

惠平幼稚園有限公司
WAI PENG KINDERGARTEN LIMITED
(incorporated in Hong Kong and limited by guarantee)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JULY, 2020**

張兆平會計師事務所
OSCAR S.P. CHEUNG & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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惠平幼稚園有限公司
WAI PENG KINDERGARTEN LIMITED
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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements of Wai Peng Kindergarten Limited (the "Company") for the year ended 31st July, 2020.

PRINCIPAL ACTIVITY

The Company was operating a kindergarten in Hong Kong during the year.

BUSINESS REVIEW

The Company continued to operate a kindergarten in Peng Chau during the year. The kindergarten, being a non-profit-making organization, has applied the Pre-primary Education Voucher Scheme ("PEVS") to Education Bureau which provided a direct fee subsidy for parents to pay for the kindergarten education fee. To be eligible for joining the PEVS, the kindergarten need to offer a full local curriculum in accordance with the Guide to the Pre-primary Curriculum issued by Curriculum Development Council. Besides, the charging of the tuition fee cannot exceed the specified fee thresholds determined by the Education Bureau.

The principal risk of the kindergarten is the facing of continued drop in number of students over the years. The number of students dropped from 17 in last year compared to 9 in current year. Moreover, referring to note 12 to the financial statements which stated that the Company is facing a petition in District Court to vacate its premises that used for kindergarten, although the directors are in the opinion that the Company has a high chance to win the case, uncertainty still exist.

The Company has no specific environmental policy, however, it allows students to wear old version of student uniform if the student get it from their brother or sister.

All the teaching and non-teaching staffs of the kindergarten are come from the family member of the school supervisor, hence the success of the kindergarten will depend on whether it can recruit enough staff to replace if some of the family member left the Company. Staffs recruitment is not easy in Peng Chau as it is an island that far away from urban area in Hong Kong.

Despite with the risks stated above, the directors are still confident that the kindergarten can be operate perpetually in foreseeable future.

RESULTS

The results of the Company for the year ended 31st July, 2020 and the state of the Company's affairs at that date are set out on pages 5 to 13.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are shown in note 7 to the financial statements.

惠平幼稚園有限公司
WAI PENG KINDERGARTEN LIMITED
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DIRECTORS' REPORT – (Continued)

DIRECTORS

The directors who held office during the year and up to the date of this report are:-

LAM Lap Man 林立民
LAM Ying Man 林應民

In accordance with Article 33 of the Company's Article of Association, one-third of the directors shall retire at the upcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company did not enter into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of any business of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of share in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in notes 9 and 10 to the financial statements, no other contract of significance to which the Company was a party and in which a director 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.

AUDITOR

A resolution for the reappointment of Oscar S.P. Cheung & Co. as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board



LAM Ying Man 林應民, Director:

HONG KONG, 12th January, 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

惠平幼稚園有限公司

WAI PENG KINDERGARTEN LIMITED

(incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Wai Peng Kindergarten Limited (the "Company") set out on pages 5 to 13, which comprise the statement of financial position as at 31st July, 2020, the income and expenditure account, the statement of changes in members' equity, the 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 Company as at 31st July, 2020, and of its financial performance and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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, 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.

Fundamental uncertainty

In forming our opinion, the financial statements have been prepared on a going concern basis. In view of the excess of liabilities over assets as at 31st July, 2020 continuance in business as a going concern is dependent upon the Company maintaining future profitable operation and the financial support from its members. The financial statements do not include any adjustments that would result from a failure to obtain such support. Details of the circumstances relating to this fundamental uncertainty are described in note 2(a). We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

Responsibility 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 HKFRS for Private Entities 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF – (Continued)

惠平幼稚園有限公司

WAI PENG KINDERGARTEN LIMITED

(incorporated in Hong Kong and limited by guarantee)

Auditor's Responsibility 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 HKSA's 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 HKSA's, 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.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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.

