

**WAI JI CHRISTIAN SERVICE**

基督教懷智服務處

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019**

**CONTENTS**

	<b>PAGE</b>
DIRECTORS' REPORT	1 - 3
INDEPENDENT AUDITOR'S REPORT	4 - 6
STATEMENT OF COMPREHENSIVE INCOME	7 - 8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CASH FLOWS	10
STATEMENT OF CHANGES IN RESERVES AND FUNDS	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 30

范陳會計師行有限公司  
**FAN, CHAN & CO. LIMITED**  
CERTIFIED PUBLIC ACCOUNTANTS  
HONG KONG

The directors present herewith their report and the audited financial statements for the year ended 31 March, 2019.

### Principal activities

The principal activities of Wai Ji Christian Service ("the Society") are the provision of nurture, care and training for people with disabilities in Hong Kong. There were no significant changes in the nature of the Society's principal activities during the year.

### Financial statements

The financial performance of the Society for the year ended 31 March, 2019 and the state of affairs of the Society at that date are set out in the financial statements on pages 7 to 30.

### Reserves and funds

Details of movements in the reserves and funds of the Society for 2019 are set out in the statement of changes in reserves and funds, and notes 13 to 16 attached to the financial statements.

### Society status

The Society is incorporated in Hong Kong with liability limited by guarantee.

### Directors

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

Kwong Sum Mei Esther	鄭心美	(Chairperson)
Leung Kai Lok Peter	梁佳樂	(Vice-chairperson)
Tsang Wai Ping Cecilia	曾慧平	(Vice-chairperson)
Lau Ming Chung	劉明聰	(Secretary)
Leung Yiu Fat Allen	梁耀發	(Hon. Treasurer)
Chung Wing Yan Vivian	鍾穎欣	
Szeto Pui Yuk Grace	司徒佩玉	
Wong Mei Fung	王美鳳	
Chung Chi Wai	鍾志煒	
Wong Kwong Lam Richard	黃廣林	
Chan Kwong Fat	陳廣發	(appointed on 15 December, 2018)
Chung Kin Keung Lawrence	鍾建強	(resigned on 15 December, 2018)
Margaret Mckie Wilson Mathieson		(resigned on 15 December, 2018)

In accordance with Article 36 of the Society's Articles, the remaining directors shall retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

**Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Society's business**

No transaction, arrangement and contract of significance to which the Society was a party and in which a director of the Society had a material interest, subsisted at the end of the year or at any time during the year.

**Permitted indemnity provisions**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Society is currently in force and was in force throughout this year.

**Business Review**

**Operation review**

The Society is a non-profit making organization providing hostel, day care centre, and sheltered workshop services for people with intellectual disabilities in Hong Kong. For the year 2018/19, more than 84% of its revenue comes from government subventions. Unless there is a substantial change on government subvention policies on rehabilitation services, the Society operates in a stable financial environment.

The Society has a strong professional and committed team of more than 600 staff members delivering quality services to our service users who are mostly intellectually disabled persons of different severities, and keeping close relationships with them.

To help fostering our service users' art talent and other interests, we have a series of programmes and projects for them on paintings, music, dance, magic, photography, etc. Throughout these activities and performances, their self-confidence are able to be built up, and at the same time promoting social inclusion with the general public.

In order to maintain our quality services, we have been improving our staff benefits such as extending paternity leave and offering birthday leave, so as to retain efficient staff force.

During the year, the Society has expanded its service by starting a new day activity centre cum hostel in Shui Chuen O, and also a new Professional Outreaching Team to serve disabled persons in private residential care homes located in Yuen Long and Tuen Mun districts. We have also started a new project on School Social Work to expand our scope of service.

As a supporter for environmental friendliness, we have implemented, in our new centre in Shui Chuen O, some energy saving measures such as installing solar control window films and induction cookers.

While the Society co-operates with the Social Welfare Department through various Funding and Service Agreements (FSA), we are also abided by a full set of Service Quality Standards (SQS) which covers service areas ranging from the daily care, safety, psychological care to the community inclusion of our service users.

### **Risks and uncertainties**

The Society does not expect competition from the demand side as our service users are centrally assigned by the Social Welfare Department. However, due to the tight labour supply for frontline and professional staff, the Society always faces challenges in maintaining an adequate workforce and quality services to our service users. Any business expansion is subject to government resources as the Society has to tender for any new rehabilitation establishment project issued from time to time by the Social Welfare Department.

