

THE HONG KONG SOCIETY FOR THE DEAF
(Limited by guarantee)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



WONG BROTHERS CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)



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**THE HONG KONG SOCIETY FOR THE DEAF
(Limited by guarantee)**

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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THE HONG KONG SOCIETY FOR THE DEAF
REPORT OF THE COUNCIL
FOR THE YEAR ENDED 31 MARCH 2021

The Council has pleasure in submitting herewith its report and the audited financial statements of the Society for the year ended 31 March 2021.

Principal activities

The Society is organized as a non-profit making organization. Its objectives are:-

- (1) To undertake projects of publicity; recreation; counselling; and clinical, audiological and medical services for the deaf.
- (2) To work towards increasing educational opportunities and improving educational standards for the deaf, and to provide special equipment for the deaf.
- (3) To inform the public about the problems and needs of the deaf, to give necessary information to the deaf, and to exchange information among institutions serving the deaf.

There were no significant changes in the nature of the activities of the Society during the year.

Results and financial position

The results of the Society for the financial year ended 31 March 2021 are set out in the statement of profit or loss and other comprehensive income on page 10.

The financial position of the Society at 31 March 2021 is set out in the statement of financial position on page 11.

The group accounts of the Society and its subsidiary, The Hong Kong Society for the Deaf Cafeteria Limited, for the year ended 31 March 2021 have not been prepared as the inclusion of the subsidiary undertaking is immaterial for the purpose of giving a true and fair view of the financial position and financial performance of the Society.

THE HONG KONG SOCIETY FOR THE DEAF

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2021

Business Review

1. A fair review of The Society's operation

A Brief History

Founded in 1968, the Hong Kong Society for the Deaf is a non-profit making organization which aims to promote the well-being of the hearing impaired and seeks to ensure equalization of opportunities for hearing impaired persons. It was incorporated in Hong Kong as a company limited by guarantee in 1976.

Our Objectives

- (1) To undertake projects of publicity, education, recreation, counselling, clinical, audiological and medical services for the hearing impaired; and to assist or cooperate with any institutions, organizations or individuals to improve the services for the hearing impaired.
- (2) To work towards improving the educational standards for the hearing impaired, to provide scholarship and special equipment for the hearing impaired as well as to provide guidance for parents of hearing impaired children.
- (3) To inform the public about the problems and needs of the hearing impaired, to give necessary information to hearing impaired persons and their families about institutions and services available to them, and to exchange information among institutions serving the hearing impaired and to promote the concept of and to take steps to work towards the integration of the hearing impaired with the public.

Our Service

Serving around 7,700 hearing impaired members in the community, the Society is operating two special child care centres, an early education and training centre, a parents resource centre, a child development centre, an employment and training centre, three multi-services centres for hearing impaired persons and a cafeteria. The scope of services includes education, social and recreational services, counselling, sign language interpretation, supported employment, social enterprise service, audiological and technical service, speech therapy, physiotherapy and parents support service.

While conducting our services, the Society ensures that we are in full compliance with Companies Ordinance, Social Welfare Department (SWD) subvention guidelines, Funding and Services Agreement of SWD and Child Care Services Ordinance.

In addition to the above, the Society has been awarded by SWD to implement the Pilot Scheme on Social Work Service for Pre-primary Institution (Phase 3), and has commenced operation on 10 August 2020.

THE HONG KONG SOCIETY FOR THE DEAF

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2021

Business Review (Cont'd)

1. A fair review of The Society's operation (Cont'd)

Key Stakeholder Relationship

Being members of Community Chest of Hong Kong and the Hong Kong Council of Social Service, we collaborate to implement projects for the hearing impaired community. We maintain cordial working relationship with our key stakeholders through regular interactions, submission of evaluation reports and annual report.

We also enhance communications with our members through the official website, questionnaires and surveys, specific group meetings, Newsletters and Annual General Meeting in order to collect their feedbacks and evaluate on our service delivery.

The Society is a caring employer, offering competitive remuneration through annual salary inflation adjustment in addition to annual increment. We maintain good working relationship with our employees through regular meetings and other communication channels. Staff development days were also arranged for staff members to boost team spirit and to make plans for the coming year.

Environmental Policies

The Society supports and fosters environmental-friendly workplace by instituting various green measures such as recycling of paper and printer toner cartridges, printing on both sides of paper, information dissemination and leave application by electronic means, etc.. Electrical appliances and office equipment are switched off when not in use. E-newsletter is also offered to members who prefer online reading.

Financial Key Performance Indicator

		2020-21	2019-20
Current ratio:	Current assets/current liability	16.55	18.24
Cash ratio:	Cash/annual expense	1.11	1.05

Our financial position continued to be healthy.

THE HONG KONG SOCIETY FOR THE DEAF

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2021

Business Review (Cont'd)

2. Principal risks and uncertainties

The Social Welfare Department and the Hong Kong Community Chest are the two major recurrent funding sources of the agency.

	2020-21 HK\$	2019-20 HK\$	% change
The recurrent income from SWD subvention	72,154,131	62,080,925	16.23% increase
The recurrent income from Community Chest	4,766,348	4,396,800	8.4% increase
Total	76,920,479	66,477,725	15.71% increase
% of total income	93%	91%	
Total income	82,355,382	72,763,828	

Funding from SWD and Community Chest continued to cover around 93% of our needs, with the remaining 7% coming from general donation, fees and programme income.

Other risks:

Due to chronic shortage of paramedical staff such as physiotherapists and occupational therapists etc. in the social welfare sector, our agency may have the retention and recruitment difficulties for these categories of staff.

3. Events after year end date of report

As pandemic becomes stable in April 2021 onwards, most of our services resume normal and substantive measures of infection control are implemented when delivering face-to-face services in the centres. Mass programmes and activities are still affected by COVID-19 to certain extent, various means such as on-line mode to provide services to clients are adopted.

New Head of Human Resources, new Head of Administration and new Deputy Director have reported duty in June, July and August of 2021 respectively. Succession of management will be continued.

