

Hong Kong ABWE Social Services
香港萬國宣道浸信會社會服務
Reports and Financial Statements
For the year ended 31 March 2021



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Directors' Report

For the year ended 31 March 2021

The directors present their annual report and the audited financial statements of Hong Kong ABWE Social Services (the "Association") for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The Association is an approved charitable institution which provides social welfare services with the love of Jesus Christ under the names of different centres and as follows:

- i. Central Administration Office
- ii. Cheung Hong Baptist Church Neighbourhood Elderly Centre
- iii. Un Chau Estate Baptist Church Elderly Centre
- iv. Tin Yue Baptist Church Neighbourhood Elderly Centre
- v. Po Lam Baptist Church Bradbury Neighbourhood Elderly Centre
- vi. Lai King Bradbury Neighbourhood Elderly Centre
- vii. Luk Yeung Baptist Church Elderly Centre
- viii. Shing Yan Christian Social Service Centre
- ix. Heng On Baptist Nursery School
- x. Prosperous Garden Baptist Nursery School
- xi. Garden Estate Baptist Nursery School

ACCOUNTS

The results of the Association for the year ended 31 March 2021 and its state of affairs at that date are set out in the financial statements on pages 8 to 24.

OTHER DESIGNATED FUNDS

Details of the movements in other designated funds during the year are set out in Note 9 to the financial statements.

RESERVE FUNDS FOR SUBVENTED SERVICES

Details of the movements in reserve funds for subvented services during the year are set out in Note 10 to the financial statements.

DIRECTORS

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

| | |
|-----------------|---|
| Kwan Ting Fat | (Appointed on 1 April 2021) |
| Ho Tat Sing | (Appointed on 1 April 2021) |
| Fung Hin Kwok | (Appointed on 1 April 2021) |
| Chiang Wai Tong | (Renewal of the term of office effective on 1 April 2021) |
| Chu Kam Lun | (Renewal of the term of office effective on 1 April 2021) |
| Kwan Tai Nam | (Renewal of the term of office effective on 1 April 2021) |
| Poon Mei Yu | (Renewal of the term of office effective on 1 April 2021) |
| Chui Wai Ming | (Term of office expired on 1 April 2021) |

In accordance with the Association's Articles of Association, all remaining directors who have served for a term of two years shall retire and, being eligible, offer themselves for re-election.

Directors' Report - Continued

For the year ended 31 March 2021

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

In the opinion of the directors, no other transactions, arrangements or contracts to which the Association was a party, and in which a director of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, except disclosed in the financial statements.

BUSINESS REVIEW

Overviews

The Association is a Christian Non-governmental Organisation established in 1993 operating social service centres and schools to witness Jesus Christ and to serve people in need. The Association is an approved charitable institution exempt from tax under Section 88 of the Inland Revenue Ordinance of Hong Kong.

Mission statement

Based on the teachings and the love of Jesus Christ, the Association witnesses for Him and provide quality social services that help people develop holistically.

Values

Because our agency seeks to glorify God and follow Jesus Christ, the Association strives to provide services that are characterised by love, commitment, and integrity.

Objectives

For the purpose of witnessing for Jesus Christ, the Association seeks to:

- provide opportunities and facilities for the physical, psychological, spiritual, social, cultural, and educational development of the people in the community by operating social service centres and schools;
- meet specific needs in the community by devising new services;
- enhance the effectiveness and efficiency of the social services by developing and optimising human, financial, and material resources.

Main areas of work

The Association has ten service units comprise of four Neighbourhood Elderly Centres, two Social Centres for the Elderly, one Integrated Children and Youth Services Centre, and three Nursery Schools. The names of the service units are set out in page 1 of the directors' report.

Neighbourhood Elderly Centres

Neighbourhood Elderly Centres ("NECs") are government subvented service centres which provide community support services at neighbourhood level. NECs provide a range of comprehensive services to enable elderly persons to remain in the community, to lead a healthy, respectful and dignified life and to enhance their positive and contributing role to the society.

Directors' Report - Continued For the year ended 31 March 2021

BUSINESS REVIEW - Continued

Main areas of work - continued

Social Centres for the Elderly

Social Centres for the Elderly are self-financed service centres which organise social and recreational activities for elders in the community to help them make constructive use of their leisure time, develop their potentials through learning and building social networks.

