



CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司
(incorporated in Hong Kong as a Company limited by guarantee
and not having share capital)

Directors' Report and Financial Statements
For the year ended 31 December 2019

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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Expressed in Hong Kong dollars ("HK\$")	

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

Crossroads Foundation Limited (the "Company") is a registered non-profit organisation based in Hong Kong. Its principal activities are:

- (a) Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally;
- (b) Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need;
- (c) Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale; and
- (d) Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The Company conducts its operations under the following registrations:

- Global Hand
- Crossroads Global Distribution
- Crossroads Global Handicrafts
- Crossroads Global Village
- Silk Road Café
- Global X-Perience
- GoodCity.HK

The principal activity of Crossroads Global Village UK Limited, the subsidiary of the Company, is to support United Kingdom business and charities seeking a partnership 'match' for their humanitarian and Corporate Social Responsibility programmes by facilitating use of Global Hand website and offering themed, immersive environment for experience global need first hand.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the financial statements on pages 7 to 39.

RESERVES

Details of movements in the reserves, comprising translation reserve and accumulated surplus, of the Group during the year are set out in the consolidated statement of changes in equity on page 9.

SUBSIDIARY

Details of the Company's subsidiary at 31 December 2019 are set out in note 11 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

David Lewis de Groen
Jane Rosemarie Henderson
Judy Joanne Butler
Malcolm Bruce Begbie
Sally Linda Begbie

In accordance with the Company's articles of association, all directors shall hold office for three years and be eligible for re-election.

MATERIAL INTERESTS IN TRANSACTIONS ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 16 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or its subsidiary was a party and in which a director of the Company or an entity connected with a director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the financial year.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

BUSINESS REVIEW

The Company is exempted from preparing a business review for the financial year.

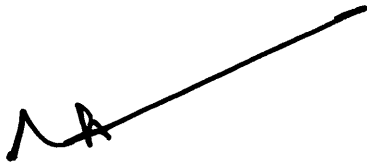
AUDITOR

A resolution has been proposed at the annual general meeting of the Company to re-appoint the auditor, BDO Limited.

EVENTS AFTER THE REPORTING PERIOD - CORONAVIRUS ("COVID-19")

As detailed in note 25 to the consolidated financial statements, the Company's operations have been impacted by the COVID-19 pandemic took place since January 2020. The directors will keep continuous attention on the change of situation and make timely responses and adjustments in the future.

On behalf of the directors



Malcolm Bruce Begbie
Director

Hong Kong, 5 November 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CROSSROADS FOUNDATION LIMITED**

國際十字路協會有限公司

(incorporated in Hong Kong as a Company limited by guarantee and not having share capital)

Opinion

We have audited the consolidated financial statements of Crossroads Foundation Limited 國際十字路協會有限公司 (the "Company") and its subsidiary (together the "Group") set out on pages 7 to 39, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CROSSROADS FOUNDATION LIMITED**

國際十字路協會有限公司

(incorporated in Hong Kong as a Company limited by guarantee and not having share capital)

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司**

(incorporated in Hong Kong as a Company limited by guarantee and not having share capital)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements -
Continued**

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

BDO Limited

BDO Limited

Certified Public Accountants

CHIU Wing Cheung Ringo

Practising Certificate Number P04434

Hong Kong, 5 November 2020

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**


	Notes	2019 HK\$	2018 HK\$
Revenue	5	16,225,223	14,076,898
Global Handicrafts inventory expenses		(367,192)	(407,435)
Depreciation		(470,234)	(437,631)
Other operating expenses		<u>(15,703,816)</u>	<u>(15,687,803)</u>
Loss for the year	6	<u>(316,019)</u>	<u>(2,455,971)</u>
Other comprehensive income/(loss) for the year			
- Exchange difference arising from translation of foreign operations		<u>5,158</u>	<u>(10,227)</u>
Total comprehensive loss for the year		<u>(310,861)</u>	<u>(2,466,198)</u>

