

ORIGINAL



振輝 會計師事務所
Zhen Hui Certified Public Accountants

THE UNITED MUSLIM ASSOCIATION OF HONG KONG

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
Financial statements for the year ended 31 December 2023

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THE UNITED MUSLIM ASSOCIATION OF HONG KONG
REPORT OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

Report of the directors

The directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2023.

Reporting exemption

The Association qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance (Cap. 622), therefore it is exempted from including a business review and certain disclosure requirement in this report.

Principal activities

The United Muslim Association of Hong Kong (the Association) is a company incorporated in Hong Kong with liability limited by guarantee and has its registered office at Room 223, Oi Yee House, Yau Oi Estate, Tuen Mun, New Territories, Hong Kong.

The principal objects of the Association are to promote the religion of Islam, operating the Haji Omar Sadick Care and Attention Home for the aged and the running of UMAH International Primary School and raising fund for the building of an Islamic Centre and Elderly Home (“the Mosque Project”) in the New Territories on a non-profit making basis.

Results and appropriations

The results of the Association for the year ended 31 December 2023 have been set out in the attached financial statements.

Debentures

No debenture has been issued during the year.

Directors

The directors of the Association during the year and up to the date of this report:

Br. AHMED Raheel	
Br. MOHAMMAD Ilyas	
Br. AZIMOV Rustam	
Br. BEN SLIMANE Ahmed Aris	
Sr. BUTT Hina	(Resigned on 9 July 2024)
Br. CONGAR Ibrahim Erdem	
Sr. ISMAIL Halima	(Appointed on 8 October 2023)
Br. MOHAMMAD Ishaque Ali Sarker	
Br. SHAHUL HAMEED Abul Hassan	(Appointed on 8 October 2023)
Br. TAHIR Nadeem	

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
REPORT OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

Directors (Cont'd)

Br. TEMEL Mesut
Br. VENA MOHIDEEN THAMBY M
Hasan A K
Br. YU Chi Wan
Br. EL MOTAOUAKIL Younes (Appointed on 9 July 2024)
Br. MUSLU Emrullah (Resigned on 8 October 2023)
Sr. ZAFFAR Aroona (Resigned on 8 October 2023)

Br. MUSLU Emrullah and Sr. ZAFFAR Aroona resigned as directors of the Association on 8 October 2023 and Sr. BUTT Sina resigned as director of the Association on 9 July 2024, they confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Association needed to be brought to the attention of the Association.

The Association did not enter into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Association, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of any business of the Association.

Council of Management

According to Article 30 of the Articles of Association, the management of the Association shall be vested in the Council of Management.

There are 13 members of the Council of Management elected on 8 October 2023 who are those 13 directors as stated in the Directors section above.

According to Article 31(f) of the Articles of Association, members of the Council of Management shall hold office until the next Annual General Meeting when they shall retire but shall be eligible for re-election.

Equity-linked agreements

No equity-linked agreement subsists at the end of the year or at any time during the year.

Permitted indemnity provision

No permitted indemnity provision for the benefit of the directors of the Association is currently in force or was in force throughout this year.

**THE UNITED MUSLIM ASSOCIATION OF HONG KONG
REPORT OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Events after the reporting date

There is no significant event after the reporting date that should be disclosed in the financial statements.

Auditors

The financial statements have been audited by Zhen Hui Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors



MOHAMMAD Was
Chairman

Dated, **22 JAN 2025**



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE UNITED MUSLIM ASSOCIATION OF HONG KONG**
(Incorporated in Hong Kong limited by guarantee)

Qualified Opinion

We have audited the financial statements of The United Muslim Association of Hong Kong ("the Association") set out on pages 9 to 36, which comprise the statement of financial position as at **31 December 2023**, and the statement of income and expenditure and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Association as at **31 December 2023**, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

(1) Loss of the title of the leasehold land

Included in the property, plant and equipment of \$12,355,188 as stated in the statement of financial position at 31 December 2023, there is leasehold land of carrying value at \$11,349,236. In addition, architectural work in progress of \$2,794,479 as stated in the statement of financial position, representing the accumulated cost of work carried out on the leasehold land as at 31 December 2020. There is no addition to cost after 2020.

