

**INTERNET LEARNING RESOURCE CENTRE
LIMITED**
(Limited by guarantee)

REPORT OF THE EXECUTIVE COMMITTEE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2019



李 湯 陳 會 計 師 事 務 所
LI, TANG, CHEN & CO.
Certified Public Accountants (Practising)
Hong Kong

INTERNET LEARNING RESOURCE CENTRE LIMITED
(Limited by guarantee)

REPORT OF THE EXECUTIVE COMMITTEE

The executive committee submits to members its report and financial statements for the year ended 31st March, 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Association are engaged in enabling primary and secondary students, especially from low-income families, to gain access to internet for learning through the acquisition of computers and internet access, and providing training on internet skills and learning collaboration.

FINANCIAL STATEMENTS

The financial performance of the Association for the year ended 31st March, 2019 and the financial position of the Association at that date are set out in the financial statements on pages 6 to 21.

MEMBERS OF THE EXECUTIVE COMMITTEE

The members of the executive committee during the financial year and up to the date of this report were:

CHAN Bernard Charnwut
LIU Tat Yin, Kennedy
CHUA Hoi Wai

There being no provision in the Association's articles of Association regarding rotation of executive committee members, all executive committee members continue to hold office.

No contracts of significance to which the Association was a party and in which an executive committee member of the Association had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year.

PERMITTED INDEMNITY PROVISIONS

At no time during the year and up to the date of this report of the executive committee, there was or is, any permitted indemnity provision being in force for the benefit of any member of the executive committee of the Association (whether made by the Association or otherwise).

MANAGEMENT CONTRACTS

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

INTERNET LEARNING RESOURCE CENTRE LIMITED
(Limited by guarantee)

AUDITORS

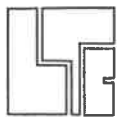
The financial statements have been audited by Messrs. Li, Tang, Chen & Co., who retire but, being eligible, offer themselves for re-appointment.

On behalf of the executive committee



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CHAN Bernard Charnwut
Executive Committee Member

Hong Kong, 23rd September, 2019



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INTERNET LEARNING RESOURCE CENTRE LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

OPINION

We have audited the financial statements of Internet Learning Resource Centre Limited ("the Association") set out on pages 6 to 21, which comprise the statement of financial position as at 31st March, 2019, and the statement of comprehensive income, statement of changes in fund and statement of cash flows for the year then ended, and notes on the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31st March, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

OTHER INFORMATION

The executive committee members are responsible for the other information. The other information comprises the information included in the report of the executive committee, 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.

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RESPONSIBILITIES OF EXECUTIVE COMMITTEE MEMBERS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

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**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
(CONT'D)**

- Conclude on the appropriateness of the executive committee members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.


Li, Tang, Chen & Co.
Certified Public Accountants (Practising)
10/F Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

23rd September, 2019

RCMC/SMW:vy

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2019

	<u>Note</u>	HK\$	<u>2019</u> HK\$	<u>2018</u> HK\$
NON-CURRENT ASSETS				
Property, plant and equipment	10		7,016	955,697
Accounts receivable	11		-	4,836
			<u>7,016</u>	<u>960,533</u>
CURRENT ASSETS				
Accounts receivable	11	57,251		343,063
Grants receivable		3,695,505		3,216,350
Deposits, prepayments and other receivable		2,400		114,668
Cash and bank balances		<u>3,159,785</u>		<u>4,681,245</u>
		<u>6,914,941</u>		<u>8,355,326</u>
CURRENT LIABILITIES				
Fees received in advance		356,438		2,358,245
Grants received in advance		1,432,000		-
Accounts payables		553,755		380,729
Accrued expenses		379,105		723,096
Amount due to The Hong Kong Council of Social Service	12	1,000,000		1,000,000
Deferred income	3(f)	-		941,664
Project fund not yet utilised		<u>1,855,122</u>		<u>2,872,679</u>
		<u>5,576,420</u>		<u>8,276,413</u>
NET CURRENT ASSETS			<u>1,338,521</u>	<u>78,913</u>
NET ASSETS			<u>1,345,537</u>	<u>1,039,446</u>
Representing:				
ACCUMULATED SURPLUS			<u>1,345,537</u>	<u>1,039,446</u>

The financial statements set out on pages 6 to 21 were approved and authorised for issue by the Executive Committee on 23rd September, 2019.