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

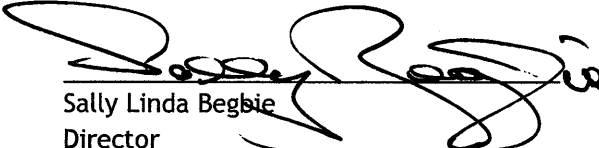
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 HK\$	2018 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	<u>1,188,081</u>	<u>1,083,327</u>
Current assets			
Inventories	12	335,467	361,363
Deposits, prepayments and other receivables	13	1,669,116	3,225,847
Cash and cash equivalents	14	<u>2,274,880</u>	<u>2,123,823</u>
		<u>4,279,463</u>	<u>5,711,033</u>
Current liabilities			
Other payables and accruals	15	1,781,693	2,784,573
Amount due to a director	16	<u>337,070</u>	<u>350,145</u>
		<u>2,118,763</u>	<u>3,134,718</u>
Net current assets		<u>2,160,700</u>	<u>2,576,315</u>
Net assets		<u>3,348,781</u>	<u>3,659,642</u>
EQUITY			
Translation reserve		(37,322)	(42,480)
Accumulated surplus		<u>3,386,103</u>	<u>3,702,122</u>
Total equity		<u>3,348,781</u>	<u>3,659,642</u>

On behalf of the directors



Malcolm Bruce Begbie
Director



Sally Linda Begbie
Director

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Translation reserve HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 1 January 2018	(32,253)	6,158,093	6,125,840
Loss for the year	-	(2,455,971)	(2,455,971)
Other comprehensive loss for the year			
- Exchange difference arising from translations of foreign operations	(10,227)	-	(10,227)
Total comprehensive loss for the year	<u>(10,227)</u>	<u>(2,455,971)</u>	<u>(2,466,198)</u>
Balance at 31 December 2018 and 1 January 2019	(42,480)	3,702,122	3,659,642
Loss for the year	-	(316,019)	(316,019)
Other comprehensive income for the year			
- Exchange difference arising from translations of foreign operations	5,158	-	5,158
Total comprehensive loss for the year	<u>5,158</u>	<u>(316,019)</u>	<u>(310,861)</u>
Balance at 31 December 2019	<u>(37,322)</u>	<u>3,386,103</u>	<u>3,348,781</u>

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK\$	2018 HK\$
Cash flows from operating activities		
Loss for the year	(316,019)	(2,455,971)
Adjustments for :		
Depreciation of property, plant and equipment	470,234	437,631
Interest income	(1,294)	(168)
Operating profit/(loss) before working capital changes	<u>152,921</u>	<u>(2,018,508)</u>
Decrease in inventories	25,896	74,290
Decrease/(Increase) in deposits, prepayments and other receivables	1,556,731	(1,101,027)
(Decrease)/Increase in other payables and accruals	(1,002,880)	557,971
Decrease in amount due to a director	(13,075)	(54,508)
<i>Net cash generated from/(used in) operating activities</i>	<u>719,593</u>	<u>(2,541,782)</u>
Cash flows from investing activities		
Interest received	1,294	168
Purchase of property, plant and equipment	(574,988)	(148,613)
<i>Net cash used in investing activities</i>	<u>(573,694)</u>	<u>(148,445)</u>
Net increase/(decrease) in cash and cash equivalents	145,899	(2,690,227)
Effect on foreign exchange rate changes	5,158	(10,227)
Cash and cash equivalents at beginning of year	<u>2,123,823</u>	<u>4,824,277</u>
Cash and cash equivalents at end of year	<u>2,274,880</u>	<u>2,123,823</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	2,034,880	1,883,823
Time deposits	240,000	240,000
	<u>2,274,880</u>	<u>2,123,823</u>

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Crossroads Foundation Limited 國際十字路協會有限公司 (the "Company") is a registered non-profit organisation based in Hong Kong. The Company is a company limited by guarantee incorporated in Hong Kong. Its registered office and principal place of business is 2 Castle Peak Road, Tuen Mun, Hong Kong.

The Company conducts its operations under the following registrations:

- Global Hand
- Crossroads Global Distribution
- Crossroads Global Handicrafts
- Crossroads Global Village
- Silk Road Café
- Global X-Perience
- GoodCity.HK

Its principal activities are:

- (a) Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally;
- (b) Through Global Hand the organisation is linking for-profit and non-profit organisations to combat global need;
- (c) Through Global Handicrafts fairly traded goods are purchased from around the world and are made available for sale; and
- (d) Through Crossroads Global Village the organisation offers a themed, immersive environment where people can experience global need first hand.

