from the government is recognised at their fair values where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. For the wage subsidies from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region (“HKSAR”), it is recognised as other income on a systematic basis over the periods that the costs for which it is intended to compensate.

2.23 Leases (as the lessee)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.23 Leases (as the lessee) (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of office equipment are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

3 Financial and funds risks management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme seeks to minimise the potential adverse effects on the Group's financial performance.

(a) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified as financial assets at FVOCI. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolios. Diversification of the portfolio is done in accordance with the limits set by the Group.

At 31st March 2021, if the equity price had increased/decreased by 5% (2020: 5%) with all other variables held constant, revaluation reserve for the year would increase/decrease by approximately HK\$567,000 (2020: HK\$393,000), as a result of changes in financial assets at FVOCI.

(b) Foreign exchange risk

Foreign exchange risk arises where future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's entities' functional currency. In the opinion of the directors, the Group has minimal exposure to the foreign exchange as the transactions are mainly denominated in Hong Kong dollars as the Group operates in Hong Kong and no sensitivity analysis is performed accordingly. 0095

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial and funds risks management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to accounts receivable, amounts placed with fund managers and bank balances and cash.

The Group applies 3-stage general impairment model to measure the expected credit losses of all financial assets, and therefore the impairment provision is determined as 12-month expected credit losses as there has been no significant increase in credit risk since initial recognition. No loss allowance provisions were determined as at 31st March 2021 and 2020 as the directors considered that the expected credit loss was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of funding through subvention from the Social Welfare Department so as to enable the Group to meet its liabilities as and when the fall due and to continue operating for the foreseeable future.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances presented equal their carrying balances as the impact of discounting is not significant.

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**3 Financial and funds risks management (Continued)****3.1 Financial risk factors (Continued)**

(d) Liquidity risk (Continued)

	Less than one year	More than one year and less than five years	Total
At 31st March 2021			
Accounts payable (Note 20)	1,398,242	-	1,398,242
Other payables and accruals (Note 20)	55,981	-	55,981
Social Welfare subvention reserves (Note 16)	-	24,206,026	24,206,026
Undiscounted lease liabilities (Note 17)	1,847,937	688,044	2,535,981
	<u>3,302,160</u>	<u>24,894,070</u>	<u>28,196,230</u>
At 31st March 2020			
Accounts payable (Note 20)	603,701	-	603,701
Other payables and accruals (Note 20)	35,493	-	35,493
Social Welfare subvention reserves (Note 16)	-	19,469,036	19,469,036
Undiscounted lease liabilities (Note 17)	1,269,444	1,191,564	2,461,008
	<u>1,908,638</u>	<u>20,660,600</u>	<u>22,569,238</u>

(e) Cash flow and fair value interest rate risks

Apart from the bank balances and investments at amortised cost, the Group has no other significant interest-bearing assets and liabilities. The Group's cash flow interest rate risk mainly arises from the bank balances, which carry interest at floating rates. The interest income derived therefrom is relatively insignificant to the Group's operations; therefore, its income and operating cash flows are substantially independent of changes in market interest rates. The directors are of the opinion that the Group does not have significant cash flow interest rate risk.

The Group's fair value interest rate risk mainly arises from investments at amortised cost, which carry interest at fixed rates. Given that the interest rate remains fairly stable in the recent financial market and the fixed rate is adjusted from time to time, in the opinion of the directors, the fair value interest rate risk is low.

3.2 Funds risk management

The Group's objectives when managing funds are to safeguard the Group's ability to continue as a going concern in order to promote the PHAB concepts which aims at the integration of persons with or without disabilities in the community of Hong Kong. The Group's overall strategy remains unchanged from prior year.

The funds structure of the Group consists of accumulated surplus, chairman's discretionary account, revaluation reserve for financial asset at FVOCI and designated funds. In order to maintain or adjust the funds structure, the Group may appeal for donations from the Government and the general public.

HONG KONG PHAB ASSOCIATION

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial and funds risks management (Continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31st March 2021 and 2020.

	2021	2020
<u>Level 1</u>		
Financial assets at FVOCI (Note 9)		
- Listed equity securities	9,446,539	6,716,735
- Investment funds	1,897,400	1,147,856
	<u>11,343,939</u>	<u>7,864,591</u>

There are no Group's liabilities that are measured at fair values at 31st March 2021 and 2020.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the last traded price. These instruments are included in level 1.

