

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)

(incorporated in Hong Kong with limited liability by guarantee and
not having a share capital)

**Executive Committee's Report and
Financial Statements
For the year ended 31 August 2023**

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
EXECUTIVE COMMITTEE'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2023

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SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
EXECUTIVE COMMITTEE'S REPORT

The members of the Executive Committee have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 August 2023.

PRINCIPAL ACTIVITY

The Company is a charitable organisation with limited liability by guarantee and its principal activity is provision of free English language education to under-privileged children.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company for the year ended 31 August 2023 and the financial position of the Company as at that date are set out in the financial statements on pages 6 to 28.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 7 to the financial statements.

MEMBERS OF THE EXECUTIVE COMMITTEE

The members of the Executive Committee during the year and up to the date of this report were as follows:

James Patrick CUNNINGHAM
Belinda Margaret GREER
David Richard HALPERIN (appointed on February 21, 2023)
Yoon Ping Sally KONG
Tin Ming LAU
Ning LI
Stephen David LOGGIE
Allen G. SING
Randall Theodore STEVENS
Yok Sing Jasper TSANG
Hoi Sze Alice WONG
Leo Clark ZEN

In accordance with article 37 of the Company's articles of association, all members of the Executive Committee at the date of this report shall retire from the Executive Committee and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
EXECUTIVE COMMITTEE'S REPORT

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which a member of the Executive Committee of the Company or an entity connected with a member of the Executive Committee is or was materially interested, whether directly or indirectly, subsisted during or at the end of the financial year.

BUSINESS REVIEW

No business review report has been prepared as the Company falls within the reporting exemption for the financial year and is accordingly exempt from preparing such a report under section 388(3)(a) of the Hong Kong Companies Ordinance.

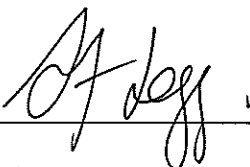
MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the honorary auditor, BDO Limited.

On behalf of the Executive Committee



Chairman

Hong Kong, 30 May 2024

**INDEPENDENT HONORARY AUDITOR'S REPORT
TO THE MEMBERS OF SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)**

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

OPINION

We have audited the financial statements of Summerbridge Hong Kong Limited (the "Company") set out on pages 6 to 28, which comprise the statement of financial position as at 31 August 2023, and the statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 August 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The members of the Executive Committee are responsible for the other information. The other information comprises the information included in the Executive Committee's Report.

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.



**INDEPENDENT HONORARY AUDITOR'S REPORT
TO THE MEMBERS OF SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)**

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

MEMBERS OF THE EXECUTIVE COMMITTEE'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the members of the Executive Committee 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 members of the Executive Committee either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The members of the Executive Committee 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. Misstatement 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 judgement 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.



**INDEPENDENT HONORARY AUDITOR'S REPORT
TO THE MEMBERS OF SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)**

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS -
CONTINUED**

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Executive Committee.
- conclude on the appropriateness of the members of the Executive Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of the Executive Committee 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
Li Yin Fan
Practising Certificate Number: P03113

Hong Kong, 30 May 2024

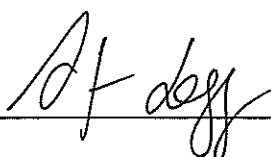
SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2023

	Note	2023 HK\$	2022 HK\$
Revenue			
Corporate donations		2,169,728	2,504,800
Lunch fee		56,450	-
Monthly giving project donations		45,832	50,062
Interest income		14,495	51
Government subsidy		14,400	135,100
Membership fee		1,000	-
Other donations		550	5,238
		2,302,455	2,695,251
Expenditure			
School year programs		1,731,086	1,727,211
Summer programs		1,235,893	466,866
Administrative salaries and benefits		407,516	449,244
Depreciation of right-of-use assets		236,467	236,467
Office expenses		50,996	47,958
Interest expenses of lease liabilities		12,898	25,713
Depreciation of property, plant and equipment		6,042	-
Development and public relations		3,850	3,850
Bank charges		2,975	2,854
		(3,687,723)	(2,960,163)
Deficit and total comprehensive income for the year	5	(1,385,268)	(264,912)