The principal activity of the Company's subsidiary is to support United Kingdom business and charities seeking a partnership 'match' for their humanitarian and Corporate Social Responsibility programmes by facilitating use of Global Hand website and offering themed, immersive environment for experience global need first hand.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is same as the functional currency of the Company and the presentation currency of the Group.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2019

In the current year, the Group has applied for the first time the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features and Negative Compensation

The impact of the adoption of HKFRS 16 *Leases* has been summarised below. The other new or revised HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group’s accounting policies.

HKFRS 16 - Leases (“HKFRS 16”)

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease (“HK(IFRIC)-Int4”), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (i) to (iv) of this note.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

2.1 Adoption of new/revised HKFRSs - effective 1 January 2019 - Continued

HKFRS 16 - Leases (“HKFRS 16”) - Continued

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

2.1 Adoption of new/revised HKFRSs - effective 1 January 2019 - Continued

HKFRS 16 - Leases (“HKFRS 16”) - Continued

(iii) Accounting as a lessee - Continued

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

2.1 Adoption of new/revised HKFRSs - effective 1 January 2019 - Continued

HKFRS 16 - Leases (“HKFRS 16”) - Continued

(iii) Accounting as a lessee - Continued

The Group has leased a number of properties under tenancy agreements. The right-of-use asset arising from the properties under tenancy agreements, if any, are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

2.1 Adoption of new/revised HKFRSs - effective 1 January 2019 - Continued

HKFRS 16 - Leases (“HKFRS 16”) - Continued

(iii) Accounting as a lessee - Continued

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

The Group has applied the practical expedients to apply the exemption of not to recognise any right-of-use assets and lease liabilities for the leases with term that will end within 12 months at the date of initial application (i.e. 1 January 2019) and accounted for these leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all the Group’s lease contracts that were previously identified as leases applying HKAS17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS17 and HK(IFRIC)-Int4.

The new accounting policies for lessee under HKFRS 16 are set out in note 3.5(i).

Amendments to HKFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met - instead of at fair value through profit or loss.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

2.2 New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, relevant to the Group’s operations, have been issued but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 and HKAS 8 Definition of Material¹

¹ Effective for annual periods beginning on or after 1 January 2020

Amendments to HKAS 1 and HKAS 8 - Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

The directors of the Company do not anticipate that the above new/revised HKFRSs would have significant impact on the Group’s financial statements upon the initial adoption.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

The consolidated financial statements have been prepared on the historical cost basis.

CROSSROADS FOUNDATION LIMITED
國際十字路協會有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation - Continued

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

3.3 Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investment in subsidiary is stated at cost less impairment loss, if any. The result of subsidiary is accounted for by the Company on the basis of dividend received and receivable.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.4 Property, plant and equipment

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	The shorter of the useful life or remaining lease term
Office equipment	5 years
Computer equipment	5 years
Motor vehicle	5 years
Warehouse equipment	5 years
Photographic equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.5 Leases

(i) Accounting policies applied from 1 January 2019

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The leases are subject to renewal quarterly. Accordingly, the lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(ii) Accounting policies until 31 December 2018

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amount of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.6 Impairment of other assets - Continued

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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.

3.7 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model or managing the asset and the cash flow characteristics of the asset. There is only one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments - Continued

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses (“ECLs”) on debt financial assets at amortised cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

For debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals and amount due to director are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments - Continued

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

3.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, including demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months or less when acquired.

3.10 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.10 Revenue recognition - Continued

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Donations are recognised as income in the period in which they are received or receivable.

Revenue from global handicrafts is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.11 Foreign currencies

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated into HK\$ at the rate of exchange prevailing at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve.

3.12 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.13 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group 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 the employees of the Group or an entity related to the Group.
 - (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 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 Group or to the Group'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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for inventories

The Group's management reviews an ageing analysis of inventories at the end of reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer considered to be saleable or suitable for use in production. Management estimates the net realisable value for finished goods based on primarily on the latest invoice prices, condition and nature of the goods and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes allowances for obsolete or unsalable items.

Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives of 5 years, starting from the date when the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

5. REVENUE

	2019 HK\$	2018 HK\$
Revenue		
Donations received	<u>15,678,057</u>	<u>13,442,250</u>
Other revenue		
Interest income	1,294	168
Others	47,350	80,476
Sales of goods - Global handicrafts	<u>498,522</u>	<u>554,004</u>
	<u>547,166</u>	<u>634,648</u>
Total revenue	<u><u>16,225,223</u></u>	<u><u>14,076,898</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
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6. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2019 HK\$	2018 HK\$
Auditor's remuneration	-	-
Depreciation of property, plant and equipment	470,234	437,631
Short-term leases	1,472,258	-
Operating lease rentals for leases previously classified as operating leases under HKAS 17 in respect of office, warehouse and volunteer facilities	-	1,320,000
Employee benefit expenses (note 7)	<u>1,160,202</u>	<u>622,295</u>

7. EMPLOYEE BENEFIT EXPENSES

	2019 HK\$	2018 HK\$
Salaries, allowances and benefits in kind	1,125,273	603,018
Retirement benefit contributions	<u>34,929</u>	<u>19,277</u>
	<u>1,160,202</u>	<u>622,295</u>

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2019 HK\$	2018 HK\$
Fees	-	-
Other remuneration	<u>-</u>	<u>-</u>

9. TAXATION

No Hong Kong profits tax has been provided in the consolidated financial statements as the Group is a charitable organisation within the meaning of Section 88 of the Hong Kong Inland Revenue Ordinance ("IRO") and accordingly, it is exempted from payments of all taxes that are levied under the IRO.

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10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office equipment HK\$	Computer equipment HK\$	Motor vehicles HK\$	Warehouse equipment HK\$	Photographic equipment HK\$	Total HK\$
At 1 January 2018							
Cost	6,271,592	119,406	1,022,258	1,100,705	1,703,465	110,254	10,327,680
Accumulated depreciation	(5,756,900)	(118,098)	(1,017,705)	(526,575)	(1,432,951)	(103,106)	(8,955,335)
Net carrying amount	514,692	1,308	4,553	574,130	270,514	7,148	1,372,345
Year ended 31 December 2018							
Opening net carrying amount	514,692	1,308	4,553	574,130	270,514	7,148	1,372,345
Additions	-	-	16,137	-	132,476	-	148,613
Disposal:							
- Cost	191,280	-	-	-	245,525	-	436,805
- Accumulated depreciation	(191,280)	-	-	-	(245,525)	-	(436,805)
Depreciation	(149,349)	(695)	(4,420)	(176,268)	(102,777)	(4,122)	(437,631)
Closing net carrying amount	365,343	613	16,270	397,862	300,213	3,026	1,083,327
At 31 December 2018 and 1 January 2019							
Cost	6,080,312	119,406	1,038,395	1,100,705	1,590,416	110,254	10,039,488
Accumulated depreciation	(5,714,969)	(118,793)	(1,022,125)	(702,843)	(1,290,203)	(107,228)	(8,956,161)
Net carrying amount	365,343	613	16,270	397,862	300,213	3,026	1,083,327
Year ended 31 December 2019							
Opening net carrying amount	365,343	613	16,270	397,862	300,213	3,026	1,083,327
Additions	535,690	-	20,600	-	7,500	11,198	574,988
Disposal:							
- Cost	-	-	-	-	-	-	-
- Accumulated depreciation	-	-	-	-	-	-	-
Depreciation	(221,597)	(613)	(6,872)	(136,417)	(101,526)	(3,209)	(470,234)
Closing net carrying amount	679,436	-	29,998	261,445	206,187	11,015	1,188,081
At 31 December 2019							
Cost	6,616,002	119,406	1,058,995	1,100,705	1,597,916	121,452	10,614,476
Accumulated depreciation	(5,936,566)	(119,406)	(1,028,997)	(839,260)	(1,391,729)	(110,437)	(9,426,395)
Net carrying amount	679,436	-	29,998	261,445	206,187	11,015	1,188,081

11. SUBSIDIARY

Particulars of the subsidiary as at 31 December 2019 are as follows:

Name of subsidiary	Place of incorporation/ operation	Legal form	Percentage of issued capital held directly		Principal activities
			2019	2018	
Crossroads Global Village UK Limited	England and Wales	Limited by guarantee	100%	100%	Support UK business and charities seeking a partnership 'match' for their humanitarian and CSR programmes by facilitating use of Global Hand website

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NOTES TO THE FINANCIAL STATEMENTS
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12. INVENTORIES

	2019	2018
	HK\$	HK\$
Finished goods	<u>335,467</u>	<u>361,363</u>

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK\$	HK\$
Deposits	628,584	956,825
Prepayments	190,613	864,475
Other receivables	<u>849,919</u>	<u>1,404,547</u>
	<u>1,669,116</u>	<u>3,225,847</u>

Further details on the Group's credit policy and credit risk arising from other receivables are set out in note 21(b).

