

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
(Incorporated in Hong Kong with liabilities limited by guarantee)

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

T. S. LAM & CO.
林贊誠會計師事務所
Certified Public Accountants (Practising)
Hong Kong

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

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HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2019

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

1. CONSOLIDATED FINANCIAL STATEMENTS

The state of affairs of the Organization as at 31 March, 2019 is set out in the Consolidated Statement of Financial Position on page 8.

The overall results of the Organization for the year are set out in the Consolidated Statement of Comprehensive Income on page 9.

The Consolidated Statement of Changes in Reserves & Funds of the Organization for the year is set out on page 10.

The cash flows of the Organization for the year are set out in the Consolidated Statement of Cash Flows on page 11.

2. PRINCIPAL ACTIVITIES

During the year, the Organization continued to provide social services through the operation of family centre, elderly centre, integrated home care services team, school services team, community service centre and neighbourhood centre.

3. BUSINESS REVIEW

Hong Kong Evangelical Church Social Service Limited ("the Organization") is a charitable organization incorporated under the Hong Kong Companies Ordinance and exempted from tax under Section 88 of the Inland Revenue Ordinance. During the year, the Organization continued to provide social services through its subsidiaries ("the units"). The units worked with the government and different sectors to conduct community campaigns and education programmes to develop a harmonious and caring community in achieving our service objective: caring elderly, caring of children and love of neighbourhood.

In 2018/2019, we focused on various developing projects to provide quality and suitable service to the community. For the development, the units continue to implement programmes to support and improve people's well-being and strengthen their livelihoods. The units take an integrated approach, working with local organizations and groups, helping to empower people to work for positive change for their communities.

(a) Review of Centre's activities

Tai Hing Neighbourhood Elderly Centre

The members of Tai Hing Neighbourhood Elderly Centre mainly come from Tai Hing Estate in Tuen Mun and the elderly living nearby. Elderly are able to learn different new things and develop ability from our various kinds of service. In addition, with the support by Improvement Programme of Elderly Centres (IPEC), Tai Hing Neighbourhood Elderly Centre was able to carry out facility enhancement work from January to May 2018 so as to cater to the need for development of various services, as well as to provide a fresh and comfortable environment and space for users.

From October 2018, the Social Welfare Department has added additional services and manpower, including: the Carer & Dementia Community Support Service. The scope of the elderly services provided by the Centre has been extended: care support services, volunteer services, hidden elderly services, case work, elderly dental and elderly internet services, and assessment of elderly persons in need of residential care.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2019

3. BUSINESS REVIEW (CONTINUED)

(a) Review of Centre's activities (Continued)

Bradbury Sheung Shui Family Centre

Virtue Education and Parental Education is one of Bradbury Sheung Shui Family Centre's core development project in these few years, we highlight to influence the way and attitude of kids development in earlier stage and deliver positive values to families from different background.

Besides, the unit has taken an active outreach approach for long to serve residents living in remote villages in North District. To provide wide range of beneficial activities to help change and shape the attitude of rural elderly in becoming more active in their daily lives.

Fanling Family Centre

The Fanling Family Centre provides family services in the spirit of Jesus Christ's love of the world and in response to the needs of residents to promote family harmony and function and personal well-being, so that residents can enjoy a rich life. Two of the key development projects this year are "Love. Soup. " the Family Care Campaign and the "GIFT" Parents' School to promote parent-child relationships by providing appropriate support services to families of different backgrounds in the community. Promote personal growth and community involvement, and building community support network for families.

Yan Lam Community Service Centre

Yan Lam Community Service Centre is located in two newly developed public housing estates—Ching Ho Estate and Cheung Lung Wai Estate. With the objective of developing the community's social capital and supporting the community forcefully, we encouraged residents to participate and enhance their social awareness through the community-funded projects sponsored by the Community Investment and Inclusion Fund(CIIF) and The Hong Kong Community Chest. They were also using resources inside and outside the community to promote self-help and help each other's behavior, solve community problems, improve the living environment and improve the quality of life.