As set out in Note 7 Property, plant and equipment – 7b Mosque Project – Leasehold Land, the title of the leasehold land has been returned to the Government of the HKSAR by an instrument of re-entry in 2020. Under the current situation that the Association has no title on the leasehold land, the carrying value of the leasehold land and the architectural work in progress is of no recoverable value. Had the carrying value of the leasehold land and architectural work in progress been written off, the net assets of the Association should be decreased by the amount of \$14,143,715 in total.

The Association is still trying to seek financial sponsorship for the project and convince the Government to re-grant the land to the Association. Although there is still no indication that the Government will re-grant the land, the Association has not written off the above amount. At present, there is uncertain whether the Association is able to regain the title to the leasehold land.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE UNITED MUSLIM ASSOCIATION OF HONG KONG**
(Incorporated in Hong Kong limited by guarantee)
[Continued]

Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Association as at 31 December 2023 and of its result and cash flows for the year then ended and the related disclosures in the financial statements.

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

Other Information

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE UNITED MUSLIM ASSOCIATION OF HONG KONG**
(Incorporated in Hong Kong limited by guarantee)
[Continued]

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE UNITED MUSLIM ASSOCIATION OF HONG KONG**
(Incorporated in Hong Kong limited by guarantee)
[Continued]

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

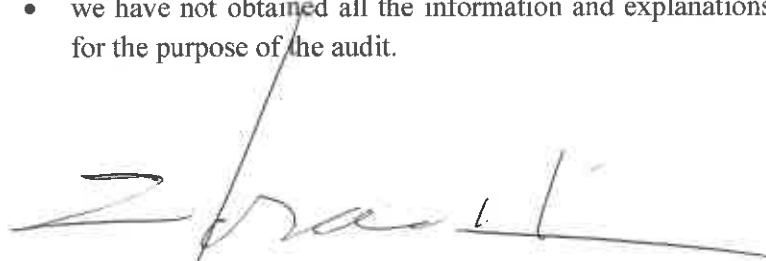
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we 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.

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

Report on matters under section 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence about the financial statements as described in the Basis of Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information and explanations that we considered necessary for the purpose of the audit.



Horace Man Kit HO (Practising Certificate No. P01314)

Zhen Hui Certified Public Accountants

Hong Kong

Dated 22 JAN 2025

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
STATEMENT OF INCOME AND EXPENDITURE
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK\$	2022 HK\$
INCOME		
<i>Care and Attention Home:</i>		
Hostel fee income and reimbursement income	4,476,857	3,524,938
Donation income – renovation	6,311	854,575
Donation income – Ramadan and others	7,500	-
Donation from / (refunded to) Shanghai Fraternity Association	3,100	(100)
Government subsidy - Employment Support Scheme	-	216,000
Government subsidy – allowances to residential care homes for the elderly (RCHEs) and others	6,000	318,500
Po Oi Hospital – reimbursement for medical equipment	-	24,990
Long service payment refunded from MPF scheme	99,030	-
Legal fees payables waived	-	240,452
	4,598,798	5,179,355
<i>Association:</i>		
Bank balances of frozen bank accounts recovered	246	192,845
Membership fee income	3,000	3,720
	3,246	196,565
TOTAL INCOME	4,602,044	5,375,920

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
STATEMENT OF INCOME AND EXPENDITURE
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK\$	2022 HK\$
EXPENSES		
<i>Care and Attention Home:</i>		
Agent fees and levy related to imported labor	790	19,930
Bad debts of hostel fee	100	-
Bank charge	4,109	910
Computer expenses	7,348	5,368
Depreciation	845,390	751,063
Delivery and waste disposal expenses	15,599	7,514
Escort for outpatient	15,769	11,422
Food supplies	291,274	277,576
Insurance	131,385	91,470
Interest on lease liability	49,752	55,335
Kitchen houseware / appliances / medical furniture	14,740	75,108
Mandatory provident funds contribution	76,521	74,207
Medical and sanitary supplies	157,681	186,440
Printing and stationery	9,078	9,903
Provision for long service payment	113,697	13,333
Rent and rates	69,847	32,551
Repairs and maintenance	57,009	88,850
Salaries and wages	2,386,530	2,623,374
Staff training and staff welfare	7,513	9,043
Telephone, fax and internet	13,381	12,885
Travelling	7,086	2,689
Untraceable difference in petty cash	756	-
Utilities	266,134	243,663
	4,541,489	4,592,634
<i>International Primary School:</i>		
Audit fee	-	1,000
Bank charges	-	3,638
Sundry	-	190
Utilities	162	1,318
	162	6,146
<i>Association:</i>		
Audit fee	13,500	10,000
Fees paid to Companies Registry	105	105
Fee to certify document	875	505
Sundry	500	500
Venue cost	-	700
	14,980	11,810
TOTAL EXPENSES	4,556,631	4,610,590