 LIU Tat Yin, Kennedy
 Executive Committee Member



 CHUA Hoi Wai
 Executive Committee Member

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2019

	<u>Note</u>	<u>2019</u> HK\$	<u>2018</u> HK\$
REVENUES	7	12,867,150	21,166,199
OTHER INCOME	7	1,522,804	1,926,982
COST OF SALES			
Purchases		(265,735)	(826,761)
Transportation		(1,205)	(2,350)
		(266,940)	(829,111)
COST OF SERVICES		(3,628,150)	(4,684,570)
PROJECT INCOME			
– TRANSFERRED FROM/(TO) PROJECT FUNDS NOT YET UTILISED		<u>1,489,952</u>	<u>(862,028)</u>
TOTAL INCOME FOR THE YEAR		11,984,816	16,717,472
OPERATING AND ADMINISTRATIVE EXPENSES		<u>(11,678,725)</u>	<u>(15,063,797)</u>
SURPLUS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8	<u>306,091</u>	<u>1,653,675</u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF CHANGES IN FUND

FOR THE YEAR ENDED 31ST MARCH, 2019

	<u>Accumulated (deficit)/ surplus</u> HK\$
Balance at 1 st April, 2017	(614,229)
Surplus and total comprehensive income for the year	<u>1,653,675</u>
Balance at 31 st March, 2018 and 1 st April, 2018	1,039,446
Surplus and total comprehensive income for the year	<u>306,091</u>
Balance at 31 st March, 2019	<u><u>1,345,537</u></u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2019

	<u>2019</u> HK\$	<u>2018</u> HK\$
OPERATING ACTIVITIES		
Surplus for the year	306,091	1,653,675
Adjustments for:		
Depreciation	117,826	310,964
Property, plant and equipment written off	837,615	-
Amortisation of deferred income	(948,424)	(303,948)
Interest income	(2,830)	(68)
Operating surplus before working capital changes	<u>310,278</u>	<u>1,660,623</u>
Decrease in accounts receivable	290,648	375,216
Decrease in deposits, prepayments and other receivable	112,268	8,940
Decrease in fees received in advance	(2,001,807)	(1,987,171)
Increase in grants received in advance	1,432,000	-
Increase/(decrease) in accounts payable	173,026	(42,615)
(Decrease)/increase in accrued expenses	(343,991)	89,388
Decrease in amount due to The Hong Kong Council of Social Service	-	(677)
(Decrease)/increase in project funds not yet utilised	<u>(1,489,952)</u>	<u>862,028</u>
Cash (used in)/generated from operating activities	<u>(1,517,530)</u>	<u>965,732</u>
Interest received	2,830	68
Net cash (used in)/generated from operating activities	<u>(1,514,700)</u>	<u>965,800</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(6,760)</u>	<u>(867,879)</u>
Net cash used in investing activity	<u>(6,760)</u>	<u>(867,879)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(1,521,460)	97,921
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>4,681,245</u>	<u>4,583,324</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	<u>3,159,785</u>	<u>4,681,245</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>3,159,785</u>	<u>4,681,245</u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Internet Learning Resource Centre Limited (the “Association”) was incorporated on 17th March, 2011 under the Hong Kong Companies Ordinance as an Association limited by guarantee and not having a share capital. Each member of the Association has undertaken to contribute an amount not exceeding HK\$100 to the assets of the Association in the event of it being winding up.

The registered office of the Association is located at 13/F., Duke of Windsor Social Service Building, 15 Hennessy Road, Wanchai, Hong Kong.

The principal activities of the Association are engaged in enabling primary and secondary students, especially from low-income families, to gain access to internet for learning through the acquisition of computers and internet access, and providing training on internet skills and learning collaboration.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Association.