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.4 Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In the opinion of the directors, there has no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Property, plant and equipment

	Leasehold improve- ments	Furniture and equipment	Motor vehicles	Construction in progress	Total
At 1st April 2019					
Cost	110,722,472	14,900,712	5,916,824	2,349,526	133,889,534
Accumulated depreciation	(51,321,538)	(14,553,421)	(3,784,784)	-	(69,659,743)
Net book amount	<u>59,400,934</u>	<u>347,291</u>	<u>2,132,040</u>	<u>2,349,526</u>	<u>64,229,791</u>
Year ended 31st March 2020					
Opening net book amount	59,400,934	347,291	2,132,040	2,349,526	64,229,791
Additions	5,462,107	1,308,911	1,961,245	8,083,298	16,815,561
Disposals (Note 28(b))	-	-	-	-	-
-Cost	-	(705,101)	(1,074,649)	-	(1,779,750)
-Accumulated depreciation	-	705,101	1,074,649	-	1,779,750
Depreciation (Note 23)	(11,092,480)	(685,806)	(829,265)	-	(12,607,551)
Closing net book amount	<u>53,770,561</u>	<u>970,396</u>	<u>3,264,020</u>	<u>10,432,824</u>	<u>68,437,801</u>
At 31st March 2020					
Cost	116,184,579	15,504,522	6,803,420	10,432,824	148,925,345
Accumulated depreciation	(62,414,018)	(14,534,126)	(3,539,400)	-	(80,487,544)
Net book amount	<u>53,770,561</u>	<u>970,396</u>	<u>3,264,020</u>	<u>10,432,824</u>	<u>68,437,801</u>
Year ended 31st March 2021					
Opening net book amount	53,770,561	970,396	3,264,020	10,432,824	68,437,801
Additions	16,299,401	4,679,812	-	(8,865,728)	12,113,485
Disposals (Note 28(b))	(18,000)	-	-	-	(18,000)
-Cost	(255,620)	(1,148,868)	0	0	(1,404,488)
-Accumulated depreciation	237,620	1,148,868	0	0	1,386,488
Depreciation (Note 23)	(12,518,083)	(2,094,033)	(829,265)	0	(15,441,381)
Closing net book amount	<u>57,533,879</u>	<u>3,556,175</u>	<u>2,434,755</u>	<u>1,567,096</u>	<u>65,091,905</u>
At 31st March 2021					
Cost	132,228,360	19,035,465	6,803,420	1,567,096	159,634,341
Accumulated depreciation	(74,694,481)	(15,479,290)	(4,368,665)	0	(94,542,436)
Net book amount	<u>57,533,879</u>	<u>3,556,175</u>	<u>2,434,755</u>	<u>1,567,096</u>	<u>65,091,905</u>

Depreciation expense of HK\$15,441,381 (2020: HK\$12,607,551) has been charged in administrative and other operating expenses.

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HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Right-of-use assets

	Service centers
At 1st April 2019	
Cost	3,293,763
Accumulated depreciation	-
Net book amount	<u>3,293,763</u>
Year ended 31st March 2020	
Opening net book amount	3,293,763
Addition	148,976
Depreciation (Note 23)	(1,172,409)
Closing net book amount	<u>2,270,330</u>
As at 31st March 2020	
Cost	3,442,739
Accumulated depreciation	(1,172,409)
Net book amount	<u>2,270,330</u>
Year ended 31st March 2021	
Opening net book amount	2,270,330
Addition	1,641,588
Derecognition upon expiry/termination of leases	(242,943)
-Cost	(347,290)
-Accumulated depreciation	104,347
Depreciation (Note 23)	(1,291,497)
Closing net book amount	<u>2,377,478</u>
As at 31st March 2021	
Cost	4,737,037
Accumulated depreciation	(2,359,559)
Net book amount	<u>2,377,478</u>

The Group leases various service centers. Rental contracts are typically made for fixed period of 2 to 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose covenants, but lease assets may not be used as security for borrowing purposes.