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
STATEMENT OF INCOME AND EXPENDITURE
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	HK\$	HK\$
Operating surplus for the year	45,413	765,330
Other comprehensive income for the year		
Net movement in Mosque project funds (note 19)	(124,000)	(410)
Total comprehensive income for the year	(78,587)	764,920


The annexed notes form part of these financial statements.


THE UNITED MUSLIM ASSOCIATION OF HONG KONG
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
Non-current assets			
Property, plant and equipment	7	12,355,188	12,987,978
Architectural work in progress	8	2,794,479	2,794,479
		15,149,667	15,782,457
Current assets			
Rental and utility deposits and prepayments	10	106,500	106,550
Accounts and other receivable	11	112,034	1,345,209
Restricted assets	14	1,196,302	1,200,518
Cash and bank balances	12	1,729,769	373,083
		3,144,605	3,025,360
Current liabilities			
Accounts payable and accrued charges	13	161,194	185,291
Deposit received	13	54,600	46,850
Amounts due to council members	15	1,151,624	1,201,724
Provision for long service payment		241,695	127,998
Other payables	16	1,202,828	1,202,828
Lease liabilities	17	509,409	482,208
		3,321,350	3,246,899
Net current liabilities		(176,745)	(221,539)
Total assets less current liabilities		14,972,922	15,560,918
Non-current liabilities			
Lease liabilities	17	131,780	641,189
NET ASSETS		14,841,142	14,919,729
Capital and reserves			
Incorporation funds	18	3,694,677	3,694,677
Mosque project funds	19	2,581,704	2,705,704
Operating surplus		8,564,761	8,519,348
Total equity		14,841,142	14,919,729

The annexed notes form part of these financial statements.

Approved on behalf of the Board by:


 MOHAMMAD Ilyas
 Director


 AHMED Raheel
 Director

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Incorporation fund HK\$	Mosque Project fund HK\$	Operating Surplus HK\$	Total HK\$
Balance at 1 January 2022	3,694,677	2,706,114	7,754,018	14,154,809
Changes in equity for 2022:				
Total comprehensive income	-	(410)	765,330	764,920
Balance at 31 December 2022 and 1 January 2023	3,694,677	2,705,704	8,519,348	14,919,729
Changes in equity for 2023:				
Total comprehensive income	-	(124,000)	45,413	(78,587)
Balance at 31 December 2023	3,694,677	2,581,704	8,564,761	14,841,142

The annexed notes form part of these financial statements.

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK\$	2022 HK\$
Cash flows from operating activities		
Surplus for the year	45,413	765,330
Adjustment for:		
Bad debts on hostel fee	100	-
Depreciation	845,390	751,063
Interest on lease liabilities	49,752	55,335
Provision for long service payment made/(reversed)	113,697	(90,934)
Operating surplus before changes in working capital	1,054,352	1,480,794
Increase in deposits and prepayment	(50)	(8,450)
Decrease/(increase) in accounts and other receivable	1,233,175	(16,874)
Decrease in restricted assets	4,216	2,177
Decrease in accounts payable and accrued charges	(24,097)	(246,045)
Increase/(decrease) in deposit received	7,750	(5,900)
Decrease in amounts due to council members	(50,100)	-
Net cash from operating activities	2,225,246	1,205,702
Cash flows from investing activities		
Acquisition of property, plant and equipment	(212,600)	(696,910)
Net cash used in investing activities	(212,600)	(696,910)
Cash flows from financing activities		
Fund used for Mosque Project – net	(124,000)	(410)
Repayment of lease liabilities	(531,960)	(525,525)
Net cash used in financing activities	(655,960)	(525,935)
Net decrease in cash and cash equivalents	1,356,686	(17,143)
Cash and cash equivalents at beginning of year	373,083	390,226
Cash and cash equivalents at end of year	1,729,769	373,083
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,729,769	373,083

The annexed notes form part of these financial statements.