Integrated Children and Youth Services Centre

Integrated Children and Youth Services Centre ("ICYSC") is a government subvented service centre. ICYSC provides a wide range of services including children and youth centre services, outreaching social work and school social work services under one management to meet the multifarious needs of children and youths aged from 6 to 24. With the flexibility in deploying manpower and other resources and through adopting different service models/approaches, ICYSC provides four core programmes, i.e. guidance and counselling, supportive service for young people in disadvantaged circumstances, socialisation programmes and development of social responsibility and competence. Non-core programmes such as drop-in service, interest groups, summer youth programmes and study/reading room service are also provided to offer opportunities for children and youth to spend their leisure time constructively.

Nursery Schools

Nursery Schools ("NSs") are early childhood educational intuitions. NSs provides a positive and caring environment that is supported by Christian values and beliefs to stimulate and nurture children's minds, emotions and whole development, and a learning environment to encourage motivation to learn, promote exploration and interaction and inspire through challenges.

Key financial performance

The subvention under the Lump Sum Grant from Social Welfare Department ("SWD") increased by 1.22% to HK\$27,476,858 (2020: HK\$27,144,451).

Lump sum grant reserve

As at 31 March 2021, the Lump Sum Grant Reserve (excluding provident funds) increased by 6.32% to HK\$7,608,425 (2020: HK\$7,156,230).

For the year ended 31 March 2021, the Lump Sum Grant Subvention was used to pay for the staff costs and operating costs for the subvention services. In the coming years, the Lump Sum Grant Reserve will continue to be used for the payment of staff costs and operating costs in relation to the subvention services.

Directors' Report - Continued For the year ended 31 March 2021

BUSINESS REVIEW - Continued

Principal risks and uncertainties

The rent and rates of the two self-financed elderly centers are subsidized by SWD whereas other major costs including operational expenses and staffing of these two centers are funded by internal Social Service Development Fund which is raised by requesting donations from churches, individuals, businesses, charitable foundations, and flag selling etc. In addition to the uncertainties in the results of fundraising and the amount of donations made to the Association, the opportunity for having a flag selling day assigned by the SWD through drawing lots is not guaranteed. Therefore, there is a certain degree of uncertainty in the sustainability of these two self-financed centers.

However, the Association shows good track records in operating these two centers to serve the elderly in the past years and the Association are still having a healthy financial status as the major services and operations are funded by LSG subvention of SWD.

Accountability measures

The Association complied with all the relevant laws and regulations issued by Education Bureau and SWD.

Internal controls

The management meets regularly to review and discuss all financial, operational and internal control issues relating to the Association. Service quality standards are also assessed and reviewed periodically. This enables the Association to evaluate and improve the effectiveness of its risk management practices, control framework and governance processes.

AUDITOR

The financial statements have been audited by Lo and Kwong C.P.A. Company Limited.

A resolution for the re-appointment of Lo and Kwong C.P.A. Company Limited as auditor of the Association is to be proposed at the forthcoming Annual General Meeting of the Association.

On behalf of the Board



Chiang Wai Tong
Chairman

Hong Kong
21 August 2021



Independent Auditor's Report

**TO THE MEMBERS OF
HONG KONG ABWE SOCIAL SERVICES**

香港萬國宣道浸信會社會服務

(incorporated in Hong Kong with limited liability by guarantee)

OPINION

We have audited the financial statements of Hong Kong ABWE Social Services (the "Association") set out on pages 8 to 24, which comprise the statement of financial position as at 31 March 2021 and the statement of comprehensive income and expenditure, the statement of changes in reserves 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 Association 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 Standard for Private Entities ("HKFRSPE") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

The Association has complied with the requirements as stipulated by Social Welfare Department and Community Care Fund on implementing the Programmes.

BASIS FOR OPINION

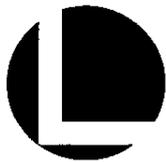
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association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

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Association are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSPE 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 the 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 Association'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 Association or to cease operations, or have no realistic alternative but to do so.

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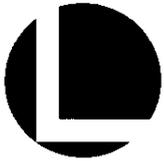
Independent Auditor's Report - Continued

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association 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.



Independent Auditor's Report - Continued

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS - Continued

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.