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2023

	Notes	2023 HK\$	2022 HK\$
Non-current asset			
Property, plant and equipment	7	<u>122,394</u>	<u>334,994</u>
Current assets			
Other receivables, deposits and prepayments		<u>129,237</u>	<u>68,247</u>
Cash at bank and in hand		<u>2,828,298</u>	<u>3,813,235</u>
		<u>2,957,535</u>	<u>3,881,482</u>
Current liabilities			
Accruals		<u>20,845</u>	<u>1,022</u>
Receipt in advance		<u>530,000</u>	<u>50,000</u>
Lease liabilities	8	<u>108,571</u>	<u>251,102</u>
		<u>659,416</u>	<u>302,124</u>
Net current assets		<u>2,298,119</u>	<u>3,579,358</u>
Non-current liability			
Lease liabilities	8	<u>-</u>	<u>108,571</u>
Net assets		<u>2,420,513</u>	<u>3,805,781</u>
Representing:			
Accumulated fund		<u>2,420,513</u>	<u>3,805,781</u>

Signed on behalf of the Executive Committee


Member of the Executive Committee


Member of the Executive Committee

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED 31 AUGUST 2023

	Accumulated fund HK\$
Balance at 1 September 2021	4,070,693
Deficit and total comprehensive expense for the year	<u>(264,912)</u>
Balance at 31 August 2022	3,805,781
Deficit and total comprehensive expense for the year	<u>(1,385,268)</u>
Balance at 31 August 2023	<u><u>2,420,513</u></u>

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2023

	Note	2023 HK\$	2022 HK\$
Cash flows from operating activities			
Deficit for the year		(1,385,268)	(264,912)
Adjustments for:			
Depreciation of right-of-use assets		236,467	236,467
Depreciation of property, plant and equipment		6,042	-
Interest expenses of lease liabilities		12,898	25,713
Interest income		<u>(14,495)</u>	<u>(51)</u>
Operating cash flows before working capital changes		(1,144,356)	(2,783)
(Increase)/decrease in other receivables, deposits, and prepayments		(60,990)	71,004
Increase/(decrease) in accruals		19,823	(50,764)
Increase in receipt in advance		<u>480,000</u>	<u>-</u>
Net cash (used in)/generated from operating activities		<u>(705,523)</u>	<u>17,457</u>
Cash flow from investing activities			
Purchases of property, plant and equipment		(29,909)	-
Interest received		<u>14,495</u>	<u>51</u>
Net cash (used in)/generated from investing activities		<u>(15,414)</u>	<u>51</u>
Cash flow from a financing activity	13(b)		
Payments of principal portion of lease liabilities		(251,102)	(238,287)
Payments of interest portion of lease liabilities		<u>(12,898)</u>	<u>(25,713)</u>
Net cash used in a financing activity		<u>(264,000)</u>	<u>(264,000)</u>
Net decrease in cash and cash equivalents		(984,937)	(246,492)
Cash and cash equivalents at the beginning of year		<u>3,813,235</u>	<u>4,059,727</u>
Cash and cash equivalents at the end of year	13(a)	<u><u>2,828,298</u></u>	<u><u>3,813,235</u></u>

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

1. ORGANISATION AND OPERATIONS

Summerbridge Hong Kong Limited (the “Company”) is a charitable organisation with limited liability by guarantee and its principal activity is provision of free English language education to under-privileged children. Its registered office and principal place of business are Office 3510, 35/F, Hong Kong Plaza, 188 Connaught Road West, Sai Ying Pun, Hong Kong.

The Company was incorporated in Hong Kong under the Hong Kong Companies Ordinance without a share capital on 26 November 2001. In the event that the Company is wound up, each member of the Executive Committee may be required to contribute not exceeding HK\$100. The number of members of the Executive Committee as at 31 August 2023 was 12 (2022: 11).

The Company’s main objectives are as follows:

- (a) to improve the educational trajectories of low-income students by providing them with tuition-free, quality English education and life skills development.
- (b) to foster cross-cultural exchange and a sense of civic duty among young people.

