

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED
REPORTS AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

CERTIFIED TRUE COPY



DOWLANI, NEELAM
DIRECTOR
11/02/2021



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DHUN SUKHESWALLA & CO.
Certified Public Accountants
HONG KONG

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED
REPORTS AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

	Page
REPORT OF THE MANAGEMENT COMMITTEE	1
INDEPENDENT AUDITOR'S REPORT	2 - 4
AUDITED FINANCIAL STATEMENTS	
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 18

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

The committee members have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2020.

Principal activity

The principal activity of the Company during the year was running a non-profit organisation.

Results and state of affairs

The results of the Company for the financial year ended 31 March 2020 and its state of affairs at that date are set out in the accompanying financial statements.

Fixed assets

Details of movements in plant and equipment of the Company are set out in note 11 to the financial statements.

Reserves

There were no movements in reserves except for changes to accumulated fund which arose from surplus or deficit.

Committee members

The committee members in office during the year and up to the date of this report were:

Kwok Fung Ming Angel	
Hiranandani, Seema Ram	
Rao, Madhu Rama Chandra	
Kuok, Ruth	(resigned on 29 February 2020)
Chugani, Bharati Sanjay	(resigned on 18 December 2020)
Dowlani, Neelam	(appointed on 18 December 2020)
Pariyapurath, Ramachandran	(appointed on 18 December 2020)

Arrangements to purchase shares or debentures

At no time during the year was the Company a party to any arrangements to enable the committee members of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Committee members' interests in contracts of significance

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

Auditors

Messrs. Dhun Sukheswalla & Co. retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD


.....
Pariyapurath, Ramachandran
Chairman

Hong Kong, 10 FEB 2021

D Dhun Sukheswalla & Co.

CERTIFIED PUBLIC ACCOUNTANTS

Established 1969

Honourable Founder:

Dhun S. Sukheswalla

F.C.C.A., A.C.I.S., F.H.K.S.A., C.P.A.

TEL.: 28508826, 28508842, 28508859

FAX : 28508830

MANAGING CPA: HON MING SANG (CPA PRACTISING)

7TH FLOOR,
MAN ON COMMERCIAL BUILDING,
12-13 JUBILEE STREET,
CENTRAL, HONG KONG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ART OF LIVING SOCIETY OF HONG KONG LIMITED (incorporated in Hong Kong with liability limited by guarantee)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Art of Living Society of Hong Kong Limited (the "Trust") set out on pages 5 to 18, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in accumulated funds and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion the financial statements of the Trust for the year ended 31 March 2020 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 trustees are responsible for the other information. The other information comprises the information included in the directors' report set out on page 1, but does not include the financial statements and our auditor's report thereon.

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

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

0015

TO THE MEMBERS OF THE ART OF LIVING SOCIETY OF HONG KONG LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Trustees for the Financial Statements

The trustees are responsible for the preparation of financial statements in accordance with the Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the trustees 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 trustees are responsible for assessing the Trust'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 trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternatives but to do so.

The trustees are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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 scepticism 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.

Dhun Sukheswalla & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

(incorporated in Hong Kong with liability limited by guarantee)

Report on the Audit of the Financial Statements (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees 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.



Dhun Sukheswalla & Co.
Certified Public Accountants

Hong Kong, 10 FEB 2021

0017

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 HK\$	2019 HK\$
INCOME			
Donations received	7	187,658	193,393
OTHER INCOME			
Interest income from bank	7	11	9
Interest income from loan	7	120,000	120,000
		<u>120,011</u>	<u>120,009</u>
EXPENSES			
Accountancy fee		3,500	3,500
Auditor's remuneration		5,300	5,300
Bank charges		440	465
Depreciation		2,375	2,970
Donation paid		55,700	-
Events costs		72,110	42,716
Printing and stationery		-	395
Professional fees		3,370	5,155
Repairs and maintenance		-	600
Rent expenses		150,000	30,000
Transportation		-	760
Venue rental		-	10,000
		<u>(292,795)</u>	<u>(101,861)</u>
NET SURPLUS FOR THE YEAR	8	14,874	211,541
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>14,874</u>	<u>211,541</u>

The notes on pages 9 to 18 form part of these financial statements.