4. Future development

Social Welfare Department had extended the existing service of the Pilot Scheme on Social Work Service for Pre-primary Institution (Phase 3) for six months from 1 February 2022 to 31 July 2022 (i.e. till the end of the 2021/2022 school year).

Moreover, the Social Welfare Department had approved subvention for an additional 40 places regarding the On-site Pre-school Rehabilitation Service of the Society from 1 September 2021. This subvention further strengthens the school support service of the Society in serving pre-schooler with special educational needs.

The implementation of the three-year strategic plan (2018-21) is under review by the Society. The Society will continue to implement and enhance services in the areas of education, hearing impaired youth development and IT development to meet the changing needs of the hearing impaired community where necessary.

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THE HONG KONG SOCIETY FOR THE DEAF

REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2021

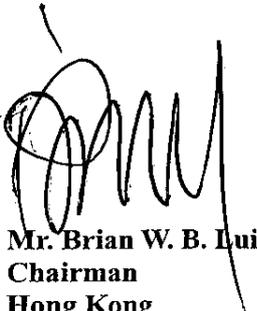
Permitted indemnity provisions

At no time during the year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Council members of the Society.

Auditors

A resolution proposing that Wong Brothers CPA Limited, Certified Public Accountants (Practising), be re-appointed as auditors of the society will be put to the Annual General Meeting.

On behalf of the Council



Mr. Brian W. B. Lui
Chairman
Hong Kong
Dated 20 OCT 2021



Independent Auditors' Report to the members of
THE HONG KONG SOCIETY FOR THE DEAF
(Incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of The Hong Kong Society for the Deaf set out on pages 10 to 36 which comprise the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, the statement of changes in funds and 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 financial position of the Society as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance Cap 622.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditors' report thereon

The Council members are responsible for the other information. The other information comprises all the information included in the report of the Council, other than the financial statements and our auditors' 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.

WONG BROTHERS CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

Independent Auditors' Report to the members of
THE HONG KONG SOCIETY FOR THE DEAF
(Incorporated in Hong Kong with liability limited by guarantee)

Responsibilities of Council members and those charged with governance for the financial statements

The Council members 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 Cap 622, and for such internal control as the Council members 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 Council members are responsible for assessing the Society'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 Council members either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Cap 622, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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WONG BROTHERS CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

Independent Auditors' Report to the members of
THE HONG KONG SOCIETY FOR THE DEAF
(Incorporated in Hong Kong with liability limited by guarantee)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

- Conclude on the appropriateness of the Council members' 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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Society 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, if any, that we identify during our audit.

Wong Brothers CPA Ltd.

Wong Brothers CPA Limited
Certified Public Accountants (Practising)

Clifford C K Lo
Practising Certificate Number: P05499
Hong Kong, 20 OCT 2021

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THE HONG KONG SOCIETY FOR THE DEAF
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 HK\$	2020 HK\$
Income			
Allocation from Hong Kong Community Chest			
- Baseline Allocation		4,766,348	4,396,800
Donations received from public		791,669	566,321
Early education training centre income		19,134	6,128
Interest class fee received		31,368	95,723
JTCC Course fee received		4,200	4,300
Membership fees		185,552	216,783
Occupational Deafness Compensation Board Service fee received		1,890,947	2,379,995
Programme fee received		927,458	910,214
Rental income		-	111,000
Sign-language course fee received		178,573	466,705
Speech and hearing enhancement scheme income		27,500	98,300
Speech therapy income		6,960	12,770
Subvention from Social Welfare Department			
- Lump Sum Grant and Others		71,350,384	61,287,371
- Training subsidy programme for Children on the waiting list for Subvented Pre-school Rehabilitation Services	20	703,747	793,554
- Subsidy for Enhanced Support for Ethnic Minority Children in Special Child Care Centres and Early Education and Training Centres	21	100,000	-
Sundry income		1,070,632	950,674
Technical service income		300,910	467,190
		<u>82,355,382</u>	<u>72,763,828</u>
Expenditure			
Advertising		99,275	95,739
Audit fee	6	65,800	54,000
Bank charges		13,571	10,824
Cleaning		267,632	230,515
Depreciation on leasehold land and buildings		320,000	320,000
Depreciation on right-of-use assets		1,568,598	1,165,606
Entertainment		600	827
Insurance		1,072,291	767,120
Interest on lease liabilities		114,313	130,318
Local traveling expenses		98,690	165,293
Meeting expenses		9,108	8,905
Newspapers and periodicals		48,627	19,495
Nursery food expenses		3,162	137,532
Paramedical-out-source service		2,036,199	1,398,620
Postage		29,734	30,840
Printing and stationery		457,911	491,489
Programme expenses		2,439,592	3,716,120
Promotion expenses		11,153	45,170
Public education expenses		165,955	346,883
Provision for unused annual leave		-	900,000
Rent and rates		1,697,829	1,382,547
Repairs and maintenance		1,382,397	408,561
Salaries and allowances		58,714,820	53,701,482
Staff provident fund contribution		3,876,815	3,920,706
Staff recreational and development expenses		178,059	117,312
Subscriptions		8,888	8,701
Sundry expenses		154,563	256,201
Technical service expenses		87,474	78,952
Telephone, electricity and utilities		638,761	786,677
Transportation		175,029	184,078
		<u>(75,736,846)</u>	<u>(70,880,513)</u>
Surplus for the year		6,618,536	1,883,315
Other comprehensive income			
Items that will not be reclassified subsequently to surplus or deficit			
Fair value gain/(loss) on revaluation of equity investments at fair value through other comprehensive income		1,397,395	(3,276,513)
Other comprehensive income for the year		<u>1,397,395</u>	<u>(3,276,513)</u>
Total comprehensive income for the year		<u>8,015,931</u>	<u>(1,393,198)</u>

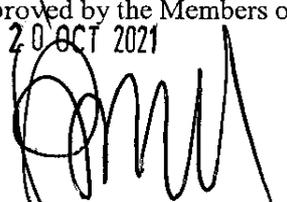
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THE HONG KONG SOCIETY FOR THE DEAF