Details of the maturity analysis of lease liabilities and total cash outflow for leases in 2021 are set out in Notes 17 and 28(c) respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Subsidiary

Details of the subsidiary as at 31st March 2021 and 2020 are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Principal activities and place of operation</u>	<u>Particulars of issued share capital</u>	<u>Interest directly held</u>
Phabulous Marketing Limited ("PML")	Hong Kong	Provision of job and placement opportunities for the disabled and non-disabled people in Hong Kong	2 ordinary shares	100%

8 Financial instruments by category

The Group's financial instruments include the following:

	At amortised cost	At FVOCI	Total
Financial assets			
<u>At 31st March 2021</u>			
Financial assets at FVOCI (Note 9)	-	11,343,939	11,343,939
Investments at amortised cost (Note 10)	5,736,924	-	5,736,924
Accounts receivable (Note 11)	11,559,177	-	11,559,177
Amounts placed with fund managers (Note 11)	4,256,133	-	4,256,133
Utility deposits (Note 11)	872,543	-	872,543
Bank balances and cash (Note 12)	42,438,850	-	42,438,850
Total	64,863,627	11,343,939	76,207,566
<u>At 31st March 2020</u>			
Financial assets at FVOCI (Note 9)	-	7,864,591	7,864,591
Investments at amortised cost (Note 10)	5,557,788	-	5,557,788
Accounts receivable (Note 11)	7,377,595	-	7,377,595
Amounts placed with fund managers (Note 11)	3,022,914	-	3,022,914
Utility deposits (Note 11)	578,955	-	578,955
Bank balances and cash (Note 12)	32,277,960	-	32,277,960
Total	48,815,212	7,864,591	56,679,803

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HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**8 Financial instruments by category (Continued)**

The Group's financial instruments include the following: (Continued)

	2021	2020
Financial liabilities		
Accounts payable (Note 20)	1,398,242	603,701
Other payables and accruals (Note 20)	55,981	35,493
Lease liabilities (Note 17)	2,438,053	2,339,329
Social Welfare subvention reserves (Note 16)	24,204,026	19,469,036
	<u>28,096,302</u>	<u>22,447,559</u>

9 Financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investment:

	2021	2020
Listed equity securities in Hong Kong, at market value	9,446,539	6,716,735
Investment funds outside Hong Kong, at market value	1,897,400	1,147,856
	<u>11,343,939</u>	<u>7,864,591</u>

The movement in financial assets at FVOCI is summarised as follows:

	2021	2020
At beginning of the year	7,864,591	9,200,875
Additions	570,800	-
Script dividends	71,839	102,533
Disposals	(781,594)	-
Exchange differences	6,351	(14,076)
Fair value gain/(loss) transferred to revaluation reserve for financial assets at FVOCI (Note 14)	3,611,952	(1,424,741)
At end of the year	<u>11,343,939</u>	<u>7,864,591</u>

The maximum exposure to credit risk at the reporting date is the fair value of the equity securities classified as financial assets at FVOCI.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Financial assets at FVOCI (Continued)

The carrying amounts of financial assets at FVOCI are denominated in the following currencies:

	2021	2020
Hong Kong dollars	9,446,539	6,716,735
United States dollars	1,897,400	1,147,856
	<u>11,343,939</u>	<u>7,864,591</u>

10 Investments at amortised cost

	2021	2020
Bond listed in Hong Kong, at amortised cost	<u>5,736,924</u>	<u>5,557,788</u>

The movement in investments at amortised cost is summarised as follows:

	2021	2020
At beginning of the year	5,557,788	5,980,127
Additions	2,354,513	1,010,482
Redeemed at maturity	(2,349,142)	(1,093,865)
Exchange difference	173,765	(338,956)
At end of the year	<u>5,736,924</u>	<u>5,557,788</u>

The maximum exposure credit risk at the reporting date is the fair value of investments at amortised cost. Investments at amortised cost are denominated as follows:

	2021	2020
United States dollars	2,344,575	2,350,158
Renminbi	2,371,729	2,198,800
Hong Kong dollars	1,020,620	1,008,830
	<u>5,736,924</u>	<u>5,557,788</u>

11 Accounts receivable and prepayments

	2021	2020
Accounts receivable	11,559,177	7,377,595
Prepayments	599,759	593,638
Amounts placed with fund managers	4,256,133	3,022,914
Utility deposits	872,543	578,955
	<u>17,287,612</u>	<u>11,573,102</u>

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HONG KONG PHAB ASSOCIATION

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**11 Accounts receivable and prepayments (Continued)**

The fair values of the accounts receivable and prepayments approximate their carrying values as at 31st March 2021 and 2020.