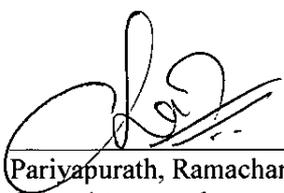
THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 HK\$	2019 HK\$
NON-CURRENT ASSETS			
Plant and equipment	11	9,503	11,878
CURRENT ASSETS			
Amount due from a related company	10	4,800,000	4,800,000
Interest receivable		240,000	120,000
Rental deposit and prepayment		40,000	21,100
Cash and bank balances		427,857	392,583
		<u>5,507,857</u>	<u>5,333,683</u>
CURRENT LIABILITIES			
Accrued expenses and other payables		231,800	74,875
Amount due to a related company	10	286,678	286,678
Amount due a committee member		395	395
		<u>(518,873)</u>	<u>(361,948)</u>
NET CURRENT ASSETS		<u>4,988,984</u>	<u>4,971,735</u>
NET ASSETS		<u>4,998,487</u>	<u>4,983,613</u>
REPRESENTING			
Accumulated funds		<u>4,998,487</u>	<u>4,983,613</u>

The financial statements on pages 5 to 18 were approved and authorised for issue by the committee members on **10 FEB 2021** and are signed on its behalf by:


 Pariyapurath, Ramachandran
 Committee member


 Dowlani, Neelam
 Committee member

The notes on pages 9 to 18 form part of these financial statements.

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Accumulated fund HK\$
At 1 April 2018	4,772,072
Total comprehensive income for the year	<u>211,541</u>
At 31 March 2019	<u><u>4,983,613</u></u>
At 1 April 2019	4,983,613
Total comprehensive income for the year	<u>14,874</u>
At 31 March 2020	<u><u>4,998,487</u></u>

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK\$	2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	14,874	211,541
Adjustment for:		
Interest income	(120,011)	(120,009)
Depreciation	<u>2,375</u>	<u>2,970</u>
OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES	(102,762)	94,502
Increase in prepayment	(18,900)	(21,100)
Increase in accrued expenses	156,925	69,375
Increase in amount due to committee	-	395
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>35,263</u>	<u>143,172</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	<u>11</u>	<u>9</u>
CASH GENERATED FROM INVESTING ACTIVITIES	<u>11</u>	<u>9</u>
CHANGES IN CASH AND CASH EQUIVALENTS	35,274	143,181
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>392,583</u>	<u>249,402</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>427,857</u></u>	<u><u>392,583</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>427,857</u></u>	<u><u>392,583</u></u>

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL INFORMATION

The Art of Living Society of Hong Kong Limited is a company incorporated in Hong Kong with liability limited by guarantee. The Company's registered office is located at Unit 1901, Arion Commercial Centre, 2-12 Queens Road West, Hong Kong.

The principal activity of the Company during the year was running as non profit organisation and approved as charitable institution under section 88 of the Hong Kong Inland Revenue Ordinance.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance.

The preparation of 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

HKFRS 16 Leases

The Company has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Definition of a lease

The Company has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Company has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Company applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

New and Amendments to HKFRSs in issue but not yet effective

The Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The committee members of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

Recognition of income

Provided it is probable that the economic benefits will flow to the Society and the revenue and costs, if applicable, can be measured reliably, income is recognised in the income statement as follows:

- Donation is recognised as received;
- Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

0023

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plant and equipment

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

The depreciable amount of an item of plant and equipment is allocated on a systematic basis over its estimated useful life using the reducing balance method. The principal annual rates used for depreciation are as follows:

Office equipment	20%
Office decoration	20%

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value which were determined in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

Financial instruments

The Company measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

0024

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit- impaired financial assets (i.e. assets that are credit- impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit- impaired financial assets, a credit- adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit- impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit- impaired (see below). For financial assets that have subsequently become credit- impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit- impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Investment and other income" line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

5. FINANCIAL RISK MANAGEMENT

5.1 CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
<u>Financial assets</u> – measured at amortized cost		
-Amount due from a related company	4,800,000	4,800,000
-Rental deposit and prepayment	40,000	21,100
-Interest receivable	240,000	120,000
-Cash and bank balance	427,857	392,583
	<u>5,507,857</u>	<u>5,333,683</u>
<u>Financial liability</u> – measured at amortized costs		
-Accrued expenses and other payables	231,800	74,875
-Amount due to a related company	286,678	286,678
-Amount due to a committee member	395	395
	<u>518,873</u>	<u>361,948</u>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 FINANCIAL RISK FACTORS

