



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 2022

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 2022

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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 2022.

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- (a) Through Crossroads Global Distribution the organisation receives Hong Kong's quality superseded goods and redistributes them to people in need, locally and internationally;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. Details of the the subsidiary at 31 December 2022 are set out in note 12 to the financial statements.

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

DIRECTORS' REPORT

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2022 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.

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 (resigned on 19 January 2023)
Malcolm Bruce Begbie
Sally Linda Begbie
Matthew Dallas GOW (appointed on 11 February 2023)
David James Begbie (appointed on 11 February 2023)

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 18 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.

On behalf of the directors



Malcolm Bruce Begbie
Director

Hong Kong, 10 NOV 2023

**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 2022, and the consolidated statement of income and expenditure 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 2022, 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 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 consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism 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
Certified Public Accountants
CHIU Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 10 NOV 2023

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

**CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

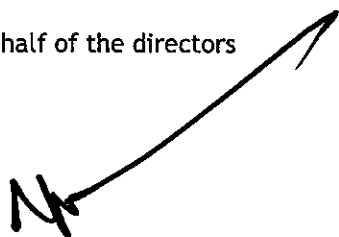
	Notes	2022 HK\$	2021 HK\$
Income	5	11,732,102	16,809,444
Global Handicrafts inventory expenses		(164,974)	(242,435)
Depreciation		(290,648)	(453,519)
Other operating expenditure		(12,808,277)	(14,658,792)
Finance cost	9	<u>(3,490)</u>	<u>(3,491)</u>
(Deficit)/surplus for the year	6	(1,535,287)	1,451,207
Other comprehensive income for the year			
Item that will or may be reclassified to consolidated statement of income and expenditure and other comprehensive income:			
Exchange difference arising from translation of foreign operations		<u>(24,561)</u>	<u>(1,459)</u>
Total comprehensive income for the year		<u>(1,559,848)</u>	<u>1,449,748</u>

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

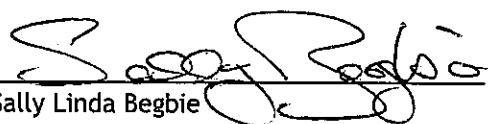
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 HK\$	2021 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	<u>666,196</u>	<u>690,129</u>
Current assets			
Inventories	13	125,415	117,884
Deposits, prepayments and other receivables	14	1,635,703	960,347
Cash and cash equivalents	15	<u>2,116,525</u>	<u>4,114,101</u>
		<u>3,877,643</u>	<u>5,192,332</u>
Current liabilities			
Other payables and accruals	16	1,335,887	1,010,400
Contract liabilities	17	50,220	120,040
Amount due to a director	18	295,060	303,111
Lease liabilities	19	<u>25,569</u>	<u>23,711</u>
		<u>1,706,736</u>	<u>1,457,262</u>
Net current assets		<u>2,170,907</u>	<u>3,735,070</u>
Non-current liabilities			
Lease liabilities	19	<u>33,807</u>	<u>62,055</u>
Net assets		<u>2,803,296</u>	<u>4,363,144</u>
EQUITY			
Translation reserve		(60,039)	(35,478)
Accumulated surplus		<u>2,863,335</u>	<u>4,398,622</u>
Total equity		<u>2,803,296</u>	<u>4,363,144</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 2022

	Translation reserve HK\$	Accumulated surplus HK\$	Total HK\$
As at 1 January 2021	(34,019)	2,947,415	2,913,396
Surplus for the year	-	1,451,207	1,451,207
Other comprehensive income for the year			
- Exchange difference arising from translations of foreign operations	(1,459)	-	(1,459)
Total comprehensive income for the year	<u>(1,459)</u>	<u>1,451,207</u>	<u>1,449,748</u>
Balance at 31 December 2021 and 1 January 2022	(35,478)	4,398,622	4,363,144
Deficit for the year	-	(1,535,287)	(1,535,287)
Other comprehensive income for the year			
- Exchange difference arising from translations of foreign operations	(24,561)	-	(24,561)
Total comprehensive income for the year	<u>(24,561)</u>	<u>(1,535,287)</u>	<u>(1,559,848)</u>
As at 31 December 2022	<u>(60,039)</u>	<u>2,863,335</u>	<u>2,803,296</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 2022

