

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

**REPORT OF THE EXECUTIVE COMMITTEE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2017**

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, 2017.

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, 2017 and the financial position of the Association at that date are set out in the financial statements on pages 5 to 20.

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, the rest 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.

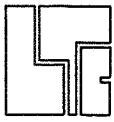
AUDITORS

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, 18th September, 2017



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 5 to 20, which comprise the statement of financial position as at 31st March, 2017, 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, 2017, 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 ("HKSAAs") 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.

EMPHASIS OF MATTER

We draw attention to note 3(a)(ii) on the financial statements concerning the basis of preparation of the financial statements by the executive committee members. At 31st March, 2017, the Association had net liabilities of HK\$614,229. The ultimate holding company has confirmed its present intention to provide continuing financial support to the Association to enable it to meet its liabilities as and when they fall due. Consequently, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments to the assets and liabilities that would result from a failure to obtain such financial support. Our opinion is not qualified in respect of this matter.

OTHER INFORMATION

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

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OTHER INFORMATION (CONT'D)

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

RESPONSIBILITIES OF 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.

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

- 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.
- 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.

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

18th September, 2017

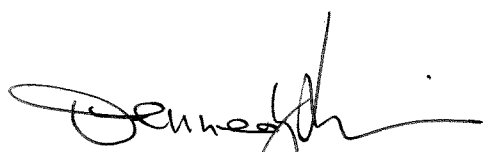
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INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2017

	<u>Note</u>	HK\$	<u>2017</u> HK\$	<u>2016</u> HK\$
NON-CURRENT ASSETS				
Property, plant and equipment	10		398,782	212,658
Accounts receivable	11		87,540	369,335
Grant receivable			<u>2,752,404</u>	<u>2,599,041</u>
			3,238,726	3,181,034
CURRENT ASSETS				
Accounts receivable	11	635,575		1,099,065
Deposits, prepayments and other receivable		123,608		29,968
Cash and bank balances		<u>4,583,324</u>		<u>4,067,879</u>
		5,342,507		5,196,912
CURRENT LIABILITIES				
Fees received in advance		4,345,416		4,122,325
Accounts payable		423,344		462,096
Accrued expenses		633,708		546,423
Amount due to The Hong Kong Council of Social Service	12	1,000,677		1,000,000
Deferred income	3(f)	398,782		212,658
Project fund not yet utilised		<u>2,393,535</u>		<u>2,584,835</u>
		9,195,462		8,928,337
NET CURRENT LIABILITIES			<u>(3,852,955)</u>	<u>(3,731,425)</u>
NET LIABILITIES			<u>(614,229)</u>	<u>(550,391)</u>
Representing:				
ACCUMULATED DEFICIT			<u>(614,229)</u>	<u>(550,391)</u>

The financial statements set out on pages 5 to 20 were approved and authorised for issue by the Executive Committee on 18th September, 2017



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, 2017

	<u>Note</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
REVENUES	7	20,287,539	20,170,545
OTHER INCOME	7	287,907	507,952
COST OF SALES			
Opening inventories		-	14,040
Purchases		1,135,745	1,601,304
		(1,135,745)	(1,615,344)
Transportation		(3,898)	(9,954)
		<u>(1,139,643)</u>	<u>(1,625,298)</u>
COST OF SERVICES		(4,956,832)	(4,890,996)
PROJECT DEFICIT			
– TRANSFERRED FROM			
PROJECT FUNDS NOT YET UTILISED		<u>(111,432)</u>	<u>313,256</u>
TOTAL INCOME FOR THE YEAR		14,367,539	14,475,459
OPERATING AND ADMINISTRATIVE			
EXPENSES		<u>(14,431,377)</u>	<u>(14,382,224)</u>
(DEFICIT)/SURPLUS AND TOTAL			
COMPREHENSIVE (EXPENSE)/INCOME			
FOR THE YEAR	8	<u>(63,838)</u>	<u>93,235</u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF CHANGES IN FUND

FOR THE YEAR ENDED 31ST MARCH, 2017

	<u>Accumulated deficit</u> HK\$
Balance at 1 st April, 2015	(643,626)
Surplus and total comprehensive income for the year	<u>93,235</u>
Balance at 31 st March, 2016 and 1 st April, 2016	(550,391)
Deficit and total comprehensive expense for the year	<u>(63,838)</u>
Balance at 31 st March, 2017	<u><u>(614,229)</u></u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2017

