

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



CPA LIMITED
潘展聰會計師行有限公司



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(EXPRESSED IN THE NEAREST HONG KONG DOLLARS)

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED JUNE 30, 2020

The directors submit their annual report together with the audited financial statements for the year ended June 30, 2020.

PRINCIPAL ACTIVITY

The principal activity of Youth Global Network Limited (“the Company”) is, through education, training, sponsorship and other forms, to increase knowledge of youths, by promoting cultural awareness/appreciation globally among youths and broadening the horizons and global vision of youths and youth workers/leaders.

DIRECTORS

Directors of the Company during the year and up to the date of this report were:

Mr. Wong Chi Yun Allan	
Mr. Su Kee Ying Albert	
Mr. Mok Wah Sing Edwin	
Mr. Yung Tse Kwong Steven	
Mr. Lung Chi Yuen Justin	
Mr. Wong Kai Man	
Mr. Lau Jimmy Chiu Chung	
Mr. Kao Chu Chee Emmanuel	(resigned on June 17, 2020)
Mr. Cheng Hon Man Roger	(resigned on December 31, 2019)
Mr. Ng Daryl Win Kong	(resigned on December 31, 2019)
Mr. Yu Ho Man	
Mr. Wong Ka Fai	(appointed on January 1, 2020)
Ms. Lee Suet Ying	(appointed on January 1, 2020)
Ms. Sun Yue Evangeline	(appointed on January 1, 2020)

In accordance with the Article 27 of the Company’s Articles of Association, a director shall hold office for a term of a maximum of four years and shall be eligible for re-election once only so that such person shall serve for a maximum of two consecutive terms. A retiring director shall not be eligible for re-election.

In accordance with the Article 30 of the Company’s Articles of Association, any directors who retire from office pursuant to Article 27 mentioned above shall be eligible for re-election only after at least one year from the date of his last retirement.

...../ To be continued

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED JUNE 30, 2020

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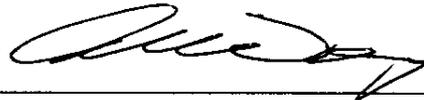
BUSINESS REVIEW

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

AUDITORS

Philip Poon & Partners CPA Limited are the Company's retiring auditors who, being eligible, offer themselves for re-appointment.

FOR AND ON BEHALF OF THE BOARD



WONG CHI YUN ALLAN
CHAIRMAN

Hong Kong
September 24, 2020



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

YOUTH GLOBAL NETWORK LIMITED

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Youth Global Network Limited (“the Company”) set out on pages 7 to 31, which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

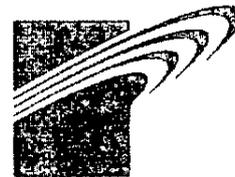
We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors’ report and financial statements, but does not include the financial statements and our auditor’s report thereon.

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

...../To be continued



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

YOUTH GLOBAL NETWORK LIMITED

(Incorporated in Hong Kong and limited by guarantee)

...../Continued

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

...../To be continued



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

YOUTH GLOBAL NETWORK LIMITED

(Incorporated in Hong Kong and limited by guarantee)

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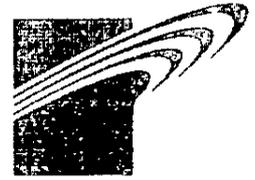
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

...../To be continued



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

YOUTH GLOBAL NETWORK LIMITED

(Incorporated in Hong Kong and limited by guarantee)

...../Continued

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Philip Poon & Partners CPA Limited
Mr. Poon Chin Chung, Philip
Practising Certificate No.: P01748