The management has initially applied the new and revised HKFRSs for accounting periods beginning on or after 1st April, 2018. A summary of the change in accounting policies is set out in note 3 (m) on the financial statements.

The Association has not applied any new standard or amendment that is not yet effective for the current accounting period.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st March, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2019 and which have not been adopted in these financial statements.

The Association is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Association’s financial performance and financial position.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation:

These financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention.

b) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, on the straight-line basis at the following rates per annum:

Leasehold improvements	5 years
Furniture and fixtures, office equipment and computer equipment	3-5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year in which the item is derecognised.

c) Receivables:

A receivable is recognised when the Association’s right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 3(1)).

d) Payables:

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

e) Revenue recognition:

Revenue is recognised when the Association satisfies a performance obligation by transferring promised good or service to a customer obtains control over the good or service. When the performance obligation is satisfied, revenue is recognised at the amount of the transaction price that is allocated to that performance obligation. Further details of the Association revenue recognition is as follows:

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Revenue recognition: (cont'd)

- i) Government grants are recognised as income in the statement of comprehensive income on a receipts basis.
- ii) Sales of hardware and software are recognised at a point in time when the customer takes significant risks and rewards of ownership, which generally coincides with the time of delivery to customer and title has passed.
- iii) Profit on internet access service are recognised when services are rendered on a straight-line basis over the applicable fixed period.
- iv) Donation income is recognised upon receipt except for donation received for special projects which are credited to funds designated for specific purposes. Designated funds are released to the statement of comprehensive income when utilised.
- v) Interest income is recognised on a time proportion basis taking into account the principal amounts outstanding and the effective interest rates applicable.
- vi) Training course income is recognised when service is provided.

f) Government grants:

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the statement of comprehensive income and are reported separately as income. Grants that compensate the Association for the cost of an asset are transferred from the grant and regarded as deferred income and credited to the statement of comprehensive income on a straight-line basis over the same periods in which the related assets are depreciated.

g) Operating leases:

Leases where substantially all the rewards and risks of ownership of assets, other than legal title, remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

h) Related parties:

- a) A person, or a close member of that person's family, is related to the Association if that person:
 - i) has control or joint control over the Association;
 - ii) has significant influence over the Association; or
 - iii) is a member of the key management personnel of the Association or the Association's parent.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) Related parties: (cont'd)

b) An entity is related to the Association if any of the following conditions applies:

- i) the entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) both entities are joint ventures of the same third party.
- iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) the entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association.
- vi) the entity is controlled or jointly controlled by a person identified in (a).
- vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) the entity, or any member of the group of which it is a part, provided key management services to the Association or to the parent of the Association.

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

i) Retirement benefits scheme:

The Association participates in the Mandatory Provident Fund retirement benefits scheme ("the MPF Scheme"). The Association's contributions to the MPF Scheme are made based on a percentage of the employees' relevant remuneration and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Association in an independently administered fund. The employer's contributions vest fully with the employees when contributed into the MPF Scheme.

j) Cash and cash equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which 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 Association's cash management.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Impairment of non-financial assets:

Non-financial assets such as property, plants and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not exceed the recoverable amount. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is reversed if there has been favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is credited to profit or loss and is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

l) Credit losses and impairment of financial assets:

The Association recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost.

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

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs based on the Association's historical credit loss experience, adjusted for factors that are specific to debtors and the current and forecast general economic conditions at the reporting date.

Lifetime ECLs are losses that are expected to result from all possible default events over the expected lives of the financial assets.

m) Applications of new and revised HKFRSs:

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Association. The Association has initially applied the following HKFRSs at 1st April, 2018.

i) HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model with the result that a loss event will no longer need to occur before an impairment allowance is recognised. Prior to 1st April, 2018, incurred loss model was used to measure impairment losses on receivables. Impairment loss was recognized when there was objective evidence of impairment. Upon adoption of HKFRS 9, the Association used the new model to measure expected credit losses and changes in expected credit losses. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. The new model requires an ongoing measurement of credit risk and therefore recognizes credit losses earlier than the "incurred loss" model.