Emphasis of matter

We draw attention to Note 12 to the financial statements which indicate that the Company is facing a petition in District Court to vacate its premises that used for Kindergarten. This petition indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.



Oscar S.P. Cheung & Co.

Certified Public Accountants (Practising)

HONG KONG, 12th January, 2021

惠平幼稚園有限公司
WAI PENG KINDERGARTEN LIMITED
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**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST JULY, 2020**

(Expressed in Hong Kong dollars)

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
TURNOVER	4	<u>709,340</u>	<u>1,410,362</u>
SURPLUS BEFORE TAXATION	5	185,075	25,106
TAXATION	6	-	-
SURPLUS AFTER TAXATION		<u>185,075</u>	<u>25,106</u>
ACCUMULATED DEFICIT, BROUGHT FORWARD		<u>(218,344)</u>	<u>(243,450)</u>
ACCUMULATED DEFICIT, CARRIED FORWARD		<u>(33,269)</u>	<u>(218,344)</u>

The accompanying notes form an integral part of these financial statements.

惠平幼稚園有限公司

WAI PENG KINDERGARTEN LIMITED

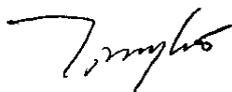
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STATEMENT OF FINANCIAL POSITION AS AT 31ST JULY, 2020

(Expressed in Hong Kong dollars)

	NOTE	2020	2019
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,043	6,087
CURRENT ASSETS			
Stocks	8	110,984	137,236
Utility and other deposits		500	1,200
Cash and bank balance	11	363,351	150,685
		474,835	289,121
CURRENT LIABILITIES			
Amount due to a related party	9	397,463	397,463
School fees received in advance		17,884	13,214
Accrued expenses		95,800	102,875
		511,147	513,552
NET CURRENT LIABILITIES		(36,312)	(224,431)
NET LIABILITIES		(33,269)	(218,344)
Represented by:			
ACCUMULATED DEFICIT		(33,269)	(218,344)

Approved by the board of directors on 12th January, 2021.



LAM Ying Man 林應民, Director



LAM Lap Man 林立民, Director

The accompanying notes form an integral part of these financial statements.

惠平幼稚園有限公司
WAI PENG KINDERGARTEN LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST JULY, 2020

(Expressed in Hong Kong dollars)

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF SURPLUS FOR THE YEAR TO		
NET CASH INFLOW FROM OPERATING ACTIVITIES		
Surplus for the year	185,075	25,106
Adjustment for depreciation of property, plant and equipment	3,044	4,060
	<hr/>	<hr/>
Operating surplus before changes in working capital	188,119	29,166
Changes in working capital		
Decrease/(Increase) in stocks	26,252	(6,302)
Decrease/(Increase) in utility and other deposits	700	(700)
Increase in amounts due to a related party	-	86,455
Increase/(Decrease) in school fees received in advance	4,670	(13,166)
Decrease in accrued expenses	(7,075)	(34,585)
	<hr/>	<hr/>
NET CASH INFLOW FROM OPERATING ACTIVITIES	212,666	60,868
CASH AND CASH EQUIVALENTS, AT OPENING	150,685	89,817
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, AT 31ST JULY	<u>363,351</u>	<u>150,685</u>
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and bank balances	<u>363,351</u>	<u>150,685</u>

The accompanying notes form an integral part of these financial statements.

惠平幼稚園有限公司
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STATEMENT OF CHANGES IN MEMBERS' EQUITY

(Expressed in Hong Kong dollars)

	<u>Accumulated Deficit</u>	<u>Total</u>
At 1st August, 2018	(243,450)	(243,450)
Surplus for the year	25,106	25,106
	<hr/>	<hr/>
At 31st July, 2019	(218,344)	(218,344)
	<hr/> <hr/>	<hr/> <hr/>
At 1st August, 2019	(218,344)	(218,344)
Surplus for the year	185,075	185,075
	<hr/>	<hr/>
At 31st July, 2020	(33,269)	(33,269)
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. COMPANY INFORMATION

Wai Peng Kindergarten Limited (the “Company”) is a private company incorporated in Hong Kong and limited by guarantee, and is a registered charitable institution during the year. The income and property of the Company, wheresoever derived, is applied solely towards the promotion of the objects set out in clause 5 of the Company’s Memorandum of Association. The Company’s funds are not distributable to its members. Every member of the Company undertakes to contribute, if required, an amount not exceeding HK\$100 to the assets of the Company in the event of its being wound up. The Company operated a kindergarten in Hong Kong during the year.