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021 HK\$	2020 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	5,760,001	6,080,001
Investment in a subsidiary	9	--	--
Financial assets at fair value through other comprehensive income	10	16,519,187	13,819,204
Right-of-use assets	11	<u>3,353,123</u>	<u>3,281,360</u>
		<u>25,632,311</u>	<u>23,180,565</u>
Current assets			
Accounts receivable and prepayments	12	265,121	2,995,623
Inventories	13	993,300	2,808,836
Loan to The Hong Kong Society for the Deaf Cafeteria Limited	14	213,529	587,628
Utility deposits		739,987	544,121
Cash and bank balances	15	<u>83,829,723</u>	<u>74,431,446</u>
		<u>86,041,660</u>	<u>81,367,654</u>
Total assets		<u>111,673,971</u>	<u>104,548,219</u>
EQUITY AND LIABILITIES			
Funds and reserves			
General fund	16	7,353,392	7,606,773
Specific funds	17	96,227,069	90,940,472
Revaluation reserves		<u>1,303,836</u>	<u>(93,559)</u>
Total equity		<u>104,884,297</u>	<u>98,453,686</u>
Liability			
Non-current liabilities			
Obligations under lease liabilities	18	<u>1,592,152</u>	<u>1,632,969</u>
Current liabilities			
Accounts payable and accruals	19	3,080,072	2,470,636
Membership fees received in advance		269,798	269,326
Obligations under lease liabilities	18	<u>1,847,652</u>	<u>1,721,602</u>
		<u>5,197,522</u>	<u>4,461,564</u>
Total liabilities		<u>6,789,674</u>	<u>6,094,533</u>
Total equity and liabilities		<u>111,673,971</u>	<u>104,548,219</u>

Approved by the Members of the Council
on 20 OCT 2021



Mr. Brian W. B. Lui
Chairman



Mr. Eddie K.K. Lau
Hon. Treasurer

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THE HONG KONG SOCIETY FOR THE DEAF
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 MARCH 2021

	General fund HK\$	Specific funds HK\$	Revaluation gain/(loss) on financial assets at fair value through other comprehensive income (Non-cycling) HK\$	Revaluation gain on investment property HK\$	Total HK\$
At 1 April 2019	6,469,574	86,895,339	3,182,954	3,800,000	100,347,867
Total comprehensive income for the year	1,883,315	--	(3,276,513)	--	(1,393,198)
Deficit from specific funds	--	(477,870)	--	--	(477,870)
Transfer to specific funds	(4,523,003)	4,523,003	--	--	--
Transfer from reserve of revaluation gain on investment property	3,800,000	--	--	(3,800,000)	--
Refund to Social Welfare Department	(22,788)	--	--	--	(22,788)
Refund to Occupational Deafness Rehabilitation Network	(264)	--	--	--	(264)
Refund to Labour and Welfare Bureau	(61)	--	--	--	(61)
At 1 April 2020	7,606,773	90,940,472	(93,559)	--	98,453,686
Total comprehensive income for the year	6,618,536	--	1,397,395	--	8,015,931
Deficit from specific funds	--	(1,245,105)	--	--	(1,245,105)
Transfer to specific funds	(6,531,702)	6,531,702	--	--	--
Refund to Social Welfare Department	(19,126)	--	--	--	(19,126)
Refund to Occupational Deafness Rehabilitation Network	(321,089)	--	--	--	(321,089)
At 31 March 2021	<u>7,353,392</u>	<u>96,227,069</u>	<u>1,303,836</u>	<u>--</u>	<u>104,884,297</u>

THE HONG KONG SOCIETY FOR THE DEAF

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 HK\$	2020 HK\$
Cash flows from operating activities			
Surplus for the year		6,618,536	1,883,315
Adjustments for:			
Interest on lease liabilities		123,492	156,810
Depreciation on right-of-use assets		1,835,336	1,525,345
Depreciation on leasehold land and buildings		320,000	320,000
Dividend income		--	(210,344)
Provision for unused annual leave		--	900,000
		<hr/>	<hr/>
Operating surplus before working capital		8,897,364	4,575,126
Decrease/(increase) in accounts receivable and prepayments		2,730,502	(2,139,449)
Decrease in inventories		1,815,536	1,632,277
Decrease/(increase) in loan to a subsidiary		374,099	(239,893)
Increase in utility deposits		(195,866)	(259,147)
Increase/(decrease) in accounts payable and accruals		609,436	(29,489)
Increase/(decrease) in membership fees received in advance		472	(47,864)
		<hr/>	<hr/>
Cash generated by operations and net cash inflow from operating activities		14,231,543	3,491,561
		<hr/>	<hr/>
Cash flows from investing activities			
Payments to acquire financial assets		(1,302,589)	--
Payments to acquire property, plant and equipment	8	(5,770,534)	(4,297,746)
(Increase)/decrease in deposits with banks over three months of maturity		(13,669,628)	18,440,782
		<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities		(20,742,751)	14,143,036
		<hr/>	<hr/>
Net cash (outflow)/inflow before financing		(6,511,208)	17,634,597
		<hr/>	<hr/>
Financing			
Decrease in general fund		(340,215)	(23,113)
Decrease in specific funds		(1,245,105)	(477,870)
Grant received for acquisition of property, plant and equipment		5,770,534	4,297,746
Repayment of lease liabilities	15	(1,945,358)	(1,608,944)
		<hr/>	<hr/>
Net cash inflow from financing		2,239,856	2,187,819
		<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents		(4,271,352)	19,822,416
Cash and cash equivalents at the beginning of the year		50,496,698	30,674,282
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	15	46,225,346	50,496,698
		<hr/>	<hr/>

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. LEGAL STATUS AND GENERAL INFORMATION

The Society is incorporated under the Companies Ordinance and is limited by guarantee. Under the provisions of the Society's Articles of Association, every member shall, in the event of the Society being wound up, contribute to the assets of the Society to the extent of HK\$50.