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 General information

The Association is incorporated under the previous Hong Kong Companies Ordinance (Cap.32) as a company limited by guarantee on 16 June 1997. The liability of the members is limited, and every member of the Association undertakes to contribute in the event of its being wound up not exceeding HK\$11.00.

The Association has been exempted from tax under section 88 of the Inland Revenue Ordinance with effect from 7 November 1993.

The registered office of the Association is at Room 223, Oi Yee House, Yau Oi Estate, Tuen Mun, New Territories, Hong Kong. The principal objects of the Association are

- (a) to promote the religion of Islam,
- (b) operating the Haji Omar Sadick Care and Attention Home for the aged,
- (c) running of UMAH International Primary School (note 9), and;
- (d) raising fund for the building of King Abdullah Islamic Centre and Elderly Home (“the Mosque Project”) in the New Territories (note 7b and note 8) on a non-profit making basis.

The financial statements are presented in Hong Kong dollars (HK\$), which is the same as the functional currency of the Association.

2. Significant accounting policies

Statement of compliance

The Association qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance (Cap. 622).

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Association is set out below.

Application of new and revised Hong Kong Financial Reporting Standards (‘HKFRSs’) for the current year

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Association. None of these has impact on the accounting policies of the Association.

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Significant accounting policies (Cont'd)

Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The principal accounting policies are set out below.

(a) Property, plant and equipment - Care and Attention Home

Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The property, plant and equipment included right-of-use assets arising from leases over leasehold properties which the Association is not the registered owner of the property interest.

Depreciation is calculated to write off the cost of assets, less their estimated residual value, if any, over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives as follows:

- | | |
|--------------------------|---|
| • Leasehold land | Over the lease term |
| • Buildings | 50 years or the unexpired term of lease, if shorter |
| • Leasehold improvements | Over the lease term |
| • Furniture and fixtures | 5 years |
| • Computer | 3 years |

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Significant accounting policies (Cont'd)

(a) Property, plant and equipment - Care and Attention Home

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of income and expenditure and other comprehensive income.

(b) Leased assets

At inception of a contract, the Association assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to surplus or deficit in the accounting period in which they are incurred.

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Significant accounting policies (Cont'd)

(b) Leased assets (Cont'd)

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

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

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

(c) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount - The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Significant accounting policies (Cont'd)

(c) Impairment of other non-current assets (Cont'd)

Recognition of impairment losses - An impairment loss is recognised in surplus or deficit if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses - In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to surplus or deficit in the year in which the reversals are recognised.

(d) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in surplus or deficit.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Association initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(e) Revenue recognition

Hostel fee income and reimbursement income

During the year, the Association recognized hostel fee income and reimbursement income on accrual basis.

Donation and subscription fee income

Donation income and subscription income is recognized on cash basis.

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2. Significant accounting policies (Cont'd)

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in the note.

(g) Other receivables

A receivable is recognised when the Association has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(h) Other payables

Other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

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2. Significant accounting policies (Cont'd)

(j) Related parties

A person, or a close member of that person's family, is related to the Association if that person:

- The party is a person or a close member of that person's family and that person
 - (a) has control or joint control over the Association;
 - (b) has significant influence over the Association; or
 - (c) is a member of the key management personnel of the group or of a parent of the group.

- An entity is related to the Association if any of the following conditions applies:
 - (a) The entity and the Association are members of the same group;
 - (b) One entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (c) Both entities are joint ventures of the same third party;
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
 - (f) The entity is controlled or jointly controlled by a person identified above.

 - (g) A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) 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.

(k) Financial instruments

Other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are recognised in the statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through surplus or deficit, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

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2. Significant accounting policies (Cont'd)

(k) Financial instruments (Cont'd)

(i) Classification and measurement of financial assets

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method, less identified impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit.

(ii) Derecognition of financial assets

The Association derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Association neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Association enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

(iii) Classification and measurement of financial liabilities

Financial liabilities measured at amortised cost

These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus or deficit. Any gain or loss on derecognition is also recognised in surplus or deficit.

(iv) Derecognition of financial liabilities

The Association derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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2. Significant accounting policies (Cont'd)

(k) Financial instruments (Cont'd)

The Association also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) with modified terms is recognised in surplus or deficit.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Association currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRSs, or for gains and losses arising from the Association of similar transactions.