Regarding our financial position, the Society has been maintaining a healthy cash reserve which will enable us to operate continuously in case the government subvention does not arrive in time. The Society does not envisage that there will be financial difficulties in meeting its recurrent expenditure commitments. For major capital renovation and information technology development projects, the Society will maximize the use of the grants from government and various funding sources.

### **Future development**

The Society has been granted the Innovation and Technology Fund by the government for up-grading of services. In view of increasing needs from our aging service users, and long existing difficulties in maintaining adequate staff force, we expect the technology products supported by this fund will improve the quality of life of our service users, and to alleviate the burden and pressure of our care staff and carers for service users.

After May 2019, our "Infinity in Love" service project will be expanded into a parent resources centre and continue its carer-centric support to family carers of people with autism, intellectual and other disabilities.

### **Subsequent events**

After the end of the financial year, there is no matter of significant impact affecting the Society.

### **Auditor**

During the year, Messrs. Fan, Chan & Co. resigned as auditor of the Society and Fan, Chan & Co. Limited were appointed by the directors to fill the casual vacancy so arising. A resolution to reappoint Fan, Chan & Co. Limited as auditor of the Society will be put forth at the forthcoming annual general meeting.

For and on behalf of the Board



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Kwong Sum Mei Esther  
Chairperson  
Dated, 21 October, 2019



范陳會計師行有限公司  
Fan, Chan & Co. Limited

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WAI JI CHRISTIAN SERVICE**  
基督教懷智服務處

(incorporated in Hong Kong and limited by guarantee)

*Opinion*

We have audited the financial statements of Wai Ji Christian Service (the "Society") set out on pages 7 to 30, which comprise the statement of financial position as at 31 March, 2019, and the statement of comprehensive income, statement of cash flows and statement of changes in reserves and funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- (i) the financial statements give a true and fair view of the financial position of the Society as at 31 March, 2019, 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 ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance, the "Lump Sum Grant Manual" and other instructions issued by the Director of Social Welfare from time to time.
- (ii) the Society has complied with the requirements as stipulated by Social Welfare Department and Community Care Fund on implementing the Programme.

*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 the Financial Statements section of our report. We are independent of the Society in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*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.



范陳會計師行有限公司  
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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF WAI JI CHRISTIAN SERVICE**  
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*Responsibilities of Directors and Those Charged with Governance for the Financial Statements*

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS for Private Entities issued by the HKICPA, the Hong Kong Companies Ordinance, the "Lump Sum Grant Manual" and other instructions issued by the Director of Social Welfare from time to time 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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

*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. This report is made 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 judgment and maintain professional skepticism throughout the audit. We also:

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



范陳會計師行有限公司  
Fan, Chan & Co. Limited

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WAI JI CHRISTIAN SERVICE**  
基督教懷智服務處

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- 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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Fan, Chan & Co. Limited  
Certified Public Accountants  
Leung Kwong Kin  
Practising Certificate Number: P03702

Hong Kong, 21 October, 2019

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH, 2019

	Note	2019 HK\$	2018 HK\$
<b>Income</b>			
Social Welfare Department subvention	(17)	190,519,476	177,593,371
Hostel fees		11,354,385	11,139,984
Sheltered workshop earnings		3,185,013	3,068,307
Meal fees		831,817	816,440
The Community Chest			
- Baseline allocation		832,400	788,471
- Project – Infinity in love		709,209	379,087
- 50 <sup>th</sup> Anniversary Birthday party		23,000	-
Labour and Welfare Bureau		-	107,433
Lotteries Fund		12,545,286	3,846,107
Queen Elizabeth Foundation for the Mentally Handicapped		250,013	507,952
Community Care Fund	(19)	172,440	125,000
Programme income		1,553,855	1,176,513
Flag day appeal		703,432	617,074
Other donations		642,361	473,861
Income from transport service		162,700	178,543
Interest income		1,441,773	957,894
Miscellaneous		1,370,345	1,108,306
<b>Total income</b>		<b>226,297,505</b>	<b>202,884,343</b>



STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH, 2019

	Note	2019 HK\$	2018 HK\$
<b>Expenditure</b>			
Salaries and wages		151,131,666	138,188,908
Provident fund contributions		12,081,487	11,711,109
Clients' training allowance		4,881,373	4,753,789
Rent and rates		11,734,394	11,279,535
Food expenses		6,354,881	6,119,124
Flag day appeal		51,392	40,891
Programme expenses		6,189,070	5,250,448
Stores and equipment		6,353,194	5,510,716
Utilities		4,756,314	4,694,333
Transport and travelling		1,093,738	869,800
Auditor's remuneration		71,200	66,500
Depreciation		12,155,311	3,551,114
Loss on disposal of furniture, fixtures and equipment		19,920	5,600
Telephone and postage		209,767	188,221
Staff development		877,353	798,623
Recruitment expenses		316,020	271,982
Insurance premium		2,812,830	2,592,687
Service fee		3,108,277	3,280,709
Miscellaneous		3,025,684	2,797,336
<b>Total expenditure</b>		<b>227,223,871</b>	<b>201,971,425</b>
<b>(Deficit)/Surplus for the year</b>	<b>(18)</b>	<b>(926,366)</b>	<b>912,918</b>

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH, 2019

	Note	2019 HK\$	2018 HK\$
<b>Non-current assets</b>			
Furniture, fixtures and equipment	(5)	17,169,397	6,429,902
<b>Current assets</b>			
Accounts receivables	(6)	4,175,486	4,556,734
Reimbursable capital expenditure	(7)	6,711,080	972,415
Amount due from a related company	(8)	187,387	147,454
Deposits held for more than 3 months	(9)	90,967,305	91,668,253
Cash and cash equivalents	(10)	11,194,666	12,075,760
		113,235,924	109,420,616
<b>Current liabilities</b>			
Other payables	(11)	10,336,007	5,558,781
Deferred income	(12)	16,900,563	6,107,140
		27,236,570	11,665,921
<b>Net current assets</b>		85,999,354	97,754,695
<b>Net assets</b>		103,168,751	104,184,597
<b>Reserves and funds</b>			
General fund		13,942,168	14,817,494
Furniture and Equipment Replenishment and Minor Works Block Grant reserve	(13)	2,706,314	2,221,672
Flag Day fund	(14)	1,987,664	1,847,890
Social Welfare Development fund	(15)	1,664,164	381,489
Lump Sum Grant and other Social Welfare Department reserves	(16)	82,868,441	84,916,052
<b>Total reserves and funds</b>		103,168,751	104,184,597

The financial statements were approved and authorised for issue by the Board of Directors on 21 October, 2019 and are signed on its behalf by:

  
Kwong Sum Mei Esther  
Chairperson

  
Leung Kai Lok  
Vice-Chairperson

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH, 2019

	2019 HK\$	2018 HK\$
<b>Operating activities</b>		
(Deficit)/Surplus for the year	(926,366)	912,918
Adjustments for:		
Furniture and equipment replenishment and minor works block grant received	2,665,000	2,573,000
Furniture and equipment replenishment and minor works block grant utilised	(2,211,957)	(2,082,367)
Clawback by Social Welfare Department	(660,464)	(233,489)
Additional subvention from Social Welfare Department for previous years	86,342	-
Depreciation	12,155,311	3,551,114
Loss on disposal of furniture, fixtures and equipment	19,920	5,600
Interest income	(1,441,773)	(957,894)
Operating surplus before changes in working capital	9,686,013	3,768,882
Decrease/(Increase) in accounts receivables	381,248	(1,447,371)
Increase in reimbursable capital expenditure	(5,738,665)	(429,458)
Increase in amount due from a related company	(39,933)	(11,418)
Increase/ (decrease) in other payables	4,777,226	(66,724)
Increase in deferred income	10,793,423	469,476
Net cash flow generated from operating activities	19,859,312	2,283,387
<b>Investing activities</b>		
Interest received	1,473,372	972,770
Purchase of furniture, fixtures and equipment	(22,914,726)	(4,129,234)
Decrease in deposits held for more than 3 months	700,948	2,474,581
Net cash flow used in investing activities	(20,740,406)	(681,883)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(881,094)	1,601,504
<b>Cash and cash equivalents at the beginning of the year</b>	12,075,760	10,474,256
<b>Cash and cash equivalents at the end of the year</b>	11,194,666	12,075,760

