

語橋社會資源有限公司

SLCO COMMUNITY RESOURCES LIMITED

(Limited by guarantee and without share capital)

(Incorporated in Hong Kong)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2020

信言會計師事務所

IGNITIONS CPA & CO.

*Certified Public Accountants (Practising)*

Hong Kong



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## **SLCO COMMUNITY RESOURCES LIMITED**

### **DIRECTORS' REPORT**

The directors have pleasure in presenting their annual report and audited financial statements of SLCO Community Resources Limited (the "Company") for the year ended 31 December, 2020.

### **PRINCIPAL ACTIVITIES**

The Company is a non-profit making charitable organization which to promote sign bilingualism in communication, education and social inclusion; to create a diversified community without communication barrier. There were no significant changes during the year.

### **RESULTS**

The results of the Company for the year are set out in the statement of comprehensive income on page 5.

### **DIRECTORS OF THE COMPANY**

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

TANG Wai Lan, Gladys  
YIU Kun Man  
WONG Lit Chor Alexis  
TANG Hoi Man Mandy  
SAIROJPAND Pornisiri (Appointed on 1 February, 2021)

In according with Article 20 of the Company's Articles of Association, all directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS**

Other than disclosed as note 5, 13 and 19, no other transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, was a party and in which any director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **DIRECTORS' INTERESTS IN THE DEBENTURES OF THE COMPANY**

At no time during the year was the Company, a party to any arrangements to enable the directors of the Company to hold any interests in the debenture of, the Company.

**SLCO COMMUNITY RESOURCES LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**BUSINESS REVIEW**

The Company falls within reporting exemption since it is qualified as a small private company for the financial year under section 359(1)(a) of the Hong Kong Companies Ordinance (Cap.622). Accordingly, the Company is exempted from preparing a business review.

**OTHER MATTERS**

At the date of this report the directors are not aware of any circumstances or affairs not otherwise dealt with in the report and financial statements which would render any amount stated misleading or harmful to the business.

**MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

**PERMITTED INDEMNITY PROVISION**

At no time during the financial year were there any permitted indemnity provisions in force for the benefit of one or more directors of the Company.

At the time of approval of this report, there are no permitted indemnity provisions in force for the benefit of one or more directors of the Company.

**AUDITORS**

The financial statements were audited by Messrs. IGNITIONS CPA & CO., Certified Public Accountants (Practising) who shall retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

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TANG Wai Lan Gladys  
Director

HONG KONG, 29 October, 2021



信言會計師事務所 IGNITIONS CPA & CO.

*Certified Public Accountants (Practising)*

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF SLCO COMMUNITY RESOURCES LIMITED**  
**(Incorporated in Hong Kong with limited liability by guarantee and without share capital)**

**OPINION**

We have audited the financial statements of SLCO Community Resources Limited ("the Company") set out on pages 5 to 31, which comprise the statement of financial position as at 31 December, 2020, and the statement of comprehensive income, statement of changes in foundations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December, 2020 and its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**BASIS FOR OPINION**

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

**OTHER INFORMATION**

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

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

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

**RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

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

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

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



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Certified Public Accountants (Practising)

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF SLCO COMMUNITY RESOURCES LIMITED**  
**(Incorporated in Hong Kong with limited liability by guarantee and without share capital)**

**AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

IGNITIONS CPA & CO.  
Certified Public Accountants (Practising)  
HONG KONG, 29 October, 2021

**SLCO COMMUNITY RESOURCES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

	<u>Note</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>Income</b>	4		
- Bank interest income		75	1,768
- Capital funding		3,276,202	2,245,084
- Donation income		581,353	636,650
- Exchange difference		-	556
- Forfeited deposits		300	10,700
- Government grant		1,169,244	-
- Rental income		240	-
- Sales of goods		19,721	-
- Service fee income		1,945,453	2,025,266
		<u>6,992,588</u>	<u>4,920,024</u>
Cost of projects and programs		(5,798,844)	(3,739,632)
Other operating expenses		(420,657)	(386,714)
		<u>6,992,588</u>	<u>4,920,024</u>
Surplus before income tax	5	773,087	793,678
Income tax expenses	7	-	-
		<u>773,087</u>	<u>793,678</u>
Total surplus for the year		<u>773,087</u>	<u>793,678</u>