School Services Team

School Services Team provides a large range of comprehensive services to a number of schools in Hong Kong, including Comprehensive Student Guidance Service, Understanding Adolescent Project, Special Educational Needs Support Service, New Arrival Students Support Service, Kindergarten Stationing Guidance Service, School-based After School Learning and Support Programmes: Community-based Projects, Outbound Study Tour Service, Parenting Education and Student Development.

Yan Tsuen Neighbourhood Centre

The unit developed series of program and activities for poor and low income families who are living below the poverty line in Community. We run Food Bank, Social Outreach Service and Luncheon for needy to build a neighbourhood support network and living environment of harmony and resilience successfully.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2019

3. BUSINESS REVIEW (CONTINUED)

(a) Review of Centre's activities (Continued)

Zion Neighbourhood Centre

We provide flexible supportive and developmental services to reduce the incidence of family and community problems in response to the demographic characteristics and needs of Shek Mun Estate. At this stage, the service unit is still in the initial stage of operation. It provides tutoring service, summer activities and carnivals and other activities for the families in need.

Yan Tin Neighbourhood Service Centre

A newly registered service unit in Shek Kip Mei District this year, aimed to provide flexible supportive and developmental services to the community soon.

(b) Financial performance

Subvention from Social Welfare Department amounted to HK\$15.5 million, which has been increased by 11% or HK\$1.5 million from last year;

Donations, other funding and fund raising amounted to HK\$9.1 million, which has been increased by 47% or HK\$2.9 million from last year;

Programme income amounted to HK\$24.5 million, which has been increased by 14% or HK\$2.9 million from last year;

Overall programme expenditure was HK\$40 million, representing 87% of total expenditure;

Management and administration costs were HK\$6 million, representing 13% of total expenditure;

This year, the Organization recorded an increase of 46% of the fundraising amount; it brought an awareness of the challenging fundraising environment (opportunity of flag day and donations from private sector), the units need to seek more support from the public for the long-term work in development.

(c) Internal controls

The management committee of the units, chaired by the Directors, meets regularly to review and discuss all financial, auditing and internal control issues related to the units. It also supervises the units in assessing the internal processes. This enables the units to evaluate and improve the effectiveness of its risk management practise, control framework and governance processes.

(d) Green policy

At all the time, the units needed to be aware of the impact of all activities on the environment and on the communities. All units apply the principles of Reduce, Reuse, Repair and Recycle to minimise its environment impacts. The units strive to promote good environmental practices through its purchasing. Whenever possible, they source products which are fair trade, organic, energy efficient and environmentally friendly.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2019

4. PLANT AND EQUIPMENT

The movements in plant and equipment during the year are set out in Note 4 to the consolidated financial statements.

5. DIRECTORS

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

Chan Kam Lin
Chan Yu Sang
Leung Wing Yin
Mak Lai Sim
Man Chor Kwan
Yeung Lan Kam
Yip Po Yin

6. DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Organization's activities to which the Organization was a party, and in which any director had a material interest, subsisted at the end of the year or at any time during the year.

7. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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


8. INDEMNITY OF DIRECTORS

During the financial year and up to the date of this report, the Organization has in force indemnity provisions as permitted under section 469 of the Companies Ordinance for the benefit of the directors of the Organization. The permitted indemnity provisions are provided for in the Organization's Articles of Association.

9. AUDITOR

The consolidated financial statements have been audited by T. S. Lam & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board


Chairman
Date: 24 OCT 2019

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF
HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED**
(Incorporated in Hong Kong with liabilities limited by guarantee)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hong Kong Evangelical Church Social Service Limited and its subsidiaries ("the Organization") set out on pages 8 to 22, which comprise the consolidated statement of financial position as at 31 March, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves & funds and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Organization as at 31 March, 2019, and of its surplus and 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 accordance 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 the Consolidated Financial Statements section of our report. We are independent of the Organization in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Organization'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 Organization or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE BOARD OF DIRECTORS OF
HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
(Incorporated in Hong Kong with liabilities limited by guarantee)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Organization audit. We remain solely responsible for our audit opinion.


INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE BOARD OF DIRECTORS OF
HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
(Incorporated in Hong Kong with liabilities limited by guarantee)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

Report on Other Legal and Regulatory Requirements

The Organization has complied with the requirements as stipulated by Social Welfare Department and Community Care Fund on implementing the Community Care Fund Assistance Programme.