(iv) Credit loss and impairment of financial assets

The Association recognizes loss allowances for expected credit loss (ECL) on the financial assets that are not measured at fair value through surplus or deficit.

The Association considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis. The Association considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. The receivable is written off against the receivable impairment charges account when the Association has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in surplus or deficit.

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3. New and revised HKFRSs in issue but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These include the following which may be relevant to the Association.

Effective date	New standards or amendments
<i>1 January 2024</i>	<i>Classification of liabilities as current or non-current</i>
<i>1 January 2024</i>	<i>Non-current liabilities with covenants</i>
<i>1 January 2024</i>	<i>Lease liability in a sale and leaseback</i>
<i>1 January 2024</i>	<i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>
<i>1 January 2025</i>	<i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>

The Association is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

4. Staff costs

	2023	2022
	HK\$	HK\$
Salaries and wages	2,386,530	2,623,374
Mandatory provident funds contributions	76,521	74,207
Provision for long service payment	113,697	13,333
Staff training and staff welfare	7,513	9,043
	2,584,261	2,719,957

5. Profits tax

The Association is exempted from tax under section 88 of the Inland Revenue Ordinance.

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6. Directors' remunerations

Directors' remunerations disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023	2022
	HK\$	HK\$
Director fee	-	-
Salaries, allowances and benefits in kind	-	-
Retirement scheme contributions	-	-

7. Property, plant and equipment

	Note	2023	2022
		HK\$	HK\$
Care and Attention Home	7a	1,005,952	1,638,742
King Abdullah Islamic Centre	7b	11,349,236	11,349,236
		12,355,188	12,987,978

7a Care and Attention Home

	Leasehold land and buildings (right-of-use assets)	Furniture, fixtures and installations	Computer equipment	Leasehold improvements	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
At 1 January 2022	1,407,532	369,834	9,656	-	1,787,022
Additions in 2022	1,468,080	42,685	-	654,225	2,164,990
Written off in 2022	(1,407,532)	-	-	-	(1,407,532)
At 31 December 2022	1,468,080	412,519	9,656	654,225	2,544,480
Additions in 2023	-	-	-	212,600	212,600
Written off in 2023	-	(254,247)	-	-	(254,247)
At 31 December 2023	1,468,080	158,272	9,656	866,825	2,502,833
Depreciation					
At 1 January 2022	1,290,237	265,532	6,438	-	1,562,207
Charge for 2022	484,315	45,455	3,218	218,075	751,063
Written back in 2022	(1,407,532)	-	-	-	(1,407,532)
At 31 December 2022	367,020	310,987	9,656	218,075	905,738
Charge for 2023	489,360	31,655	-	324,375	845,390
Written back in 2023	-	(254,247)	-	-	(254,247)
At 31 December 2023	856,380	88,395	9,656	542,450	1,496,881
Carrying values					
At 31 December 2023	611,700	69,877	-	324,375	1,005,952
At 31 December 2022	1,101,060	101,532	-	436,150	1,638,742

THE UNITED MUSLIM ASSOCIATION OF HONG KONG
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7. Property, plant and equipment (Cont'd)

7a Care and Attention Home (Cont'd)

The Association's right-of-use assets represents the lease for the premises of the Care and Attention Home. The premises is located at Ground Floor, High Block, Oi Yee House, Yau Oi Estate, Tuen Mun, New Territories, Hong Kong. The lease term is of 3 years, expires on 31 March 2025 with no extension options and all the lease payments are fixed. Either the landlord or the Association can terminate the lease agreement by 3 months' notice.

Disclosures for leases include:

	2023	2022
	HK\$	HK\$
Amounts recognized in income statement		
Depreciation charges for right-of-use assets	489,360	484,315
Interest expenses on lease liabilities	49,752	55,335
Expenses related to short-term lease	33,420	6,255
Amounts recognized in statement of financial position		
Carrying amount of right-of-use assets	611,700	1,101,060
Lease liabilities		
Current	509,409	482,208
Non-current	131,780	641,189

7b Mosque Project

Leasehold land

	Total
	HK\$
Cost	
- Land premium (note 7c)	9,350,000
- Other costs	291,208
Brought forward from 31.12.2008	9,641,208
No information provided for 2019 to 2011	-
Land premium paid in 2012 by council members	229,100
Land premium paid in 2013 by council members	276,100
Land premium paid in 2013 by ITICF (note 7d)	602,245
Land premium paid in 2014 by ITICF (note 7d)	600,583
At 1 January 2023 and at 31 December 2023	11,349,236