The address of the Society's registered office is Room 903, Duke of Windsor Social Service Building, 15 Hennessy Road, Wan Chai, Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies were consistently applied during the year.

2.1 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by financial assets and liabilities at fair value.

(b) Impact of new and revised HKFRS

(i) Standards, interpretations and amendments effective for current financial year

There are a number of new/revised standards, new/revised interpretations and amendments to HKFRS that are effective for the current financial year of the Society. Among these standards, interpretations and amendments, none of them is relevant to preparation of the financial statements of the Society for the year ended 31 March 2021.

(ii) Impact of standards, interpretations and amendments yet to be adopted

Up to the date of approval of these financial statements, the HKICPA has issued a number of new/revised standards, new/revised interpretations and amendments which are not yet effective and which have not been early adopted by the Society for the year ended 31 March 2021. The Council members are in the process of making an assessment and are not yet in a position to determine of what the impact of these new/revised standards, new/revised interpretations and amendments to the results and financial position of the Society upon adoption.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Property, plant and equipment

Capital expenditure incurred in an accounting period is charged entirely to grants or funds in that period. At the reporting date, the property, plant and equipment are stated at a nominal value of HK\$1.

Property are stated at cost less aggregate depreciation. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets. When assets are sold or retired, their cost and aggregate depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Depreciation is provided to write off the cost less residual value of each property over its expected useful life at the following annual rates:-

Leasehold land	- 5% straight line basis or over the remaining terms of the relevant lease, whichever is shorter
Buildings	- 5% straight line basis

2.3 Grants

Grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Grants related to income are recognised as income over the periods necessary to match them with the related costs.

Grants related to assets are deducted from the cost of the assets in arriving at their carrying amounts to the extent of the grants received and receivable as at the reporting date.

Where a refund is required under the terms of the agreement and a refund is probable, a liability is recognised for the expected amount of the refund.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the society is expected to be entitled in exchange for those goods or services. Revenue is net of trade discounts.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service. If control of the good or service is transferred over time, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the society's performance as the society performs;
- the society's performance creates and enhances an asset that the customer controls as the society performs; or
- the society's performance does not create an asset with an alternative use to the society and the society has an enforceable right to payment for performance completed to date.

Revenue recognition policies of the Society are as follows:

(a) Donations and membership fees

Donations and membership fees are accounted for on an actual receipt basis.

(b) Sale of goods

Sales are recognised when control of goods has transferred, being the time when goods are delivered to a customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the society has objective evidence that all criteria for acceptance have been satisfied. The consideration for sales is due for payment by the customer when invoiced.

(c) Interest income

Interest income is recognised as it is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(d) Revenue from provision of services

Revenue from provision of services is recognised at a point in time when a performance obligation is satisfied by transfer of a promised service to a customer. Invoices are issued to customers, when completion of services and consideration is payable when invoiced.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Impairment of financial assets

The Society recognises an allowance for expected credit losses (“ECLs”) for financial assets other than investments in subsidiaries. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Society 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, if any, that are integral to the contractual terms.

To determine ECLs for trade receivables and contract assets, the Society applies a simplified approach. Therefore, the Society does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Society uses a provision matrix, which is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, to determine ECLs.

The Council members consider the following constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- (a) When there is a breach of financial covenants by the debtor; or
- (b) Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its debts in full (without taking into account any collateral held by the Society).

Irrespective of the above, the Council members consider that default has occurred when a financial asset is more than 90 days past due unless the Society has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.6 Impairment of non-financial assets

Internal and external sources of information are reviewed at each reporting date to identify indications that non-financial 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. The recoverable amount of an asset is the greater of its net selling price and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment losses 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 profit or loss in the year in which the reversals are recognised.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.7 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Society has control. The Society controls an entity when the Society is exposed to, or has right to, variable returns from its involvement with the entity and had the ability to affect those returns through its power over the entity. When assessing whether the Society has power of controls, substantive rights held by the Society are only considered.

Investment in a subsidiary is stated at cost less impairment losses. Results of the subsidiary are accounted by the Society on the basis of dividend received.

2.8 Investments in financial assets

The Society's policies for investments in debt and equity instruments other than investments in subsidiaries are set out below.

Investments in debt and equity instruments are recognised/derecognised on the date the Society commits to purchase/sell the investments. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss.

Investments are subsequently accounted for as follows, depending on their classifications.

Equity investments

By default, the equity investment is measured subsequently at fair value at profit or loss and its fair value change is recognised in profit or loss.

If the equity investment is not held for trading purposes and the Society on initial recognition of the investment makes an irrevocable election (on an investment-by-investment basis) to designate the investment at fair value through other comprehensive income (Non-recycling), the investment is measured subsequently at fair value through other comprehensive income ("FVTOCI"). Changes in fair value are recognised in other comprehensive income. At the time of disposal, the amount accumulated in the fair value reserve is transferred to general or specific funds, wherever appropriate.

2.9 Accounts receivable

A receivable is recognised when the Society has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Society has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost, less allowance for credit losses.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.10 Leases

At inception of a contract, the Society assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Society recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the society enters into a lease in respect of a low-value asset, the Society decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The lease liability is remeasured when there is a change in future lease payments arising from a change in interest rate, or there is a change in the Society's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Society will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-off-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. Expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Depreciation is provided to write off the cost over its expected lease terms.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price less applicable variable selling expenses.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand and deposits held at banks.

Cash and cash equivalents are assessed for expected credit losses in accordance with the policy in note 2.5, impairment of financial assets.

2.13 Employee benefits

The Society operates defined contribution plans for staff which are funded through payments to insurance companies or trustee-administered funds. The Society has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.14 Specific funds

The specific funds consist of those resources which are designated by donors or approved by the committee as to the purposes for which they may be expected. Movement of specific funds during the year is described in note 17 to the financial statements.