T. S. LAM & CO.
Certified Public Accountants (Practising)
Hong Kong

24 OCT 2019

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2019

	Note	2019 HK\$	2018 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	4	3,207,096	936,847
Improvement works in progress	5	---	288,154
		<u>3,207,096</u>	<u>1,225,001</u>
Current assets			
Accounts and other receivables		3,336,101	2,034,768
Deposits and prepayments		589,610	774,166
Time deposit		1,533,359	1,522,919
Cash and cash equivalents	6	<u>13,024,855</u>	<u>11,651,917</u>
		<u>18,483,925</u>	<u>15,983,770</u>
Current liabilities			
Accounts payable and accruals		2,900,669	2,147,173
Receipt in advance	7	3,243,969	3,407,943
Amounts due to related parties	8	<u>4,643,601</u>	<u>4,263,226</u>
		<u>10,788,239</u>	<u>9,818,342</u>
Net current assets		<u>7,695,686</u>	<u>6,165,428</u>
Non-current liabilities			
Provision for long service payment		<u>649,705</u>	<u>452,956</u>
Net assets		<u>10,253,077</u>	<u>6,937,473</u>
RESERVES & FUNDS			
General fund		3,119,979	2,367,232
Renovation fund		---	162,000
Surplus reserve	9	4,460,467	3,878,809
Reserve for future development		94,409	94,409
Fixed assets fund		2,356,364	434,934
The Sir Robert Ho Tung charitable fund		89	89
Charitable activities reserve		<u>221,769</u>	<u>---</u>
Total reserves & funds		<u>10,253,077</u>	<u>6,937,473</u>

Approved and authorized for issue by the Board of Directors on 24 OCT 2019 and signed for
and on behalf of the Board by


Yip Po Yin
Director


Chan Yu Sang
Director

The notes on pages 12 to 22 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH, 2019

	Note	2019 HK\$	2018 HK\$
Income			
Activity income		4,139,194	4,442,545
Bank interest income		23,716	14,809
Beat drugs fund income		215,955	---
Community chest fund programme income	10	1,438,174	1,157,291
Community care fund assistance programme income	11	633,829	150,610
Course, day care and tuition fee		9,747,571	6,861,719
Donation income		972,970	987,429
Flag day fund raising income	12	727,336	654,798
Fund raising income		---	65,305
Other grants and subvention		5,083,030	3,231,052
Programme income		207,775	326,993
Special one-off grant		48,200	14,896
School project fee		8,459,599	8,067,430
Service income		1,656,448	1,509,659
Social welfare subvention	13	15,500,677	14,009,857
Subscription fee		112,175	115,620
Sundry income		199,376	194,310
		<u>49,166,025</u>	<u>41,804,323</u>
Expenditure			
Activity and programme expenses		6,275,570	4,617,046
Administration fee		61,010	31,557
Advertising and recruitment		81,622	58,965
Auditors' remuneration		99,100	94,100
Bank interest and charges		5,283	4,150
Beat drugs fund expenses		12,307	---
Books, newspaper and magazine		16,990	16,700
Cleaning expenses		183,930	178,447
Community chest fund programme expenses		214,381	320,652
Community care fund assistance programme expenses	11	531,436	158,206
Consultancy fee		---	280,575
Course, day care and tutorial class expenses		4,706,797	4,496,128
Depreciation		997,028	640,421
Donation expenses		10,336	5,918
Flag day fund raising expenses	12	53,556	38,516
Food		988,613	956,986
Insurance		195,529	199,624
Mandatory and ORSO contribution		1,608,746	1,349,099
Membership fee		4,700	4,700
Messing expenses		98,534	43,579
Minor purchases, repair and maintenance		583,620	539,698
Motor vehicle expenses		59,354	83,521
Other service expenses		141,596	50,715
Postage		9,026	6,004
Printing and stationery		201,097	217,994
Professional and religious fee		286,318	286,218
Rent and rates		1,508,602	1,495,917
Salaries	14	22,221,822	20,310,154
School project expenses		2,001,522	2,736,586
Special one-off grant expenses		31,458	14,896
Sub-contracting services		138,564	135,175
Staff Welfare		33,139	58,013
Subsidies expenses		---	29,148
Sundry expenses		386,697	379,401
Telephone and fax		89,912	76,501
Training expenses		158,577	310,414
Travelling		374,008	371,666
Tutor expenses		1,019,069	568,391
Utility expenses		460,572	456,866
		<u>45,850,421</u>	<u>41,622,647</u>
Total comprehensive surplus for the year		<u>3,315,604</u>	<u>181,676</u>