STATEMENT OF CHANGES IN RESERVES AND FUNDS  
FOR THE YEAR ENDED 31 MARCH, 2019

	Note 13 Furniture and Equipment Replenishment and Minor Works Block Grant reserve HK\$	Note 14 Flag Day fund HK\$	Note 15 Social Welfare Development fund HK\$	Note 16 Lump Sum Grant and other SWD reserves HK\$	Total HK\$
As at 1 April, 2017	14,847,063	1,361,777	909,938	84,164,718	102,999,659
Surplus/(Deficit) for the year	(29,569)	486,113	(528,449)	984,823	912,918
Clawed back	-	-	-	(233,489)	(233,489)
Block grant received	-	-	-	-	2,573,000
Block grant expenditure	-	-	-	-	(2,082,367)
Interest received	-	-	-	-	14,876
As at 31 March, 2018	14,817,494	1,847,890	381,489	84,916,052	104,184,597
Surplus/(Deficit) for the year	(875,326)	139,774	1,282,675	(1,473,489)	(926,366)
Clawed back	-	-	-	(660,464)	(660,464)
Additional subvention from SWD	-	-	-	86,342	86,342
Block grant received	-	-	-	-	2,665,000
Block grant expenditure	-	-	-	-	(2,211,957)
Interest received	-	-	-	-	31,599
As at 31 March, 2019	13,942,168	1,987,664	1,664,164	82,868,441	103,168,751

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

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**1. General information**

Wai Ji Christian Service ("the Society") is a company limited by guarantee incorporated in Hong Kong and is a charitable organisation. The address of Society's registered office and principal place of operation is located at G/F., 9-15 Tung Hoi House, Tai Hang Tung Estate, Shek Kip Mei, Kowloon, Hong Kong.

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

During the year, the principal activities of the Society are the provision of nurture, care and training for people with disabilities in Hong Kong.

**2. Basis of preparation and accounting policies**

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard of Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the accrual basis of accounting and on the basis that the Society is a going concern. They have been prepared under the historical cost convention.

**Revenue recognition**

**Revenue**

Revenue is recognised when it is probable that the economic benefits will flow to the Society and when the revenue can be measured reliably, on the following bases:

- (i) Subvention income are recognised in the accounting period which generally matched with the related costs incurred.
- (ii) Donation income are recognised in the financial statements on cash receipt basis.
- (iii) Interest income is recognised as it accrues using the effective interest method.
- (iv) Hostel fees, meal fees, respite care fee charges and travelling income are recognised when the relevant events are held or relevant services are rendered;
- (v) F& E Replenishment and Minor Works Block Grant and Lotteries fund grants related to depreciable assets are usually recognised as income over the periods and in the proportions in which depreciation on those assets is charged.
- (vi) Earnings from sheltered workshops are recognised on the transfer of risks and rewards of ownership of the goods produced, which generally coincide with the time of delivery to customers and when the title has passed.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

2. Basis of preparation and accounting policies (continued)

**Furniture, fixtures and equipment**

Furniture, fixtures and equipment are measured at initial recognition at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost comprises purchase price, conversion cost and estimated cost of dismantling and restoration. Expenditure such as repairs and maintenance, overhaul costs and borrowing costs are normally charged to profit or loss when they are incurred. Where expenditure has resulted in increases in the future economic benefits from the use of the furniture, fixtures and equipment, the expenditure is capitalised.

The residual values and useful lives of the furniture, fixtures and equipment are reviewed when there are indications that the residual value or useful life of an asset has been a significant change since the end of previous reporting period. If necessary, the residual value, depreciation method or useful life of that asset is amended prospectively to reflect the new expectation. Depreciation is calculated using the straight-line method to write off the depreciable amount of each furniture, fixtures and equipment to profit or loss unless it is included in the carrying amount of another asset over its estimated useful life. The following estimated useful lives are used for the depreciation of furniture, fixtures and equipment.

● Leasehold improvements	Term of Lease, or 10 years whichever is the shorter
● Furniture, fixtures and equipment	5 years
● Computer equipment	3 years
● Motor vehicles	8 years

On disposal or retirement, the cost together with associated accumulated depreciation and impairment losses, if any, of the furniture, fixtures and equipment are derecognised and any gain or loss resulting from the disposal is recognised in profit or loss.