Certified Public Accountants
Hong Kong
September 24, 2020

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
		<u>\$</u>	<u>\$</u>
INCOME			
Cafe income		3,236,030	2,621,890
Donations		1,949,382	1,371,245
Fee income		1,801,338	623,603
Gain on disposal of other financial assets		--	33,623
Government subsidy from Anti-epidemic Fund		589,898	--
Interest income		306,317	442,701
Miscellaneous income		330,525	532,950
Project sponsorship		8,384,999	9,568,216
Rebate income		170	216
Reimbursement of personnel costs and service fee (HR) for secondment		1,291,946	3,204,033
		<u>17,890,605</u>	<u>18,398,477</u>
LESS: EXPENDITURE			
Accommodation and rental		43,240	417,375
Allowance for local trainees and volunteers		198,103	130,392
Auditors' remuneration		28,500	30,000
Cleaning		101,442	100,691
Cost of Cafe sales		842,017	693,345
Depreciation of plant and equipment	7	722,016	734,013
Depreciation of right-of-use assets	8	327,185	--
Entertainment and gifts		13,530	24,370
Equipment and assets		95,423	52,657
Financial charges		44,488	40,424
Financial expenses on lease liabilities		39,643	--
Foreign exchange loss		5,148	5,852
Insurance		33,054	40,716
Insurance of employees		337,924	284,365
Legal and professional fees		15,044	71,143
Local travelling expenses		24,988	37,481
Materials and supplies		94,837	108,086
Materials – Books		--	30,043
MPF contribution		869,636	821,854
Other project cost		--	1,130
Overseas travelling expenses		254,896	716,476
Photocopy, stationery and supplies		49,859	58,944
Postage and courier		15,565	27,219
Project food cost		48,824	210,875
Promotion		56,311	156,175

...../To be continued

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

...../Continued

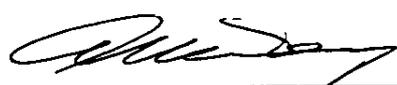
	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
		<u>\$</u>	<u>\$</u>
LESS: EXPENDITURE (CONTINUED)			
Repair and maintenance		14,810	7,889
Salary		12,936,692	12,387,237
Secondment expenses		1,291,946	3,204,033
Service fee		940,116	470,444
Service fee (HR)		553,100	499,408
Sponsorship granted		977,702	3,041,334
Staff benefit		172,933	175,985
Staff recruitment expenses		--	11,568
Staff training and development		6,968	24,120
Sundry expense		18,080	--
Telephone and communication		89,908	55,366
Utilities		116,494	133,225
		<u>21,380,422</u>	<u>24,804,235</u>
TOTAL EXPENDITURE FOR THE YEAR		<u>21,380,422</u>	<u>24,804,235</u>
DEFICIT FOR THE YEAR		<u>(3,489,817)</u>	<u>(6,405,758)</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to surplus or deficit		--	--
Items that may be reclassified subsequently to surplus or deficit:			
Other non-current financial assets:			
Fair value gain/(loss)		519	(32,188)
Reclassification adjustments transfer to surplus or deficit on disposal		--	--
		<u>519</u>	<u>(32,188)</u>
TOTAL COMPREHENSIVE EXPENSE		<u>(3,489,298)</u>	<u>(6,437,946)</u>
TOTAL COMPREHENSIVE EXPENSE IS ATTRIBUTED TO:			
Accumulated surplus		(1,175,731)	(818,961)
Coffee and Life Ministry Fund		(196,583)	(3,808,834)
Ellen Choi Scholarship Fund		(251,942)	(137,302)
Endowment Fund		(658,611)	5,156
Kam Tin Project Fund		--	--
Youth Ministry Training Fund		(1,206,950)	(1,645,817)
Investment fair value reserve		519	(32,188)
		<u>(3,489,298)</u>	<u>(6,437,946)</u>

The notes on pages 12 to 31 form part of these financial statements.