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

(a) Adoption of new or amendments to HKFRSs - effective 1 January 2022

The Company has adopted the following new or revised HKFRSs, which included Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) relevant to the Company’s accounting policies and business operations adopted for the first time prepared and presented on the Company’s financial statements for the annual period beginning on or after 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The adoption of the new HKFRSs has no material impact on the Company’s financial statements.

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

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

(b) New or amendments to HKFRSs that have been issued but are not yet effective

The following new or amendments to HKFRSs, potentially relevant to the Company’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Company to prepare the Company’s financial statements. The Company’s current intention is to apply these changes on the date when they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
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 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 17 and related amendments	Insurance Contracts ¹
Amendments to HKAS 21	Lack of Exchangeability ⁴

¹ Effective for the annual period beginning on or after 1 January 2023

² The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

³ Effective for the annual period beginning on or after 1 January 2024

⁴ Effective for the annual period beginning on or after 1 January 2025

The member of the Executive Committee of the Company do not anticipate that the adoption of these new or amendments to HKFRS that have been issued but not yet effective will have any material impact on the financial statements.

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the HKICPA and the requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

(b) Basis of preparation

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

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

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss when it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of assets, the expenditure should be capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives on a straight line basis. The useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes is accounted for on a prospective basis. Computer equipment is depreciated over 3 years.

The 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 profit or loss.

Any item of property, plant and equipment is written down immediately to its recoverable amount as if its carrying amount is higher than its estimated recoverable amount.

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(e) Impairment of assets (other than financial assets)

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, including property, plant and equipment with right-of-use assets 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

The Company classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. The Company's financial assets are classified as amortised cost only. All regular purchases or sales of financial assets are recognised or derecognised on the trade date basis, i.e. the date when the Company commits to purchase or sell the asset. A regular way purchases or sales is purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The only measurement category on the Company's financial assets is at amortised cost.

The Company's financial assets at amortised cost include other receivables, deposits, cash at bank and in hand. These assets are non-derivative financial assets not quoted in an active market that are held for collection of contractual cash flows in a fixed or determinable manner where those cash flows represent solely payments of principal and interest are measured at amortised cost. Subsequent to initial recognition, they are carried at amortised cost using the effective interest rate method, less any identified impairment loss (see accounting policy on "impairment loss on financial assets" as defined below).

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(i) Financial assets - Continued

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Company recognises loss allowances for expected credit loss (“ECL”) on 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 asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company 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 Company in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

For the Company’s financial assets at amortised cost, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the loss allowances will be based on the lifetime ECLs.

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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

The Company assumes the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if: (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Write-off policy of financial assets

The Company writes off a financial asset when there is reasonable and supportable information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still subject to enforcement activities under the Company's recovery procedures, taking into account of legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

SUMMERBRIDGE HONG KONG LIMITED
(夏橋有限公司)
NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2023

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(f) Financial instruments - Continued

(iii) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

The Company classifies its financial liabilities at initial recognition, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost including accruals, receipt in advance and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The related interest expense is recognised in profit or loss on an effective interest basis.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Derecognition

The Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial assets expire or when the financial assets has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

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3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(h) Leasing

The Company as lessee

At the inception of a contract, the Company 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.

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

From a lessee's perspective, almost all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise, when (i) leases which are short-term leases; and (ii) leases for which the underlying asset is of low-value. The Company has elected not to recognise right-of-use assets and lease liabilities for lease which are short-term lease, lease of low-value assets and leases for which at the date of commencement have a lease term less than 12 months. The lease payments associated with those leases have been expensed in profit or loss on straight-line basis over the lease terms.

Upon the initial adoption of HKFRS 16, the Company recognised right-of-use assets and lease liabilities for its leased office premises with a lease term of two years under a non-cancellable operating lease arrangement.

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3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(h) Leasing - Continued

The Company as lessee - Continued

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company measures the right-of-use assets applying a cost model, which the Company measures the right-to-use the underlying assets at cost, less any accumulated depreciation and any impairment loss, and adjusted for any re-measurement of lease liabilities.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

The lease liabilities is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate. After the initial recognition, the lease liabilities is measured at amortised cost and interest expenses 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 liabilities and hence are charged to profit or loss in the accounting period in which they are incurred.