**Impairment of non-financial assets**

At each reporting date, furniture, fixtures and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Society's contractual rights to future cash flows from the financial asset expire or when the Society transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

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**2. Basis of preparation and accounting policies (continued)**

**Accounts receivables**

Accounts receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivables is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

**Account and other payables**

Account and other payables are initially stated at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**Deferred income**

Deferred income represents funds received and receivable by the Society relating to the purchase of furniture, fixtures and equipment. These funds are recognised as income on a straight-line basis over the estimated useful lives of the related assets.

**Social Welfare Department (“SWD”) funds**

**(a) SWD Lump Sum Grant reserve fund**

Any surplus / deficit from Funding and Service Agreement (“FSA”) activities under LSG during the year plus interest earned thereon are reflected in the LSG reserve. The level of cumulative reserves (including interest but excluding provident fund reserve) at the financial year end will be capped at 25% of the Society’s operating expenditure (excluding provident fund expenditure) for that year. Any amount above this cap needs to be refunded to the SWD in the following financial year, unless the cap is raised by the Director of Social Welfare upon application with justification from the Society. Any surplus of Lump Sum Grant repayable to SWD is retained in Social Welfare LSG reserve.

**(b) SWD provident fund reserve**

Any surplus on provident fund expenditure from FSA activities under LSG are reflected in the provident fund reserve. Any surplus of provident fund reserve can only be used for provident fund commitments in the future.

**Furniture and Equipment Replenishment and Minor Works Block Grant reserve**

Any unspent balance from Block Grant of the Lotteries Fund during the year plus interest earned thereon are reflected in the Furniture and Equipment Replenishment and Minor Works Block Grant reserve. Such unspent balance can be carried forward to the next financial year for use to facilitate good planning and prudent spending.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

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**2. Basis of preparation and accounting policies (continued)**

**SWD subvention surplus**

Any surplus from subvented activities excluding Lump Sum Grant ("LSG") during the period plus interest earned thereon are reflected in the Social Welfare subvention surplus account. Such surplus from subvented activities not included in LSG is refundable to the SWD.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Society. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Society at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in furniture, fixtures and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

**Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in Hong Kong Dollars, which is the Society's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

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**2. Basis of preparation and accounting policies (continued)**

**Related parties**

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Society if that person:
  - (i) is a member of the key management personnel of the Society or of a parent of the Society;
  - (ii) has control over the Society; or
  - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.
- (b) An entity is related to the Society if any of the following conditions applies:
  - (i) the entity and the Society are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of a third entity.
  - (iv) either 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 Society or an entity related to the Society. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant voting power in the entity.

**Employee benefit obligations**

Salaries and the cost to the Society of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Society.

Salaries, bonuses, paid annual leave, contributions to defined contribution retirement 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 value.

The Society operates two defined contribution schemes, the Occupational Retirement Scheme (the "ORSO Scheme"), and the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for those employees who are eligible to participate in the Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income and expenditure account as they become payable in accordance with the rules of the Schemes and when employees have rendered service entitling them to the contributions. The assets of the Schemes are held separately from those of the Society in an independently administered fund.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

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**3. Transition to the HKFRS for Private Entities**

Application of the HKFRS for Private Entities

The Society's financial statements for the year ended 31 March, 2019 are its first annual financial statements prepared under accounting policies that comply with the HKFRS for Private Entities. The Society applied full Hong Kong Financial Reporting Standards (HKFRSs) to prepare its financial statements prior to the application of the HKFRS for Private Entities.

The Society's date of transition is 1 April, 2017 and the Society prepared its opening statement of financial position in compliance with the HKFRS for Private Entities at that date.

The Society has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the HKFRS for Private Entities when preparing these financial statements in accordance with the HKFRS for Private Entities.

There was no impact on the statement of financial position, financial performance and its cash flow at the date of transition.

**4. Critical accounting estimates and judgements**

The Society makes estimates and assumptions concerning the future. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Furniture, fixtures and equipment and depreciation**

The Society determines the estimated useful lives and related depreciation charges for the Society's furniture, fixtures and equipment. This estimate is based on the historical experience of the actual useful lives of furniture, fixtures and equipment of similar nature and functions. The Society will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technologically obsolete or non-strategic assets that have been abandoned or sold.