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

**SLCO COMMUNITY RESOURCES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER, 2020**

	<u>Note</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	8	588,396	722,339
		588,396	722,339
<b>CURRENT ASSETS</b>			
Account and other receivables	9	569,712	417,583
Cash and cash equivalents	10	4,660,702	2,106,827
		5,230,414	2,524,410
<b>CURRENT LIABILITIES</b>			
Account and other payables	11	255,327	651,956
Deferred income	12	3,599,401	1,188,798
Other loan, unsecured	13	-	215,000
		3,854,728	2,055,754
<b>NET CURRENT ASSETS</b>		1,375,686	468,656
<b>NET ASSETS</b>		1,964,082	1,190,995
<b>FOUNDATION FUND</b>			
Accumulated surplus	14	1,964,082	1,190,995
<b>TOTAL FOUNDATION FUND</b>		1,964,802	1,190,995

Approved and authorized for issue by the Board of Directors on 29 October, 2021.

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TANG Wai Lan Gladys

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YIU Kun Man

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

**SLCO COMMUNITY RESOURCES LIMITED**  
**STATEMENT OF CHANGES IN FOUNDATION'S FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

	Accumulated <u>surplus</u> HK\$
Balance at 1/1/2019	397,317
Surplus for the year	<u>793,678</u>
Balance at 31/12/2019 and 1/1/2020	1,190,995
Surplus for the year	<u>773,087</u>
Balance at 31/12/2020	<u><u>1,964,082</u></u>

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

**SLCO COMMUNITY RESOURCES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

	<u>Note</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus before income tax		773,087	793,678
Adjusting for: -			
Depreciation		196,243	183,783
Interest income received		(75)	(1,768)
		<hr/>	<hr/>
Operating surplus before working capital changes:		969,255	975,693
Increase in account and other receivables		(152,129)	(21,911)
Increase in account and other payables		(396,629)	125,611
Increase in deferred income		2,410,603	421,378
		<hr/>	<hr/>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<hr/> <b>2,831,100</b>	<hr/> <b>1,500,771</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Bank interest income received		75	1,768
Purchase of property, plant and equipment		(62,300)	(868,948)
		<hr/>	<hr/>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		<hr/> <b>(62,225)</b>	<hr/> <b>(867,180)</b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Repayment of other loans, unsecured		(215,000)	(215,000)
		<hr/>	<hr/>
<b>NET CASH (USED IN) FINANCING ACTIVITY</b>		<hr/> <b>(215,000)</b>	<hr/> <b>(215,000)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		2,553,875	418,591
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR</b>		2,106,827	1,688,236
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENT AT END OF THE YEAR</b>	10	<hr/> <b>4,660,702</b>	<hr/> <b>2,106,827</b>

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

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

**1. GENERAL**

SLCO Community Resources Limited is a company incorporated in Hong Kong with limited liability by guarantee and without share capital. The liability of the member is limited and every member of the Company undertakes to contribute to the assets of the Company in the event of its being wound up to the extent of not exceeding HK\$100. The Company's registered office is located at 2/F Canton Plaza, 1125 – 1127 Canton Road, Mongkok, Kowloon, Hong Kong.

The Company is non-profit making charitable organization which to promote sign bilingualism in communication, education and social inclusion; to create a diversified community without communication barrier.

The financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

In 2020, the HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period. (note 18)

**(b) Basis of preparation of the financial statements**

The measurement basis used in the preparation of the financial statements is the historical cost basis. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 17.

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

**3. PRINCIPAL ACCOUNTING POLICIES**

**(a) Property, plant and equipment**

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 3(c)).

- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 3(b)); and
- other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

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

- Office equipment	20%
- Fixture and furniture	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(b) Leased assets**

At inception of a contract, the Company 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.