	<u>2017</u> HK\$	<u>2016</u> HK\$
OPERATING ACTIVITIES		
(Deficit)/surplus for the year	(63,838)	93,235
Adjustments for:		
Depreciation	302,645	434,736
Bad debts written off	-	50,860
Property, plant and equipment written off	65,347	61,160
Amortisation of deferred income	(269,972)	(495,896)
Interest income	(61)	(56)
Operating surplus before working capital changes	<u>34,121</u>	<u>144,039</u>
Increase in grant receivable	-	(487,866)
Decrease in inventories	-	14,040
Decrease in accounts receivable	745,285	286,420
(Increase)/decrease in deposits, prepayments and other receivable	(93,640)	139,406
Increase in fees received in advance	223,092	1,382,611
Decrease in accounts payable	(38,752)	(7,043)
Increase/(decrease) in accrued expenses	87,285	(45,449)
Increase in amount due to The Hong Kong Council of Social Service	677	-
Decrease in project funds not yet utilised	<u>111,432</u>	<u>174,610</u>
Cash generated from operating activities	<u>1,069,500</u>	<u>1,600,768</u>
Interest received	<u>61</u>	<u>56</u>
Net cash generated from operating activities	<u>1,069,561</u>	<u>1,600,824</u>
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INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(554,116)</u>	<u>(42,122)</u>
Net cash used in investing activity	<u>(554,116)</u>	<u>(42,122)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	515,445	1,558,702
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,067,879</u>	<u>2,509,177</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>4,583,324</u>	<u>4,067,879</u>
	=====	=====
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>4,583,324</u>	<u>4,067,879</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, 2016 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 7/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 a member of amendments to HKFRSs that are first effective for the current accounting period of the Association.

The management considers that the new and revised HKFRSs have no impact on the Association’s financial statements for the current and prior years.

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, 2017

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 period ended 31st March, 2017 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 results of operations and financial position.

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.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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

a) Basis of preparation:

- i) 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.
- ii) The financial statements have been prepared on a going concern basis notwithstanding the net liabilities and accumulated deficit as at 31st March, 2017 because the Association’s ultimate holding company has confirmed its present intention to provide continuing financial support to the Association to enable it to meet its liabilities as and when they fall due.

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) Impairment of assets:

At the end of each reporting period, the Association reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

d) 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)

e) Revenue recognition:

- 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 when the goods are delivered to the customers.
- 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.

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.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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

	<u>Loans and receivables</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$
Grant receivable	2,752,404	2,599,041
Accounts receivable	723,115	1,468,400
Deposits and other receivable	114,195	4,695
Cash and bank balances	<u>4,583,324</u>	<u>4,067,879</u>
	<u>8,173,038</u>	<u>8,140,015</u>

Financial liabilities

	<u>Financial liabilities at amortised cost</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$
Accounts payables	423,344	462,096
Accrued expenses	633,708	546,423
Amount due to The Hong Kong Council of Social Service	<u>1,000,677</u>	<u>1,000,000</u>
	<u>2,057,729</u>	<u>2,008,519</u>

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association's principal financial instruments comprise grant receivable, accounts receivables, deposits and other receivable, cash and bank balances, bank overdraft (unsecured), accounts payables and accrued expenses and amount due to The Hong Kong Council of Social Services. 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.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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

a) Credit risk

The Association's maximum exposure to credit risk in the event of the counterparties failure to perform their obligation as at 31st March, 2017 and 31st March, 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to mitigate the risk arising from bank balances, the Association places its deposits with reputable banks. In additions, accounts receivables are monitored on an ongoing basis. In this regard, the Association considers that its credit risk is significantly reduced.

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:

	2017		
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$
Accounts payable	423,344	423,344	423,344
Accrued expenses	633,708	633,708	633,708
Amount due to The Hong Kong Council of Social Service	<u>1,000,677</u>	<u>1,000,677</u>	<u>1,000,677</u>
	<u>2,057,729</u>	<u>2,057,729</u>	<u>2,057,729</u>
	2016		
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$
Accounts payable	462,096	462,096	462,096
Accrued expenses	546,423	546,423	546,423
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>2,008,519</u>	<u>2,008,519</u>	<u>2,008,519</u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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

c) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2017 and 31st March, 2016.

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 deficit.

6. GOVERNMENT GRANTS

On 23rd May, 2011, the Association entered into the Funding and Operation Agreement ("the former Agreement") for the Project with OGCIO 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 OGCIO 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.

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.