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7. Property, plant and equipment (Cont'd)

7c The Association acquired the Land located at Fanling Sheung Shui Town Lot No. 203 (the "Sheung Shui leasehold land") for a premium of HK\$9,350,000 from the Government of the HKSAR. Under the Special Conditions, the Association had to erect and maintain upon the Land inter alia a mosque and a non-profit-making residential care home, which shall commence to operate on/before 30 March 2011, failing which the government may re-enter upon and take back possession of the Land or any part thereof.

Due to the legal proceedings between the council members of the Association started in year 2012, the land has not been developed until in year 2020 when hoarding works were carried out (note 8). However, since the Association failed to fulfil the conditions of the lease of the Land, an instrument of re-entry under section 4(1) of the government rights of dated 25 August 2020 has been registered with the Land Registry on 1 September 2020. It implies that the title of the leasehold land has been returned to the Government. The hording works have been terminated.

The Association has delivered petition to regain the title of the leasehold land. Under this situation, the Association has not made adjustment to write down the carrying value of the leasehold land to its realizable value, if any, during the current year.

7d The land premium of HK\$602,245 and HK\$600,583 for the period from 1 April 2013 to 30 September 2013 and from 1 October 2013 to 31 March 2014 respectively was paid by Incorporated Trustees of Islamic Community Fund of Hong Kong (ITICF) on behalf of the Association. The amount due to ITICF was disclosed as "Other payables" in Note 16 to the financial statements.

8. Architectural work in progress

	2023	2022
	HK\$	HK\$
Balance brought forward from 31.12.2008	1,456,000	1,456,000
Architecture fee paid during 2016 to 2018	154,014	154,014
Architecture fee paid during 2019	600,000	600,000
Hoarding plans and hoarding works paid during 2020	584,465	584,465
	2,794,479	2,794,479

The architectural work in progress refers to works on the leasehold land for the Mosque Project (note 7b). The architecture fees paid during years 2016 to 2020 amounted to \$1,338,479 have been financed from the reserve fund for the Mosque Project (note 19).

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8. Architectural work in progress (Cont'd)

As mentioned in above note 7b, the title of the leasehold land has been returned to the Government during the year 2020. The hoarding works on the land have been terminated.

The Association has delivered petition to regain the title of the leasehold land. Under this situation, the Association has not made adjustment to write down the carrying value of the architectural work in progress to its realizable value, if any.

9. UMAH International Primary School

UMAH International Primary School (the “**School**”), has been removed from the international school list with effect from 16 April 2019 and was closed in June 2019. There is a letter from Government Property Agency of 5 January 2023. The Association is given notice to quit and deliver up to the government on 4 April 2023 possession of the Land and Building at Ex-Wai Chow Primary School, Wang Chau, Yuen Long, N.T..

The Association has returned the said Land and Building to the Government in 2024.

10. Rental and utilities deposits paid and prepayments

	2023	2022
	HK\$	HK\$
Electricity and water deposit for the Care and Attention Centre	48,000	48,000
Electricity deposit paid for the site of the leasehold land	38,000	38,000
Electricity and water deposit for the School	12,100	12,100
Rental deposit for staff quarter	8,400	8,400
	106,500	106,500
Prepayments	-	50
	106,500	106,550

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11. Other receivables

	2023	2022
	HK\$	HK\$
<i>Care and Attention Home</i>		
Hostel fee income and other receivables	104,759	17,484
<i>The Association (note a)</i>		
Fund balance at Far East Development Foundation Limited	7,275	1,327,725
	112,034	1,345,209

Note (a): The Association and Far East Development Foundation Limited (“FDF”) entered into a Memorandum of Understanding (“MOU”) on 20 April 2017. Under the MOU, this is agreed that a sub-account of FDF will be opened in a bank for the fundraising for the Mosque Project in the piece of leasehold land (refer to note 7b) of the Association.

A bank account (HKD current account) under the name of “Far East Development Foundation Limited Sheung Shui Masjid Project” (the “FDF-Mosque Project”) was opened with DBS Bank (Hong Kong) Limited in July 2017.