**(i) As a lessee**

Where the contract contains lease components and non-lease components, the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises 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 which, for the Company are primarily office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(b) Leased assets (continued)**

**(i) As a lessee (continued)**

Where the lease is capitalised, 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 right-of-use asset recognised when a lease is capitalised 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.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company'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 group 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 Company presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

**(c) Credit losses and impairment of assets**

**(i) Credit losses from financial instruments and contract assets**

The Company recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, account and other receivables and loans to related parties);
- contract assets as defined in HKFRS 15; and
- debt securities measured at fair value through other comprehensive income ("FVOCI")(recycling);

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(c) Credit losses and impairment of assets**

**(i) Credit losses from financial instruments and contract assets (continued)**

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, account and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for account receivables, and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(c) Credit losses and impairment of assets (continued)**

**(i) Credit losses from financial instruments and contract assets (continued)**

**Significant increases in credit risk**

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

3. **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

(c) **Credit losses and impairment of assets (continued)**

(i) **Credit losses from financial instruments and contract assets (continued)**

**Basis of calculation of interest income**

Interest income recognised in accordance with note 3(1) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

**Write-off policy**

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) **Credit losses from financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

3. **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

(c) **Credit losses and impairment of assets (continued)**

(ii) **Credit losses from financial guarantees issued (continued)**

Financial guarantees issued are initially recognised within “account and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the [Group/Company]’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Company monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “account and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Company considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk.

As the Company is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Company expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) **Impairment of other non-current assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;

If any such indication exists, the asset’s recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

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**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(c) Credit losses and impairment of assets (continued)**

**(iii) Impairment of other non-current assets (continued)**

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

**(d) Contract assets and contract liabilities**

A contract asset is recognised when the Company recognises revenue (see note 3(l)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 3(c)(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Company recognises the related revenue (see note 3(l)). A contract liability would also be recognised if the Company has an unconditional right to receive consideration before the Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3(e)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

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**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(e) Account and other receivables**

Account and other receivables are initially recognized at fair values and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 3(c)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(f) 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.

**(g) Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(h) Account and other payables**

Account and other payables are initially recognized at fair value, account and other payable are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(i) Employee benefits**

**(i) Short term employee benefits and contribution to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(ii) Termination benefits**

Termination benefits are recognized at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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3. **PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

(j) **Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they related to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

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**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(j) Income tax (continued)**

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they related to income taxes levied by the same taxation authority on either:-
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

**(k) Provisions and contingent liabilities**

Provisions are recognized for other liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of resources will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of resources is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of resources is remote.

**(l) Revenue recognition**

Revenue is recognized in statement of comprehensive income as follow:

- (i) Donation income and fund raising is recognized as income when no significant uncertainty as to its collectability exists; and
- (ii) Service income is recognized when the services are rendered; and
- (ii) Interest income is recognized as it accrues using the effective interest method.

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**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(m) Grants from government or third parties**

Governmental grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Governmental grants received for which related expenditure has not been undertaken are included in deferred income in the statement of financial position. Grants relating to purchases of property, plant and equipment are set off against the acquisition cost of the assets.

**(n) Related parties**

- (a) A person, or a close member of that person's family, is related to the Company if that person:
- (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, 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 Company 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 party.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
  - (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 the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

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**4. REVENUE AND OTHER REVENUE**

Disaggregation of revenue from contracts with customers by major service lines is as follows:

<u>Revenue from contracts with customers within the scope of HKFRS 15</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Capital funding	3,276,202	2,245,084
Donation income	581,353	636,650
Sales of goods	19,721	-
Service fee income	1,945,453	2,025,266
	<u>5,822,729</u>	<u>4,907,000</u>

Disaggregated by timing of revenue recognition:

At a point in time	601,074	636,650
At over time	5,221,655	4,270,350
	<u>5,822,729</u>	<u>4,907,000</u>

Other revenue

Bank interest income	75	1,768
Exchange difference	-	556
Forfeited deposits	300	10,700
Government grant (note)	1,169,244	-
Rental income	240	-
	<u>1,169,859</u>	<u>13,024</u>

Note: In 2020, the Company successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government, amounting to HK\$863,244. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Company is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees

**SLCO COMMUNITY RESOURCES LIMITED**  
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5. **SURPLUS BEFORE INCOME TAX**

	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
Auditor's remuneration	16,000	22,000
Cost of inventory sold	12,702	-
Depreciation	196,243	183,783
Operating lease charges: -		
- Hire of land and buildings	-	3,500
Staff costs (excluding directors' remuneration)		
- basic salaries and allowances	4,819,642	2,255,443
- contributions to defined contribution retirement plan	229,339	109,091

The Company received the in-kind support for a total of HK\$480,000 (2019: HK\$480,000) worth of rent for the registered office from a related company - Full Glory Asia Group Limited, which WONG Lit Chor Alexis is also one of shareholders of that company during the year. The remaining support will be HK\$160,000 (2019: HK\$640,000) over a period of 4 (2019: 16) months.