Lo and Kwong C.P.A. Company Limited
Certified Public Accountants (Practising)
Ng Man Li
Practising Certificate Number: P03017

Hong Kong
21 August 2021

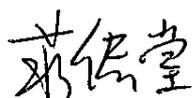
Statement of Comprehensive Income and Expenditure For the year ended 31 March 2021

| | Notes | 2021 HK\$ | 2020 HK\$ |
|---|-------|-------------------|-------------------|
| INCOME | | | |
| Church donations | | 228,663 | 712,996 |
| Government subvention | | 52,869,979 | 49,140,015 |
| General donations | | 648,394 | 297,936 |
| Fees and dues | | 4,818,527 | 5,829,725 |
| Program income | | 4,292,208 | 5,359,810 |
| Sundry income | | 884,250 | 1,487,060 |
| Interest income | | 323,768 | 196,551 |
| Employment support scheme | | 2,562,326 | - |
| TOTAL INCOME | | 66,628,115 | 63,024,093 |
| LESS: EXPENDITURE | | | |
| Auditor's remuneration | | 97,531 | 99,340 |
| Salaries and wages | | 51,687,654 | 48,764,759 |
| Administrative expenses | | 3,769,913 | 4,040,230 |
| Utilities | | 191,173 | 605,158 |
| Program expenses | | 4,769,988 | 4,384,586 |
| Food for nursery students | | 204,040 | 732,067 |
| Repairs and maintenance | | 2,130,371 | 1,999,111 |
| Depreciation | | 1,731,342 | 1,780,908 |
| TOTAL EXPENDITURE | | 64,582,012 | 62,406,159 |
| SURPLUS BEFORE TAX | 5 | 2,046,103 | 617,934 |
| Income tax expense | 7 | - | - |
| SURPLUS FOR THE YEAR | | 2,046,103 | 617,934 |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR | | 2,046,103 | 617,934 |

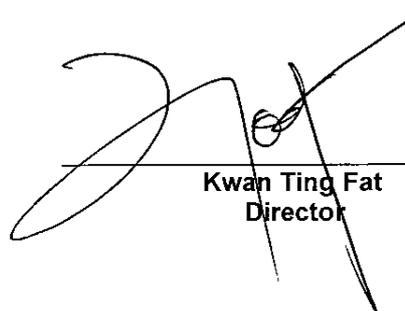
Statement of Financial Position At 31 March 2021

| | Notes | 2021 HK\$ | 2020 HK\$ |
|---------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 4,009,343 | 3,020,873 |
| CURRENT ASSETS | | | |
| Prepayment and deposits | | 292,834 | 506,555 |
| Other receivables | | 241,233 | 796,185 |
| Bank balances and cash | | 33,872,525 | 28,668,912 |
| | | 34,406,592 | 29,971,652 |
| TOTAL ASSETS | | 38,415,935 | 32,992,525 |
| LIABILITIES AND RESERVES | | | |
| CURRENT LIABILITIES | | | |
| Accrued charges | | 399,304 | 864,716 |
| Receipts in advance | | 7,169,085 | 5,540,543 |
| TOTAL LIABILITIES | | 7,568,389 | 6,405,259 |
| RESERVES | | | |
| General Funds | | 9,233,068 | 6,676,114 |
| Other Designated Funds | 9 | 7,519,524 | 7,339,379 |
| Subvention Reserve Funds | 10 | 10,486,028 | 9,968,642 |
| Fixed Assets Fund | | 3,608,926 | 2,603,131 |
| | | 30,847,546 | 26,587,266 |
| TOTAL LIABILITIES AND RESERVES | | 38,415,935 | 32,992,525 |

The financial statements on pages 8 to 24 were approved and authorised for issue by the Board of Directors on 21 August 2021 and are signed on its behalf by:



Chiang Wai Tong
Chairman



Kwan Ting Fat
Director

Statement of Changes in Reserves For the year ended 31 March 2021

| | General Funds HK\$ | Subvention Reserve Funds HK\$ | Other Designated Funds HK\$ | Fixed Assets Fund HK\$ | Total HK\$ |
|--|--------------------------|--|--------------------------------------|---------------------------------|---------------|
| At 1 April 2019 | 5,983,216 | 8,782,451 | 7,050,620 | 939,077 | 22,755,364 |
| Surplus for the year | 617,934 | - | - | - | 617,934 |
| Other income | - | - | 383,836 | - | 383,836 |
| Expenditure incurred | - | - | (350,794) | - | (350,794) |
| Transfer from General Funds | (2,129,469) | 1,239,033 | 890,436 | - | - |
| Transfer to General Funds | 634,719 | - | (634,719) | - | - |
| Refund to Social Welfare Department | - | (52,842) | - | - | (52,842) |
| Additions of Fixed Assets | - | - | - | 3,262,164 | 3,262,164 |
| Written off of Fixed Assets | 2,679 | - | - | (2,679) | - |
| Adjustment of General Funds | (28,396) | - | - | - | (28,396) |
| Depreciation charged on property, plant and equipment subvented by Fundings | 1,595,431 | - | - | (1,595,431) | - |
| At 31 March 2020 and 1 April 2020 | 6,676,114 | 9,968,642 | 7,339,379 | 2,603,131 | 26,587,266 |
| Surplus for the year | 2,046,103 | - | - | - | 2,046,103 |
| Other income | - | - | 85,267 | - | 85,267 |
| Expenditure incurred | - | - | (307,111) | - | (307,111) |
| Transfer from General Funds | (1,101,813) | 658,330 | 401,989 | - | (41,494) |
| Refund to Social Welfare Department | - | (53,797) | - | - | (53,797) |
| Prior year adjustment | 87,147 | (87,147) | - | (10) | (10) |
| Additions of Fixed Assets | - | - | - | 2,564,724 | 2,564,724 |
| Written off of Fixed Assets | 2,600 | - | - | (2,600) | - |
| Adjustment of General Funds | (33,402) | - | - | - | (33,402) |
| Depreciation charged on property, plant and equipment subvented by Fundings | 1,556,319 | - | - | (1,556,319) | - |
| At 31 March 2021 | 9,233,068 | 10,486,028 | 7,519,524 | 3,608,926 | 30,847,546 |

Statement of Cash Flows

For the year ended 31 March 2021

| | 2021 HK\$ | 2020 HK\$ |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Surplus for the year | 2,046,103 | 617,934 |
| Adjustments for: | | |
| Loss on disposal of property, plant and equipment | 8,996 | 4,663 |
| Refunded to Social Welfare Department | (53,797) | (52,842) |
| Interest income | (323,768) | (228,791) |
| Depreciation on property, plant and equipment | 1,731,342 | 1,780,908 |
| Adjustment of General Funds | (33,402) | (28,396) |
| Operating cash flows before movements in working capital | 3,375,474 | 2,093,476 |
| (Decrease) increase in Partnership Fund | (221,844) | 33,042 |
| Decrease (increase) in prepayment and deposits | 213,721 | (282,115) |
| Decrease (increase) in other receivables | 554,952 | (401,433) |
| (Decrease) increase in accrued charges | (465,412) | 328,515 |
| Increase in receipts in advance | 1,628,542 | 2,018,634 |
| NET CASH FROM OPERATING ACTIVITIES | 5,085,433 | 3,790,119 |
| INVESTING ACTIVITIES | | |
| Income received for purchase of property, plant and equipment | 2,564,724 | 3,262,154 |
| Interest income | 323,768 | 228,791 |
| Payment for purchase of property, plant and equipment | (2,770,312) | (3,527,775) |
| NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES | 118,180 | (36,830) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 5,203,613 | 3,753,289 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 28,668,912 | 24,915,623 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, Represented by bank balances and cash | 33,872,525 | 28,668,912 |

Notes to the Financial Statements For the year ended 31 March 2021

1. GENERAL

Hong Kong ABWE Social Services (the "Association") incorporated in Hong Kong with members' liabilities limited by guarantee.

The address of the registered office and principal place of business of the Association is Unit A, 6/F., Park Tsuen Commercial Building, 189 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong.

The Association is an approved charitable institution which provides social welfare services with the love of Jesus Christ under the name of different centres and as follows:

- i. Central Administration Office
- ii. Cheung Hong Baptist Church Neighbourhood Elderly Centre
- iii. Un Chau Estate Baptist Church Elderly Centre
- iv. Tin Yue Baptist Church Neighbourhood Elderly Centre
- v. Po Lam Baptist Church Bradbury Neighbourhood Elderly Centre
- vi. Lai King Bradbury Neighbourhood Elderly Centre
- vii. Luk Yeung Baptist Church Elderly Centre
- viii. Shing Yan Christian Social Service Centre
- ix. Heng On Baptist Nursery School
- x. Prosperous Garden Baptist Nursery School
- xi. Garden Estate Baptist Nursery School

2. TRANSITION TO THE HONG KONG FINANCIAL REPORTING STANDARD FOR PRIVATE ENTITIES

The Association's financial statements for the year ended 31 March 2021 are its first annual financial statements prepared under accounting policies that comply with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRSPE"). The Association applies full Hong Kong Financial Reporting Standards to prepare its financial statements prior to the application of the HKFRSPE.