2.15 Related parties

- (a) A person or a close member of that person's family is related to the Society if that person:
- (i) Has control or joint control over the Society;
 - (ii) Has significant influence over the Society; or
 - (iii) Is a member of key management personnel of the Society.
- (b) An entity is related to the Society if any of the following conditions apply:
- (i) The entity is a member of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity 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 the employees of the entity or an entity related to the Society.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of the holding company of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Society.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. FINANCIAL RISK MANAGEMENT POLICIES

3.1 Financial risk factors

The Society is not exposed to any significant financial risk factor, except credit risk and price risk.

(a) Credit risk

The Society's credit risk mainly arises from deposits at banks. The Society's exposure to credit risks is cash deposits at banks in the aggregate of HK\$83,686,193 (2020: HK\$74,302,456).

The credit risk on bank balances is limited because the counterparties are banks with good reputation. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of cash deposits at banks.

(b) Price risk

The Society is exposed to equity securities price risk in respect of the listed investments classified in the statement of financial position as financial asset at fair value through other comprehensive income. The equity price risk exposure arises from changes in the market price of the listed investments.

The Council members consider that the Society invests only with its surplus funds and its exposure may not have significant impact on the Society's financial position and results.

The following table indicates the approximate change in the Society's other comprehensive income for the year in response to reasonably possible changes in the relevant market prices of the listed investments.

	2021		2020	
	Decrease in listed shares prices by	Decrease in other comprehensive income for the year HK\$	Decrease in listed shares prices by	Decrease in other comprehensive income for the year HK\$
Listed equity shares Hong Kong	8%	1,321,534	8.5%	1,174,632

The sensitivity analysis has been determined assuming that the reasonably possible changes in the listed shares prices had decreased by 8%, with all other variables held constant. The changes represent Council members' assessment of reasonably possible changes in the relevant stock prices over the period until the next annual reporting date. The analysis for the comparative was performed on the same basis for 2020.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

3.2 Fair value estimation

The following summarizes the major methods and assumptions used in estimating the fair value of assets and liabilities of the Society:-

Equity investments at fair value

The fair value of equity investments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for equity investments held by the Society is the current bid price.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The presentation of financial statements in conforming with HKFRS requires the use of certain critical accounting estimates and judgements in applying the accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the significant accounting estimates and judgements for preparation of financial statements:-

Distinction between investment properties and owner-occupied properties

The Council members determine a property qualified as an investment property if an investment property generates cash flows largely independently of the other assets held by the Society. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Council members consider each property separately in making their judgement.

5. REMUNERATION OF COUNCIL MEMBERS

None of the Council members received any remuneration for the year (2020: Nil).

6. AUDITORS' REMUNERATION

Details of auditors' remuneration are as follows:-

	2021 HK\$	2020 HK\$
Provision of audit service for the year	<u>65,800</u>	<u>54,000</u>

7. INCOME TAX EXPENSE

The Society, being a charitable organisation, is exempt from the Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

8. PROPERTY, PLANT AND EQUIPMENT

	2021	2020
	HK\$	HK\$
Furniture, fixtures and equipment		
Balance brought forward	1	1
Additions during the year	<u>5,770,534</u>	<u>4,297,746</u>
	<u>5,770,535</u>	<u>4,297,747</u>
Grants from -		
Capital Fund - Audiological Technical Service Unit (Note 17(a))	302,168	543,403
Capital Fund - General	12,449	27,570
Ear Centre Capital	51,465	9,387
F & E Replenishment and Minor Works Block Grant Reserve	145,533	687,442
Project development fund	4,243,083	1,535,665
Recurrent Expenditure	799,336	990
S K Yee Medical Fund	--	1,290,159
Social Welfare Development Fund	216,500	45,130
The Hong Kong Jockey Club Charities Trust	--	158,000
	<u>(5,770,534)</u>	<u>(4,297,746)</u>
Balance carried forward	<u>1</u>	<u>1</u>
Leasehold land and buildings		
		HK\$
Cost		
At 1 April 2019		--
Transfer from investment property		<u>6,400,000</u>
At 31 March 2020 and 31 March 2021		<u>6,400,000</u>
Aggregate depreciation		
At 1 April 2019		--
Charge for the year		<u>320,000</u>
At 31 March 2020		320,000
Charge for the year		<u>320,000</u>
At 31 March 2021		<u>(640,000)</u>
Net book value		
At 31 March 2021		<u>5,760,000</u>
At 31 March 2020		<u>6,080,000</u>
Total property, plant and equipment		
At 31 March 2021		<u>5,760,001</u>
At 31 March 2020		<u>6,080,001</u>

The leasehold land and buildings are situated in Hong Kong and held on long term leases.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

9. INVESTMENT IN A SUBSIDIARY

The subsidiary of the Society is The Hong Kong Society for the Deaf Cafeteria Limited.

The Hong Kong Society for the Deaf Cafeteria Limited, a company incorporated in Hong Kong and limited by guarantee with principal activity of providing catering services to the public, was founded by some of the Council members then of The Hong Kong Society for the Deaf at no cost to the Society.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	HK\$	HK\$
Listed equity securities in Hong Kong	<u>16,519,187</u>	<u>13,819,204</u>

11. RIGHT-OF-USE ASSETS

	Leased buildings	Office equipment	Total
	HK\$	HK\$	HK\$
Cost			
At 1 April 2020	4,374,308	432,397	4,806,705
Additions	1,604,519	302,580	1,907,099
Written off	<u>(919,332)</u>	<u>(47,056)</u>	<u>(966,388)</u>
At 31 March 2021	<u>5,059,495</u>	<u>687,921</u>	<u>5,747,416</u>
Accumulated depreciation			
At 1 April 2020	1,429,677	95,668	1,525,345
Charge for the year	1,689,888	145,448	1,835,336
Written off	<u>(919,332)</u>	<u>(47,056)</u>	<u>(966,388)</u>
At 31 March 2021	<u>(2,200,233)</u>	<u>(194,060)</u>	<u>(2,394,293)</u>
Carrying amount			
At 31 March 2021	<u>2,859,262</u>	<u>493,861</u>	<u>3,353,123</u>
At 31 March 2020	<u>2,944,631</u>	<u>336,729</u>	<u>3,281,360</u>

The company has obtained the above right-of-use assets through tenancy and lease agreements. The terms of leases are rank 3 to 5 years.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

12. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021	2020
	HK\$	HK\$
Accounts receivable	101,315	476,617
Prepayments	64,142	2,308,349
Other receivables	99,664	210,657
	<u>265,121</u>	<u>2,995,623</u>

The following is the aging analysis of accounts receivable at the reporting date:-

	2021	2020
	HK\$	HK\$
Not past due	<u>101,315</u>	<u>476,617</u>

The carrying value of accounts receivable and prepayments approximates their fair value.