6. **BENEFITS AND INTERESTS OF DIRECTORS**

(A) **DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is HK\$ Nil (2019: HK\$ Nil).

(B) **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Other than disclosed as note 5, 13 and 19, no other significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year.

(C) **DIRECTORS' RETIREMENT BENEFITS**

The retirement benefits or receivable by the directors during the year ended 31 December, 2020 by a defined benefit pension plan operated by the Company in respect of the directors' services as a director of the Company (2019: the same).

No other retirement benefits were or receivable by the directors in respect of the director's other services in connection with the management of the affairs of the Company (2019: the same)

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6. **BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**

(D) **DIRECTORS' TERMINATION BENEFITS**

There were no payments made or benefit provided in respect of the termination of the services of directors, whether in the capacity of directors or in any other capacity while directors (2019: the same).

(E) **CONSIDERATION PROVIDED TO THRID PARTY FOR MAKING AVAILABLE DIRECTOR'S SERVICES**

There was no consideration provided to or receivable by third parties for making available the services of a person as director or in any other capacity while director (2019: the same).

(F) **INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS**

No loan to directors and bodies corporates controlled by them during the year and as at the end of financial reporting period (2019: none).

The Company had not paid or incurred any liability for the purpose of fulfilling the guarantee or discharging the security given to banks for loans granted to the directors during the year and the previous year.

7. **INCOME TAX EXPENSES**

No provision for Hong Kong profit tax has been made in the financial statement since the Company was exempted from tax under Section 88 of the Inland Revenue Ordinance (2019: the same).

**SLCO COMMUNITY RESOURCES LIMITED**  
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**8. PROPERTY, PLANT AND EQUIPMENT**

	<u>Office equipment</u> HK\$	<u>Fixture and furniture</u> HK\$	<u>Total</u> HK\$
<b>Cost</b>			
At 1/1/2019	34,142	15,825	49,967
Additions	<u>140,621</u>	<u>728,327</u>	<u>868,948</u>
At 31/12/2019 and 1/1/2020	174,763	744,152	918,915
Additions	<u>62,300</u>	<u>-</u>	<u>62,300</u>
At 31/12/2020	<u>237,063</u>	<u>744,152</u>	<u>981,215</u>
<b>Accumulated depreciation</b>			
At 1/1/2019	9,628	3,165	12,793
Charge for the year	<u>34,953</u>	<u>148,830</u>	<u>183,783</u>
At 31/12/2019 and 1/1/2020	44,581	151,995	196,576
Charge for the year	<u>47,413</u>	<u>148,830</u>	<u>196,243</u>
At 31/12/2020	<u>91,994</u>	<u>300,825</u>	<u>392,819</u>
<b>Net book value</b>			
At 31/12/2020	<u>145,069</u>	<u>443,327</u>	<u>588,396</u>
At 31/12/2019	<u>130,182</u>	<u>592,157</u>	<u>722,339</u>

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9. **ACCOUNT AND OTHER RECEIVABLES**

	<u>2020</u> HK\$	<u>2019</u> HK\$
Account receivables	510,797	375,633
Other receivables	1,383	-
Utilities deposit	10,150	10,150
Prepayments	47,382	31,800
	<u>569,712</u>	<u>417,583</u>

(a) The ageing analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Less than 1 month past due	391,497	269,007
2 to 3 months past due	101,000	60,476
More than 3 months but less than 12 months past due	18,300	46,150
	<u>510,797</u>	<u>375,633</u>

Receivables that are past due but not impaired relate to a number of parties that either have subsequently settled the amounts due or have no records of default in payments. Based on experience, existing market conditions as well as forward looking estimates, management is of the opinion that no charge for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of these parties and the balances are still considered fully recoverable. The Company do not hold any collateral or other credit enhancements over these balances.