The Group applies 3-stage general impairment model to measure the expected credit losses of all financial assets, and therefore the impairment provision is determined as 12-month expected credit losses as there has been no significant increase in credit risk since initial recognition. Note 3.1(c) provides more details about the calculation of loss allowance.

As at 31st March 2021, the directors considered that the expected credit loss for accounts and other receivables were immaterial thus no loss allowance was made (31st March 2020: Nil).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of accounts receivable and prepayments are denominated in the following currencies:

	2021	2020
Hong Kong dollars	13,091,812	8,584,925
United States dollars	2,421,738	2,988,177
Renminbi	1,774,062	-
	<u>17,287,612</u>	<u>11,573,102</u>

12 Bank balances and cash

	2021	2020
Bank current and saving balances and petty cash	18,052,216	15,119,765
Short-term bank deposits with maturities of three months or less	7,330,410	-
Cash and cash equivalents for the purpose of consolidated statement of cash flows	25,382,626	15,119,765
Short-term bank deposits with maturities of more than three months and within one year	17,056,224	17,158,195
Total	<u>42,438,850</u>	<u>32,277,960</u>
Maximum exposure to credit risk	<u>42,339,520</u>	<u>32,152,100</u>

The Group's carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2021	2020
Hong Kong dollars	42,078,142	30,459,362
United States dollars	261,665	179,991
Renminbi	99,043	1,638,607
	<u>42,438,850</u>	<u>32,277,960</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Chairman's discretionary account

	2021	2020
At beginning of the year	105,280	106,377
Transfer from/(to) the consolidated statement of comprehensive income	573	(1,097)
At end of the year	<u>105,853</u>	<u>105,280</u>

14 Revaluation reserve for financial asset at fair value through other comprehensive income

	2021	2020
At beginning of the year	2,854,021	4,278,762
Fair value gain/(loss) (Note 9)	3,611,952	(1,424,741)
Transfer of gain on disposal of equity instruments at FVOCI to accumulated surplus	(502,720)	-
At end of the year	<u>5,963,253</u>	<u>2,854,021</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Designated funds

	PHAB Bursary Fund	Sponsorship Fund	PHAB Children Fund	Li Kwan Hung Education Fund	Jockey Club PHAB Camp Reserve Fund	General Development Fund	Total
At 1st April 2019	21,722	3,560,932	1,040,405	594,045	-	24,452,231	29,669,335
Transfer from/(to) accumulated deficit	2,575	48,700	(201,511)	(18,865)	680,210	(520,056)	(8,947)
Transfer between fund accounts	500,000	(2,000,000)	-	-	-	1,500,000	-
At 31st March 2020 and 1st April 2020	524,297	1,609,632	838,894	575,180	680,210	25,432,175	29,660,388
Transfer from/(to) accumulated surplus	4,507	13,646	(185,050)	(10,383)	(58,460)	(964,473)	(1,200,213)
At 31st March 2021	528,804	1,623,278	653,844	564,797	621,750	24,467,702	28,460,175

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Social Welfare subvention reserves

	Lump sum grant reserve	Provident fund surplus reserve	Rent and rates reserve	Central items surplus reserve	Total
At 1st April 2019	12,167,697	5,515,408	(70,614)	303,586	17,916,077
Adjustment	-	262	-	-	262
Grant received during the year	45,834,686	3,287,732	2,068,741	240,212	51,431,371
Interest income	250,943	-	-	-	250,943
Recognised in consolidated statement of comprehensive income (Note 22)	(44,747,920)	(2,840,199)	(2,790,836)	(139,690)	(50,518,645)
Subvention received from government	-	-	389,028	-	389,028
At 31st March 2020 and 1st April 2020	13,505,406	5,963,203	(403,681)	404,108	19,469,036
Grant received during the year	55,259,026	3,860,189	2,087,060	303,020	61,509,295
Interest income	172,847	-	-	-	172,847
Recognised in consolidated statement of comprehensive income (Note 22)	(51,211,110)	(3,038,234)	(2,792,988)	(135,745)	(57,178,077)
Subvention received from/(refunded to) government	-	(23,362)	357,559	(101,272)	232,925
At 31st March 2021	17,726,169	6,761,796	(752,050)	470,111	24,206,026