The Association's date of transition is 1 April 2020 and the Association prepared its opening statement of financial position in compliance with the HKFRSPE as at that date.

The Association has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the HKFRSPE when preparing these financial statements in accordance with the HKFRSPE.

The application of the HKFRSPE in the current year has had no material effect on the Association's financial performance and positions for the current and prior years and/or on the disclosure set out in these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with HKFRSPE, which collectively term includes all applicable individual HKFRSPE, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and Hong Kong Companies Ordinance.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The significant accounting policies are adopted as below:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised in the statement of comprehensive income and expenditure provided it is probable that the economic benefits will flow to the Association and the revenue and costs, if applicable, can be measured reliably. Income includes subventions from the Social Welfare Department, grants from the Education Bureau and donations raised from the general public.

Government grants

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

Government grants related to income are recognised in surplus or deficit on a systematic basis over the periods in which the related costs for which the grant is intended to compensate.

Government grants related to assets include in non-current liabilities as deferred income and are credited to surplus and deficit on a systematic basis over the expected useful life of the related assets.

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 provision represents the present value of the best estimate of the future outflow of economic benefits that will be required under the terms of agreement.

Notes to the Financial Statements For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Employee benefits

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

The Association operates a Mandatory Provident Fund Scheme (the MPF Scheme) under the Hong Kong Mandatory Provident Fund Schemes Ordinance and several occupational retirement schemes in Hong Kong (the "ORSO Schemes") under the Occupational Retirement Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme and the ORSO Schemes are the defined contribution retirement plans administered by Independent trustees. Under the MPF Scheme, the employer is required to make contributions to the plan at 6.8% of the employee's relevant income, while its employees are at 5% of the employee's relevant income. Under ORSO Schemes, the employer and its employees are each required to make contributions to the plan at 5% of the employee's relevant income. The rate of contribution by employer will be changed to 10% and 15% upon 10 years' and 15 years' employment service respectively. Contributions to the plan vest immediately.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income and expenditure in the period 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 asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of an asset recognised in Statement of Comprehensive Income and Expenditure is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|-----------------------|-----------|
| Leasehold improvement | 25% |
| Office equipment | 20% - 30% |

Notes to the Financial Statements For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Account and other payables

Account and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

Impairment of assets

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

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 recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

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 recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Related parties

A party is considered to be related to the Association if:

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Association;
 - (ii) has significant influence over the Association; or
 - (iii) is a member of the key management personnel of the Association or of a parent of the Association; or

Notes to the Financial Statements For the year ended 31 March 2021

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Related parties - Continued

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Association are members of the same group;
- (ii) one entity is an associate or joint venture of the Association (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Association 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 employees of either the Association or any entity related to the Association;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the process of applying the Association's accounting policies which are described in Note 3 to the financial statements, management has made the following judgements that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key source of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation

The Association depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Association intends to derive future economic benefits from the use of the Association's property, plant and equipment.

Notes to the Financial Statements For the year ended 31 March 2021

5. SURPLUS BEFORE TAX

| | 2021 HK\$ | 2020 HK\$ |
|--|-------------------|-------------------|
| Surplus before tax has been arrived at after charging: | | |
| Directors' emoluments | - | - |
| Staff salaries and allowances | 48,581,023 | 45,829,079 |
| Contributions to Mandatory Provident Funds | 3,106,631 | 2,935,682 |
| Total staff costs | 51,687,654 | 48,764,761 |
| Auditor's remuneration | 97,531 | 99,340 |
| Depreciation on property, plant and equipment | 1,731,342 | 1,780,908 |

6. DIRECTORS' REMUNERATION

Under Article 21 of the Articles of Association, no director or member of governing body of the Association shall be appointed to any salaried office of the Association, or any office of the Association paid by fees and no remuneration or other benefit in money's worth.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements as the Association is exempted from tax under Section 88 of the Inland Revenue Ordinance as being a non-profit making body.