13. INVENTORIES

	2021	2020
	HK\$	HK\$
Hearing aid devices and accessories	2,420,384	3,989,828
Provision for obsolescence	<u>(1,427,084)</u>	<u>(1,180,992)</u>
	<u>993,300</u>	<u>2,808,836</u>

14. LOAN TO THE HONG KONG SOCIETY FOR THE DEAF CAFETERIA LIMITED

The loan is unsecured, interest free and repayable on demand. The carrying value of the loan approximates its fair value.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

15. CASH AND BANK BALANCES

	2021	2020
	HK\$	HK\$
Cash at banks and in hand	9,972,661	6,010,763
Short-term bank deposits	<u>73,857,062</u>	<u>68,420,683</u>
	<u>83,829,723</u>	<u>74,431,446</u>

Cash and cash equivalents include the following for the purposes of the statement of cash flows:-

	2021	2020
	HK\$	HK\$
Cash at banks and in hand	11,337,589	9,575,252
Bank overdraft (due to unrepresented cheques)	(1,364,929)	(3,564,489)
Short-term bank deposits matured within three months	<u>36,252,686</u>	<u>44,485,935</u>
	<u>46,225,346</u>	<u>50,496,698</u>

Cash at savings bank accounts in the aggregate of HK\$10,160,387 (2020: HK\$9,035,856) earns interest at floating rates based on daily bank deposit rates.

Short-term time deposits are due during the period between 9 April 2021 and 16 February 2022 (2020: 3 April 2020 and 4 February 2021) and carry interest rates ranging from 0.01% to 2.2% (2020: 0.25% to 2.96%) per annum.

Details of other cash flow information:-

Reconciliation of liabilities arising from financing activities

	2021	2020
	HK\$	HK\$
<u>Obligations under lease liabilities</u>		
At the beginning of the year	3,354,571	1,110,529
Changes from financing cash flows:-		
Repayment of leases obligation	<u>(1,945,358)</u>	<u>(1,608,944)</u>
Total changes from financing cash flows	<u>1,409,213</u>	<u>(498,415)</u>
Interest on lease liabilities	123,492	156,810
Net obligation under lease liabilities	<u>1,907,099</u>	<u>3,696,176</u>
Total other changes	<u>2,030,591</u>	<u>3,852,986</u>
At the end of the year	<u>3,439,804</u>	<u>3,354,571</u>

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

16. GENERAL FUND

	Notes	2021 HK\$	2020 HK\$
Surplus brought forward		7,606,773	6,469,574
Surplus for the year		6,618,536	1,883,315
Transfer from reserve of revaluation gain on investment property		--	3,800,000
Transfer from Project Development Fund	17f	261,001	601,358
Transfer to Lump Sum Grant Reserve - General	17k	(5,434,427)	(4,233,256)
Transfer to Lump Sum Grant Reserve - Provident Fund Reserve	17l	(1,358,276)	(891,105)
Surplus refunded to Social Welfare Department		(19,126)	(22,788)
Surplus refunded to Labour and Welfare Bureau		--	(61)
Surplus refunded to Occupational Deafness Rehabilitation Network		<u>(321,089)</u>	<u>(264)</u>
Surplus carried forward		<u>7,353,392</u>	<u>7,606,773</u>

The Society's primary objectives when managing general fund are to safeguard the Society's ability to continue as a going concern and to maintain an optimal capital structure.

17. SPECIFIC FUNDS

	2021 HK\$	2020 HK\$
(a) Capital Fund - Audiological Technical Service Unit	39,437,919	42,451,511
(b) Capital Fund - General	1,914,213	1,871,512
(c) Emergency Loan Fund	46,845	46,845
(d) F & E Replenishment and Minor Works Block Grant Reserve	904,703	141,637
(e) John Tracy Clinic Correspondence Course Fund	103,923	103,923
(f) Project Development Fund	22,440,320	21,113,725
(g) Sign Language Video Project Fund	135,253	90,989
(h) Simon K.Y. Lee & Lee Chi Hung Scholarship Fund	2,178,947	2,251,320
(i) TMG Scholarship Fund	1,170,625	1,140,983
(j) Yu Hon Lau Memorial Fund	651,866	642,969
(k) Lump Sum Grant Reserve - General	20,549,611	14,803,192
(l) Lump Sum Grant Reserve - Provident Fund Reserve	4,871,727	3,590,063
(m) Caring the Hearing Impaired Foundation	715,662	752,163
(n) Social Welfare Development Fund	99,815	359,590
(o) Hearing Impaired Youth Development Fund	1,005,640	985,845
(p) Jockey Club Emergency Fund	--	499,590
(q) Social Welfare Department Special Grant against the spread of COVID-19	--	94,615
	<u>96,227,069</u>	<u>90,940,472</u>

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. SPECIFIC FUNDS (Cont'd)

(a) Capital Fund - Audiological Technical Service Unit

	2021	2020
	HK\$	HK\$
Balance brought forward	42,451,511	43,050,529
Sales of hearing aids	<u>5,013,563</u>	<u>8,930,600</u>
	47,465,074	51,981,129
Cost of sales	(7,718,787)	(8,771,097)
Capital expenditure	(302,168)	(543,403)
Others	<u>(6,200)</u>	<u>(215,118)</u>
Balance carried forward	<u>39,437,919</u>	<u>42,451,511</u>

The Fund is to finance the acquisition of hearing aids and equipment for hearing impaired persons.