The Group recognises impairment loss on fee receivables based on the accounting policy stated in note 3.7(ii).

14. CASH AND CASH EQUIVALENTS

	2019	2018
	HK\$	HK\$
Cash at banks and in hand	2,034,880	1,883,823
Time deposits	<u>240,000</u>	<u>240,000</u>
	<u>2,274,880</u>	<u>2,123,823</u>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with original maturity of three months or less. Short-term bank deposits carrying prevailing market interest rate of 0.01% (2018: 0.15%) per annum. Other bank balances earn interests at floating rates based on daily bank deposits rates.

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15. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK\$	HK\$
Other payables	1,602,629	2,606,583
Accruals	179,064	177,990
	<u>1,781,693</u>	<u>2,784,573</u>

16. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

17. SHARE CAPITAL

The Company has no share capital and is a company limited by guarantee. At the reporting date, the Company had five members (2018: five members). Each member of the Company has an obligation to contribute to the assets of the Company in the event of it being wound up, as may be required, for an amount not exceeding one hundred dollars.

18. OPERATING LEASE COMMITMENTS

HKFRS 16 was adopted from 1 January 2019 without any restatement of comparative figures. The accounting policies applied subsequent to the date of initial application, i.e. 1 January 2019, are disclosed in note 3.5(i).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	HK\$	HK\$
Within one year	<u>378,000</u>	<u>338,258</u>

The Group is a lessee in respect of certain warehouse, volunteers' facilities and office premise.

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18. OPERATING LEASE COMMITMENTS - Continued

The Group leases the site, Perowne Barracks, Castle Peak Road, Hong Kong under operating lease of which the term was six months certain from 16 March 2016 and thereafter quarterly until termination at HK\$110,000 (revised to HK\$126,000 since 16 March 2019) per month for residential use. The lessor has the right to terminate at any time with a three-month notice. The Group also leases the land in Tsing Chau Wan, Hong Kong at HK\$1 per annum. The leases do not include contingent rentals.

19. BANKING FACILITY

As at 31 December 2019, a banking facility of HK\$240,000 (2018: HK\$240,000) on a corporate credit card was granted to the Group.

20. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as defined in note 3.7:

	2019 HK\$	2018 HK\$
<i>Financial assets at amortised cost</i>		
- Deposits and other receivables	1,478,503	2,361,372
- Cash and cash equivalents	<u>2,274,880</u>	<u>2,123,823</u>
	<u>3,753,383</u>	<u>4,485,195</u>
<i>Financial liabilities at amortised cost</i>		
- Other payables and accruals	1,781,693	2,784,573
- Amount due to a director	<u>337,070</u>	<u>350,145</u>
	<u>2,118,763</u>	<u>3,134,718</u>

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statement of financial position approximate their fair values.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****21. FINANCIAL RISK MANAGEMENT**

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its financial risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Foreign currency risk

The Group's principal financial instruments comprise deposits and other receivables, cash and cash equivalents, other payables and accruals and amount due to a director. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to foreign currency risk primarily through daily transactions and recognised assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving risk to this risk is British Pound ("GBP").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2019 Denominated in GBP HK\$	2018 Denominated in GBP HK\$
<i>As at 31 December</i>		
<i>Monetary assets:</i>		
- Deposits and other receivables	-	376
- Cash and cash equivalents	56,823	87,073
	<u>56,823</u>	<u>87,449</u>
<i>Monetary liabilities:</i>		
- Other payables and accruals	(41,357)	(5,694)
	<u>(41,357)</u>	<u>(5,694)</u>
Net monetary assets	<u>15,466</u>	<u>81,755</u>
Foreign currency strengthen/(weaken) by:	<u>5%/(5%)</u>	<u>5%/ (5%)</u>
Increase/(Decrease) in surplus for the year	<u>773/(773)</u>	<u>4,088/(4,088)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. FINANCIAL RISK MANAGEMENT - Continued

(a) Foreign currency risk - Continued

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(b) Credit risk

As at 31 December 2019, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its deposits and other receivables and money deposited in financial institutions.

Cash and cash equivalents are bank deposits placed with a reputable bank. The director considered the Group's exposure to the credit risk on these bank deposits is low because the counterparty is a bank with high credit ratings assigned by international credit rating agencies.

Rental and utility deposits are refundable upon the expiration of the tenancy agreement.