Notes to the Financial Statements For the year ended 31 March 2021

8. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvement HK\$ | Office equipment HK\$ | Total HK\$ |
|--|----------------------------------|-----------------------------|-------------------|
| COST | | | |
| At 1 April 2019 | 13,529,478 | 3,547,050 | 17,076,528 |
| Additions | 2,645,180 | 882,595 | 3,527,775 |
| Disposals | - | (370,500) | (370,500) |
| At 31 March and 1 April 2020 | 16,174,658 | 4,059,145 | 20,233,803 |
| Additions | 1,871,714 | 898,598 | 2,770,312 |
| Disposals | - | (594,706) | (594,706) |
| At 31 March 2021 | 18,046,372 | 4,363,037 | 22,409,409 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | |
| At 1 April 2019 | 12,887,859 | 2,910,010 | 15,797,869 |
| Charge for the year | 1,302,914 | 477,994 | 1,780,908 |
| Amount written back | - | (365,847) | (365,847) |
| At 31 March 2020 and 1 April 2020 | 14,190,773 | 3,022,157 | 17,212,930 |
| Charge for the year | 1,129,224 | 602,118 | 1,731,342 |
| Amount written back | - | (544,206) | (544,206) |
| At 31 March 2021 | 15,319,997 | 3,080,069 | 18,400,066 |
| NET CARRYING AMOUNTS | | | |
| At 31 March 2021 | 2,726,375 | 1,282,968 | 4,009,343 |
| At 31 March 2020 | 1,983,885 | 1,036,988 | 3,020,873 |

Notes to the Financial Statements For the year ended 31 March 2021

9. OTHER DESIGNATED FUNDS

| | Social Service Development Fund HK\$ | Central Administrative Fund HK\$ | Child Care Service Development Fund HK\$ | Partnership Fund HK\$ | Total HK\$ |
|--------------------------------------|--|---|--|-----------------------------|---------------|
| At 1 April 2019 | 4,405,837 | 521,514 | 20 | 2,123,249 | 7,050,620 |
| Other income | - | - | - | 383,836 | 383,836 |
| Expenditure incurred | - | - | - | (350,794) | (350,794) |
| Transfer from General Funds | 890,436 | - | - | - | 890,436 |
| Transfer to General Funds | (634,719) | - | - | - | (634,719) |
| At 31 March 2020 and 1 April 2020 | 4,661,554 | 521,514 | 20 | 2,156,291 | 7,339,379 |
| Other income | - | - | - | 85,267 | 85,267 |
| Expenditure incurred | - | - | - | (307,111) | (307,111) |
| Transfer from General Funds | 401,989 | - | - | - | 401,989 |
| Reallocation | 20 | - | (20) | - | - |
| At 31 March 2021 | 5,063,563 | 521,514 | - | 1,934,447 | 7,519,524 |

10. SUBVENTION RESERVE FUNDS

| | Lump Sum Grant Reserve HK\$ | Provident Fund Reserve HK\$ | Central item surplus HK\$ | Rent and rates (deficit) surplus HK\$ | Total HK\$ |
|---|---|--------------------------------------|------------------------------------|---|---------------|
| At 1 April 2019 | 6,088,718 | 2,497,055 | 139,588 | 57,090 | 8,782,451 |
| Surplus for the year | 1,067,512 | 78,594 | 77,860 | 15,067 | 1,239,033 |
| Refunded from (to) Social Welfare Department | - | 5,893 | (37,100) | (21,635) | (52,842) |
| At 31 March 2020 and 1 April 2020 | 7,156,230 | 2,581,542 | 180,348 | 50,522 | 9,968,642 |
| Surplus for the year | 452,195 | (46,674) | 188,323 | 64,486 | 658,330 |
| Prior year adjustment | - | - | (87,147) | - | (87,147) |
| Refunded from (to) Social Welfare Department | - | (1,630) | (37,100) | (15,067) | (53,797) |
| At 31 March 2021 | 7,608,425 | 2,533,238 | 244,424 | 99,941 | 10,486,028 |

Notes to the Financial Statements For the year ended 31 March 2021

11. MOVEMENT OF THE F & E REPLENISHMENT AND MINOR WORKS BLOCK GRANT RESERVE

| | HK\$ | HK\$ |
|--|---------|------------------|
| Balance of Block Grant Reserve brought forward from previous financial year | | 2,261,350 |
| Add: Block Grant received during the year | 459,000 | |
| Interest income received | 41,494 | 500,494 |
| | | 2,761,844 |
| Less: Expenditure during the year: | | |
| Minor work projects | 2,800 | |
| Furniture and equipment | 61,800 | |
| Vehicle overhauling | - | (64,600) |
| Balance of Block Grant Reserve carried forward to the next financial year | | 2,697,244 |