The notes on pages 12 to 22 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN RESERVES & FUNDS
FOR THE YEAR ENDED 31 MARCH, 2019

	General fund HK\$	Renovation fund HK\$	Surplus reserve HK\$	Reserve for future development HK\$	Fixed assets fund HK\$	The Sir Robert Ho Tung charitable fund HK\$	Charitable activities reserve HK\$	Total HK\$
Balance at 1/4/2017								
Total comprehensive (deficit)/surplus for the year 17/18	2,973,688	162,000	3,108,579	94,409	400,821	16,300	---	6,755,797
Transfer	(192,345)	---	356,119	---	34,113	(16,211)	---	181,676
	(414,111)	---	414,111	---	---	---	---	---
Balance at 31/3/2018								
Total comprehensive surplus for the year 18/19	2,367,232	162,000	3,878,809	94,409	434,934	89	---	6,937,473
Transfer	847,711	---	485,761	---	1,921,430	---	60,702	3,315,604
	(94,964)	(162,000)	95,897	---	---	---	161,067	---
Balance at 31/3/2019								
	3,119,979	---	4,460,467	94,409	2,356,364	89	221,769	10,253,077

The notes on pages 12 to 22 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2019

	Note	2019 HK\$	2018 HK\$
Cash flows from / (for) operating activities			
Operating surplus for the year		3,315,604	181,676
Adjustments:			
Depreciation		997,028	640,421
Bank interest income		(23,716)	(14,809)
Provision for long-service payment		196,749	452,956
Operating surplus before working capital changes		4,485,665	1,260,244
Increase in accounts and other receivables		(1,301,333)	(663,559)
Decrease in deposits and prepayments		184,556	298,336
Increase in accounts payable and accruals		753,496	915,064
(Decrease)/Increase in receipt in advance		(163,974)	53,410
Net cash generated from operating activities		3,958,410	1,863,495
Cash flows from / (for) investing activities			
Acquisition of plant and equipment		(2,979,123)	(462,057)
Payment for improvement works in progress		---	(18,513)
Bank interest received		23,716	14,809
Increase in time deposit		(10,440)	(12,677)
Net cash used in investing activities		(2,965,847)	(478,438)
Cash flows from / (for) financing activities			
Amounts advanced from related parties		380,375	407,780
Net cash generated from financing activities		380,375	407,780
Net increase in cash and cash equivalents		1,372,938	1,792,837
Cash and cash equivalents at the beginning of the year		11,651,917	9,859,080
Cash and cash equivalents at the end of the year	6	13,024,855	11,651,917

The notes on pages 12 to 22 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

1. GENERAL

The Organization is a charitable organization incorporated under the Hong Kong Companies Ordinance on 28 February, 1995 as a company limited by guarantee and not having a share capital. The address of its registered office is No. 29-40, G/F., Choi Lai House, Choi Yuen Estate, Sheung Shui, New Territories, Hong Kong. These consolidated financial statements incorporate the result of the Organization and the following operating units:

Hong Kong Evangelical Church Bradbury Sheung Shui Family Centre,
Hong Kong Evangelical Church Bradbury Sheung Shui Family Centre Integrated Home Care Services Team,
Hong Kong Evangelical Church Fanling Family Centre,
Hong Kong Evangelical Church School Services Team,
Hong Kong Evangelical Church Tai Hing Neighbourhood Elderly Centre,
Hong Kong Evangelical Church Tai Hing Neighbourhood Elderly Centre (Adult Education),
Hong Kong Evangelical Church Yan Lam Community Service Centre,
Hong Kong Evangelical Church Yan Tsuen Neighbourhood Centre
Hong Kong Evangelical Church Zion Neighbourhood Centre, and
Hong Kong Evangelical Church Yan Tin Neighbourhood Service Centre

