

WAI JI HONG YIP COMPANY LIMITED

懷智匡業有限公司

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2022

The directors present herewith their report and the audited financial statements for the year ended 31 March, 2022.

Principal activities

The principal activities of Wai Ji Hong Yip Company Limited ("the Company") is creating employment opportunities for people with disabilities through its provision of cleansing services, direct sales, soap selling, coating spray and provision of venue.

Financial statements

The results of the Company for the year ended 31 March, 2022 and the state of affairs of the Company as at that date are set out in the financial statements on pages 6 to 15.

Funds

Details of movements in the funds of the Company for 2022 are set out in the statement of changes in funds.

Company status

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

Directors

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

Leung Kai Lok, Peter	梁佳樂
Leung Yiu Fat, Allen	梁耀發
Tsang Wai Ping, Cecilia	曾慧平
Chan Kwong Fat	陳廣發
Kwong Sum Mei, Esther	鄺心美

In accordance with the Company's Articles of Association, all the directors retire and being eligible, offer themselves for re-election.

Business review

The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review.

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

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

Events after the reporting period

Details of significant events occurring after the reporting period are set out in note 15 to the financial statements.

Permitted indemnity provisions

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

Auditor

A resolution to reappoint Fan, Chan & Co. Limited as auditor of the Company will be put forth at the forthcoming annual general meeting.

For and on behalf of the Board



Kwong Sum Mei, Esther
Chairperson
Dated, 7 December, 2022



范陳會計師行有限公司
Fan, Chan & Co. Limited

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS WAI JI HONG YIP COMPANY LIMITED
懷智匠業有限公司

(incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Wai Ji Hong Yip Company Limited ("the Company") set out on pages 6 to 15, which comprise the statement of financial position as at 31 March, 2022, and the statement of comprehensive income, statement of cash flows and statement of changes in funds for the year then ended, and notes to 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 Company as at 31 March, 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



范陳會計師行有限公司
Fan, Chan & Co. Limited

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS WAI JI HONG YIP COMPANY LIMITED
懷智匡業有限公司
(continued)

(incorporated in Hong Kong and limited by guarantee)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



范陳會計師行有限公司
Fan, Chan & Co. Limited

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS WAI JI HONG YIP COMPANY LIMITED
懷智匠業有限公司
(continued)

(incorporated in Hong Kong and limited by guarantee)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Hong Kong, 7 December, 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH, 2022

	Note	2022 HK\$	2021 HK\$
Revenue	4	2,473,378	2,881,564
Cost of sales		-	(7,934)
Gross profit		2,473,378	2,873,630
Other income	4	251,322	521,694
Selling and distribution costs		(433,781)	(539,705)
Administrative expenses		(2,851,036)	(2,592,526)
(Deficit)/surplus for the year	5	(560,117)	263,093


STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2022

	Note	2022 HK\$	2021 HK\$
Non-current assets			
Plant and equipment	8	32,594	53,012
Current assets			
Accounts and other receivables	9	559,311	299,742
Fixed deposits	10	4,812,021	4,763,419
Cash and cash equivalents	10	814,045	1,857,033
		<u>6,185,377</u>	<u>6,920,194</u>
Current liabilities			
Accounts and other payables	11	33,385	272,427
Amounts due to Wai Ji Christian Service	12	144,070	100,146
		<u>177,455</u>	<u>372,573</u>
Net current assets		<u>6,007,922</u>	<u>6,547,621</u>
Net assets		<u>6,040,516</u>	<u>6,600,633</u>
Funds			
Accumulated fund		<u>6,040,516</u>	<u>6,600,633</u>

Approved and authorised for issue by the Board of Directors on 7 December, 2022.



Kwong Sum Mei, Esther
Chairperson



Leung Yiu Fat, Allen
Honorary Treasurer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2022

	2022 HK\$	2021 HK\$
Operating activities		
(Deficit)/surplus for the year	(560,117)	263,093
Adjustments for:		
Depreciation	20,418	20,418
Interest income	(21,900)	(71,544)
	<u>(561,599)</u>	<u>211,967</u>
Operating (deficit)/surplus before changes in working capital	(561,599)	211,967
Decrease in inventories	-	7,934
(Increase)/decrease in accounts and other receivables	(259,569)	132,699
(Decrease)/increase in accounts and other payables	(239,042)	16,140
Increase/(decrease) in amounts due to Wai Ji Christian Service	43,924	(78,287)
	<u>(1,016,286)</u>	<u>290,453</u>
Cash flow (used in)/generated from operating activities	(1,016,286)	290,453
Investing activities		
Interest received	21,900	-
Increase in fixed deposit with original maturity over 3 months	(48,602)	-
Purchases of plant and equipment	-	(36,790)
	<u>(26,702)</u>	<u>(36,790)</u>
Cash flow used in investing activities	(26,702)	(36,790)
Net (decrease)/increase in cash and cash equivalents	(1,042,988)	253,663
Cash and cash equivalents at the beginning of the year	<u>1,857,033</u>	<u>1,603,370</u>
Cash and cash equivalents at the end of the year	<u>814,045</u>	<u>1,857,033</u>

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 MARCH, 2022

	Accumulated funds HK\$
As at 1 April, 2020	6,337,540
Surplus for the year	<u>263,093</u>
As at 31 March, 2021 and at 1 April, 2021	6,600,633
Deficit for the year	<u>(560,117)</u>
As at 31 March, 2022	<u>6,040,516</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2022**

1. General information

The Company is a company limited by guarantee incorporated in Hong Kong. The address of Company's registered office and principal place of operation is located at G/F., 9-15 Tung Hoi House, Tai Hang Tung Estate, Shek Kip Mei, Kowloon, Hong Kong.