Capital Commitments

At 31 March 2021, the outstanding commitments in respect of F & E Replenishment and Minor Works Grant were as follows:

| | HK\$ |
|---|------|
| Contracted for but not provided in the financial statements | - |
| Authorised but not contract for | - |
| | - |

12. DONATION FROM CARE FOR THE ELDERLY CHARITY TICKET CAMPAIGN ORGANISED BY CARE FOR THE ELDERLY ASSOCIATION LIMITED

| | 2021 HK\$ | 2020 HK\$ |
|-------------------|---------------|----------------|
| Donation received | 90,334 | 166,304 |
| Expenditure | (2,331) | (6,036) |
| | 88,003 | 160,268 |

Notes to the Financial Statements For the year ended 31 March 2021

13. DONATION RECEIVED FROM SIMON K. Y. LEE FOUNDATION LIMITED

| | 2021 HK\$ | 2020 HK\$ |
|--|----------------|----------------|
| Active Prevention and Early Detection of Cognitive Impairment Project | - | 155,000 |
| Donation for 5 th Phase of Simon K.Y. Lee Children's Fund - FLY Project | 176,445 | - |
| Donation for 4 rd Phase of Simon K.Y. Lee Children's Fund - FLY Project | - | 139,350 |
| | <u>176,445</u> | <u>294,350</u> |

14. FUND GRANTED FROM THE LOTTERIES FUND OF SOCIAL WELFARE DEPARTMENT UNDER THE IMPROVEMENT PROGRAMME OF ELDERLY CENTRES (IPEC)

| | 2021 HK\$ | 2020 HK\$ |
|---|------------------|------------------|
| Renovation: Fund received during the year: | | |
| Luk Yeung Baptist Church Elderly Centre | 423,408 | 2,845,775 |
| Tin Yue Baptist Church Neighbourhood Elderly Centre | 1,979,714 | 153,913 |
| Po Lam Baptist Church Bradbury Neighbourhood Elderly Centre | - | 142,791 |
| | <u>2,403,122</u> | <u>3,142,479</u> |

15. FUND GRANTED FROM THE LOTTERIES FUND OF SOCIAL WELFARE DEPARTMENT FOR PROCUREMENT OF ADDITIONAL FURNITURE AND EQUIPMENT FOR NEIGHBOURHOOD ELDERLY CENTRE (NEC)

| | 2021 HK\$ | 2020 HK\$ |
|---|--------------|----------------|
| Cheung Hong Baptist Church Neighbourhood Elderly Centre | - | 29,000 |
| Lai King Bradbury Neighbourhood Elderly Centre | - | 29,000 |
| Po Lam Baptist Church Bradbury Neighbourhood Elderly Centre | - | 29,000 |
| Tin Yue Baptist Church Neighbourhood Elderly Centre | - | 29,000 |
| | <u>-</u> | <u>116,000</u> |

Notes to the Financial Statements For the year ended 31 March 2021

16. "LOVE AND CARE" PROJECT FOR FRAIL ELDERLY AND CARERS FUNDED BY THE TAN AND FONG CHARITABLE FOUNDATION

| | 2021 HK\$ | 2020 HK\$ |
|-------------------------|--------------|--------------|
| Balance brought forward | - | (111,567) |
| Donation received: | - | 746,900 |
| Add: Income received | - | 129,069 |
| | - | 764,402 |
| Less: Expenses | - | 764,402 |
| Balance carried forward | - | - |

17. DISTRICT SUPPORT SCHEME FOR CHILDREN AND YOUTH DEVELOPMENT – DIRECT CASH ASSISTANCE

| | 2021 HK\$ | 2020 HK\$ |
|----------------|--------------|--------------|
| Allocated sum | 110,000 | 92,000 |
| Less: Expenses | 110,000 | 92,000 |
| Surplus | - | - |

18. "LOVE AND CARE" PROJECT FOR FRAIL ELDERLY AND CARERS FUNDED BY THE COMMUNITY CHEST

| | 2021 HK\$ | 2020 HK\$ |
|--|--------------|--------------|
| Balance brought forward | (294,318) | - |
| Donation Received | 899,428 | - |
| Add: Income received | 77,088 | 40,744 |
| | 682,198 | 40,744 |
| Less: Expenses | 848,076 | 335,062 |
| Amount to be reimbursed from the Community Chest | (165,878) | (294,318) |