The principal activity of Organization is to provide social services through the operation of family centre, elderly centre, integrated home care services team, school services team, community service centre and neighbourhood centre.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under historical cost convention and in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the requirement of the Hong Kong Companies Ordinance. The significant accounting policies adopted by the Organization in arriving at the financial information set out in this report are as follows:-

(a) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The cost comprises its purchase cost and any directly attributable costs of bringing the asset to condition and location for intended use. Plant and equipment are derecognized upon disposal or written off when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognized or written off of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Depreciation and amortization of plant and equipment and its related land lease premium are provided by using the straight line method, to write off their costs less their estimated residual values, over their estimated useful lives. The estimated useful lives of plant and equipment are as follows:-

Leasehold improvement	5 years
Furniture and fixture	5 years
Office equipment	4-5 years
Motor vehicle	3-4 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impairment of assets

At each reporting date, plant 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 is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(c) Accounts receivable

Accounts receivable is initially measured at fair value and, after initial recognition, at amortized cost less impairment losses for bad and doubtful debts.

At each year end date, the Organization assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on accounts receivable is recognized in profit or loss when there is objective evidence that an impairment loss has been incurred and is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(d) Cash and cash equivalents

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash at banks and in hand including term deposits, which are not restricted as to use.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Organization's cash management.

(e) Accounts payable and accruals

Accounts payable and accruals are initially measured at fair value and, after initial recognition, at amortized cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial that are measured at their original invoice amount.

(f) Grants and subvention

Grants and subvention are recognized at their fair value where there is reasonable assurance that the grant and subvention will be received and all attaching conditions will be complied with. When the grant and subvention relates to an expense item, it is recognized as income over the periods necessary to match the grant and subvention on a systematic basis to the costs that it is intended to compensate. Where the grant and subvention relates to an asset, the fair value is credited to deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Reserves and funds

The natures and purposes of the Organization's reserves and funds are as follow:

- (i) General fund represents accumulated operating surplus or deficit to be carried forward to next financial year.
- (ii) Renovation fund represents accumulated balance of income received for the future renovation.
- (iii) Surplus reserve represents the balance of Social Welfare Department subventions income received and expenses incurred.
- (iv) Reserve for future development represents accumulated balance of income received for future development.
- (v) Fixed assets fund represents the net book value of the Organization's plant and equipment.
- (vi) The Sir Robert Ho Tung charitable fund represents balance of income received and expenses incurred for providing new facility to the users of the Organization.
- (vii) Charitable activities reserve represents the balance of income received and expenses incurred for providing emergency assistance for elderly.

(h) Recognition of income

Revenue is recognized when the amount can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Organization.

- (i) Activity income, tuition fee and service income are recognized when service has been provided;
- (ii) Donation income is recognized on actual cash receipt;
- (iii) Subscription fees are recognized as income on cash basis.
- (iv) Interest income is recognized using the effective interest method.

(i) Employee benefits

Contributions to the Organization's defined contribution retirement benefits schemes are charged to the consolidated statement of comprehensive income as they fall due. Employee's annual leave is recognized when employee has provided related service to the Organization.

(j) Operating lease

Payments under operating lease are charged to the consolidated statement of comprehensive income on a straight line basis over the periods of the respective lease.

(k) Related parties

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

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Related parties(continued)

- (a) A person or a close member of that person's family is related to the Organization if that person:
 - (i) is a member of the key management personnel of the Organization;
 - (ii) has control over the Organization; 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 Organization if any of the following conditions applies:
 - (i) the entity and the Organization 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 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 Organization or an entity related to the Organization. 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The management makes estimates, assumptions and judgments that may affect the reported amounts of revenues, expenses, assets and liabilities and other disclosures in preparation of the consolidated financial statements. However, uncertainty about these estimates, assumptions and judgments may lead to outcomes that require material adjustment to the reported carrying amounts of the assets and / or liabilities.