(b) Capital Fund - General

	2021	2020
	HK\$	HK\$
Balance brought forward	1,871,512	3,081,613
Project income	106,615	98,298
Interest received	<u>- -</u>	<u>19,100</u>
	1,978,127	3,199,011
Project expenses	(51,465)	(1,299,545)
Renovation cost	<u>(12,449)</u>	<u>(27,954)</u>
Balance carried forward	<u>1,914,213</u>	<u>1,871,512</u>

The Fund is to finance capital expenditure of the Society.

(c) Emergency Loan Fund

	2021	2020
	HK\$	HK\$
Balance brought forward and carried forward	<u>46,845</u>	<u>46,845</u>

The Fund is for providing finance to the hearing impaired people with urgent financial needs.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. SPECIFIC FUNDS (Cont'd)

(d) F & E Replenishment and Minor Works Block Grant Reserve

	2021	2020
	HK\$	HK\$
Balance brought forward	141,637	39,121
Block grant received during the year	908,000	789,000
Interest received	600	957
	<u>1,050,237</u>	<u>829,078</u>
Expenditure during the year		
- Minor works projects	(37,586)	(198,200)
- Furniture and equipment	(107,948)	(489,241)
	<u>(145,534)</u>	<u>(687,441)</u>
Balance carried forward	<u>904,703</u>	<u>141,637</u>

The Fund is to finance minor works projects and replenishment of furniture and equipment under Lotteries Fund Manual produced by Social Welfare Department.

(e) John Tracy Clinic Correspondence Course Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	103,923	103,694
Sales of video tapes and books	--	229
	<u>103,923</u>	<u>103,923</u>

The Fund is for special projects of the John Tracy Clinic Correspondence Course Unit.

(f) Project Development Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	21,113,725	21,139,274
Donations received	277,182	100,000
Grant received		
- Hong Kong Jockey Club Charities Trust	--	2,462,065
- Lotteries Fund	2,595,847	57,394
Interest received, dividend received and exchange difference	3,177,350	393,922
	<u>27,164,104</u>	<u>24,152,655</u>
Renovation expenses of centres	(3,789,890)	(1,768,754)
Project expenses	(672,893)	(651,710)
Transfer to General Fund to finance the expenses of:-		
Social Work Service for Pre-Primary Institutions	(261,001)	(601,358)
Transfer to Partnership Fund	--	(17,108)
	<u>(4,723,784)</u>	<u>(2,438,922)</u>
Balance carried forward	<u>22,440,320</u>	<u>21,113,725</u>

The Fund is for organising the Society's projects according to its designated plans.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. SPECIFIC FUNDS (Cont'd)

(g) Sign Language Video Project Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	90,989	(1,708)
Sales of books and tapes	<u>60,064</u>	<u>113,847</u>
	151,053	112,139
Cost of sales	<u>(15,800)</u>	<u>(21,150)</u>
Balance carried forward	<u>135,253</u>	<u>90,989</u>

The Fund is for sign language research and cost of sales of books, tapes and videos to the hearing impaired people.

(h) Simon K.Y. Lee & Lee Chi Hung Scholarship Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	2,251,320	2,272,766
Interest and dividend received	<u>57,907</u>	<u>84,914</u>
	2,309,227	2,357,680
Scholarships granted	<u>(130,280)</u>	<u>(106,360)</u>
Balance carried forward	<u>2,178,947</u>	<u>2,251,320</u>

The Fund is for granting scholarships to the hearing impaired students for attending higher education programme in Hong Kong.

(i) TMG Scholarship Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	1,140,983	1,100,783
Interest and dividend received	<u>29,642</u>	<u>40,200</u>
Balance carried forward	<u>1,170,625</u>	<u>1,140,983</u>

The Fund is for granting scholarship to the hearing impaired students for post-secondary education and to the persons who wish to pursue training in relation to the hearing impaired.

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THE HONG KONG SOCIETY FOR THE DEAF

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FOR THE YEAR ENDED 31 MARCH 2021

17. SPECIFIC FUNDS (Cont'd)

(j) Yu Hon Lau Memorial Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	642,969	626,385
Bank interest received	8,897	16,584
	<u>651,866</u>	<u>642,969</u>

The Fund is for promoting the well-being of the hearing impaired community.

(k) Lump Sum Grant Reserve - General

	2021	2020
	HK\$	HK\$
Balance brought forward	14,803,192	10,315,399
Transfer from General Fund	5,434,427	4,233,256
Interest received	311,992	254,537
	<u>20,549,611</u>	<u>14,803,192</u>

The Fund is to finance the operation of the Social Welfare Department subvented services.

(l) Lump Sum Grant Reserve - Provident Fund Reserve

	2021	2020
	HK\$	HK\$
Balance brought forward	3,590,063	2,698,958
Transfer from General Fund	1,358,276	891,105
	<u>4,948,339</u>	<u>3,590,063</u>
Refund to Social Welfare Department	(76,612)	--
	<u>4,871,727</u>	<u>3,590,063</u>

The Fund is to finance the operation of the Social Welfare Department subvented services.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. SPECIFIC FUNDS (Cont'd)

(m) Caring the Hearing Impaired Foundation

	2021	2020
	HK\$	HK\$
Balance brought forward	752,163	865,425
Donations received	2,200	2,400
Interest and dividend received	11,084	17,260
	<u>765,447</u>	<u>885,085</u>
Grant to Hearing-impaired Persons	(48,620)	(131,950)
Project expenses	(1,165)	(972)
	<u>(49,785)</u>	<u>(132,922)</u>
Balance carried forward	<u>715,662</u>	<u>752,163</u>

The Fund is to provide financial assistance for hearing impaired persons to facilitate their speech development and communications with others and to develop the potentials of hearing impaired persons.