Notes to the Financial Statements For the year ended 31 March 2021

19. "WALK TOGETHER" PROJECT FOR THE DEMENTIA FUNDED BY THE ALICE WU MEMORIAL FUND

| | 2021 HK\$ | 2020 HK\$ |
|-------------------------|--------------|--------------|
| Balance brought forward | - | 160,998 |
| Add: Donation received | - | 105,960 |
| Income received | - | 34,725 |
| | - | 301,683 |
| Less: Expenses | - | 305,945 |
| Deficits of the Project | - | (4,262) |

20. "WALK TOGETHER" PROJECT – SUPPORT FOR THE DEMENTIA ELDERS FUNDED BY VERA RUTTONJEE DESAI CHARITABLE FUND

| | 2021 HK\$ | 2020 HK\$ |
|-------------------------|--------------|--------------|
| Balance brought forward | 449,418 | - |
| Donation received | 718,720 | 898,400 |
| Add: Income received | 37,319 | 24,510 |
| | 1,205,457 | 922,910 |
| Less: Expenses | 712,242 | 473,492 |
| Balance carried forward | 493,215 | 449,418 |

21. COMMUNITY CARE FUND ASSISTANCE PROGRAMME-PILOT SCHEME ON LIVING ALLOWANCE FOR CARERS OF ELDERLY PERSONS FROM LOW INCOME FAMILIES

| | 2021 HK\$ | 2020 HK\$ | 2019 HK\$ | 2018 HK\$ |
|--|--------------|--------------|--------------|--------------|
| Balance at the beginning of year | - | - | - | - |
| Income | | | | |
| Subsidy from CCF | 133,320 | 240,840 | 130,240 | 149,300 |
| Expenditure | | | | |
| Salaries and allowances | 122,959 | 222,123 | 120,118 | 137,697 |
| Provident fund contributions | 8,361 | 15,104 | 8,168 | 9,363 |
| Miscellaneous | 2,000 | 3,613 | 1,954 | 2,240 |
| Non-FSA Central Administrative charges | - | - | - | - |
| | 133,320 | 240,840 | 130,240 | 149,300 |
| Surplus for the year | - | - | - | 0046 |
| Surplus carried forward from previous year | - | - | - | - |
| Balance at the end of year | - | - | - | - |

Notes to the Financial Statements For the year ended 31 March 2021

22. PILOT PROJECT ON PROVISION OF WI-FI SERVICE FOR ELIGIBLE WELFARE SERVICE UNITS OPERATED BY ORGANISATIONS RECEIVING SUBVENTIONS/SUBSIDIES FROM THE SOCIAL WELFARE DEPARTMENT

| | 2021 HK\$ | 2020 HK\$ |
|--|----------------|----------------|
| Balance brought forward | 179,500 | - |
| Wi-Fi Project Funding received during the year | 79,200 | 214,200 |
| | 258,700 | 214,200 |
| Less: Technical set-up and installation cost | 107,500 | 21,500 |
| Operating expenses | 66,000 | 13,200 |
| | 85,200 | 179,500 |

23. FLAG DAY INCOME APPROPRIATION

| | HK\$ |
|--|----------------|
| Donation received on public Flag Day Appeal | 537,496 |
| Less: Expenses incurred for Flag Day Appeal | 51,304 |
| | 486,192 |
| Net Flag Day income available for appropriation | 486,192 |
| Appropriation during the year | |
| - To support, strengthen and enhance our elderly service development | 388,954 |
| - To support, strengthen and enhance our child care, children and youth services development | 97,238 |

24. DONATION RECEIVED FROM THE HONG KONG JOCKEY CLUB CHARITIES TRUST FOR PROVIDING EMERGENCY SUPPORT TO LOCAL COMMUNITIES IN PREVENTING AND MITIGATING THE HEALTH AND SOCIETAL IMPACT CAUSED BY THE NOVEL CORONAVIRUS INFECTION

| | HK\$ |
|-------------------|----------|
| Donation received | 498,700 |
| Less: Expenses | 498,700 |
| | - |
| Surplus | - |

25. APPROVAL OF FINANCIAL STATEMENTS

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The financial statements were approved and authorised for issue by the Board of Directors on 21 August 2021.