The management has made the following judgments and estimates which may have most significant effect on the amounts recognized in the consolidated financial statement.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS(CONTINUED)

(a) Depreciation and amortization

The Organization's accounting policy for depreciation and amortization has been disclosed in Note 2(a) and 2(b) to the consolidated financial statements. The respective amounts are as follows:

	Note	2019 HK\$	2018 HK\$
Depreciation and amortization	4	997,028	640,421

The management estimated that no impairment loss is required for all assets at the moment.

(b) Fair value

The management estimates that the fair values of all items, except plant and equipment which are stated at cost less accumulated depreciation, stated in the Consolidated Statement of Financial Position are approximate to their carrying amounts due to short-term maturities of these assets and liabilities or no significant differences between the carrying and discounted amounts.

4. PLANT AND EQUIPMENT

	Leasehold Improvements HK\$	Furniture & Fixture HK\$	Office Equipment HK\$	Motor Vehicle HK\$	Total HK\$
Cost					
At 1/4/2017	4,307,322	538,062	1,672,048	185,137	6,702,569
Addition in 2017/18	220,500	---	241,557	---	462,057
Written off in 2017/18	(75,100)	(75,020)	(728,816)	---	(878,936)
At 31/3/2018	4,452,722	463,042	1,184,789	185,137	6,285,690
Addition in 2018/19	2,409,620	---	569,503	---	2,979,123
Transferred from improvement works in progress	288,154	---	---	---	288,154
At 31/3/2019	7,150,496	463,042	1,754,292	185,137	9,552,967
Accumulated Amortization/Depreciation					
At 1/4/2017	3,552,574	501,898	1,347,749	185,137	5,587,358
Charge in 2017/18	456,678	30,001	153,742	---	640,421
Written off in 2017/18	(75,100)	(75,020)	(728,816)	---	(878,936)
At 31/3/2018	3,934,152	456,879	772,675	185,137	5,348,843
Charge in 2018/19	700,142	4,099	292,787	---	997,028
At 31/3/2019	4,634,294	460,978	1,065,462	185,137	6,345,871
Net Book Value					
At 31/3/2019	2,516,202	2,064	688,830	---	3,207,096
At 31/3/2018	518,570	6,163	412,114	---	936,847

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

5. IMPROVEMENT WORKS IN PROGRESS

This represents progress payment for the improvement works at the Organization of which the project was approved by Social Welfare Department. The amount brought forward has been transferred to Plant and Equipment during the year and was disclosed in Note 4 on Page 16. Capital commitment for the improvement works was disclosed in Note 15(a) on page 19.

6. CASH AND CASH EQUIVALENTS

	2019 HK\$	2018 HK\$
Fixed deposit (within 3 months)	1,017,776	1,008,295
Cash at banks	11,963,294	10,575,046
Cash in hand	43,785	68,576
	<u>13,024,855</u>	<u>11,651,917</u>

7. RECEIPT IN ADVANCE

	2019 HK\$	2018 HK\$
Social Welfare Development Fund-Phase 2 (Appendix 1A)	51,533	51,533
Social Welfare Development Fund-Phase 3 (Appendix 1B)	630,014	385,486
Activity income	381,804	1,313,348
Beat drugs fund	304,477	---
Course, day care and tuition fee	535,552	818,031
Flag day fund raising income	28,855	19,976
Other grants and subvention	791,616	343,584
School project fee	456,022	415,979
Service income	43,371	33,781
Subscription fee	20,725	26,225
	<u>3,243,969</u>	<u>3,407,943</u>

8. AMOUNTS DUE TO RELATED PARTIES

	2019 HK\$	2018 HK\$
Hong Kong Evangelical Yan Kwong Church	3,413,446	3,245,326
Hong Kong Evangelical Yan Lam Church	1,230,155	1,017,900
	<u>4,643,601</u>	<u>4,263,226</u>

The amounts due were unsecured, non-interest bearing and repayable on demand.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

9. SURPLUS RESERVE

	2019 HK\$	2018 HK\$
Lump sum grant and TOG	2,399,068	2,011,855
Rent and rates	(118,215)	(145,512)
Provident fund	2,178,879	2,011,731
Central item	735	735
	<u>4,460,467</u>	<u>3,878,809</u>

10. COMMUNITY CHEST FUND PROGRAMME INCOME

	2019 HK\$	2018 HK\$
Time Limited Project	1,399,249	1,099,588
Services income	38,925	57,703
	<u>1,438,174</u>	<u>1,157,291</u>