The Company’s registered office is located at Ground Floor, East Portion, 8C Chi Yan Lane, Peng Chau, New Territories, Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparing the financial statements

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities (“HKFRS for Private Entities”) issued by the Hong Kong Institute of Certified Public Accountants and the requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of investment property at fair value.

On 31st December, 2009, a petition has been filed in the District Court for the Company to vacate the premises and to pay rents in arrear together with accrued interest. The management of the Company have proceeded with court actions to have the petition dismissed. In the view of the management of the Company, the petition will be dismissed and therefore these financial statements have been prepared on a going concern basis.

The financial statements are presented in Hong Kong dollars which is the Company’s functional and presentational currency.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the Company maintaining future profitable operation and the financial support from its members. If the Company was unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the values of assets at the end of reporting date to their recoverable amounts and to provide for further liabilities that might arise.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believed that it is appropriate for the financial statements to be prepared on a going concern basis.

(b) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES – (Continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is calculated to write off the cost of assets over their estimated useful lives, using the straight line method, at the following annual rates:

School premises	20%
Furniture, fixtures & equipment	20%

(d) Income recognition

-Tuition fees, application fees and registration fees are recognized in the school year to which the fees related.

-Other income is recognized on cash basis.

(e) Related parties

A related party is a person or entity that is related to the Company as defined below:

- (I) A person or a close member of that person's family is related to the Company if that person:
 - (i) is a member of the key management personnel of the Company or of a parent of the Company;
 - (ii) has control over the Company; or
 - (iii) has joint control or significant influence over the Company or has significant voting power in it.
- (II) An entity is related to the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group.
 - (ii) either entity is an associate or joint venture of the other entity.
 - (iii) both the entity and the Company are joint ventures of a third entity.
 - (iv) either an entity or the Company is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the plan.
 - (vi) the entity is controlled or jointly controlled by a person identified in (I).
 - (vii) a person identified in (I)(i) has significant voting power in the entity.
 - (viii) a person identified in (I)(ii) has significant influence over the entity or significant voting power in it.
 - (ix) a person or a close member of the person's family has both significant influence over the entity or significant voting power in it and joint control over the Company.
 - (x) a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the Company or has significant voting power in it.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES - (Continued)

(f) Impairment loss

At each year end date, 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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(g) Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income and expenditure account because it excludes items of income or expense those are taxable or deductible in other years, and it further excludes items those are never taxable or deductible. The Company's liability for current tax is calculated using tax rate enacted or substantively enacted by the year end date.

Deferred taxation is accounted for by using the year end liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the account. The principal temporary differences arise from depreciation on property, plant and equipment, general provision for bad and doubtful debts and tax losses carried forward. Taxation rates enacted or substantively enacted by the year end date are used to determine deferred taxation.

Deferred tax liabilities are provided in full on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

3. KEY SOURCE OF ESTIMATION UNCERTAINTY

The Company's management makes assumptions, estimates and judgements in the process of applying the Company's accounting policies that affect the assets, liabilities, income and expenditures in the financial statements prepared in accordance with HKFRS for Private Entities. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4. TURNOVER

Turnover represents tuition fees, application fees, registration fees, subsidies from Pre-school Education Voucher Scheme, Fee Remission Scheme and One-off start-up grant for kindergarten during the year. The One-off start-up grant can be used up to 31st July, 2019 and any unused grant should be returned to the Government based on the circular memorandum no. 23/2017 issued by the Education Bureau.