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3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(h) Leasing - Continued

The Company as lessee - Continued

Lease liabilities - Continued

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

Subsequent to the commencement date, the Company measures the lease liabilities by: (i) increasing the carrying amount to reflect interest on the lease liabilities; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) re-measuring the carrying amount to reflect any re-assessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance of fixed lease payments or a change in assessment to purchase the underlying asset. When the lease liabilities is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to nil.

(i) Provisions and contingent liabilities

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

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

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3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(j) Foreign currencies

In preparing the financial statements of the Company, foreign currency transactions are translated into Hong Kong dollars, being the functional currency, at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year. For such non-monetary items, any component of that gain or loss arising from exchange differences is also recognised directly in other comprehensive income.

(k) Revenue recognition

Revenue from contracts with customers is recognised when controls of services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those 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, controls of services may be transferred over time or at a point in time. Controls of services is transferred over time if the Company'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 Company performs; or
- does not create an asset with an alternative use to the Company and the Company has an enforceable right for payment of performance completed to date.

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

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3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - Continued

(k) Revenue recognition - Continued

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of 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 Company and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue is recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised services is one year or less, the transaction price is not adjusted for the effect of a significant financing component, using the practical expedient in HKFRS 15.

Further details of the Company's revenue recognition policies are as follows:

- (i) Revenue from donations are recognised according to terms and conditions of the underlying agreements; and
- (ii) Interest income is accrued on a time-apportioned basis with reference to the principal outstanding and the rate applicable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

There is no significant risk of key assumptions concerning the future and other key sources of estimation uncertainty at end of the reporting period which will cause an adjustment to the carrying amounts of assets and liabilities within the next financial year.

There are no significant effects on amounts recognised in the financial statements arising from the judgement or estimates used by the management.

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NOTES TO THE FINANCIAL STATEMENTS
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5. DEFICIT FOR THE YEAR

	2023 HK\$	2022 HK\$
Deficit for the year is arrived at after charging/ (crediting):-		
Members of the Executive Committee's remuneration	-	-
Honorary Auditor's remuneration	-	-
Staff costs:-		
- Salaries and allowances:		
- Education and learning programs	2,431,592	1,999,869
- Administration	389,957	431,916
	<u>2,821,549</u>	<u>2,431,785</u>
- Contributions to Mandatory Pension Fund:		
- Education and learning programs	77,400	77,400
- Administration	17,559	17,329
	<u>94,959</u>	<u>94,729</u>
Depreciation of right-of-use assets	236,467	236,467
Depreciation of property, plant and equipment	6,042	-
Interest expenses of lease liabilities	12,898	25,713
Interest income	<u>(14,495)</u>	<u>(51)</u>

6. TAXATION

The Company is a charitable organisation of a public character, which is exempted from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

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NOTES TO THE FINANCIAL STATEMENTS
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7. PROPERTY, PLANT AND EQUIPMENT

	Right-of- use assets HK\$	Computer equipment HK\$	Total HK\$
Cost:			
At 1 September 2020	468,463	199,257	667,720
Addition	709,400	-	709,400
Disposal	(468,463)	-	(468,463)
At 31 August 2021 and 2022	709,400	199,257	908,657
Addition	-	29,909	29,909
Written off	-	(199,257)	(199,257)
At 31 August 2023	709,400	29,909	739,309
Accumulated depreciation:			
At 1 September 2021	137,939	199,257	337,196
Charge for the year	236,467	-	236,467
At 31 August 2022	374,406	199,257	573,663
Charge for the year	236,467	6,042	242,509
Written off	-	(199,257)	(199,257)
At 31 August 2023	610,873	6,042	616,915
Net carrying amount:			
At 31 August 2023	98,527	23,867	122,394
At 31 August 2022	334,994	-	334,994

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8. LEASE LIABILITIES/LEASES

The following table illustrates the total remaining future minimum lease payments of the leased office premises under a non-cancellable operating lease arrangement, being the Company's lease liabilities at 31 August 2023 and 2022, which fell due as follows:

	31 August 2023		31 August 2022	
	Present value of minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of minimum lease payments HK\$	Total minimum lease payments HK\$
Within one year	108,571	110,000	251,102	264,000
In the second to fifth year inclusive	-	-	108,571	110,000
	<u>108,571</u>	<u>110,000</u>	<u>359,673</u>	<u>374,000</u>
Less: Total future interest expenses		<u>(1,429)</u>		<u>(14,327)</u>
Present value of lease liabilities		<u>108,571</u>		<u>359,673</u>

The analysis of the carrying amount of lease liabilities at 31 August 2023 and 2022 were as follows:

	HK\$
At 1 September 2021	597,960
Interest expenses	25,713
Lease payments	<u>(264,000)</u>
At 31 August 2022	359,673
Interest expenses	12,898
Lease payments	<u>(264,000)</u>
At 31 August 2023	<u>108,571</u>

9. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide funding to carry out its principal activity and benefits of its stakeholders. The Company's overall objective remains unchanged from prior year. The source of capital of the Company is its accumulated fund.

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10. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The main risks arising from the Company's financial instruments in the normal course of the Company's business are credit risk, liquidity risk, interest rate risk and foreign currency risk. These risks are limited by the Company's financial management policies and practices on a timely and effective manner which is described below:

(i) Credit risk

The Company has no significant concentrations of credit risk except for cash at bank. The carrying amount of the cash at bank included in the statement of financial position represents the maximum exposure to credit risk in relation to the financial assets. The credit risk of cash at bank balance is limited because it is deposited with a reputable bank with a sounded credit rating.

(ii) Liquidity risk

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

Except for the Company's contractual maturity of lease liabilities as disclosed in Note 8 to the financial statements is repayable based on its repayment schedule, the remaining contractual maturity of other financial liabilities are due within one year at the end of reporting period.

(iii) Interest rate risk

Interest-bearing financial instrument is bank balances with short-term maturity only. Therefore, any future variations of interest rates may impact on the surplus and operating cash flows of the Company.

(iv) Foreign currency risk

The Company is exposed to foreign currency risk primarily through holding of bank balances denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars. Management closely monitors the foreign currency risk on a regular basis. Considering that the exchange rate between Hong Kong dollars and United States dollars is pegged, they believe that the Company's exposure on the foreign currency risk is minimal.

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11. FINANCIAL RISK MANAGEMENT- Continued

(b) Fair value estimation

The fair values of the Company's financial instruments are not materially different from their carrying amounts as at 31 August 2023 and 2022.

12. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Company's financial assets and financial liabilities as at 31 August 2023 and 2022 was categorised as follows:

	2023 HK\$	2022 HK\$
Financial assets		
At amortised cost	<u>2,880,930</u>	<u>3,865,235</u>
Financial liabilities		
At amortised cost	<u>129,416</u>	<u>360,695</u>

13. NOTES SUPPORTING STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2023 HK\$	2022 HK\$
Cash at bank and in hand	<u>2,828,298</u>	<u>3,813,235</u>

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13. NOTES SUPPORTING STATEMENT OF CASH FLOWS - Continued

(b) Reconciliation of liability arising from a financing activity:

The table below details changes in the Company's liability arising from a financing activity, including cash and non-cash changes. Liability arising from a financing activity is for which cash flows are, or future cash flows will be, classified in the Company's statement of cash flows as cash flow from a financing activity.

	Lease liabilities (Note 8) HK\$
At 1 September 2021	597,960
Changes from financing cash flow:	
Repayment of principal portion of lease liabilities	(238,287)
Repayment of interest portion of lease liabilities	<u>(25,713)</u>
Total changes from financing cash flows	<u>(264,000)</u>
Non-cash change:	
Interest expenses of lease liabilities	<u>25,713</u>
At 31 August 2022	359,673
Changes from financing cash flow:	
Repayment of principal portion of lease liabilities	(251,102)
Repayment of interest portion of lease liabilities	<u>(12,898)</u>
Total changes from financing cash flows	<u>(264,000)</u>
Non-cash change:	
Interest expenses of lease liabilities	<u>12,898</u>
At 31 August 2023	<u><u>108,571</u></u>

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Executive Committee on 30 May 2024.