



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

REPORT OF THE EXECUTIVE COMMITTEE
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



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 31 March 2020.

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 31 March 2020 and the financial position of the Association at that date are set out in the financial statements on pages 6 to 22.

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
CHUA Hoi Wai
LIU Tat Yin, Kennedy

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

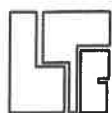
The financial statements have been audited by Messrs. Li, Tang, Chen & Co., who retire but, being eligible, offer themselves for re-appointment.

On behalf of the executive committee



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CHAN Bernard Charnwut
Executive Committee Member

Hong Kong, 28 September 2020



李湯陳會計師事務所
LI, TANG, CHEN & CO.
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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 22, which comprise the statement of financial position as at 31 March 2020, 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 31 March 2020, 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.

to be cont'd/.....

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 HKSAAs 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 HKSAAs, 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.

to be cont'd/.....

**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)
17/F Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

28 September 2020

RCCM/JLCWB

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

| | Note | HK\$ | 2020 HK\$ | 2019 HK\$ |
|--|------|------------------|------------------|------------------|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 10 | | - | 7,016 |
| CURRENT ASSETS | | | | |
| Accounts receivable | 11 | - | | 57,251 |
| Grants receivable | | - | | 3,695,505 |
| Deposits | | 2,400 | | 2,400 |
| Cash and bank balances | | 3,882,140 | | 3,159,785 |
| | | <u>3,884,540</u> | | <u>6,914,941</u> |
| CURRENT LIABILITIES | | | | |
| Fees received in advance | | - | | 356,438 |
| Grants received in advance | | - | | 1,432,000 |
| Accounts payables | | 31,834 | | 553,755 |
| Accrued expenses | | 236,673 | | 379,105 |
| Amount due to The Hong Kong Council of Social Service | 12 | 1,007,800 | | 1,000,000 |
| Project fund not yet utilised | | <u>1,416,947</u> | | <u>1,855,122</u> |
| | | <u>2,693,254</u> | | <u>5,576,420</u> |
| NET CURRENT ASSETS | | | <u>1,191,286</u> | <u>1,338,521</u> |
| NET ASSETS | | | <u>1,191,286</u> | <u>1,345,537</u> |
| Representing: | | | | |
| ACCUMULATED SURPLUS | | | <u>1,191,286</u> | <u>1,345,537</u> |

The financial statements set out on pages 6 to 22 were approved and authorised for issue by the Executive Committee on 28 September 2020.


.....
LIU Tat Yin, Kennedy
Executive Committee Member


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CHUA Hoi Wai
Executive Committee Member

INTERNET LEARNING RESOURCE CENTRE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

| | <u>Note</u> | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|-------------|---------------------|---------------------|
| REVENUES | 7 | 2,744,838 | 12,867,150 |
| OTHER INCOME | 7 | 675,207 | 1,522,804 |
| COST OF SALES | | | |
| Purchases | | - | (265,735) |
| Transportation | | - | (1,205) |
| | | - | (266,940) |
| COST OF SERVICES | | (244,838) | (3,628,150) |
| PROJECT INCOME | | | |
| – TRANSFERRED FROM PROJECT FUNDS NOT YET UTILISED | | <u>804,548</u> | <u>1,489,952</u> |
| TOTAL INCOME FOR THE YEAR | | 3,979,755 | 11,984,816 |
| OPERATING AND ADMINISTRATIVE EXPENSES | | <u>(4,134,006)</u> | <u>(11,678,725)</u> |
| (DEFICIT)/ SURPLUS AND TOTAL COMPREHENSIVE (EXPENSES) /INCOME FOR THE YEAR | 8 | <u>(154,251)</u> | <u>306,091</u> |

INTERNET LEARNING RESOURCE CENTRE LIMITED
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 31 MARCH 2020

| | <u>Accumulated surplus</u> HK\$ |
|---|--|
| Balance at 1 April 2018 | 1,039,446 |
| Surplus and total comprehensive income for the year | <u>306,091</u> |
| Balance at 31 March 2019 and 1 April 2019 | 1,345,537 |
| Deficit and total comprehensive expenses for the year | <u>(154,251)</u> |
| Balance at 31 March 2020 | <u><u>1,191,286</u></u> |