	2022 HK\$	2021 HK\$
Cash flows from operating activities		
(Deficit)/surplus for the year	(1,535,287)	1,451,207
Adjustments for :		
Depreciation of property, plant and equipment	290,648	453,519
Reversal of provision of write-down of inventories	-	(18,188)
Finance cost	3,490	3,491
Interest income	(434)	(30)
Operating (deficit)/surplus before working capital changes	(1,241,583)	1,889,999
(Increase)/decrease in inventories	(7,531)	36,399
(Increase)/decrease in deposits, prepayments and other receivables	(675,356)	307,634
Increase in other payables and accruals	325,487	95,366
Decrease in contract liabilities	(69,820)	(179,960)
Decrease in amount due to a director	(8,051)	(14,563)
<i>Net cash (used in)/generated from operating activities</i>	<u>(1,676,854)</u>	<u>2,134,875</u>
Cash flows from investing activities		
Interest received	434	30
Purchase of property, plant and equipment	(266,715)	(118,050)
<i>Net cash used in investing activities</i>	<u>(266,281)</u>	<u>(118,020)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(29,880)	(29,880)
<i>Net cash used in financing activities</i>	<u>(29,880)</u>	<u>(29,880)</u>
Net (decrease)/increase in cash and cash equivalents	(1,973,015)	1,986,975
Effect on foreign exchange rate changes	(24,561)	(1,459)
Cash and cash equivalents at beginning of year	4,114,101	2,128,585
Cash and cash equivalents at end of year	<u>2,116,525</u>	<u>4,114,101</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	1,856,525	3,854,101
Time deposits	260,000	260,000
	<u>2,116,525</u>	<u>4,114,101</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 2022

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 financial statements for the year ended 31 December 2022 were approved and authorised for issue by the directors on

10 NOV 2023

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 2022

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

2.1 Adoption of new/revised HKFRSs - effective 1 January 2022

In the current year, the Group has applied the following revised HKFRSs issued by the Hong Kong Institutes of Certified Public Accountants (“HKICPA”) which are relevant to the Group and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2022.

Amendments to HKAS 16	Property, Plant and Equipment Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018 - 2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16
Amendments to HKFRS 3	Reference to the Conceptual Framework

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

The following amended HKFRSs, potentially relevant to the Group’s financial statements, 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 HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

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 2022

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

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

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to the Group. The directors of the Group do not anticipate that the application of these new pronouncements in the future will result in substantial changes to the Group’s accounting policies and financial statements.

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.

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.

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 2022

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Consolidated Statement of Income and Expenditure and Other Comprehensive Income.

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.

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.

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 2022

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 Consolidated Statement of Income and Expenditure and Other Comprehensive Income 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 Consolidated Statement of Income and Expenditure and Other Comprehensive Income on disposal.

3.5 Leases - as lessee

A right-of-use asset and a lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the 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 2022

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.5 Leases - as lessee - Continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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.

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.

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 2022

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Consolidated Statement of Income and Expenditure and Other Comprehensive Income. Any gain on derecognition is recognised in Consolidated Statement of Income and Expenditure and Other Comprehensive Income.

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 2022

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

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

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 - Continued

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.

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 Consolidated Statement of Income and Expenditure and Other Comprehensive Income. Gains or losses are recognised in Consolidated Statement of Income and Expenditure and Other Comprehensive Income when the liabilities are derecognised as well as through the amortisation process.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.7 Financial instruments - Continued

(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.

(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.

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.10 Income

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

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.

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.

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 Consolidated Statement of Income and Expenditure and Other Comprehensive Income 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 Government grant

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in Consolidated Statement of Income and Expenditure and Other Comprehensive Income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in Consolidated Statement of Income and Expenditure and Other Comprehensive Income in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

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

3.13 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.

3.14 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).

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3. SIGNIFICANT ACCOUNTING POLICIES - Continued

3.14 Related parties - Continued

- (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.

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.

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5. INCOME

	2022 HK\$	2021 HK\$
Income		
Donations received	<u>10,923,035</u>	<u>16,395,728</u>
Other income		
Interest income	434	30
Wage subsidies from Hong Kong Government	377,904	-
Income from Feed-in Tariff Scheme of renewable energy system from electricity company	86,758	-
Others	53,104	57,946
Sales of goods - Global handicrafts	<u>290,867</u>	<u>355,740</u>
	<u>809,067</u>	<u>413,716</u>
Total income	<u><u>11,732,102</u></u>	<u><u>16,809,444</u></u>

During the year ended 31 December 2022, government grants of HK\$377,904 (2021: Nil) was obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of Hong Kong company’s employees. Under the ESS, the Company had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company did not have other unfulfilled obligations relating to this program.