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Lease liabilities

	2021	2020
Non-current	670,263	1,160,063
Current	1,767,790	1,179,266
	<u>2,438,053</u>	<u>2,339,329</u>
Minimum lease payments		
- Later than one year and no later than five years	688,044	1,191,564
- Within one year	1,847,937	1,269,444
	<u>2,535,981</u>	<u>2,461,008</u>
Less: total future interest expenses	(97,928)	(121,679)
	<u>2,438,053</u>	<u>2,339,329</u>

The nature of the Group's leasing activities by type of right-of-use assets recognised on consolidated balance sheet are detailed in note 6.

18 Provision for long service payments

	2021	2020
At beginning of the year	834,328	923,247
Reversal of provision for long service payments (Note 24)	(67,191)	(88,919)
	<u>767,137</u>	<u>834,328</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Deferred income

Furniture and equipment replenishment and minor works block grant reserve

	2021	2020
At beginning of the year	2,296,948	2,660,966
Block grant received	782,000	703,000
Interest income received	18,200	38,724
Other income	6,500	-
	<u>3,103,648</u>	<u>3,402,690</u>
Amount utilised and released to the consolidated statement of comprehensive income (Note 22)		
- Minor works projects	(8,100)	(560,242)
- Furniture and equipment	(278,851)	(476,848)
- Vehicle overhauling	(45,411)	(68,652)
	<u>(332,362)</u>	<u>(1,105,742)</u>
At end of the year	<u><u>2,771,286</u></u>	<u><u>2,296,948</u></u>

20 Accounts payable and accruals

	2021	2020
Accounts payable (note a & b)	1,398,242	603,701
Receipts in advance	323,841	1,890,622
Temporary receipts	3,744	16,204
Deferred income		
- Capital expenditure	61,596,926	64,316,132
- Non-capital expenditure (note c)	6,166,742	3,632,540
Provision for unutilised annual leave	1,265,692	1,253,382
Other payables and accruals	55,981	35,493
	<u>70,811,168</u>	<u>71,748,074</u>
Less: non-current portion		
Deferred income		
- Capital expenditure	(61,596,926)	(64,316,132)
	<u><u>9,214,242</u></u>	<u><u>7,431,942</u></u>

The carrying values of the Group's accounts payable and accruals approximate their fair values as at 31st March 2021 and 2020 and are denominated in Hong Kong dollars.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Accounts payable and accruals (Continued)

Note a:

Included in the accounts payable, there is an amount of HK\$2,405 as at 31st March 2021 and 2020 represents the remaining balance of the social welfare development fund ("SWDF") phase II funded by lotteries fund carried forward of the second instalment for 2016-17. The balance had no movement for both years ended 31st March 2021 and 2020.

The movement of the SWDF balance for the year ended 31st March 2021 and 2020 are as follows:

		2021	2020
I.	Balance of SWDF brought forward (a):	2,405	2,405
II.	Interest received during the year (b):	-	-
II.	Balance carried forward to the next financial year (c): (c) = (a) + (b)	2,405	2,405

Note b:

The balance of the social welfare development fund ("SWDF") phase III funded by lotteries fund is included in the accounts payable during the year.

The movement of the SWDF balance for the year ended 31st March 2021 and 2020 are as follows:

		2021		2020	
I.	Balance of SWDF brought forward (a):		-		-
II.	Allocation from SWDF during the year (b):		66,208		-
III.	Contribution from the Association during the year (c):		-		287,259
IV.	Contribution from LSG during the year (d):		-		430,889
V.	Interest received during the year (e):		-		-
VI.	Expenditure under SWDF during the year				
	1. Expenditure for projects under scope A	-		-	
	2. Expenditure for projects under scope B (IT Project)	-		(718,148)	
	3. Expenditure for project under scope C	-		-	
	Total expenditure during the year (f):		-		(718,148)
VII.	Balance carried forward to the next financial year (g): (g) = (a) + (b) + (c) + (d) + (e) + (f)		66,208		-

Note c:

Included in the deferred income (non-capital expenditure), there is an amount of HK\$452,362 (2020: HK\$517,050) represents the remaining balance of the Pilot Project on Provision of WIFI Service for Eligible Welfare Service Units operated by Organisations Receiving Subventions/Subsidies from the SWD (the "WIFI Project") funded by lotteries fund in year 2020-21. (2020: year 2019-20)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Accounts payable and accruals (Continued)

Note c (Continued):

The movement of the WIFI Project balance for the year ended 31st March 2021 and 2020 are as follows:

	2021	2020
Income (A)		
Lotteries Fund Grant received	178,200	517,050
Expenditure		
(i) Technical set-up and installation cost	(191,020)	-
(ii) Operating expenses	(51,868)	-
Total expenditure (B)	(242,888)	-
Surplus for the year (C) = (A) + (B)	(64,688)	517,050
Add: Cumulated income b/f (D)	517,050	-
Cumulated expenditure b/f (E)	-	-
Cumulated surplus/deficit b/f (F) = (D) + (E)	517,050	-
Cumulated surplus c/f (G) = (C) + (F)	452,362	517,050

21 Deferred income tax liabilities

Deferred income tax is calculated on temporary differences under the liability method using a principal taxation rate of 16.5% (2020: 16.5%).

At 31st March 2021, the Group's deferred income tax liabilities are as follows:

	2021	2020
Accelerated tax depreciation	7,741	7,741

At 31st March 2021, the Group has not recognised deferred income tax assets in respect of the below temporary differences as, in the opinion of the directors, there is uncertainty that sufficient future taxable profit will be available to utilise such tax losses. These tax losses have no expiry date.

	2021	2020
Tax losses	1,921,401	814,484

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Revenue and other income

	2021	2020
<u>Revenue</u>		
Catering service income	366,921	3,165,272
General donations	2,585,496	3,286,403
Grants from		
- The Hong Kong Jockey Club Charities Trust	6,090,184	3,189,252
- The Hong Kong Bank Foundation	482,480	-
Dues and fees	15,656,431	9,988,799
Fund raising activities (Note 25)	241,869	1,253,359
Subventions from		
- Furniture and equipment replenishment and minor works block grant (Note 19)	332,362	1,105,742
- Labour & Welfare Bureau	2,863,355	1,413,366
- Lotteries Fund	-	91,955
- Social Welfare Department (Note 16)	57,178,077	50,518,645
- Leisure and Cultural Services Department	3,290,162	3,093,893
- Community Chest	4,210,208	4,036,231
Deferred income on capital expenditure		
- The Hong Kong Jockey Club Charities Trust	8,823,956	8,702,133
- Lotteries Fund	4,162,448	2,459,873
- Others	2,050,530	1,092,734
	<u>108,334,479</u>	<u>93,397,657</u>
<u>Other income</u>		
Interest income (Note 28(a))		
- from short-term bank deposits	152,595	315,172
- from investments at amortised cost	196,790	266,450
Dividend income from financial assets at FVOCI (Note 28(a))	192,622	224,575
Government subsidy (note)	1,601,448	-
Net exchange gains/(losses) on financial assets at FVOCI	6,351	(14,076)
Net exchange gains/(losses) on investments at amortised cost	173,765	(338,956)
Other subvention from Social Welfare Department	3,892,350	3,297,983
Others	4,518,393	4,267,020
	<u>10,734,314</u>	<u>8,018,168</u>
Total	<u><u>119,068,793</u></u>	<u><u>101,415,825</u></u>

Note:

Government subsidy represented the wage subsidies from the Government of HKSAR under ESS during the year. There are no unfulfilled conditions or other contingencies attaching to this grant.