**Allowance for impairment of accounts receivables**

Allowance for impairment of accounts receivables are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of accounts receivables would affect profit or loss in future years.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

5. Furniture, fixtures and equipment

	Leasehold improve- ments HK\$	Furniture, fixtures and equipment HK\$	Computer equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost</b>					
As at 1 April, 2018	36,830,449	10,821,327	4,477,946	3,470,412	55,600,134
Additions	15,779,465	1,619,686	537,970	4,977,605	22,914,726
Written-off	-	(349,572)	(11,830)	-	(361,402)
As at 31 March, 2019	52,609,914	12,091,441	5,004,086	8,448,017	78,153,458
<b>Accumulated depreciation</b>					
As at 1 April, 2018	35,193,047	8,352,723	3,821,736	1,802,726	49,170,232
Charge for the year	9,492,964	1,210,419	559,692	892,236	12,155,311
Written-back	-	(329,652)	(11,830)	-	(341,482)
As at 31 March, 2019	44,686,011	9,233,490	4,369,598	2,694,962	60,984,061
<b>Net book value</b>					
As at 31 March, 2019	7,923,903	2,857,951	634,488	5,753,055	17,169,397
As at 31 March, 2018	1,637,402	2,468,604	656,210	1,667,686	6,429,902

Of the Society's furniture, fixtures and equipment, the following are the details of net book value of furniture, fixtures and equipment under non-subservent activities

	2019 HK\$	2018 HK\$
Cost	4,561,882	4,579,730
Accumulated depreciation	(3,847,219)	(3,604,179)
	714,663	975,551

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

6. Accounts receivables

	2019 HK\$	2018 HK\$
Accounts receivables	292,788	319,441
Other receivables	2,494,600	3,045,376
Prepayments	937,845	886,619
Deposits	450,253	305,298
	<u>4,175,486</u>	<u>4,556,734</u>

Receivables that were neither past due nor impaired related to customers that have a good track record with the Society. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are expected to be fully recoverable. The Society does not hold any collateral over these balances.

7. Reimbursable capital expenditure

	2019 HK\$	2018 HK\$
Cost		
Balance brought	54,970,962	53,374,707
Capital expenditure incurred	20,680,587	1,706,389
Amount written off	(6,010)	(110,134)
	<u>75,645,539</u>	<u>54,970,962</u>
Balance carried forward		
Grant allotted		
Balance brought	53,998,547	52,831,750
Grant allotted during the year	14,935,912	1,166,797
	<u>68,934,459</u>	<u>53,998,547</u>
Balance carried forward		
Reimbursable capital expenditure carried forward	<u>6,711,080</u>	<u>972,415</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

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**8. Amount due from a related company**

The balance is unsecured, non-interest bearing and without fixed repayment terms.

**9. Deposits held for more than three months**

These are time deposits held at bank with maturity between six months and one year.

**10. Cash and cash equivalents**

Cash and cash equivalents comprise cash held by the Society and short-term bank deposits with an original maturity of three months or less.

**11. Other payables**

	2019 HK\$	2018 HK\$
Other payables	8,440,690	4,275,324
Receipts in advance	1,895,317	1,283,457
	<u>10,336,007</u>	<u>5,558,781</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

12. Deferred income

	Furniture and Equipment Replenishment and Minor Works Block Grant	Lotteries Fund	Lump Sum Grant	Social Welfare Development Fund	Queen Elizabeth Foundation for the Mentally Handicapped	Supplementary Hostel Fee	The Board of Management of the Chinese Permanent Cemeteries	Sub-total carried forward
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1 April, 2017	1,391,858	3,154,422	300,081	292,627	83,713	38,383	10,960	5,272,044
Transferred from/(to) income and expenditure	59,084	(116,436)	142,042	230,672	(26,098)	28,546	9,040	326,850
As at 31 March, 2018	1,450,942	3,037,986	442,123	523,299	57,615	66,929	20,000	5,598,894
Transferred from/(to) income and expenditure	314,232	10,027,016	707,090	(84,967)	21,125	(19,220)	(5,000)	10,960,276
As at 31 March, 2019	1,765,174	13,065,002	1,149,213	438,332	78,740	47,709	15,000	16,559,170