11. COMMUNITY CARE FUND ASSISTANCE PROGRAMME

	2019 HK\$	2018 HK\$
<u>Income</u>		
Home Care and Support for Elderly Persons with Mild Impairment (Appendix 2)	601,162	124,307
Living Allowance for Carers of Elderly Persons from Low-Income Families (Appendix 2)	23,893	21,041
Elderly Dental Assistance Programme	8,774	5,262
	<u>633,829</u>	<u>150,610</u>
<u>Expenses</u>		
Home Care and Support for Elderly Persons with Mild Impairment (Appendix 2)	(506,441)	(138,532)
Living Allowance for Carers of Elderly Persons from Low-Income Families (Appendix 2)	(24,735)	(19,020)
Elderly Dental Assistance Programme	(260)	(654)
	<u>(531,436)</u>	<u>(158,206)</u>
Surplus / (deficit) for the year	<u>102,393</u>	<u>(7,596)</u>

12. FLAG DAY FUND RAISING EVENT

	2019 HK\$	2018 HK\$
Income	727,336	654,798
Expenses	(53,556)	(38,516)
Net income from the event	<u>673,780</u>	<u>616,282</u>

The Organization planned to use, and executed partly during the year, the net income received from the flag day fund raising event held on 21 April, 2018, for providing supporting services to disadvantaged families (non-subsidised project).

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

13. SOCIAL WELFARE SUBVENTION

	2019 HK\$	2018 HK\$
Lump sum grant	12,594,205	11,024,887
Rent and rates subvention	1,179,227	1,205,233
Provident fund	847,742	678,373
After school care programme	790,913	870,994
Social welfare development fund	88,590	230,370
	<u>15,500,677</u>	<u>14,009,857</u>

14. SALARIES

	2019 HK\$	2018 (Restated) HK\$
Salaries	22,367,638	19,541,071
Provision for long service payment	196,749	452,956
Provision for annual leave	56,663	443,471
	<u>22,621,050</u>	<u>20,437,498</u>
Less: Salaries and allowances included in Community Care Fund Assistance Programme (Appendix 2)	(399,228)	(127,344)
Total	<u>22,221,822</u>	<u>20,310,154</u>

15. COMMITMENTS

(a) Capital commitments

	2019 HK\$	2018 HK\$
Authorized but not contracted for	---	2,952,477
Contracted but not provided for	867,825	36,369
	<u>867,825</u>	<u>2,988,846</u>

The Organization has entered into a contract in 2018 with an authorized person for renovation works under the Improvement Programme of Elderly Centres approved by Social Welfare Department. The total contract amount was HK\$3,097,198 and the Organization has paid HK\$1,581,815 and accrued HK\$647,558 for the services rendered by the contractor as at 31 March, 2019. The outstanding capital commitment for the improvement programme was disclosed as above.

(b) Operating lease commitments

At 31 March, 2019, the Organization had commitments of future minimum lease payments under non-cancellable operating lease in respect of land and building as follows:-

	2019 HK\$	2018 HK\$
Payable		
-within one year	523,398	459,196
-in the second to fifth years inclusive	140,000	---
	<u>663,398</u>	<u>459,196</u>

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2019

16. RELATED PARTIES TRANSACTIONS

During the year, the Organization had entered into the following transactions with related parties:-

Related party	Nature	Amount	
		2019 HK\$	2018 HK\$
Hong Kong Evangelical Church	Donation income	22,000	20,000
Hong Kong Evangelical Yan Lam Church	Course, day care and tuition fee	66,770	---
	Other service expenses	33,385	---
	Professional and religious fee	283,563	283,563
	Amount due to related party (Note 8 above)	1,230,155	1,017,900
	Donation expenses	5,000	---
Hong Kong Evangelical Zion Church	Donation income	9,000	220,000
Hong Kong Evangelical Yan Tsuen Church	Accounts payable and accrual	133,537	192,585
HKEC Elite Kindergarten	Course, day care and tuition fee	392,200	136,800
	Accounts and other receivables	13,200	28,800
Hong Kong Evangelical Yan Kwong Church	Amount due to related party (Note 8 above)	3,413,446	3,245,326
	Donation income	32,000	---
Hong Kong Evangelical Church Yan Fook Church	Sundry income	14,000	1,800
Hong Kong Evangelical Yan Chaak Church	Donation expenses	---	4,000
Hong Kong Evangelical Yan Yat Church	Donation expenses	4,834	1,918