YOUTH GLOBAL NETWORK LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
		\$	\$
NON-CURRENT ASSETS			
Plant and equipment	7	557,174	1,248,090
Right-of-use assets	8	654,370	--
Other financial assets	9	29,553	28,864
		<u>1,241,097</u>	<u>1,276,954</u>
CURRENT ASSETS			
Other accounts receivable		98,304	265,668
Prepayments and deposits		299,459	318,760
Amount due from a related party		--	63,359
Bank balances and cash		26,853,139	30,579,600
		<u>27,250,902</u>	<u>31,227,387</u>
CURRENT LIABILITIES			
Other accounts payable and accruals		419,374	325,436
Lease liabilities – current portion	8	326,926	--
Amounts due to related parties	10	153,080	61,529
Deferred income	11	3,568,360	3,069,000
		<u>4,467,740</u>	<u>3,455,965</u>
NET CURRENT ASSETS		<u>22,783,162</u>	<u>27,771,422</u>
NON-CURRENT LIABILITIES			
Lease liabilities – non-current portion	8	343,272	--
Deferred income	11	14,867,701	16,638,390
Provision for employee benefits	12	918,315	1,025,717
		<u>16,129,288</u>	<u>17,664,107</u>
NET ASSETS		<u>7,894,971</u>	<u>11,384,269</u>
REPRESENTED BY			
Accumulated (deficit)/surplus		(1,135,590)	40,141
Coffee and Life Ministry Fund	13	(170,268)	26,315
Ellen Choi Scholarship Fund	13	5,436,710	5,688,652
Endowment Fund	13	3,520,626	4,179,237
Kam Tin Project Fund	13	--	--
Youth Ministry Training Fund	13	237,760	1,444,710
Fair value reserve		5,733	5,214
		<u>7,894,971</u>	<u>11,384,269</u>

Approved and authorised for issue by the board of directors on September 24, 2020



 WONG CHI YUN ALLAN
 CHAIRMAN



 LUNG CHI YUEN JUSTIN
 HON. TREASURER

The notes on pages 12 to 31 form part of these financial statements.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE YEAR ENDED JUNE 30, 2020

	Accumulated (deficit)/surplus	Coffee and Life Ministry	Ellen Choi Scholarship	Endowment	Kam Tin Project	Youth Ministry	Fair value reserve	Total
	\$	Fund	Fund	Fund	Fund	Training Fund	\$	\$
Balance at July 1, 2018	859,102	3,835,149	5,825,954	4,174,081	--	3,090,527	37,402	17,822,215
Total comprehensive expense for the year	(818,961)	(3,808,834)	(137,302)	5,156	--	(1,645,817)	(32,188)	(6,437,946)
Balance at June 30, 2019	<u>40,141</u>	<u>26,315</u>	<u>5,688,652</u>	<u>4,179,237</u>	<u>--</u>	<u>1,444,710</u>	<u>5,214</u>	<u>11,384,269</u>
Balance at July 1, 2019	40,141	26,315	5,688,652	4,179,237	--	1,444,710	5,214	11,384,269
Total comprehensive expenses for the year	(1,175,731)	(196,583)	(251,942)	(658,611)	--	(1,206,950)	519	(3,489,298)
Balance at June 30, 2020	<u>(1,135,590)</u>	<u>(170,268)</u>	<u>5,436,710</u>	<u>3,520,626</u>	<u>--</u>	<u>237,760</u>	<u>5,733</u>	<u>7,894,971</u>

The notes on pages 12 to 31 form part of these financial statements.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>NOTE</u>	<u>2020</u> \$	<u>2019</u> \$
NET CASH USED IN OPERATING ACTIVITIES	14	(3,650,678)	(9,485,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(31,100)	(209,495)
Proceeds from sale of other financial assets		--	4,690,572
Interest received		306,317	442,701
Net cash from investing activities		275,217	4,923,778
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of principal portion of lease liabilities		(351,000)	--
Net cash used in financing activities		(351,000)	--
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,726,461)	(4,561,912)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		30,579,600	35,141,512
CASH AND CASH EQUIVALENTS AT END OF YEAR		26,853,139	30,579,600
ANALYSIS OF THE BALNCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		26,853,139	30,579,600

The notes on pages 12 to 31 form part of these financial statements.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. CORPORATE INFORMATION

Youth Global Network Limited (“the Company”) is incorporated in Hong Kong under Hong Kong Companies Ordinance and limited by guarantee. Under the provision of the Company’s Memorandum and Articles of Association, every member shall, in the event of the Company being wound up, contribute such amount as may be required to meet the liabilities of the Company but not exceeding the sum of \$100. The address of its registered office is 17th Floor, Gloucester Tower, The Landmark, Central, Hong Kong.