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HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**23 Administrative and other operating expenses**

	2021	2020
Auditor's remuneration	323,000	320,000
Professional fees	175,500	38,100
Depreciation charge – property, plant and equipment (Note 5)	15,441,381	12,607,551
Loss on disposal of property, plant and equipment	18,000	-
Depreciation charge – right-of-use assets (Note 6)	1,291,497	1,172,409
Loss from early termination of lease	68,099	-
Others	9,481,093	10,186,744
	<u>26,798,570</u>	<u>24,324,804</u>

24 Employee benefit expenses

	2021	2020
Salaries, bonus and allowances	72,140,660	65,117,946
Provision for unutilised annual leave	12,310	334,256
Reversal of provision for long service payments (Note 18)	(67,191)	(88,919)
Pension costs - defined contribution and MPF Scheme	4,626,596	4,259,831
	<u>76,712,375</u>	<u>69,623,114</u>

25 Fund raising activities

The fund raising activities are included in income as disclosed in Note 22 and are set out below:

	Income	Expenditure	2021 Net	2020 Net
Raffle ticket sales (Note a)	258,397	(16,528)	241,869	232,527
Flag day appeal (Note b)	-	-	-	1,020,832
	<u>258,397</u>	<u>(16,528)</u>	<u>241,869</u>	<u>1,253,359</u>

- (a) The usage of donations collected from raffle ticket sales from 17th October 2020 to 10th December 2020 (2020: 5th October 2019 to 28th November 2019) with detailed breakdown are as below:

	2021	2020
Recurrent expenditure for rehabilitation service	<u>241,869</u>	<u>232,527</u>

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HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**25 Fund raising activities (Continued)**

- (b) The usage of donations collection from flag day held on 11th January 2020 with detailed breakdown for the year end 31st March 2020 were as below:

	2021	2020
Recurrent and capital expenditure for providing rehabilitation service	-	816,666
Recurrent expenditure for enhancing central administration	-	204,166
	<u>-</u>	<u>1,020,832</u>

26 Benefits and interests of directors

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

- (a) During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services (also represents key management compensation) were paid or made, directly or indirectly, to the directors; nor are any payable (2020: nil). No consideration was provided to or receivable by third parties for making available directors' services (2020: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: nil).
- (b) No director of the Association had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Association's business to which the Association was or is a party that subsisted at the end of the year or at any time during the year (2020: nil).

27 Income tax

The Association is an approved charitable institution and is exempted from income tax under Section 88 of the Inland Revenue Ordinance.

No provision for Hong Kong profits tax and overseas taxation has been made as the subsidiary has no assessable profit for the year (2020: nil).

The income tax on the surplus/ (deficit) before income tax for the year differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2021	2020
Surplus/(deficit) before income tax	8,377,229	(2,210,047)
Calculated at a taxation rate of 16.5% (2020: 16.5%)	1,382,243	(364,657)
Income not subject to taxation	(1,570,226)	(1)
Expenses not deductible for taxation purposes	-	273,440
Tax loss not recognised	182,641	90,392
Others	5,342	826
Income tax expense	<u>-</u>	<u>-</u>

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**28 Cash flow information**

(a) Cash generated from operation

	2021	2020
Surplus/(deficit) for the year before income tax	8,377,229	(2,210,047)
Adjustments for:		
- Depreciation – property, plant and equipment (Note 5)	15,441,381	12,607,551
- Depreciation – right-of-use assets (Note 6)	1,291,497	1,172,409
- Loss on disposal of property, plant and equipment	18,000	-
- Loss from early termination of lease	68,099	-
- Net exchange (gains)/losses	(180,116)	353,032
- Interest income (Note 22)	(349,385)	(581,622)
- Interest expense on lease liabilities	104,071	146,393
- Dividend income (Note 22)	(192,622)	(224,575)
- Provision for unutilised annual leave (Note 24)	12,310	334,256
- Reversal of provision for long service payments (Note 18)	(67,191)	(88,919)
Changes in working capital:		
- Net receivable from Lotteries Fund	474,338	(364,018)
- Accounts receivable and prepayments	(5,714,510)	(3,958,317)
- Accounts payable and accruals	(949,216)	5,324,294
- Social Welfare subvention reserves	4,736,990	1,552,959
Cash generated from operating activities	<u>23,070,875</u>	<u>14,063,396</u>

(b) In the statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2021	2020
Net book amount (Note 5)	18,000	-
Loss on disposal of property, plant and equipment	(18,000)	-
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>-</u>

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HONG KONG PHAB ASSOCIATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities during the year.