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

During the year, the principal activities of the Company are creating employment opportunities for people with disabilities through its provision of cleansing services, direct sales, soap selling, coating spray and provision of venue.

2. Basis of preparation and accounting policies

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is shown net of discounts, rebates, returns, sales-related taxes and after eliminating sales within the Company.

Revenue is recognised in surplus or deficit provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, as follows:

- (i) Sale of goods is recognised when the goods are delivered and the significant risks and rewards of ownership of the goods has passed to the customers.
- (ii) Service fee income is recognised when the services are provided.
- (iii) Government subventions are recognised when there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.
- (iv) Interest income is recognised as it accrues using the effective interest method.

Plant and equipment

Items of plant and equipment are measured at initial recognition at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Assets held under finance leases, for which there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant lease. The following annual rates are used for the depreciation of property, plant and equipment.

- Leasehold improvements Over the unexpired lease term or 10 years whichever is shorter
- Furniture and equipment 20%
- Computer equipment 33%

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

2. Basis of preparation and accounting policies (continued)

Plant and equipment (continued)

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

Impairment of non-financial assets, other than inventories

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

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

Recognition and derecognition of financial instruments

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

Financial instruments

Account and other receivables are initially recognised at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of accounts and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Financial liabilities are initially recognised at the transaction price (including transaction costs). Accounts payables are obligations on the basis of normal credit terms and do not bear interest.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

Lease

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

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

2. Basis of preparation and accounting policies (continued)

Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the grant is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments/deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Related parties

A person or an entity is related to the Company if:

- (a) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company 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 Company or an entity related to the Company.
 - (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 a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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.

Employee benefit obligations

Salaries, bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

3. Key sources of estimation uncertainty

Allowance for impairment of accounts receivables

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

4. Revenue and other income

	2022 HK\$	2021 HK\$
Revenue:		
Sale of goods	-	23,209
Service income	2,473,378	2,858,355
	2,473,378	2,881,564
Other income:		
Subvention income	-	449,245
Interest income	21,900	71,544
Sundry income	229,422	905
	251,322	521,694

5. (Deficit)/surplus for the year

	2022 HK\$	2021 HK\$
(Deficit)/surplus for the year is arrived at after charging the following items:		
(a) Staff cost		
Salaries and benefits	1,879,596	1,848,022
Contribution to defined contribution plans	91,106	91,951
	1,970,702	1,939,973
(b) Other items		
Auditor's remuneration	25,000	20,500
Depreciation	20,418	20,418
Operating lease charges on hire of properties on: - hire of properties	237,740	189,400
	237,740	189,400

6. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Company, being a non-profit-making organisation by character, is exempt from Hong Kong profits tax under Section 88 of the Inland Revenue Ordinance.

7. Benefits and interests of directors

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

Directors' remuneration

The directors received no remuneration for their services to the Company during the year (2021: Nil).

8. Plant and equipment

	Furniture and equipment HK\$	Computer equipment HK\$	Total HK\$
Cost			
At 1 April, 2021 and At 31 March, 2022	65,790	22,000	87,790
Accumulated depreciation			
At 1 April, 2021	27,518	7,260	34,778
Charge for the year	13,158	7,260	20,418
At 31 March, 2022	40,676	14,520	55,196
Net book value			
At 31 March, 2022	25,114	7,480	32,594
At 31 March, 2021	38,272	14,740	53,012

9. Accounts and other receivables

	2022 HK\$	2021 HK\$
Accounts receivables	282,978	217,090
Interest receivables	-	33,190
Other receivables	212,941	2,536
Prepayments	54,142	37,676
Deposits	9,250	9,250
	559,311	299,742

The Company allows a credit period of 30 days from the date of billing to its customers for accounts receivables.

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

10. Fixed deposits and cash and cash equivalents

	2022 HK\$	2021 HK\$
Time deposits	4,812,021	4,763,419
Cash and cash equivalents		
- Current and saving accounts	719,169	1,816,893
- Cash in hand	94,876	40,140
	814,045	1,857,033

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

11. Accounts and other payables

	2022 HK\$	2021 HK\$
Accounts payables and accruals	33,385	160,913
Receipt in advance	-	111,514
	33,385	272,427

12. Amount due to Wai Ji Christian Service

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

13. Operating lease arrangements

At 31 March, 2022, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2022 HK\$	2021 HK\$
Within one year	80,000	192,000
Later than one year but within five years	-	272,000
	80,000	464,000

14. Related party transactions

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

Nature of related party relationship	Related party	Nature of transactions	2022 HK\$	2021 HK\$
Related company -	Wai Ji Christian Service	Sales of goods and services	513,490	1,324,932
		Sub-contracting fee paid	42,144	-

The related company is controlled by certain directors of the Company.

15. Novel Coronavirus (“COVID-19”) outbreak

As a result of the uncertainties caused by the coronavirus outbreak in early 2020, there was a certain impact on the performance of the Company. Since the COVID-19 continues to evolve depending on future development and spread of COVID-19, the Board of Directors will closely monitor the development of the epidemic and assess its impact on the financial position and operating results of the Company.