During the year, fund amounted to HK\$1,320,000 has been transferred from this bank account to the Association’s bank account at National Bank of Pakistan. Please refer to note 19 for the movement of mosque project funds during the year.

12. Cash and bank balances

	2023	2022
	HK\$	HK\$
Bank balances of Hong Kong Bank	463,959	192,845
Bank balances of National Bank of Pakistan	1,226,319	69,019
Bank balances of personal bank account – held for the Association (note a)	36,749	55,680
Care and Attention Centre -cash balances	2,742	42,639
Undeposited donation	-	12,900
	1,729,769	373,083

Note (a): It refers to a Hong Kong dollar current bank account opened at Hong Kong bank in name of an individual. This bank account is solely used for the operation of the Association. No personal transactions have been transacted through this bank account. It is expected that this personal bank account no longer need in 2025 when no hostel fee income will be deposited to this bank account from Social Welfare Department.

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13. Other payables, accrued charges and deposit received

	2023	2022
	HK\$	HK\$
<i>Other payables and accrued charges</i>		
<i>The Association:</i>		
Audit fee payable	14,500	10,500
<i>Care and Attention Home:</i>		
Salaries and allowances	10,000	40,000
MPF payable	3,503	-
	13,503	40,000
<i>The International Primary School</i>		
Accruals for rates	133,691	133,691
	161,694	185,291

Other payables and accrued charges are expected to be settled within one year or repayable on demand.

	2023	2022
	HK\$	HK\$
<i>Deposit received</i>		
Deposits received from residents in Care and Attention Centre	54,600	46,850
	54,600	46,850

14. Restricted assets

	2023	2022
	HK\$	HK\$
Bank balances of Standard Chartered Bank	1,196,302	1,200,518
	1,196,302	1,200,518

This bank account became frozen due to the previous litigation. The Association is in the process to activate this bank account.

15. Amounts due to council members

	2023	2022
	HK\$	HK\$
Amounts due to council members	1,151,624	1,201,724
	1,151,624	1,201,724

The amounts due are unsecured, interest free and has no fixed repayment term.

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15. Amounts due to council members (Cont'd)

Due to the fact that the Association's bank accounts have been frozen, certain expenses of the Association, mainly land premium for the Sheung Shui leasehold land and legal fee were paid by the council members. Council members also advanced funds to the Association to meet the operating expenses. The amounts due to council members comprises of the following:

	2023	2022
	HK\$	HK\$
Land premium paid for the Sheung Shui leasehold land	276,100	276,100
Legal fees and other operating expenses of the Association	699,124	749,224
Advance of funds for the Association's operation	176,400	176,400
	1,151,624	1,201,724

16. Other payables

It refers to land premium of HK\$602,245 and HK\$600,583 for the period from 1 April 2013 to 30 September 2013 and from 1 October 2013 to 31 March 2014 respectively which have been paid by Incorporated Trustees of Islamic Community Fund of Hong Kong (ITICF) on behalf of the Association.

The amounts due are unsecured, interest free and has no fixed repayment term.

The relevant land premium has been included in the cost of the leasehold land of the Mosque and Islamic Centre as set out in Note 7b to the financial statements.

17. Lease liabilities

At 31 December 2023, the Association had lease liabilities as follows:

	2023		2022	
	Present value of the minimum lease payment HK\$	Total minimum lease payment HK\$	Present value of the minimum lease payment HK\$	Total minimum lease payment HK\$
<i>Current liabilities:</i>				
Within 1 year	509,409	531,960	482,208	531,960
<i>Non-current liabilities:</i>				
After 1 year but within 2 years	131,780	132,990	641,189	664,950
	<u>641,189</u>	<u>664,950</u>	<u>1,123,397</u>	<u>1,196,910</u>
Less: total future interest expenses		(23,761)		(73,513)
		<u>641,189</u>		<u>1,123,397</u>

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18. Incorporation funds

It represents the incorporation funds for the Care and Attention Home.

19. Mosque Project Funds

This represents fund to be used for the sole purpose of building the King Abdullah Islamic Centre and Elderly Home at the Association's Sheung Shui leasehold land.

As mentioned in above note 7(b), the Government re-entered the land in September 2020. The Association is still trying to seek financial sponsorship for the project and convince the Government to cancel the re-entry of this land lot. Since the project can only be developed with the help of a major financial sponsor, the Committee of the Association has determined on 5 July 2023 to refund the unspent amount of donation to donors upon donors' request.