6. (DEFICIT)/SURPLUS FOR THE YEAR

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

	2022 HK\$	2021 HK\$
Auditor’s remuneration	15,000	15,000
Depreciation of property, plant and equipment		
- Owned property, plant and equipment	264,259	427,130
- Right-of-use assets	26,389	26,389
Reversal of write-down of inventories	-	(18,188)
Short-term leases	1,512,000	1,512,000
Employee benefit expenses (note 7)	<u>926,953</u>	<u>1,015,767</u>

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7. EMPLOYEE BENEFIT EXPENSES

	2022 HK\$	2021 HK\$
Salaries, allowances and benefits in kind	891,059	981,296
Retirement benefit contributions	<u>35,894</u>	<u>34,471</u>
	<u>926,953</u>	<u>1,015,767</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:

	2022 HK\$	2021 HK\$
Fees	-	-
Other remuneration	<u>-</u>	<u>-</u>

9. FINANCE COST

	2022 HK\$	2021 HK\$
Interest on lease liabilities	<u>3,490</u>	<u>3,491</u>

10. 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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11. 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 2021							
Cost	6,616,002	251,353	1,109,149	1,100,705	1,727,266	121,452	10,925,927
Accumulated depreciation	(6,169,552)	(138,729)	(1,038,842)	(957,801)	(1,481,723)	(113,682)	(9,900,329)
Net carrying amount	446,450	112,624	70,307	142,904	245,543	7,770	1,025,598
Year ended 31 December 2021							
Opening net carrying amount	446,450	112,624	70,307	142,904	245,543	7,770	1,025,598
Additions	-	5,810	35,760	-	76,480	-	118,050
Depreciation	(192,834)	(27,093)	(21,986)	(118,541)	(89,819)	(3,246)	(453,519)
Closing net carrying amount	253,616	91,341	84,081	24,363	232,204	4,524	690,129
At 31 December 2021 and 1 January 2022							
Cost	6,616,002	257,163	1,144,909	1,100,705	1,803,746	121,452	11,043,977
Accumulated depreciation	(6,362,386)	(165,822)	(1,060,828)	(1,076,342)	(1,571,542)	(116,928)	(10,353,848)
Net carrying amount	253,616	91,341	84,081	24,363	232,204	4,524	690,129
Year ended 31 December 2022							
Opening net carrying amount	253,616	91,341	84,081	24,363	232,204	4,524	690,129
Additions	-	-	-	-	266,715	-	266,715
Depreciation	(119,973)	(27,551)	(24,729)	(24,363)	(91,784)	(2,248)	(290,648)
Closing net carrying amount	133,643	63,790	59,352	-	407,135	2,276	665,196
At 31 December 2022							
Cost	6,616,002	257,163	1,144,909	1,100,705	2,070,461	121,452	11,310,692
Accumulated depreciation	(6,482,359)	(193,373)	(1,085,557)	(1,100,705)	(1,663,326)	(119,176)	(10,644,496)
Net carrying amount	133,643	63,790	59,352	-	407,135	2,276	665,196

Right-of-Use assets

	Office equipment HK\$
At 1 January 2021	112,624
Amortisation	(26,389)
At 1 January 2022	86,235
Depreciation	(26,389)
At 31 December 2022	59,846

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12. SUBSIDIARY

Particulars of the subsidiary as at 31 December 2022 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation/ operation</u>	<u>Legal form</u>	<u>Percentage of issued capital held directly</u>		<u>Principal activities</u>
			2022	2021	
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

13. INVENTORIES

	2022 HK\$	2021 HK\$
Finished goods	<u>125,415</u>	<u>117,884</u>

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK\$	2021 HK\$
Deposits	612,405	613,025
Prepayments	180,587	166,848
Other receivables	842,711	180,474
	<u>1,635,703</u>	<u>960,347</u>

Further details on the Group's credit policy and credit risk arising from other receivables are set out in note 25(b).

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

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15. CASH AND CASH EQUIVALENTS

	2022 HK\$	2021 HK\$
Cash at banks and in hand	1,856,525	3,854,101
Time deposits	<u>260,000</u>	<u>260,000</u>
	<u>2,116,525</u>	<u>4,114,101</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 ranged from 0.01% to 0.375% (2021: 0.01%) per annum. Other bank balances earn interests at floating rates based on daily bank deposits rates.