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

12. Deferred income (continued)

	Sub-total brought forward	Ng Teng Fong Charitable Foundation	Sir David Trench Fund	Other Funds	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1 April, 2017					
Transferred from/(to) income and expenditure	5,272,044	50,357	5,038	310,225	5,637,664
	326,850	(29,900)	(2,518)	175,044	469,476
As at 31 March, 2018	5,598,894	20,457	2,520	485,269	6,107,140
Transferred from/(to) income and expenditure	10,960,276	(10,557)	(2,520)	(153,776)	10,793,423
As at 31 March, 2019	16,559,170	9,900	-	331,493	16,900,563

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

13. Furniture and Equipment Replenishment and Minor Works Block Grant reserve

	2019 HK\$	2018 HK\$
Balance of Block Grant Reserve brought forward from previous financial year	2,221,672	1,716,163
Add: Block Grant received during the year	2,665,000	2,573,000
Interest income received	31,599	14,876
	<u>4,918,271</u>	<u>4,304,039</u>
Less: Expenditure during the year -		
Minor Works Projects	511,523	1,135,958
Furniture & Equipment	1,586,799	799,712
Vehicle Overhauling	113,635	146,697
	<u>2,211,957</u>	<u>2,082,367</u>
Balance of Block Grant Reserve carried forward to the next financial year	<u>2,706,314</u>	<u>2,221,672</u>

**Capital Commitments**

As at 31 March, 2019, the outstanding commitments in respect of Furniture and Equipment Replenishment and minor works block grant were as follows:-

	2019 HK\$	2018 HK\$
Contracted for but not provided in the financial statements	-	-
Authorised but not contracted for	<u>2,706,314</u>	<u>2,221,672</u>
	<u>2,706,314</u>	<u>2,221,672</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

14. Flag Day fund

	2019 HK\$	2018 HK\$
Balance brought forward	1,847,890	1,361,777
Flag day collection	386,078	354,562
Donation received	317,354	262,512
Expenses for fund raising	(51,392)	(40,891)
Net income from flag day fund raising event	652,040	576,183
Expenditure		
Extended care program	-	(7,080)
General capital	(21,240)	(14,800)
Project for elderly people with intellectual disabilities	(308,903)	(68,190)
Body check scheme for elderly people with intellectual disabilities	(182,123)	-
	(512,266)	(90,070)
Balance carried forward	1,987,664	1,847,890

The flag day fund includes raising event for 2018/19 was held on 14 July, 2018 for the purpose of carrying out a body check and dental service scheme for aging people with intellectual disabilities; developing corresponding aging service for aging people with intellectual disabilities; and putting forward support service project for carers of service users.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

15. Social Welfare Development fund (SWDF)

Phase 2

Balance brought forward	60,504	699,940
Expenditure under SWDF during the year		
Expenditure under scope B (IT)	-	639,436
Total expenditure during the year	-	639,436
Balance carried forward	60,504	60,504

Phase 3

	2019 HK\$	2018 HK\$
Balance brought forward	320,985	209,998
Allocation from SWDF during the year	2,455,000	900,000
Interest received during the year	13,666	6,135
	2,789,651	1,116,133
Expenditure under SWDF during the year		
Expenditure under scope A	872,936	795,148
Expenditure under scope B	313,055	-
Total expenditure during the year	1,185,991	795,148
Balance carried forward	1,603,660	320,985
Total balance for phase 2 and phase 3 carried forward	1,664,164	381,489

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

16. Lump sum grant and other Social Welfare Department Reserves

	Lump Sum Grant Reserve HK\$	Provident Fund Reserve HK\$	Rent and Rates HK\$	Central Items HK\$	Total HK\$
As at 1 April, 2017	71,021,853	13,279,635	(364,812)	228,042	84,164,718
Transferred from income and expenditure	91,427	358,346	165,101	369,949	984,823
Additional subvention received for previous years	-	49,790	-	-	49,790
Clawback	-	(244,593)	(15,777)	(22,909)	(283,279)
As at 31 March, 2018	71,113,280	13,443,178	(215,488)	575,082	84,916,052
Transferred from/(to) income and expenditure	(1,586,965)	690,475	(614,755)	37,756	(1,473,489)
Additional subvention received for previous years	-	86,342	-	-	86,342
Clawback	-	(246,296)	(7,669)	(406,499)	(660,464)
As at 31 March, 2019	69,526,315	13,973,699	(837,912)	206,339	82,868,441