INTERNET LEARNING RESOURCE CENTRE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| (Deficit)/ surplus for the year | (154,251) | 306,091 |
| Adjustments for: | | |
| Depreciation | 7,016 | 117,826 |
| Property, plant and equipment written off | - | 837,615 |
| Amortisation of deferred income | - | (948,424) |
| Interest income | (6,288) | (2,830) |
| Operating (deficit)/surplus before working capital changes | (153,523) | 310,278 |
| Decrease in accounts receivable | 57,251 | 290,648 |
| Decrease in grants receivable | 3,695,505 | - |
| Decrease in deposits | - | 112,268 |
| Decrease in fees received in advance | (356,438) | (2,001,807) |
| (Decrease)/Increase in grants received in advance | (1,432,000) | 1,432,000 |
| (Decrease)/ increase in accounts payable | (521,921) | 173,026 |
| Decrease in accrued expenses | (142,432) | (343,991) |
| Increase in amount due to The Hong Kong Council of Social Service | 7,800 | - |
| Decrease in project funds not yet utilised | (438,175) | (1,489,952) |
| Cash generated from/(used in) operating activities | 716,067 | (1,517,530) |
| Interest received | 6,288 | 2,830 |
| Net cash generated/(used in) from operating activities | 722,355 | (1,514,700) |
| | ----- | ----- |
| INVESTING ACTIVITY | | |
| Purchase of property, plant and equipment | - | (6,760) |
| Net cash used in investing activity | - | (6,760) |
| | ----- | ----- |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 722,355 | (1,521,460) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 3,159,785 | 4,681,245 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 3,882,140 | 3,159,785 |
| | ===== | ===== |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 3,882,140 | 3,159,785 |
| | ===== | ===== |

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Internet Learning Resource Centre Limited (the “Association”) was incorporated on 17 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 1 April 2019. 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 31 March 2020

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 31 March 2020 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 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) Leased assets:

i) Policy applicable from 1 April 2019:

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

At the lease commencement date, the Association recognised a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Association are primarily laptops and office furniture. When the Association enters into a lease in respect of a low-value asset, the Association decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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

g) Leased assets: (cont'd)

i) Policy applicable from 1 April 2019: (cont'd)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Association's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Association will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Association presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

ii) Policy applicable prior to 1 April 2019:

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) 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)

i) 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.

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.

j) 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

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 1 April 2019.

i) HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The adoption of HKFRS 16 has resulted in changes in accounting policies. The Association has applied HKFRS 16 retrospectively and taken the transitional provisions in HKFRS 16 not to restate comparative information. The adoption to HKFRS 16 does not have any material effects on the Association's financial performance and position.

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

| | At amortised cost | |
|-------------------------------|----------------------|------------------|
| | 2020 HK\$ | 2019 HK\$ |
| Grants receivable | - | 3,695,505 |
| Accounts receivables | - | 57,251 |
| Deposits and other receivable | 2,400 | 2,400 |
| Cash and bank balances | 3,882,140 | 3,159,785 |
| | <u>3,884,540</u> | <u>6,914,941</u> |

Financial liabilities

| | Financial liabilities at amortised cost | |
|---|--|------------------|
| | 2020 HK\$ | 2019 HK\$ |
| Accounts payables | 31,834 | 553,755 |
| Accrued expenses | 236,673 | 379,105 |
| Amount due to The Hong Kong Council of Social Service | <u>1,007,800</u> | <u>1,000,000</u> |
| | <u>1,276,307</u> | <u>1,932,860</u> |

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 making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Further quantitative data in respect of the exposure to credit risk arising from trade receivable are disclosed in note 11 on the financial statements.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

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

a) Credit risk (cont'd)

At the end of the reporting period, Nil % (2019: 4.25%) and Nil % (2019: 21.27%) 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:

| | 2020 | | |
|--|----------------------------|---|--|
| | Carrying amount HK\$ | Total contractual undiscounted cash flow HK\$ | Within 1 year or on demand HK\$ |
| Accounts payables | 31,834 | 31,834 | 31,834 |
| Accrued expenses | 236,673 | 236,673 | 236,673 |
| Amount due to The Hong Kong Council of Social Service | <u>1,007,800</u> | <u>1,007,800</u> | <u>1,007,800</u> |
| | <u>1,276,307</u> | <u>1,276,307</u> | <u>1,276,307</u> |
| | | | |
| | 2019 | | |
| | Carrying amount HK\$ | Total contractual undiscounted cash flow HK\$ | Within 1 year or on demand 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)

c) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2020 and 31 March 2019.

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.

6. GOVERNMENT GRANTS

On 23 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 31 August 2016. On 20 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 31 August 2018 to help eligible families acquire suitable and affordable computers and internet access, and to provide training and technical support.

On 11 April, 2018, the Association entered into the agreement of the Exit Plan for the Project with OGCIO 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.

Upon 31 March 2020, the aggregate amount received by the Association in respect of the Project was HK\$102,559,278 (2019: HK\$98,841,074). No more grants receivable from the Government.