16. OTHER PAYABLES AND ACCRUALS

	2022 HK\$	2021 HK\$
Other payables	1,106,126	882,690
Accruals	<u>229,761</u>	<u>127,710</u>
	<u>1,335,887</u>	<u>1,010,400</u>

17. CONTRACT LIABILITIES

	2022 HK\$	2021 HK\$
Contract liabilities arising from:		
Collection of the service fee for GX Life X-perience programme	<u>50,220</u>	<u>120,040</u>
	<u>50,220</u>	<u>120,040</u>

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17. CONTRACT LIABILITIES - Continued

Movement in contract liabilities

	2022 HK\$	2021 HK\$
At 1 January	120,040	300,000
Decrease in contract liabilities as result of payment in advance of the service fee for GX Life X-perience programme	(120,040)	-
Decrease in contract liabilities as result of fulfilment of distribution and collection of donated goods, and process and refurbishment of goods	-	(300,000)
Increase in contract liabilities as result of payment in advance of the service fee for GX Life X-perience programme	<u>50,220</u>	<u>120,040</u>
At 31 December	<u><u>50,220</u></u>	<u><u>120,040</u></u>

18. AMOUNT DUE TO A DIRECTOR

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

19. LEASE LIABILITIES

The Group leases photocopiers in Hong Kong for a term of 5 years commencing from Apr of August 2020. According to HKFRS 16, the right-of-use asset and the lease liability in respect of the lease was recognised at the lease commencement date. The movements in lease liabilities during the year is as follows:

	2022 HK\$	2021 HK\$
Lease liability		
Carrying amount at 1 January	85,766	112,155
Additions	-	-
Interests charged for the year (note 9)	3,490	3,491
Rental paid during the year	<u>(29,880)</u>	<u>(29,880)</u>
Carrying amount at 31 December	<u><u>59,376</u></u>	<u><u>85,766</u></u>

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19. LEASE LIABILITIES - Continued

Future lease payments as at 31 December 2022 are due as follows:

	Minimum lease payments HK\$	Interest payment HK\$	Present value HK\$
Not later than one year	29,880	(4,311)	25,569
Later than one year and not later than two years	29,880	(3,003)	26,877
Later than two year and not later than five years	<u>7,470</u>	<u>(540)</u>	<u>6,930</u>
	<u>67,230</u>	<u>(7,854)</u>	<u>59,376</u>

Future lease payments as at 31 December 2021 are due as follows:

	Minimum lease payments HK\$	Interest payment HK\$	Present value HK\$
Not later than one year	29,880	(4,956)	24,924
Later than one year and not later than two years	29,880	(3,681)	26,199
Later than two year and not later than five years	<u>37,350</u>	<u>(2,707)</u>	<u>34,643</u>
	<u>97,110</u>	<u>(11,344)</u>	<u>85,766</u>

The present value of future lease payments as at 31 December 2022 and 2021 are analysed as follows:

	2022 HK\$	2021 HK\$
Current liabilities	25,569	23,711
Non-current liabilities	<u>33,807</u>	<u>62,055</u>
	<u>59,376</u>	<u>85,766</u>

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20. SHARE CAPITAL

The Company has no share capital and is a company limited by guarantee. At the reporting date, the Company had five members (2021: 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.

21. NOTES SUPPORTING CASH FLOWS STATEMENT

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated financial statements of cash flows as cash flows from financing activities.

	2022 HK\$	2021 HK\$
Lease liability		
At 1 January	85,766	112,155
Changes from financing cash flows:		
- Rental paid during the year	<u>(29,880)</u>	<u>(29,880)</u>
Total changes from financing cash flows	<u>(29,880)</u>	<u>(29,880)</u>
Other changes:		
- Addition	-	-
- Finance costs	<u>3,490</u>	<u>3,491</u>
Total other changes	<u>3,490</u>	<u>3,491</u>
At 31 December	<u>59,376</u>	<u>85,766</u>

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22. OPERATING LEASE COMMITMENTS

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:

	2022 HK\$	2021 HK\$
Within one year	<u>378,000</u>	<u>378,000</u>

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

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.

23. BANKING FACILITY

As at 31 December 2022, a banking facility of HK\$260,000 (2021: HK\$260,000) on a corporate credit card was granted to the Group.

24. 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:

	2022 HK\$	2021 HK\$
<i>Financial assets at amortised cost</i>		
- Deposits and other receivables	1,455,116	793,499
- Cash and cash equivalents	<u>2,116,525</u>	<u>4,114,101</u>
	<u>3,571,641</u>	<u>4,907,600</u>
<i>Financial liabilities at amortised cost</i>		
- Other payables and accruals	1,335,887	1,010,400
- Amount due to a director	295,060	303,111
- Lease liabilities	<u>59,376</u>	<u>85,766</u>
	<u>1,690,323</u>	<u>1,399,277</u>

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24. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY -
Continued

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.