10. **CASH AND CASH EQUIVALENTS**

	<u>2020</u> HK\$	<u>2019</u> HK\$
Cash at bank	4,660,702	2,106,827
Maximum exposure to credit risk	<u>4,660,702</u>	<u>2,106,827</u>

The bank balances are deposited with creditworthy banks with no recent history of default.

The bank balances are denominated in functional currencies of the Company.

**SLCO COMMUNITY RESOURCES LIMITED**  
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**11. ACCOUNT AND OTHER PAYABLES**

	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
Trade payables	140,183	223,869
Accrued expenses	102,376	428,087
Contract liabilities	12,250	-
Other payables	518	-
	<u>255,327</u>	<u>651,956</u>

All of the account and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

The carrying amounts of account and other payables approximate their fair values for both financial years ended 31 December, 2020 and 2019 and are denominated in Hong Kong Dollars.

**12. DEFERRED INCOME**

The balance represents governmental grants or funding received from other parties for which related expenditure has not yet been undertaken.

**13. OTHER LOAN, UNSECURED**

The other loan is borrowed from a related company (note 19).

As at 31 December, 2019, the amount is unsecured, interest free and will be repayable within the next reporting period.

**14. CAPITAL**

Capital represents the foundation reserve which represents the unallocated surplus of income. The Company's objective when managing funds is to safeguard its ability to continue as a going concern, so that it can continue to provide funding for operation.

The Company manages capital by regularly monitoring its current and expected liquidity requirements.

The Company is a company limited by guarantee and without shares capital. The liability of the members is limited and every member of the Company undertakes to contribute to the assets of the Foundation in the event of its being wound up to the extent of not exceeding HK\$100. The Company's revenue is generated from income.

The Company is not subject to either internally or externally imposed capital requirements.

**SLCO COMMUNITY RESOURCES LIMITED**  
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**15. EMPLOYEE RETIREMENT BENEFITS**

The principal employee's retirement scheme is under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Contributions are made by both the employer and the employee at the rate of 5% on the employee's relevant salary income, subject to a cap of monthly relevant income of HK\$30,000. During the period, the total amount charged to the statement of comprehensive income in respect of the Company's costs incurred on the Mandatory Provident Fund Scheme was HK\$229,339 (2019: HK\$109,091).

**16. FINANCIAL RISK MANAGEMENT AND FAIR VALUE**

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The board reviews and agrees policies managing each of these risks and they are summarised below.

**Interest rate risk**

The Company's exposure on cash flow interest rate risk is mainly arising from its deposits with banks.

No sensitivity analysis for the Company's exposure to interest rate risk arising from cash at bank is prepared since based on the management's assessment the exposure is considered not significant.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to account receivables and contract assets. The Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions, for which the Company considers to have low credit risk.

**Account receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. At the end of the reporting period, there is no significant concentration of credit risk arising from external customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Company does not obtain collateral from customers.

The Company measures loss allowances for account receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Company's historical credit loss experience does not indicate significant loss allowance based on past due status no loss allowances have been provided for the year.

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**16. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)**

**Credit risk (continued)**

Expected loss rates are based on actual loss experience from the previous year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

**Foreign currency risk**

The Company is not exposed to significant foreign currency risk as most revenue and expenses are denominated in the functional currency of the Company.

**Liquidity risk**

In the management of liquidity risk, the Company monitors and maintains level of cash and cash equivalent deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Carrying amounts HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 5 years HK\$
<u>2020</u>				
Account and other payables	255,327	255,327	255,327	-
<u>2019</u>				
Account and other payables	651,956	651,956	651,956	-
Other loan	215,000	215,000	215,000	-
	866,956	866,956	866,956	-

**SLCO COMMUNITY RESOURCES LIMITED**  
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**16. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)**

**Financial instruments carried at fair value**

All financial instruments are carried at amounts not materially different from their fair value as at 31 December, 2020 and 2019.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**Categories of financial instruments**

<b><u>Financial assets</u></b>	<b><u>2020</u></b> <b>HK\$</b>	<b><u>2019</u></b> <b>HK\$</b>
Financial assets at amortised cost	<u>5,230,314</u>	<u>2,524,410</u>
<b><u>Financial liabilities</u></b>		
Financial liabilities at amortised cost	<u>255,327</u>	<u>866,956</u>

**17. ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarizes significant judgments made in the process of applying the Company's accounting policies.