5. SURPLUS BEFORE TAXATION

Surplus before taxation is stated at after charging/(crediting) the follows:

	<u>2020</u>	<u>2019</u>
Staffs salaries and allowances (including directors' remuneration)	160,000	660,000
Pensions/Mandatory Provident Fund	26,843	33,000
Total staff cost	<u>186,843</u>	<u>693,000</u>
Auditor's remuneration	23,000	23,000
Directors' remuneration:		
-Fees	-	-
-Other emoluments	-	-
Depreciation of property, plant and equipment	3,044	4,060
Government rents and rates	12,174	16,737
Operating lease charge in respect of land and building	192,000	252,000
School fee from Pre-school Education Voucher Scheme	(418,450)	(734,654)
School fee from Fee Remission Scheme	(21,255)	(21,693)
Special grant on typhoon disturbance	-	(47,750)
Special grant for anti-epidemic	(10,000)	-
Subventions support grant	(100,000)	-
Promotion for reading grant	(10,000)	-
Grant for support to Non-Chinese Speaking students	(50,000)	(379,380)
Rental subsidy	<u>(47,412)</u>	<u>(98,551)</u>

6. TAXATION

No provision for Hong Kong profits tax has been made as the Company is a registered charitable institution, which is exempted from Hong Kong Profits Tax by virtue of section 88 of the Inland Revenue Ordinance.

7. PROPERTY, PLANT AND EQUIPMENT

	<u>School premises</u>	<u>Furniture, fixtures & equipment</u>	<u>Total</u>
At cost			
At 1st August, 2019 and at 31st July, 2020	141,155	398,241	539,396
Accumulated depreciation			
At 1st August, 2019	141,154	392,155	533,309
Charge for the year	-	3,044	3,044
At 31st July, 2020	<u>141,154</u>	<u>395,199</u>	<u>536,353</u>
Net book value			
At 31st July, 2020	<u>1</u>	<u>3,042</u>	<u>3,043</u>
At 31st July, 2019	<u>1</u>	<u>6,086</u>	<u>6,087</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8. STOCKS

	<u>2020</u>	<u>2019</u>
School uniforms	94,240	118,636
Text books	16,744	18,600
	<u>110,984</u>	<u>137,236</u>

9. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party was unsecured, interest free, and no fixed term of repayment.

10. RELATED PARTIES TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company had the following transactions with related parties:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
		HK\$	HK\$
Salaries paid to Mr. LAM Wah Kwan	(i)	-	42,000
Salaries paid to Mrs. LAM LAU Fung Wa	(ii)	-	84,000
Salaries paid to Ms. LAM Oi Man	(ii)	-	132,000
Salaries paid to Ms. LAM Wai Man	(ii)	80,000	132,000
Salaries paid to Ms. LAM Wan Man	(ii)	80,000	132,000
Salaries paid to Ms. LAM Yee Man	(ii)	-	138,000

Notes:(i) Mr. LAM Wah Kwan (deceased on 3rd December, 2018) was the supervisor of the Company, a key management personnel of the Company. Mrs. LAM LAU Fung Wa is being appointed as supervisor on the same day.

(ii) Mrs. LAM LAU Fung Wa, Ms. LAM Oi Man, Ms. LAM Wai Man, Ms. LAM Wan Man and Ms. LAM Yee Man are close family members of Mr. LAM Wah Kwan, the key management personnel of the Company.

11. CASH AND BANK BALANCE

The cash and bank balances were denominated in the following currency:

	<u>2020</u>	<u>2019</u>
Hong Kong dollars	<u>363,351</u>	<u>150,685</u>

12. CONTINGENCY AND LITIGATION

On 31st December, 2009, a petition has been filed in the District Court for the Company to vacate the premises that used for Kindergarten and to pay rents in arrear together with accrued interest. The management of the Company have proceeded with the court actions to have the petition dismissed.