

LEI KING WAN ESTATE OWNERS' FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2020

Independent Auditor's Report

To the Members of Lei King Wan Estate Owners' Fund

Opinion

What we have audited

The financial statements of Lei King Wan Estate Owners' Fund ("the Fund") set out on pages 4 to 8, which comprise:

- the balance sheet as at 31st December 2020;
- the income and expenditure account for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements of the Fund for the year ended 31st December 2020 are prepared, in all material respects, in accordance with the accounting policies set out in Note 1(a) to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund 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.



Independent Auditor's Report

To the Members of Lei King Wan Estate Owners' Fund (Continued)

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1(a) to the financial statements, which describes the basis of accounting. The accounting policies and disclosures made are not intended to, and do not, comply with all the requirements of the Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements are prepared to assist Lei King Wan (Management) Limited (the "Manager") in complying with the requirements of the Deed of Mutual Covenant. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Members and the Manager of the Fund and should not be distributed to or used by any other parties for any purpose. Our opinion is not modified in respect of this matter.

Other Information

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the accompanying Schedules on pages 9 to 13, 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 the Manager for the Financial Statements

Pursuant to the Deeds of Mutual Covenant of Site A, B, C and D, the Manager is responsible for the preparation of the financial statements in accordance with the basis of preparation as set out in Note 1(a) to the financial statements and for such internal control as the Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

To the Members of Lei King Wan Estate Owners' Fund (Continued)

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. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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 HKSAs 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 HKSAs, 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.
- 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

We communicate with the Manager 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.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6th September 2021

LEI KING WAN ESTATE OWNERS' FUND

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
Income	1(e)	54,465,302	49,114,881
Expenditure		<u>(54,199,483)</u>	<u>(47,733,320)</u>
Surplus for the year		265,819	1,381,561
Accumulated losses brought forward		<u>(4,636,261)</u>	<u>(11,635,923)</u>
		(4,370,442)	(10,254,362)
Transfer from capital equipment fund	3	<u>2,332,657</u>	<u>5,618,101</u>
Accumulated losses carried forward		<u><u>(2,037,785)</u></u>	<u><u>(4,636,261)</u></u>

LEI KING WAN ESTATE OWNERS' FUND

**BALANCE SHEET
AS AT 31ST DECEMBER 2020**

	Note	2020 HK\$	2019 HK\$
Current assets			
Receivables and prepayments	1(c)	4,286,019	1,076,445
Fixed deposits	1(h)	3,673,115	3,621,992
Bank balances and cash	1(h)	11,944,325	11,368,237
		<u>19,903,459</u>	<u>16,066,674</u>
Current liabilities			
Payables and accruals	1(g)	9,661,080	8,422,771
Net current assets		<u>10,242,379</u>	<u>7,643,903</u>
Financed by:			
Management fund	2	3,301,632	3,301,632
Capital equipment fund	3	8,978,532	8,978,532
Income and expenditure account		<u>(2,037,785)</u>	<u>(4,636,261)</u>
Owners' funds		<u>10,242,379</u>	<u>7,643,903</u>

Approved by the Manager
Lei King Wan (Management) Limited



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Hong Kong, 6th September 2021

LEI KING WAN ESTATE OWNERS' FUND

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the Deeds of Mutual Covenant of Site A, B, C and D. The preparation of the financial statements in accordance with the accounting policies as set out below requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements. The Fund is not a separate legal entity in its own right.

(b) Management of fund

Lei King Wan Estate Owners' Fund is administered by Lei King Wan (Management) Limited under an agreement with the registered owners.

(c) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is recognised in the income and expenditure account.

(d) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(e) Income recognition

Income comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the Fund's activities. Income is shown net of rebates and discounts.

The Fund recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Fund's activities as described below.

Income of the Fund includes management fees received and receivable from registered owners to cover the operating expenses of the Fund. Income also includes bank interest income and government grants.

Management fee income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

LEI KING WAN ESTATE OWNERS' FUND

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies (Continued)

(e) Income recognition (Continued)

Government grants receivables are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. In the year ended 31st December 2020, the Government of the Hong Kong Special Administrative Region has provided 2 tranches of subsidies under the "Employment Support Scheme" "ESS" in respect of staff deployment. The first tranche and second tranche of ESS was debited into the fund's bank account on 23rd November 2020 and 7th January 2021 respectively while the income for ESS were reflected in the Monthly Management Income and Expenditure Account of November 2020 and January 2021 issued by the Manager respectively, based on the accounting policies as set for these financial statements, the income of ESS for both tranches have been included for the year ended 31 December 2020.

(f) Fair value estimation

The carrying values less impairment provision (as applicable) of receivables and payables are a reasonable approximation of their fair values.