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

17. Social Welfare Department subvention

	Note	2019 HK\$	2018 HK\$
Lump Sum Grant		164,607,274	152,676,233
Lump Sum Grant transferred to deferred income	(12)	(707,090)	(142,042)
Provident fund - existing staff		4,253,208	4,347,510
Provident fund - 6.8%		8,448,938	7,668,983
Rent and Rates subvention		11,013,746	11,372,813
Central Items		363,433	913,052
Social Welfare Development Fund	(15)	2,455,000	900,000
Social Welfare Development Fund transferred from/(to) deferred income	(12)	84,967	(230,672)
Other non-recurring subvention (one-off grant)		-	87,494
		<u>190,519,476</u>	<u>177,593,371</u>

18. (Deficit)/Surplus for the year

	2019 HK\$	2018 HK\$
(Deficit)/Surplus for the year is arrived at after charging the following items:		
(a) Other staff		
Salaries and benefits	151,131,666	138,188,908
Contribution to defined contribution plans	<u>12,081,487</u>	<u>11,711,109</u>
	<u>163,213,153</u>	<u>149,900,017</u>
(b) Other items		
Auditor's remuneration	71,200	66,500
Depreciation	12,155,311	3,551,114
Loss on disposal of furniture, fixtures and equipment	19,920	5,600
Operating lease charges on:		
- hire of properties	<u>10,519,750</u>	<u>9,992,682</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

**19. Community Care Fund Assistance Programmes**

During the year, the Society has implemented a Community Care Fund ("CCF") assistance programmes. According to the requirement of CCF, the Society is required to disclose the income and expenditure for each programme in its financial statements.

CCF- Pilot scheme on living allowance for low-income carers of persons with disabilities

	2019 HK\$	2018 HK\$	2017 HK\$
Balance at the beginning of year	149,291	40,000	--
<b>Income</b>			
Subsidy from CCF	172,440	125,000	40,000
<b>Expenditure</b>			
Store and maintenance	46,859	15,709	-
Management and manpower	30,060	-	-
	76,919	15,709	-
<b>Surplus for the year</b>	95,521	109,291	40,000
<b>Surplus carried forward from previous year</b>	149,291	40,000	-
Balance at the end of year	244,812	149,291	40,000

**20. Benefits and interests of directors**

The following information is disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 and 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation as follows:

**(a) Directors' remuneration**

During the years ended 31 March, 2019 and 2018, no amounts have been paid in respect of directors' emoluments, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

**(b) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts to which the Society was a party and in which a director of the Society had a material interest, subsisted at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

**21. Taxation**

No provision for Hong Kong profits tax has been made in the financial statements as the Society is exempted from Hong Kong taxation under Section 88 of the Hong Kong Inland Revenue Ordinance (2018: Nil).

**22. Related party transactions**

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

Nature of related party relationship	Nature of transactions	2019 HK\$	2018 HK\$
Related company -	Purchases of goods and services	79,256	140,196
Wai Ji Hong Yip Company Limited	Sales of goods and services including: Sub-contracting income	519,353	463,008

The related company is controlled by the directors of Society.

**23 Capital commitments**

The Society had the following capital commitments in respect of acquisition of leasehold improvements, furniture and equipment at the end of the reporting period:

	2019 HK\$	2018 HK\$
Authorised, but not contracted for acquisition of leasehold improvement, furniture and equipment	23,219,160	25,605,880
Contracted, but not provided for acquisition of furniture, fixtures and equipment	6,058,045	5,993,126
	<u>29,277,205</u>	<u>31,599,006</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH, 2019

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**24. Operating lease arrangements**

The Society entered into commercial leases on certain buildings. These leases have an average life of three years.

As at 31 March, 2019, the Society had a total of future minimum lease payments under operating leases falling due as follows:

	2019 HK\$	2018 HK\$
Within one year	12,656,911	8,343,720
In the second to fifth year, inclusive	22,141,808	-
	<u>34,798,719</u>	<u>8,343,720</u>