The adoption of HKFRS 9 has resulted in changes in accounting policies. The Association has applied HKFRS 9 retrospectively. The adoption to HKFRS 9 does not have any material effects on the Association's financial performance and position.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m) Applications of new and revised HKFRSs: (cont'd)

ii) HKFRS 15 *Revenue from contracts with customers*

Prior to 1st April, 2018, revenue was recognised under HKAS 18 upon the completion of the performance of services. Upon adoption of HKFRS 15, the Association recognises revenue when the performance obligation is satisfied and the customer obtains control over the good or service. When the performance obligation is satisfied, revenue is recognised at the amount of the transaction price that is allocated to that performance obligation.

The adoption of HKFRS 15 has resulted in changes in accounting policies. The Association has applied HKFRS 15 retrospectively. The adoption to HKFRS 15 does not have any material effects on the Association's financial performance and position.

4. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	At amortised cost	Loans and receivables
	2019 HK\$	2018 HK\$
Grants receivable	3,695,505	3,216,350
Accounts receivables	57,251	347,899
Deposits and other receivable	2,400	111,900
Cash and bank balances	<u>3,159,785</u>	<u>4,681,245</u>
	<u>6,914,941</u>	<u>8,357,394</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2019 HK\$	2018 HK\$
Accounts payables	553,755	380,729
Accrued expenses	379,105	723,096
Amount due to The Hong Kong Council of Social Service	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,932,860</u>	<u>2,103,825</u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association's principal financial instruments comprise grants receivable, accounts receivable, deposits and other receivable, cash and bank balances, accounts payables and accrued expenses and amount due to The Hong Kong Council of Social Service. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measure are implemented on a timely and effective manner.

a) Credit risk

The Association has designed its credit policies with an objective to minimise their exposure to credit risk. In respect of accounts receivables, individual credit evaluations are performed on all customers enquiring credit over a certain amount. These evaluations focus on the customer's past history of marking payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Further quantitative data in respect of the exposure to credit risk arising from trade receivable are disclosed in note 11 on the financial statements.

At the end of the reporting period, 4.25% (2018: 0.85%) and 21.27% (2018: 3.95%) of the total accounts receivables was due from the Association's largest customer and the five largest customers respectively.

b) Liquidity risk

The Association's policy is to regularly monitor its liquidity requirements to ensure that the Association maintains sufficient reserves of cash to meet its liquidity requirements in the short and long-term.

The following table details the contractual maturities at the end of the reporting period of the Association's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Association can be required to pay:

	2019		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK\$	HK\$	HK\$
Accounts payables	553,755	553,755	553,755
Accrued expenses	379,105	379,105	379,105
Amount due to The Hong Kong Council of Social Service	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,932,860</u>	<u>1,932,860</u>	<u>1,932,860</u>

INTERNET LEARNING RESOURCE CENTRE LIMITED
NOTES ON THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk (cont'd)

	Carrying amount	2018	
		Total contractual undiscounted cash flow	Within 1 year or on demand
	HK\$	HK\$	HK\$
Accounts payables	380,729	380,729	380,729
Accrued expenses	723,096	723,096	723,096
Amount due to The Hong Kong Council of Social Service	1,000,000	1,000,000	1,000,000
	<u>2,103,825</u>	<u>2,103,825</u>	<u>2,103,825</u>

c) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2019 and 31st March, 2018.

d) Capital risk management

The Association's objectives when managing capital are to safeguard the Association's ability to continue as a going concern and to support the Association's stability and growth for the purpose of strengthening the Association's risk management capability. Capital comprises accumulated surplus/deficit.

6. GOVERNMENT GRANTS

On 23rd May, 2011, the Association entered into the Funding and Operation Agreement ("the former Agreement") for the Project with OGCI in respect of assisting students from low-income families to undertake internet learning at home. The Government implements the Project in five years to help eligible families acquire suitable and affordable computers and internet access, and to provide training and technical support. The former Agreement was expired on 31st August, 2016. On 20th September, 2016, the Association entered into the Funding and Operation Agreement ("the new Agreement") for the Project with OGCI in respect of assisting students from low-income families to undertake internet learning at home. The Government will continue the Project until 31st August, 2018 to help eligible families acquire suitable and affordable computers and internet access, and to provide training and technical support.