The Company financial instruments comprise of amount due from a related company, rental deposit and prepayment, interest receivable, cash and bank balance, amount due to a related company, amount due to a committee member and accrued expenses and other payables, which arise directly from its operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments are liquidity risk and credit risk. This risk is managed by the Company's financial management policies and practices described below:

(a) Liquidity risk

The Company has adequate cash and has maintained adequate credit facilities for its operating requirement. Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. The remaining contractual maturities of the Company's financial liabilities at the financial year ended date are all within one year or repayable on demand. The contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the financial year ended date) are the carrying amounts shown on the statement of financial position.

(b) Credit risk

As at 31 March 2020, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The credit risk of our Company mainly arises from cash and cash equivalents. The carrying amounts of these balances represent our Company's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

(c) Interest rate risk

The Company's cash flow interest rate risk relates primarily to variable rate borrowings. It is the Company's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

(d) Foreign currency risk

The Company is exposed to foreign currency risk through significant foreign currency contracts. Fluctuations in US dollar/Hong Kong dollars exchange rate may have a significant impact on the Company's profit or loss.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide returns for shareholder and benefits for other stakeholders to maintain optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, raise new debt financing or sell assets to reduce debts.

The capital structure of the Company represents equity attributable to equity holders of the Company, comprised share capital and retained earnings.

5.4 FAIR VALUE ESTIMATION

Management has assessed that the fair values of the trade deposits and fixed deposits, cash and bank balances approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

There are no critical estimates in applying the Company's principal accounting policies.

In the application of the Company's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

7. INCOME AND OTHER INCOME

Income for the year comprises of the following:	2020	2019
	HK\$	HK\$
Income		
- Donation received	<u>187,658</u>	<u>193,393</u>
Other income		
-Interest income from bank	11	9
-Interest income from loan	<u>120,000</u>	<u>120,000</u>
	<u>120,011</u>	<u>120,009</u>

8. SURPLUS FOR THE YEAR

Surplus for the year is stated after charging:	2020	2019
	HK\$	HK\$
Auditor's remuneration	5,300	5,300
Bank charges	440	465
Depreciation	2,375	2,970
Donation paid	55,700	-
Events cost	<u>72,110</u>	<u>42,716</u>

9. COMMITTEE MEMBERS' REMUNERATION

None of the committee members received any fees or emoluments in respect of their services to the Company during the year.

10. AMOUNTS DUE FROM AND DUE TO A RELATED COMPANY

Particulars of advances to related companies disclosed pursuant to Section 383 of the Companies Ordinance are as follows:

	Balance at beginning of year HK\$	Balance at end of year HK\$	Maximum balance during the year HK\$
<u>From a Related Company</u>			
The Art of Living Hong Kong Limited	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,800,000</u>
<u>To a Related Company</u>			
The Art of Living Japan	<u>286,678</u>	<u>286,678</u>	<u>286,678</u>

Amount from a related company is unsecured and interest charged at the rate of 2.5% per annum and amount due to a related company is unsecured, interest free and have no fixed repayment terms.

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THE ART OF LIVING SOCIETY OF HONG KONG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

11. PLANT AND EQUIPMENT

	Office equipment HK\$	Office decoration HK\$	Total HK\$
Cost:			
At 1 April 2019 & At 31 March 2020	<u>71,064</u>	<u>81,400</u>	<u>152,464</u>
Accumulated depreciation:			
At 1 April 2019	62,563	78,023	140,586
Charge for the year	<u>1,700</u>	<u>675</u>	<u>2,375</u>
At 31 March 2020	<u>64,263</u>	<u>78,698</u>	<u>142,961</u>
Net Book Value:			
At 31 March 2020	<u>6,801</u>	<u>2,702</u>	<u>9,503</u>
At 31 March 2019	<u>8,501</u>	<u>3,377</u>	<u>11,878</u>

12. COMMITMENTS UNDER OPERATING LEASES

The Trust had the following total future minimum lease payments payable under non-cancellable operating leases:

	2020 HK\$	2019 HK\$
Land and buildings:		
Not later than one year	240,000	150,000
Later than one year	<u>180,000</u>	<u>180,000</u>
	<u>420,000</u>	<u>330,000</u>

13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Management Committee on 10 FEB 2021 .