Upon 31st March, 2017, the aggregate amount received by the Association in respect of the Project was HK\$73,695,228.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

7. REVENUES AND OTHER INCOME

	<u>2017</u> HK\$	<u>2016</u> HK\$
Revenues		
Government grants from the Office of The Government Chief Information Officer (note 3f)	13,682,934	12,413,093
Donations	492,700	798,216
Sales of hardware and software	795,626	1,661,841
Internet access service income (net)	<u>5,316,279</u>	<u>5,297,395</u>
	<u>20,287,539</u>	<u>20,170,545</u>
Other income		
Interest income	61	56
Amortisation of deferred income	269,972	495,896
Sundry income	<u>17,874</u>	<u>12,000</u>
	<u>287,907</u>	<u>507,952</u>

8. (DEFICIT)/SURPLUS FOR THE YEAR

(Deficit)/surplus for the year is arrived at after charging:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Auditors' remuneration	63,800	60,800
Depreciation	302,645	434,736
Operating lease rental on land and building	202,800	232,895
Staff costs		
- Salaries and allowances	6,015,591	6,149,266
- Mandatory provident fund contribution	246,441	253,685
	6,262,032	6,402,951
Bad debts written off (net)	-	42,410
Property, plant and equipment written off	65,347	61,160
Inventories written off	-	14,040
	<u>6,262,032</u>	<u>6,402,951</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\$
For the year ended					
31.3.2016					
Net book value at 1.4.2015	212,431	13,601	60,763	379,637	666,432
Additions	-	-	-	42,122	42,122
Written off	(61,160)	-	-	-	(61,160)
Depreciation for the year	<u>(151,271)</u>	<u>(12,920)</u>	<u>(30,488)</u>	<u>(240,057)</u>	<u>(434,736)</u>
Net book value at 31.3.2016	<u>-</u>	<u>681</u>	<u>30,275</u>	<u>181,702</u>	<u>212,658</u>
As at 31.3.2016					
Cost	450,547	64,601	152,381	1,450,062	2,117,591
Accumulated depreciation	<u>(450,547)</u>	<u>(63,920)</u>	<u>(122,106)</u>	<u>(1,268,360)</u>	<u>(1,904,933)</u>
Net book value	<u>-</u>	<u>681</u>	<u>30,275</u>	<u>181,702</u>	<u>212,658</u>
For the year ended					
31.3.2017					
Net book value at 1.4.2016	-	681	30,275	181,702	212,658
Additions	378,675	102,550	44,700	28,191	554,116
Written off	-	(65,347)	-	-	(65,347)
Depreciation for the year	<u>(75,735)</u>	<u>(34,257)</u>	<u>(28,387)</u>	<u>(164,266)</u>	<u>(302,645)</u>
Net book value at 31.3.2017	<u>302,940</u>	<u>3,627</u>	<u>46,588</u>	<u>45,627</u>	<u>398,782</u>
As 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>

Note:

The total cost of property, plant and equipment written off during the year ended 31st March, 2017 was HK\$1,994,412 (2016: HK\$305,800).

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

11. ACCOUNTS RECEIVABLES

	<u>2017</u> HK\$	<u>2016</u> HK\$
Accounts receivables arising from sales of hardware and software by installments	723,115	1,468,400
Less: Portion classified under non-current assets	<u>87,540</u>	<u>369,335</u>
Portion classified under current assets	<u><u>635,575</u></u>	<u><u>1,099,065</u></u>

The aging analysis of accounts receivable is as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Neither past due nor impaired	713,620	1,420,950
Less than 1 month past due	5,360	6,950
More than 1 month but less than 3 months past due	4,135	5,470
More than 3 months but less than 1 year past due	<u>-</u>	<u>35,030</u>
	<u>9,495</u>	<u>47,450</u>
	<u><u>723,115</u></u>	<u><u>1,468,400</u></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 year.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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\$13,260 (2016: HK\$24,750) from Information Technology Resource Centre Limited.
- b) The Association paid administration charges to its fellow subsidiary, Information Technology Resource Centre Limited, amounting to HK\$815,000 (2016: HK\$700,000).
- c) The Association paid training and technical support to its fellow subsidiary, Information Technology Resource Centre Limited, amounting to HK\$Nil (2016: HK\$2,208).
- d) Expenditures included in various kinds of overheads and expenses, which of HK\$1,649,797 (2016: HK\$523,604) were other 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.
- e) The Association received technical support service income to its fellow subsidiary, Information Technology Resource Centre Limited, amounting to HK\$220,000 (2016: HK\$308,000).
- f) Balances with The Hong Kong Council of Social Service are described in note (12) on the financial statements.
- g) The Association's key management personnel 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, 2017, the Association had total future minimum lease rental payables in respect of office premises under non-cancellable operating leases falling due as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Within one year	405,600	-
In the second to fifth years, inclusive	<u>135,200</u>	<u>-</u>
	<u>540,800</u>	<u>-</u>

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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.