	Lease liabilities
At 1st April 2019	3,213,051
Non-cash flow:	
- Additions	148,976
- Accrued interest expenses	146,393
Cash flow:	
- Payment for principal elements of lease liabilities	(1,022,698)
- Interests paid	(146,393)
	<hr/>
At 31st March 2020 and at 1st April 2020	2,339,329
Non-cash flow:	
- Additions	1,641,588
- Accrued interest expenses	104,071
- De-recognition	(174,844)
Cash flow:	
- Payment for principal elements of lease liabilities	(1,368,020)
- Interests paid	(104,071)
	<hr/>
At 31st March 2021	<u>2,438,053</u>

29 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of reporting period but not recognised as liabilities is as follows:

	2021	2020
Furniture and equipment, replenishment and minor works	<u>1,133,997</u>	<u>5,358,534</u>

The above capital commitments are to be financed by the furniture and equipment replenishment and minor works block grant reserve (Note 19), Social Welfare development fund, The Hong Kong Jockey Club Charities Trust, Leisure and Cultural Services Department, lotteries fund and the Group's own fund.

(b) Non-cancellable operating lease commitments

As at 31st March, the Group had future aggregate minimum lease payments under non-cancellable operating leases, including non-lease components and short-term leases (not included in the measurement of lease liabilities), in respect of office premises and service centers as follows:

	2021	2020
No later than one year	<u>270,000</u>	<u>384,000</u> 0116

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**30 Balance sheet and fund movement of the Association**

(a) Balance sheet of the Association

	<u>As at 31st March</u>	
	2021	2020
ASSETS		
Non-current assets		
Property, plant and equipment	65,007,338	68,304,481
Right-of-use assets	2,377,478	2,270,330
Investment in a subsidiary (Note 7)	2	2
Financial assets at FVOCI	11,343,939	7,864,591
Investments at amortised cost	5,736,924	5,557,788
Total non-current assets	<u>84,465,681</u>	<u>83,997,192</u>
Current assets		
Accounts receivable and prepayments	16,841,065	10,449,342
Amount due from a subsidiary	791,186	1,556,404
Cash and cash equivalents	42,261,734	31,770,558
Total current assets	<u>59,893,985</u>	<u>43,776,304</u>
Total assets	<u><u>144,359,666</u></u>	<u><u>127,773,496</u></u>
FUNDS		
Accumulated surplus/(deficit)	8,746,016	(1,333,573)
Chairman's discretionary account	105,853	105,280
Revaluation reserve for financial assets at FVOCI	5,963,253	2,854,021
Designated funds	28,606,856	29,482,852
Total funds	<u>43,421,978</u>	<u>31,108,580</u>
LIABILITIES		
Non-current liabilities		
Social Welfare subvention reserves	24,206,026	19,469,036
Lease liabilities	670,263	1,160,063
Provision for long service payments	767,137	834,328
Deferred income	2,771,286	2,296,948
Accounts payable and accruals	61,596,926	64,316,132
Total non-current liabilities	<u>90,011,638</u>	<u>88,076,507</u>

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HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

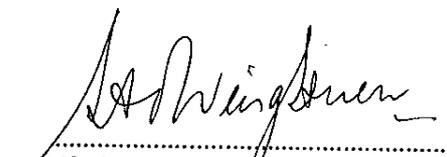
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**30 Balance sheet and fund movement of the Association (Continued)**

(a) Balance sheet of the Association (Continued)

	As at 31st March	
	2021	2020
LIABILITIES (CONTINUED)		
Current liabilities		
Lease liabilities	1,767,790	1,179,266
Accounts payable and accruals	9,158,260	7,409,143
Total current liabilities	10,926,050	8,588,409
Total liabilities	100,937,688	96,664,916
Total funds and liabilities	144,359,666	127,773,496

The balance sheet of the Association was approved by the Board of Directors on and were signed on its behalf.

29 OCT 2021


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Chairman
Prof. Ho Wing Huen Frederick, SBS


.....
Honorary Secretary
Ms. Lai Yuet Ying Connie

HONG KONG PHAB ASSOCIATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**30 Balance sheet and fund movement of the Association (Continued)**

(b) Funds movement of the Association

	Total funds
At 1st April 2019	34,190,536
Deficit for the year	(1,657,215)
Change in the fair value of financial assets at FVOCI	(1,424,741)
	<hr/>
At 31st March 2020 and 1st April 2020	31,108,580
Surplus for the year	8,701,446
Change in the fair value of financial assets at FVOCI	3,611,952
	<hr/>
At 31st March 2021	<u>43,421,978</u>