- Estimation of useful lives of property, plant and equipment

The Company's management determines the useful lives of property, plant and equipment and reviews the amortization year on an annual basis. This requires an estimation of the number of years that future economic benefits can be generated by the property, plant and equipment taking into accounts the expected changes in the market demand for the products or services output from the property, plant and equipment and the expected actions by competitors or potential competitors.

- Expected credit losses of account receivables

The Company estimates the amount of loss allowance for ECL on its account receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of account receivables. The assessment of the credit risk of account receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

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**17. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

- Expected credit losses of account receivables (continued)

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. Details of account receivables are set out in notes 9.

**18. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER, 2020**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	<u>Effective for accounting periods beginning on or after</u>
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> a date to be determined.	a date to be determined
Amendments to Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
HKFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendments to HKFRS 17, <i>Insurance Contracts</i>	1 January 2023

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the year of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

**SLCO COMMUNITY RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**

**19. RELATED PARTY TRANSACTIONS**

The Company had the following related party transactions during the year and balance at the year ended:-

<u>Name of company</u>	<u>Related party relationship</u>	<u>Nature</u>	<u>2020</u> HKD	<u>2019</u> HKD
5 Aces Limited	WONG Lit Chor Alexis	Other loan, unsecured	(ii) -	215,000
W.Hing Constructions Company Limited	WONG Lit Chor Alexis	Deferred income	250,000	-

- (i) WONG Lit Chor Alexis is one of directors of the Company, and also one of shareholders of 5 Aces Limited and W.Hing Constructions Company Limited.
- (ii) As at 31 December, 2019, the amount is unsecured, interest free and will be repayable within the next reporting period.
- (iii) The Company received the in-kind support for a total of HK\$480,000 (2019: HK\$480,000) worth of rent for the registered office from a related company - Full Glory Asia Group Limited, which WONG Lit Chor Alexis is also one of shareholders of that company during the year. The remaining support will be HK\$160,000 (2019: HK\$640,000) over a period of 4 (2019: 16) months.

**20. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 29 October, 2021.

**SLCO COMMUNITY RESOURCES LIMITED**  
**SCHEDULE FOR DETAILS EXPENSES**  
**FOR THE YEAR ENDED 31 DECEMBER, 2020**  
**(For Management Purpose Only)**

**1. Cost of projects and programs**

	<u>2020</u> HK\$	<u>2019</u> HK\$
Cost of inventory sold	12,702	-
Design and production cost	80,255	427,001
MPF contribution	229,339	109,091
Programme material	12,648	6,193
Rental expenses	-	3,500
Salaries and allowance	4,819,642	2,255,443
Service expenses	624,588	912,694
Volunteer allowance	19,670	25,710
	<hr/>	<hr/>
<b>Total cost of projects and programs</b>	<b>5,798,844</b>	<b>3,739,632</b>

**2. Other operating expenses**

	<u>2020</u> HK\$	<u>2019</u> HK\$
Advertising	-	40,000
Auditor's remuneration	16,000	22,000
Bank charge	1,870	614
Computer expenses	35,429	6,307
Depreciation	196,243	183,783
Entertainment	333	-
Filing fee	-	105
Fundraising expense	3,900	-
Insurance expenses	116,227	45,537
IT services	1,800	776
Office supplies	20,671	12,022
Online payment handling fee	3,340	-
Postage and courier	3,793	193
Printing and stationary	2,796	4,502
Recruitment	-	3,584
Repair and maintenance	1,000	8,000
Sundry expenses	3,050	46,549
Transportation	848	1,578
Telecommunication	9,637	8,120
Travelling expenses	55	-
Utilities expenses	3,665	3,044
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<b>Total other operating expenses</b>	<b>420,657</b>	<b>386,714</b>