On 11th April, 2018, the Association entered into the agreement of the Exit Plan for the Project with OGCI in respect of completion of all exit activities prescribed in the Exit Plan. The Government shall make a total funding of HK\$6 million available to the Association to support the Exit Plan.

Pursuant to the former Agreement, the Government shall make available a total of HK\$100 million to the Association by five payments over five years in support of the Project. The amount of payment shall be determined by the Government with reference to the cash flow requirement on the Project with necessary adjustment.

Pursuant to the new Agreement, the total amount disbursed to the Association over the new Agreement period shall not be more than HK\$40 million. The amount of payment shall be determined by the Government with reference to the cash flow requirement on the Project with necessary adjustment.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

6. GOVERNMENT GRANTS (CONT'D)

Upon 31st March, 2019, the aggregate amount received by the Association in respect of the Project was HK\$98,841,074 (2018: HK\$88,012,565).

7. REVENUES AND OTHER INCOME

	<u>2019</u> HK\$	<u>2018</u> HK\$
Revenues		
Government grants from the Office of The Government Chief Information Officer (note 3f)	9,396,509	14,317,337
Donations	9,375	1,025,566
Sales of hardware and software	205,895	835,066
Internet access service income (net)	3,223,471	4,780,330
Training course income	<u>31,900</u>	<u>207,900</u>
	<u>12,867,150</u>	<u>21,166,199</u>
Other income		
Interest income	2,830	68
Amortisation of deferred income	948,424	303,948
Sundry income	23,473	38,958
Receipts from various designated projects	458,377	1,584,008
Provision for long service payments written back	<u>89,700</u>	<u>-</u>
	<u>1,522,804</u>	<u>1,926,982</u>

8. SURPLUS FOR THE YEAR

Surplus for the year is arrived at after charging:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Auditors' remuneration	62,000	65,000
Depreciation	117,826	310,964
Operating lease rental on land and building	135,200	405,600
Staff costs		
- Salaries and allowances	5,217,536	5,913,458
- Mandatory provident fund contribution	<u>241,716</u>	<u>246,817</u>
	5,459,252	6,160,275
Property, plant and equipment written off	<u>837,615</u>	<u>-</u>

9. TAXATION

The Association is a charitable institution and is exempted from all Hong Kong taxes pursuant to Section 88 of the Inland Revenue Ordinance.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Office equipment</u> HK\$	<u>Computer equipment</u> HK\$	<u>Total</u> HK\$
At 31.3.2017					
Cost	432,952	4,530	105,500	134,313	677,295
Accumulated depreciation	<u>(130,012)</u>	<u>(903)</u>	<u>(58,912)</u>	<u>(88,686)</u>	<u>(278,513)</u>
Net book value	<u>302,940</u>	<u>3,627</u>	<u>46,588</u>	<u>45,627</u>	<u>398,782</u>
Year ended 31.3.2018					
Net book value at 1.4.2017	302,940	3,627	46,588	45,627	398,782
Additions	-	-	-	867,879	867,879
Depreciation for the year	<u>(75,735)</u>	<u>(906)</u>	<u>(22,433)</u>	<u>(211,890)</u>	<u>(310,964)</u>
Net book value at 31.3.2018	<u>227,205</u>	<u>2,721</u>	<u>24,155</u>	<u>701,616</u>	<u>955,697</u>
At 31.3.2018					
Cost	432,952	4,530	105,500	1,002,192	1,545,174
Accumulated depreciation	<u>(205,747)</u>	<u>(1,809)</u>	<u>(81,345)</u>	<u>(300,576)</u>	<u>(589,477)</u>
Net book value	<u>227,205</u>	<u>2,721</u>	<u>24,155</u>	<u>701,616</u>	<u>955,697</u>
Year ended 31.3.2019					
Net book value at 1.4.2018	227,205	2,721	24,155	701,616	955,697
Additions	-	-	-	6,760	6,760
Written off	(195,648)	(2,340)	(21,261)	(618,366)	(837,615)
Depreciation for the year	<u>(31,557)</u>	<u>(381)</u>	<u>(2,894)</u>	<u>(82,994)</u>	<u>(117,826)</u>
Net book value at 31.3.2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,016</u>	<u>7,016</u>
At 31.3.2019					
Cost	-	-	-	21,049	21,049
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,033)</u>	<u>(14,033)</u>
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,016</u>	<u>7,016</u>