The principal activity of the Company is, through education, training, sponsorship and other forms, to increase knowledge of youths, by promoting cultural awareness/appreciation globally among youths and broadening the horizons and global vision of youths and youth workers/leaders.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements are presented to the nearest Hong Kong dollars, which is the Company’s functional and presentation currency.

(b) Reporting exemption

The Company qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance.

(c) Basis of measurement

The measurement base used in preparing these financial statements is historical cost convention, as modified by the revaluation of financial assets as disclosed in the accounting policies below.

(d) Going concern

These financial statements have been prepared on the basis that the Company is a going concern.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of new and revised HKFRSs

In current year, the Company has adopted all of the new and revised standards and interpretations issued by the HKICPA that are relevant to its operations and effective for current accounting period of the Company. Other than as explained below regarding the impact of HKFRS 16 Leases, the adoption of these new and revised standards and interpretations has no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements. The nature and impact of HKFRS 16 are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model. The Company adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial adoption on July 1, 2019. Under the method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at July 1, 2019, and the comparative information for 2019 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use for the identified asset and the rights to direct the use of the identified asset. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of lease under HKFRS 16 has been applied only to contracts entered into or changed on or after July 1, 2019.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Company has adopted, not to separate non-lease component and to account for the lease and the associated non-lease components.

Adoption of HKFRS 16

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

As a lessee, the Company previously classified leases as operating lease commitments based on the assessment of whether the Company is allowed to use the assets but is not conveyed ownership rights of the assets. Under HKFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for leases of low value assets and short-term lease. The Company recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

Lease liabilities at July 1, 2019 were recognised based on the present value of remaining lease payments, discounted using the incremental borrowing rate at July 1, 2019 and the presented in the financial statements as at June 30, 2020.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before July 1, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Company elected to present the right-of-use assets separately in the statement of financial position.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

The Company has used the following elective expedients when applying HKFRS 16 at July 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

FINANCIAL IMPACT AT JULY 1, 2019

The impact arising from the adoption of HKFRS 16 at July 1, 2019 was as follows:

	\$
Assets	
Increase in right-of-use assets	981,555
Increase in total assets	<u>981,555</u>
Liabilities	
Increase in lease liabilities	981,555
Increase in total liabilities	<u>981,555</u>

The lease liabilities as at July 1, 2019 reconciled to the operating lease commitments as at June 30, 2019 are as follows:

	\$
Operating lease commitments as at June 30, 2019	1,053,000
Weighted average incremental borrowing rate as at July 1, 2019	5.00%
Discounted operating lease commitments as at July 1, 2019	71,445
Lease liabilities as at July 1, 2019	981,555

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Computer	3 years
Equipment	5 years
Decoration	3 years or 5 years

(c) Impairment of financial assets

The Company recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For accounts receivables and contract assets that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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.

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to surplus or deficit in the year in which the reversals are recognised.

(e) Financial assets at fair value through other comprehensive income

Equity investments are measured at fair value through profit loss unless, on initial recognition, the Company has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in the statement of profit or loss when the Company's right to receive payment is established. Changes in the fair value of such investments are recognised in other comprehensive income and are never recycled to the statement of profit or loss event when the assets are sold.

(f) Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits at banks, net of short-term bank loans and bank overdrafts which are repayable on demand.

(h) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which cases, they are stated at cost.

(i) Provisions

Provisions are recognised when the Company 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 a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Leasing

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended June 30, 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from July 1, 2019:

Right-of use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leasing (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payment less any lease incentives receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably on the following bases:

- (i) Donation is recognised on a cash receipts basis;
- (ii) Sponsorship income is recognised on cash receipts basis for those when there is reasonable assurance that the conditions attaching to the sponsorship income are complied. Some sponsorship income will be recognised as income on accrual basis based on the relevant cost incurred or the estimated time for the delivery of the programme and fulfillment of the requirements and conditions;
- (iii) Interest income is recognised on a time proportion basis by reference to the principal amounts outstanding and the interest rates applicable;
- (iv) Dividend income from investment is recognised when the shareholders' rights to receive payment have been established; and
- (v) Cafe income is recognised when food and beverages have been sold to the customers.