Name of NGO : Hong Kong Evangelical Church Social Service Limited

Code of NGO : 316

Use of the Social Welfare Development Fund (SWDF) funded by Lotteries Fund
For the Financial Years 2016/17 to 2018/19

(A) Phase 2

	2018/2019 HK\$	2017/2018 HK\$	2016/2017 HK\$
Balance of SWDF brought forward:	51,533	267,330	541,463
Allocation from SWDF during the financial year:	-	-	-
Interest received during the financial year:	-	3	7
Expenditure under SWDF during the year:			
1. Expenditure for projects under scope A	-	-	(182,540)
2. Expenditure for projects under scope B(non-IT)	-	(106,600)	(32,800)
3. Expenditure for projects under scope B(IT)	-	-	-
4. Expenditure for projects under scope C	-	(109,200)	(58,800)
5. Expenditure for administrative support	-	-	-
Total expenditure during the financial year :	-	(215,800)	(274,140)
Balance carried forward to the next financial year:	51,533	51,533	267,330

(B) Phase 3

	2018/2019 HK\$	2017/2018 HK\$	2016/2017 HK\$
Balance of SWDF brought forward:	385,486	-	-
Allocation from SWDF during the financial year:	332,750	400,050	-
Interest received during the financial year:	368	6	-
Expenditure under SWDF during the year:			
1. Expenditure for projects under scope A	(75,590)	(14,570)	-
2. Expenditure for projects under scope B(non-IT)	-	-	-
3. Expenditure for projects under scope B(IT)	-	-	-
4. Expenditure for projects under scope C	-	-	-
5. Expenditure for administrative support	(13,000)	-	-
Total expenditure during the financial year :	(88,590)	(14,570)	-
Balance carried forward to the next financial year:	630,014	385,486	-

The above expenditures under the SWDF have been incurred in accordance with the requirements stipulated in SWDF Guidance Notes for Application, SWD's approval letter(s) and the procurement of projects and services are in line with the procedures specified in the Lotteries Fund Manual.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
COMMUNITY CARE FUND ASSISTANCE PROGRAMME
FOR THE YEAR ENDED 31 MARCH, 2019

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

i) CCF-Pilot scheme on Home Care and Support for Elderly Persons with Mild Impairment

	2019 HK\$	2018 HK\$	2017 HK\$
Income			
Subsidy from CCF	588,281	124,284	---
Fees income received from participants	12,881	23	---
	<u>601,162</u>	<u>124,307</u>	<u>---</u>
Expenditure			
Salaries and allowances	399,228	127,344	---
Provident fund contributions	19,968	6,368	---
Stores and equipment	6,299	3,500	---
Programme expenses	80,862	1,320	---
Transportation and travelling	84	---	---
	<u>506,441</u>	<u>138,532</u>	<u>---</u>
Surplus / (Deficit) for the year	94,721	(14,225)	---
Deficit brought forward from previous year	(14,225)	---	---
Balance at the end of year	<u>80,496</u>	<u>(14,225)</u>	<u>---</u>

ii) CCF-Pilot scheme on living allowance for carers of elderly persons from low income families

	2019 HK\$	2018 HK\$	2017 HK\$
Income			
Subsidy from CCF	23,800	21,000	7,500
Other income	93	41	12
	<u>23,893</u>	<u>21,041</u>	<u>7,512</u>
Expenditure			
Salaries and allowances	22,800	17,100	---
Provident fund contributions	1,140	855	---
Miscellaneous	795	1,065	52
	<u>24,735</u>	<u>19,020</u>	<u>52</u>
(Deficit) / Surplus for the year	(842)	2,021	7,460
Surplus brought forward from previous year	9,481	7,460	---
Balance at the end of year	<u>8,639</u>	<u>9,481</u>	<u>7,460</u>