Movement of unspent fund during the year represents:

	2023	2022
	HK\$	HK\$
Balance of unspent fund at beginning of year	1,329,225	1,329,635
Less: donation refunded to donors	(123,500)	-
Less: bank charges for paper statement and bank confirmation	(450)	(410)
Balance of unspent fund at end of year	1,205,275	1,329,225

The Mosque Project Funds amounted at HK\$2,581,704 at year end represents the follows:

	2023	2022
	HK\$	HK\$
Fund at the Association bank accounts	1,197,950	1,500
Fund at the FDF-Mosque Project bank account (note 11a)	7,275	1,327,725
Architectural Work in Progress (note 8)	1,338,479	1,338,479
Electricity deposit paid for the construction site (note 10)	38,000	38,000
	2,581,704	2,705,704

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20. Cash flow information - Reconciliation of liabilities arising from financing activities

The table below details changes in the Association's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Association's cash flow statement as cash flows from financing activities.

	Lease Liabilities HK\$
At 31 December 2023	1,123,397
<i>Changes from financing cash flows:</i>	
Capital element of lease liabilities paid	(482,208)
Interest element of lease liabilities paid	(49,752)
Total changes from financing cash flows	(531,960)
<i>Other changes:</i>	
Interest element of lease liabilities paid	49,752
<i>Non-cash changes:</i>	
	-
At 31 December 2023	641,189
	Lease Liabilities HK\$
At 31 December 2022	125,507
<i>Changes from financing cash flows:</i>	
Capital element of lease liabilities paid	(470,190)
Interest element of lease liabilities paid	(55,335)
Total changes from financing cash flows	(525,525)
<i>Other changes:</i>	
Interest element of lease liabilities paid	55,335
<i>Non-cash changes:</i>	
Inception of lease liabilities	1,468,080
At 31 December 2022	1,123,397

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21. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Association's operation. The Association's exposure to these risks and the financial risk management policies and practices used by the Association to manage these risks are described below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Association. The Association's credit risk is primarily attributable to other receivables and deposits with banks.

The Association mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

The Association's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All financial liabilities are carried at amounts not materially different from the contractual undiscounted cash flows as at 31 December 2023 and 2022. The earliest date the Association is required to settle these liabilities is within one year or repayable on demand.

	On demand or less than 1 year HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<u>At 31 December 2023</u>			
Accounts payable and accrued charges	161,194	161,194	161,194
Deposit received	54,600	54,600	54,600
Amounts due to council members	1,151,624	1,151,624	1,151,624
Other payables	1,202,828	1,202,828	1,202,828
Lease liabilities	509,409	531,960	509,409
	3,079,655	3,102,206	3,079,655

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21. Financial risk management and fair values (Cont'd)

Liquidity risk (cont'd)

	On demand or less than 1 year HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<u>At 31 December 2022</u>			
Account payables and accrued charges	185,291	185,291	185,291
Deposit received	46,850	46,850	46,850
Amounts due to council members	1,201,724	1,201,724	1,201,724
Other payables	1,202,828	1,202,828	1,202,828
Lease liabilities	482,208	531,960	482,208
	<u>3,118,901</u>	<u>3,168,653</u>	<u>3,118,901</u>

Currency risk

The functional currency and reporting currency of the Association is Hong Kong dollars. Donation income would be in currency other than Hong Kong dollars.

As at 31 December 2023 and 2022, the Association was not exposed to any significant currency risk.

Interest rate risk

As at 31 December 2023 and 2022, the Association was not exposed to any significant interest rate risk.

Fair values measurement

The carrying amounts of the Association's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023 and 2022 because of the immediate or short-term maturity of the financial instruments.

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22. Related party transactions and balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Transactions with related parties

The Association does not have significant related party transactions during the year.

Balances with related parties

As at 31 December 2023, there are amounts due to council members at HK\$1,151,624 (2022: HK\$1,201,724) (note 15).

23. Commitments under operating leases

The Association had the following total future minimum lease payments payable under non-cancellable operating leases:

	2023	2022
	HK\$	HK\$
Not later than one year	4,200	42,000
Later than one year	-	-
	4,200	42,000

24. Approval of financial statements

The financial statements were approved and authorized for issue by the Association's Board of Directors on **22 JAN 2025**.