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(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Deferred income

Deferred income for Kam Tin Project Fund

Deferred income for Kam Tin Project Fund, which is for supporting the functions of Kam Tin Project, is taken up based upon the requirements of the donors. The entitled portions of funds are recognised as income according to the progress of delivery over the programme period.

Deferred income for Innovation and Technology Fund Project

Deferred income for Innovation and Technology Fund Project, which is for supporting the functions of Innovation and Technology Fund Project, is taken up based on the requirements of Innovation and Technology Bureau granting the project funding under a 3-year agreement signed on June 10, 2020. The entitled portions of funds are recognised as income according to the progress of delivery over the project period.

(m) Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end of the reporting period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss shall be recognised in surplus or deficit.

(n) Employee benefits

Employee entitlements to long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for long service leave as a result of services rendered by employees up to the end of the reporting period.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

The Company operates a defined contribution retirement scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “MPF Scheme”) for those employees of the Company who are eligible to participate in the scheme. The Company’s contributions to the MPF Scheme are made based on a percentage of the eligible employees’ relevant income as defined in the MPF Scheme.

The Company provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. A provision is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(o) Related parties

(i) A person or a close member of that person’s family is related to the Company if that person:

- (a) has control or joint control over the Company;
- (b) has significant influence over the Company; or
- (c) is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:

- (a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment on receivables

The Company's management determines the provision for impairment on receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the estimation at the end of each reporting period.

5. DIRECTORS' REMUNERATION

Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

The directors received no remuneration for their services to the Company during the year (2019: Nil).

6. TAXATION

No provision has been made for Hong Kong Profits Tax as the Company is exempted from tax under section 88 of the Hong Kong Inland Revenue Ordinance by reason of being a charitable institution.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

7. PLANT AND EQUIPMENT

	<u>Computer</u>	<u>Equipment</u>	<u>Decoration</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Cost:</u>				
At July 1, 2018	248,667	509,156	2,826,204	3,584,027
Additions	8,484	119,011	82,000	209,495
At June 30, 2019	<u>257,151</u>	<u>628,167</u>	<u>2,908,204</u>	<u>3,793,522</u>
At July 1, 2019	257,151	628,167	2,908,204	3,793,522
Additions	31,100	--	--	31,100
At June 30, 2020	<u>288,251</u>	<u>628,167</u>	<u>2,908,204</u>	<u>3,824,622</u>
<u>Accumulated depreciation and impairment losses:</u>				
At July 1, 2018	197,096	197,842	1,416,481	1,811,419
Depreciation charge for the year	36,957	115,415	581,641	734,013
At June 30, 2019	<u>234,053</u>	<u>313,257</u>	<u>1,998,122</u>	<u>2,545,432</u>
At July 1, 2019	234,053	313,257	1,998,122	2,545,432
Depreciation charge for the year	30,636	109,739	581,641	722,016
At June 30, 2020	<u>264,689</u>	<u>422,996</u>	<u>2,579,763</u>	<u>3,267,448</u>
<u>Carrying amount:</u>				
At July 1, 2018	<u>51,571</u>	<u>311,314</u>	<u>1,409,723</u>	<u>1,772,608</u>
At June 30, 2019	<u>23,098</u>	<u>314,910</u>	<u>910,082</u>	<u>1,248,090</u>
At July 1, 2019	<u>23,098</u>	<u>314,910</u>	<u>910,082</u>	<u>1,248,090</u>
At June 30, 2020	<u>23,562</u>	<u>205,171</u>	<u>328,441</u>	<u>557,174</u>

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

8. LEASE ARRANGEMENTS

(a) Right-of-use assets

The carrying amount of the Company's right-of-use assets and the movements during the year are as follows:

	<u>Land and buildings</u>
	\$
<u>Cost:</u>	
Arising from initial application and at June 30, 2020	981,555

<u>Accumulated depreciation and impairment losses:</u>	
Depreciation for the year and at June 30, 2020	327,185

<u>Carrying amount:</u>	
At June 30, 2020	654,370
	=====

(b) Lease liabilities

The carrying amount of the Company's lease liabilities and the movements during the year are as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Arising from initial application	981,555	--
Accretion of interest recognised during the year	39,643	--
Payments for the year	(351,000)	--
At end of year	670,198	--
	=====	=====
Analysed into:		
Current portion	326,926	--
Non-current portion	343,272	--
	670,198	--
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

8. LEASE ARRANGEMENTS (CONTINUED)

(c) Lease commitments

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Within one year	351,000	351,000
In the second to fifth year inclusive	351,000	702,000
	<u>702,000</u>	<u>1,053,000</u>

9. OTHER NON-CURRENT FINANCIAL ASSETS

	<u>2020</u>	<u>2019</u>
	\$	\$
<i>Financial assets measured at fair value through other comprehensive income</i>		
- Unlisted equity securities	<u>29,553</u>	<u>28,864</u>

10. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest free and have no fixed repayment term.

YOUTH GLOBAL NETWORK LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

11. DEFERRED INCOME

	<u>2020</u>	<u>2019</u>
	\$	\$
At beginning of year	19,707,390	23,267,640
Government subsidy from Anti-epidemic Fund	1,369,694	--
Sponsorship granted and received for the year	388,564	--
Less: Recognised as income for the year	(3,029,587)	(3,560,250)
At end of year	<u>18,436,061</u>	<u>19,707,390</u>
Portion classified as current liabilities	3,568,360	3,069,000
Portion classified as non-current liabilities	14,867,701	16,638,390
	<u>18,436,061</u>	<u>19,707,390</u>

12. PROVISION FOR EMPLOYEE BENEFITS

	<u>Untaken paid annual leave</u>	<u>Long service payments</u>	<u>Total</u>
	\$	\$	\$
At July 1, 2018	516,823	218,308	735,131
Provision for the year	138,029	152,557	290,586
At June 30, 2019	<u>654,852</u>	<u>370,865</u>	<u>1,025,717</u>
At July 1, 2019	654,852	370,865	1,025,717
Provision for the year	--	19,062	19,062
Written back for the year	(126,464)	--	(126,464)
At June 30, 2020	<u>528,388</u>	<u>389,927</u>	<u>918,315</u>

YOUTH GLOBAL NETWORK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. FUND ACCOUNTS

Fund accounts consist of five separate funds, namely Coffee and Life Ministry Fund, Ellen Choi Scholarship Fund, Endowment Fund, Kam Tin Project Fund and Youth Ministry Training Fund. Movements in individual fund accounts during the year are set out in the statement of changes in funds and reserves on page 10.

(a) Coffee and Life Ministry Fund

The fund is reserved for setting up and operating cafes as social enterprises, coffee schools and labs, lighthouse projects, and other coffee and life projects, providing vocational training mentoring and employment opportunities, enhancing upward mobility, building a global-focused local-based youth community for youths and youth workers, and sponsoring and collaborating with local and overseas partners on similar projects. The funding of this reserve is set aside from the accumulated surplus and to be used according to the conditions attached and at the discretion of the directors.

(b) Ellen Choi Scholarship Fund

The fund is reserved for granting scholarship to support the youth and youth workers financially in further study. The funding of this reserve is set aside from the accumulated surplus and to be used according to the conditions attached and decisions made by management committee.

(c) Endowment Fund

The fund is reserved for sponsoring cross-cultural exposure and experiential programs for youth and youth workers. The funding of this reserve is set aside from the accumulated surplus and to be used according to the conditions attached and at the discretion of the directors.