25. 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").

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25. FINANCIAL RISK MANAGEMENT - Continued

(a) Foreign currency risk - Continued

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

	2022 Denominated in GBP HK\$	2021 Denominated in GBP HK\$
<i>As at 31 December</i>		
<i>Monetary assets:</i>		
- Deposits and other receivables	14,141	29,046
- Cash and cash equivalents	183,433	320,625
	197,574	349,671
<i>Monetary liabilities:</i>		
- Other payables and accruals	(63,052)	(27,602)
	134,522	322,069
Net monetary assets	134,522	322,069
Foreign currency strengthen/(weaken) by:	5%/(5%)	5%/(5%)
Increase/(Decrease) in surplus for the year	6,726/(6,726)	16,103/(16,103)

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 2022, 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.

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25. FINANCIAL RISK MANAGEMENT - Continued

(b) Credit risk - Continued

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.

(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.

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25. FINANCIAL RISK MANAGEMENT - Continued

(c) Liquidity risk - Continued

	within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<i>As at 31 December 2022</i>					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	1,335,887	-	-	1,335,887	1,335,887
Amount due to a director	295,060	-	-	295,060	295,060
Lease liabilities	29,880	29,880	7,470	67,230	59,376
	<u>1,660,827</u>	<u>29,880</u>	<u>7,470</u>	<u>1,698,177</u>	<u>1,690,323</u>
	within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<i>As at 31 December 2021</i>					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	1,010,400	-	-	1,010,400	1,010,400
Amount due to a director	303,111	-	-	303,111	303,111
Lease liabilities	29,880	29,880	37,350	97,110	85,766
	<u>1,343,391</u>	<u>29,880</u>	<u>37,350</u>	<u>1,410,621</u>	<u>1,399,277</u>

26. CAPITAL RISK MANAGEMENT

The Group has no capital as explained in note 20 and accordingly it is not applicable to discuss capital risk management.

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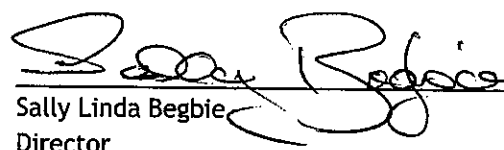
27. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 HK\$	2021 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		<u>666,196</u>	<u>690,129</u>
Current assets			
Inventories		125,415	117,884
Deposits, prepayments and other receivables		1,595,742	935,725
Cash and cash equivalents		<u>2,038,976</u>	<u>3,933,924</u>
		<u>3,760,133</u>	<u>4,987,533</u>
Current liabilities			
Other payables and accruals		1,310,751	1,000,804
Contract liabilities		50,220	120,040
Amount due to a director		295,060	303,111
Lease liabilities		<u>25,569</u>	<u>23,711</u>
		<u>1,681,600</u>	<u>1,447,666</u>
Net current assets		<u>2,078,533</u>	<u>3,539,867</u>
Non-current liabilities			
Lease liabilities		<u>33,807</u>	<u>62,055</u>
Net assets		<u>2,710,922</u>	<u>4,167,941</u>
EQUITY			
Accumulated surplus	28	<u>2,710,922</u>	<u>4,167,941</u>
Total equity		<u>2,710,922</u>	<u>4,167,941</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 2022

28. 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 2021	2,687,541
Total comprehensive loss for the year	<u>1,480,400</u>
At 31 December 2021 and 1 January 2022	4,167,941
Total comprehensive loss for the year	<u>(1,457,019)</u>
At 31 December 2022	<u><u>2,710,922</u></u>

29. EVENTS AFTER THE REPORTING PERIOD

On 15 June 2023, the Company was noticed by the Development Bureau of the termination of the current short-term tenancy and the relocation to a government site at Hoi Kok Street, Tsuen Wan, which will take effect from 1 April 2024.

The Development Bureau also will support the Company to apply for funding support from Bureau's "Funding Scheme to Support the Use of Vacant Government Sites by Non-government Organisations" for one-off basic and essential site preparatory works and consultancy services.

Despite the established site and funding from the Development Bureau, up to the report date, the Company has not yet accepted the offer from the government because the Company is in negotiations with the authority to see if a better location can be provided. The directors assert that based on past experience and assessed that the Company is and remains a viable and effective going concern.