(n) Social Welfare Development Fund

	2021	2020
	HK\$	HK\$
Phase 2		
Balance brought forward	109,749	109,749
Recovery of unspent balance	(109,749)	--
Balance carried forward	<u>--</u>	<u>109,749</u>
Phase 3		
Balance brought forward	249,841	361,679
Grant from Social Welfare Development Fund	15,000	52,250
Interest received	1,726	2,332
	<u>266,567</u>	<u>416,261</u>
Expenditure for projects under scope A	(39,473)	(121,290)
Expenditure for projects under scope B	(127,279)	(45,130)
Balance carried forward	<u>99,815</u>	<u>249,841</u>
Phase 2 and 3		
Balance brought forward	359,590	471,428
Grant from Social Welfare Development Fund	15,000	52,250
Interest received	1,726	2,332
	<u>376,316</u>	<u>526,010</u>
Recovery of unspent balance	(109,749)	--
Expenditure for projects under scope A	(39,473)	(121,290)
Expenditure for projects under scope B	(127,279)	(45,130)
Balance carried forward	<u>99,815</u>	<u>359,590</u>

The Fund is to support the training and development, capacity enhancement initiatives and service delivery enhancement studies of NGOs.

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THE HONG KONG SOCIETY FOR THE DEAF

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FOR THE YEAR ENDED 31 MARCH 2021

17. SPECIFIC FUNDS (Cont'd)

(o) Hearing Impaired Youth Development Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	985,845	1,088,345
Project income	20,000	16,000
	1,005,845	1,104,345
Project expenses	(205)	(118,500)
Balance carried forward	1,005,640	985,845

The Fund is to support hearing impaired persons to develop their leadership, artistic and athletic potentials.

(p) Jockey Club Emergency Fund

	2021	2020
	HK\$	HK\$
Balance brought forward	499,590	--
Donation received	--	499,590
Project expenses	(493,537)	--
Refund to the Hong Kong Jockey Club Charities Trust	(6,053)	--
Balance carried forward	--	499,590

The Fund is to provide local communities with emergency support in preventing and mitigating the health and societal impact caused by the COVID-19 infection.

(q) Social Welfare Department Special Grant against the spread of COVID-19

	2021	2020
	HK\$	HK\$
Balance brought forward	94,615	--
Grant from Social Welfare Department	220,000	240,000
Project expenses	(314,615)	(145,385)
Balance carried forward	--	94,615

The funding is for facilitating the society to further set up preventive measures against the spread of the infection diseases.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

18. OBLIGATIONS UNDER LEASES LIABILITIES

	2021	2020
	HKS	HKS
Minimum lease payments in the periods:		
Not later than one year	1,951,584	1,834,254
Later than one year and not later than five years	<u>1,641,439</u>	<u>1,676,481</u>
	3,593,023	3,510,735
Lease interest allocated to future accounting periods	<u>(153,219)</u>	<u>(156,164)</u>
	3,439,804	3,354,571
Amount less interest payable within one year included under current liabilities	<u>(1,847,652)</u>	<u>(1,721,602)</u>
	<u>1,592,152</u>	<u>1,632,969</u>
Present value of minimum lease payments in the periods:		
Not later than one year	1,847,652	1,721,602
Later than one year and not later than five years	<u>1,592,152</u>	<u>1,632,969</u>
	<u>3,439,804</u>	<u>3,354,571</u>

The interest rate of leases liabilities is 5% and the year of maturity of leases liabilities rank from 3 to 5 years.

The carrying value of obligations under leases liabilities approximates their fair value.

19. ACCOUNTS PAYABLE AND ACCRUALS

	2021	2020
	HKS	HKS
Provision for unused annual leave	2,400,000	2,400,000
Deposits received	556,689	--
Accrued expenses	<u>123,383</u>	<u>70,636</u>
	<u>3,080,072</u>	<u>2,470,636</u>

The carrying value of accounts payable and accruals approximates their fair value.

Accounts payable and accruals represent the total contractual undiscounted cash flows which are repayable within one year or on demand.

THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

20. TRAINING SUBSIDY PROGRAMME FOR CHILDREN ON THE WAITING LIST FOR SUBVENTED PRE-SCHOOL REHABILITATION SERVICES

	2021	2020
	HK\$	HK\$
Training subsidy received	703,747	793,554
<u>Expenditure</u>		
Personal emoluments	(748,306)	(796,485)
Administrative expenses	(103)	--
Programme expenses	(74,384)	(125,205)
Insurance premium	(6,245)	--
Miscellaneous	(1,628)	(490)
Total Expenditure	<u>(830,666)</u>	<u>(922,180)</u>
Deficit for the year	<u>(126,919)</u>	<u>(128,626)</u>

21. SUBSIDY FOR ENHANCED SUPPORT FOR ETHNIC MINORITY CHILDREN IN SPECIAL CHILD CARE CENTRES AND EARLY EDUCATION AND TRAINING CENTRES

	2021	2020
	HK\$	HK\$
Subvention from Social Welfare Department	100,000	--
Project expenses	<u>(47,105)</u>	<u>--</u>
Surplus for the year	<u>52,895</u>	<u>--</u>

22. COUNCIL MEMBERS' INTEREST IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

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

23. CAPITAL COMMITMENTS

Capital commitments for leasehold improvement of a Early Education & Training Centre at 31 March 2020, contracted but not provided for, was HK\$2,336,161.

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THE HONG KONG SOCIETY FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

24. FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The following table presents financial assets measured at fair value at 31 March 2021 on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used in the valuation technique. The three levels defined by HKFRS 13 are as follows:-

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- (c) Level 3: Inputs for the asset or liability that are not based on observable market data.

Descriptions	Fair value as at 31 March 2021 HK\$	Fair value measurement as at 31 March 2021 categorised into		
		Quoted prices in active markets for identical assets (Level 1) HK\$	Significant other observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$
Listed equity shares In Hong Kong	16,519,187	16,519,187	--	--

Descriptions	Fair value as at 31 March 2020 HK\$	Fair value measurement as at 31 March 2020 categorised into		
		Quoted prices in active markets for identical assets (Level 1) HK\$	Significant other observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$
Listed marketable financial assets In Hong Kong	13,819,204	13,819,204	--	--

During the year, there were no transfers between level 1 and 2, or transfer into or out of level 3. The Society's policy is to recognise transfers as at the end of the reporting period in which they occur.

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