(d) Kam Tin Project Fund

The fund, received in December 2014, is reserved for setting up and operating a library for not less than 15 years, and building a cross-ethnic/cross-cultural community for the welfare and benefit of the children and youth, in Kam Tin, Hong Kong SAR. Funds received is firstly recognised in Deferred Income for Kam Tin Project Fund and be recognised as income annually according to the progress of delivery over the programme period. This income together with income generated by investing the capital fund supports the selected projects. The funding of this reserve is set aside from the accumulated surplus and to be used according to the conditions attached and at the discretion of the directors.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13. FUND ACCOUNTS (CONTINUED)

(e) Youth Ministry Training Fund

The fund is reserved for providing postgraduate programme(s), training programmes, talks, seminars, and support services to youth workers and youth ministry trainers, and networking them into a community that promotes integrative models of ministry. The funding of this reserve is set aside from the accumulated surplus and to be used according to the conditions attached and decisions made by directors.

14. RECONCILIATION OF DEFICIT FOR THE YEAR TO NET CASH USED IN OPERATING ACTIVITIES

	<u>2020</u>	<u>2019</u>
	\$	\$
Deficit for the year	(3,489,817)	(6,405,758)
Adjustments for:		
Depreciation of plant and equipment	722,016	734,013
Depreciation of right-of-use assets	327,185	--
Interest on lease liabilities	39,643	--
Gain on disposal of other financial assets	--	(33,623)
Interest income	(306,317)	(442,701)
Rebate income	(170)	(216)
Operating deficit before working capital changes	<u>(2,707,460)</u>	<u>(6,148,285)</u>
Decrease/(Increase) in other accounts receivable	167,364	(171,782)
Decrease in prepayments and deposits	19,301	30,280
Decrease in amount due from a related party	63,359	135,548
Increase/(Decrease) in other accounts payable and accruals	93,938	(56,188)
Increase/(Decrease) in amount due to a related party	91,551	(5,599)
(Decrease)/Increase in provision for employee benefits	(107,402)	290,586
Decrease in deferred income	(1,271,329)	(3,560,250)
Net cash used in operating activities	<u><u>(3,650,678)</u></u>	<u><u>(9,485,690)</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

15. RELATED PARTY TRANSACTIONS

Significant related party transactions during the year not otherwise disclosed in these financial statements are as follows:

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Project sponsorship received from directors	37,000	164,500
Rental expenses paid to Breakthrough, Limited	360,295	360,460
Reimbursement of personnel costs and service fee (HR) for secondment received from The Youth Foundation	1,291,946	3,204,033
Service fee paid to Breakthrough, Limited	260,000	220,000
Utilities paid to Breakthrough, Limited	72,857	72,615
	<u> </u>	<u> </u>

The above transactions were carried out in the normal course of the Company's operation.

16. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide benefits for its stakeholders.

The Company regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions.

The capital comprises all components of funds and reserves, and the Company's management are of the opinion that they have monitored the capital under satisfactory level for the year.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

17. FINANCIAL RISK MANAGEMENT

Financial instruments carried on the statement of financial position include cash and cash equivalents, receivables and payables. The Company is exposed to the following risks through its normal operations.

Management reviews and agrees policies for managing the risks arising from the Company's financial instruments. The main risks arising from the Company's financial instruments and policies for managing each of these risks are summarised below.

(a) Interest rate risk

The Company's exposure to market risk for changes in interest rate relates primarily to interest bearing bank deposits.

(b) Currency risk

The Company is exposed to the risk that the exchange rate of Hong Kong dollar relative to other currencies may change in a manner, which has an effect on the reported values of the Company's assets and liabilities which are denominated in other currencies.

(c) Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company has procedures governing the process of granting credit to related parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(d) Liquidity risk

The Company's funding requirements and liquidity risks are managed with the objective of meeting its operational obligations in a timely manner. The Company achieves this by using appropriate management measures and monitoring its cash flow commitments on a regular basis.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Price risk

The Company's available-for-sale financial assets are measured at fair value at the end of each reporting period. The Company has closely managed the price risk exposure and keeps this to a minimal.

The directors having considered the operations and financial positions of the Company are of the opinion that the above financial risk factors would not have any significant impact on its financial statements.