Note:

The total cost of property, plant and equipment written off during the year ended 31st March, 2019 was HK\$1,530,885 (2018: HK\$Nil).

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

11. ACCOUNTS RECEIVABLE

	<u>2019</u> HK\$	<u>2018</u> HK\$
Accounts receivable arising from sales of hardware and software by installments	57,251	347,899
Less: Portion classified under non-current assets	<u>-</u>	<u>4,836</u>
Portion classified under current assets	<u>57,251</u>	<u>343,063</u>

The aging analysis of accounts receivable is as follows:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Neither past due nor impaired	38,695	309,024
	-----	-----
Less than 1 month past due	2,336	5,530
More than 1 month but less than 3 months past due	3,670	4,135
More than 3 months but less than 1 year past due	6,255	29,210
More than 1 year past due	<u>6,295</u>	<u>-</u>
	<u>18,556</u>	<u>38,875</u>
	-----	-----
	<u>57,251</u>	<u>347,899</u>

Accounts receivable that were neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default. Accounts receivable that were past due but not impaired relate to receivable from a number of independent customers that have a good track record with the Association.

12. AMOUNT DUE TO THE HONG KONG COUNCIL OF SOCIAL SERVICE

This account represents non-interest bearing advance which is unsecured and has no fixed terms of repayment.

13. EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

No members of the executive committee received any fees or other remuneration for serving as a member of the executive committee during the current and prior years.

14. RELATED PARTY TRANSACTIONS

The Association had the following material transactions with related parties during the year.

- a) The Association purchased property, plant and equipment amounting to HK\$6,760 (2018: HK\$846,830) from its fellow subsidiary, Information Technology Resource Centre Limited.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS (CONT'D)

- b) The Association received internet access service income from its ultimate holding company, The Hong Kong Council of Social Service, amounting to HK\$246,700 (2018: HK\$Nil).
- c) The Association paid administration charges to its fellow subsidiary, Information Technology Resource Centre Limited, amounting to HK\$609,000 (2018: HK\$840,000).
- d) The Association paid training and technical support to its fellow subsidiary, Information Technology Resource Centre Limited, amounting to HK\$Nil (2018: HK\$17,825).
- e) Expenditures included in various kinds of overheads and expenses, which of HK\$621,332 (2018: HK\$1,987,451) were paid to The Hong Kong Council of Social Service, ultimate holding company of the Association and Information Technology Resource Centre Limited, a fellow subsidiary of the Association.
- f) Included in accrued expenses was an amount of HK\$147,000 (2018: HK\$26,214) due to its fellow subsidiary company, Information Technology Resources Centre Limited.
- g) Balances with The Hong Kong Council of Social Service are described in note (12) on the financial statements.
- h) The Association's key management personnel only included executive committee members. Details of executive committee members remuneration are fully disclosed in note (13) on the financial statements.

15. OPERATING LEASE ARRANGEMENT

The Association entered into non-cancellable operating lease arrangement with a landlord in respect of its office premises with leases negotiated terms in three years.

At 31st March, 2019, the Association had total future minimum lease rental payables in respect of office premises under non-cancellable operating leases falling due as follows:

	<u>2019</u> HK\$	<u>2018</u> HK\$
Within one year	-	135,200
In the second to fifth years, inclusive	-	-
	<u>-</u>	<u>135,200</u>

16. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Association is The Hong Kong Council of Social Service, a company incorporated in Hong Kong under the Hong Kong Council of Social Service Incorporation Ordinance.