For other receivables, the Group measures loss allowances for other receivable at an amount equal to 12-month ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The loss allowance under 12-month ECLs is immaterial.

Management considered the probability of default to be close to zero based on the payment history and capacity of recipients. As a result, no loss allowance has been recognised based on 12-month ECLs.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. FINANCIAL RISK MANAGEMENT - Continued

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate funds to meet commitments associated with its financial liabilities and by continuously monitoring forecast and actual cash flows. The Group will raise funds from the realisation of its assets if required.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on undiscounted cash flows and the earliest date on which the Group can be required to pay.

	On demand HK\$	Less than 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<i>As at 31 December 2019</i>				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals	-	1,781,693	1,781,693	1,781,693
Amount due to a director	337,070	-	337,070	337,070
	<u>337,070</u>	<u>1,781,693</u>	<u>2,118,763</u>	<u>2,118,763</u>
	On demand HK\$	Less than 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<i>As at 31 December 2018</i>				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals	-	2,784,573	2,784,573	2,784,573
Amount due to a director	350,145	-	350,145	350,145
	<u>350,145</u>	<u>2,784,573</u>	<u>3,134,718</u>	<u>3,134,718</u>

22. CAPITAL RISK MANAGEMENT

The Group has no capital as explained in note 17 and accordingly it is not applicable to discuss capital risk management.


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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

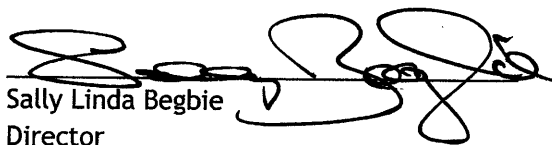
23. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 HK\$	2018 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		<u>1,188,081</u>	<u>1,083,327</u>
Current assets			
Inventories		335,467	361,363
Deposits, prepayments and other receivables		1,660,699	3,212,306
Cash and cash equivalents		<u>2,102,628</u>	<u>1,914,579</u>
		<u>4,098,794</u>	<u>5,488,248</u>
Current liabilities			
Other payables and accruals		1,780,843	2,741,101
Amount due to a director		<u>337,070</u>	<u>350,145</u>
		<u>2,117,913</u>	<u>3,091,246</u>
Net current assets		<u>1,980,881</u>	<u>2,397,002</u>
Net assets		<u>3,168,962</u>	<u>3,480,329</u>
EQUITY			
Accumulated surplus	24	<u>3,168,962</u>	<u>3,480,329</u>
Total equity		<u>3,168,962</u>	<u>3,480,329</u>

On behalf of the directors



Malcolm Bruce Begbie
Director



Sally Linda Begbie
Director

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 9 of the consolidated financial statements.

Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than HK\$. The reserve is dealt with in accordance with the accounting policies as set out in note 3.11.

Company

	Accumulated Surplus HK\$
At 1 January 2018	5,904,816
Total comprehensive loss for the year	<u>(2,424,487)</u>
At 31 December 2018 and 1 January 2019	3,480,329
Total comprehensive loss for the year	<u>(311,367)</u>
At 31 December 2019	<u><u>3,168,962</u></u>

25. EVENTS AFTER THE REPORTING PERIOD

Since early January 2020, the coronavirus ("COVID-19") pandemic has spread globally, causing disruption to business and economic activities. The primary impacts are on the operations of Global X-Perience and Crossroads Global Handicrafts, and the ability to actively engage local community volunteers and international volunteers in the Group's own effort. The degree of the impact depends on the duration of the pandemic, the implementation of preventive measures and fiscal easing policies posted by the impacted countries. The Group has received continuous financial support from donors and also support from The Hong Kong Club Charities Trust through the Jockey Club Community Sustainability Fund. Extended services particularly to the persons in the local Hong Kong community are also in place.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. EVENTS AFTER THE REPORTING PERIOD - Continued

Subject to the development and spread of the COVID-19 subsequent to the date of these consolidated financial statements, it may further impact on the Group's results but the extent of which could not be estimated as at the date of these consolidated financial statements. However, the directors have actively monitored and responded to these operational and potential financial impacts, and will keep continuous attention on the change of situation and make timely responses and adjustments in the future.

Such impact is a non-adjusting event after the financial period end and does not result in any adjustments to the financial statements for the year ended 31 December 2019.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were approved and authorised for issue by the directors on 5 November 2020.