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

7. REVENUES AND OTHER INCOME

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|--|---------------------|---------------------|
| Revenues | | |
| Government grants from the Office of The Government Chief Information Officer (note 3f) | 2,500,000 | 9,396,509 |
| Donations | - | 9,375 |
| Sales of hardware and software | - | 205,895 |
| Internet access service income (net) | 244,838 | 3,223,471 |
| Training course income | - | 31,900 |
| | <u>2,744,838</u> | <u>12,867,150</u> |
| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
| Other income | | |
| Interest income | 6,288 | 2,830 |
| Amortisation of deferred income | - | 948,424 |
| Sundry income | 141,249 | 23,473 |
| Receipts from various designated projects | 486,280 | 458,377 |
| Provision for long service payments written back | 41,390 | 89,700 |
| | <u>675,207</u> | <u>1,522,804</u> |

8. (DEFICIT)/ SURPLUS FOR THE YEAR

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

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|---------------------|---------------------|
| Auditors' remuneration | 38,000 | 62,000 |
| Depreciation | 7,016 | 117,826 |
| Operating lease rental on land and building | 5,110 | 135,200 |
| Staff costs | | |
| - Salaries and allowances | 2,028,632 | 5,217,536 |
| - Mandatory provident fund contribution | 98,627 | 241,716 |
| | 2,127,259 | 5,459,252 |
| Property, plant and equipment written off | - | 837,615 |
| Written off of grants receivable | 1,045,301 | - |
| | <u>1,045,301</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 31.3.2018 | | | | | |
| Cost | 432,952 | 4,530 | 105,500 | 1,002,192 | 1,545,174 |
| Accumulated depreciation | (205,747) | (1,809) | (81,345) | (300,576) | (589,477) |
| Net book value | 227,205 | 2,721 | 24,155 | 701,616 | 955,697 |
| 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 | (31,557) | (381) | (2,894) | (82,994) | (117,826) |
| Net book value at 31.3.2019 | - | - | - | 7,016 | 7,016 |
| At 31.3.2019 | | | | | |
| Cost | - | - | - | 21,049 | 21,049 |
| Accumulated depreciation | - | - | - | (14,033) | (14,033) |
| Net book value | - | - | - | 7,016 | 7,016 |
| Year ended 31.3.2020 | | | | | |
| Net book value at 1.4.2019 | - | - | - | 7,016 | 7,016 |
| Depreciation for the year | - | - | - | (7,016) | (7,016) |
| Net book value at 31.3.2020 | - | - | - | - | - |
| At 31.3.2020 | | | | | |
| Cost | - | - | - | 21,049 | 21,049 |
| Accumulated depreciation | - | - | - | (21,049) | (21,049) |
| Net book value | - | - | - | - | - |

Note:

The total cost of property, plant and equipment written off during the year ended 31 March 2020 was HK\$Nil (2019: HK\$1,530,885).

INTERNET LEARNING RESOURCE CENTRE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

11. ACCOUNTS RECEIVABLE

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|---------------------|---------------------|
| Accounts receivable arising from sales of hardware and software by installments | - | 57,251 |
| Less: Portion classified under non-current assets | <u>-</u> | <u>-</u> |
| Portion classified under current assets | <u>-</u> | <u>57,251</u> |

The aging analysis of accounts receivable is as follows:

| | <u>2020</u> HK\$ | <u>2019</u> HK\$ |
|---|---------------------|---------------------|
| Neither past due nor impaired | - | 38,695 |
| Less than 1 month past due | - | 2,336 |
| More than 1 month but less than 3 months past due | - | 3,670 |
| More than 3 months but less than 1 year past due | - | 6,255 |
| More than 1 year past due | <u>-</u> | <u>6,295</u> |
| | <u>-</u> | <u>18,556</u> |
| | <u>-</u> | <u>57,251</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.

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\$Nil (2019: HK\$6,760) from its fellow subsidiary, Information Technology Resource Centre Limited.
- b) The Association received internet access service income from its ultimate holding company, The Hong Kong Council of Social Service, amounting to HK\$Nil (2019: HK\$246,700).
- c) The Association paid administration charges to its fellow subsidiary, Information Technology Resource Centre Limited, amounting to HK\$449,600 (2019: HK\$609,000).
- d) Expenditures included in various kinds of overheads and expenses, which of HK\$116,550 (2019: HK\$621,332) 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.
- e) Included in accrued expenses was an amount of HK\$221,118 (2019: HK\$147,000) due to its fellow subsidiary company, Information Technology Resources Centre Limited.
- 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 only included executive committee members. Details of executive committee members remuneration are fully disclosed in note (13) on the financial statements.

15. 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.