(g) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Fixed bank deposits, bank balances and cash

Bank balances and cash comprise cash in hand, amounts repayable on demand from banks and short-term highly liquid investments which were within three months of maturity when acquired.

Fixed bank deposits represent fixed deposits at bank with maturity over three months when acquired but are repayable within twelve months from the balance sheet date.

The fixed bank deposits, bank balances and cash of the Fund are held in trust by Lei King Wan (Management) Limited, the Manager.

2 Management fund

The management fund comprises deposits received from registered owners.

3 Capital equipment fund

	2020 HK\$	2019 HK\$
Balance brought forward	8,978,532	12,562,806
Transfer to income and expenditure account	(2,332,657)	(5,618,101)
Addition of capital equipment fund	2,332,657	2,033,827
Balance carried forward	<u>8,978,532</u>	<u>8,978,532</u>

The capital equipment fund is maintained towards payment of expenses of a capital nature for the common areas.

LEI KING WAN ESTATE OWNERS' FUND

NOTES TO THE FINANCIAL STATEMENTS

4 Insurance coverage

At 31st December 2020, the maximum insurance coverage of the Lei King Wan Estate provided by the Fund was as follows:

	2020 HK\$	2019 HK\$
Coverage against fire/earthquakes	2,790,000,000	2,790,000,000

Coverage against public liabilities was HK\$50,000,000 in any one incident and unlimited in aggregate in a year (2019: HK\$50,000,000 in any one incident and unlimited in aggregate in a year).

LEI KING WAN ESTATE OWNERS' FUND

**DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2020**

Schedule 1

(FOR MANAGEMENT INFORMATION PURPOSES ONLY)

	Residential and shops					Carpark					2020 Total HK\$	2019 Total HK\$	
	Site A HK\$	Site B HK\$	Site C HK\$	Site D HK\$	Sub-total HK\$	Site A HK\$	Site B HK\$	Site C HK\$	Site D HK\$	Sub-total HK\$			
Income													
Service and management fees - domestic flats	11,762,340	11,644,392	10,525,620	12,466,500	46,398,852	-	-	-	-	-	-	46,398,852	44,775,588
Service and management fees - shops	439,931	463,679	390,383	619,228	1,913,221	-	-	-	-	-	-	1,913,221	1,716,829
Service and management fees - carpark	-	-	-	-	-	239,700	586,608	642,096	398,736	1,867,140	1,867,140	1,867,140	1,867,140
Share of Estate Income (Schedule 2)	999,402	999,402	999,402	999,402	3,997,608	-	-	-	-	-	-	3,997,608	541,640
Interest on deposits	10,807	10,768	10,759	11,911	44,245	771	1,723	2,221	1,144	5,859	5,859	50,104	81,283
Other income	47,231	52,674	45,128	48,544	193,577	8,400	17,700	9,100	9,600	44,800	44,800	238,377	132,401
Sub-total	13,259,711	13,170,915	11,971,292	14,145,585	52,547,503	248,871	606,031	653,417	409,480	1,917,799	1,917,799	54,465,302	49,114,881
Expenditure													
Estate and site													
Estate overheads (Schedule 2)	2,657,170	2,657,170	2,657,170	2,657,170	10,628,680	-	-	-	-	-	-	10,628,680	10,215,088
Electricity	488,394	482,896	538,291	578,722	2,088,303	-	-	-	-	-	-	2,088,303	1,999,196
Pump maintenance	450,709	452,466	452,413	567,315	1,922,903	-	-	-	-	-	-	1,922,903	1,900,500
Insurance	350,161	350,162	350,162	437,670	1,488,155	-	-	-	-	-	-	1,488,155	850,069
Flower and landscape improvement	91,381	91,031	93,579	86,888	362,879	-	-	-	-	-	-	362,879	357,757
Cleaning services	258,778	303,218	283,878	354,786	1,200,660	-	-	-	-	-	-	1,200,660	844,290
Other repairs and maintenance	910,155	529,500	259,010	505,797	2,204,462	-	-	-	-	-	-	2,204,462	1,566,931
Cost allocated to carpark	(32,112)	(53,939)	(56,136)	(52,943)	(195,130)	32,112	53,939	56,136	52,943	195,130	195,130	-	-
Water	2,018	3,342	5,696	3,235	14,291	-	-	-	-	-	-	14,291	18,477
Miscellaneous expenses	20,594	14,891	2,714	7,312	45,511	-	-	-	-	-	-	45,511	95,063
Sub-total	5,197,248	4,830,737	4,586,777	5,145,952	19,760,714	32,112	53,939	56,136	52,943	195,130	195,130	19,955,844	17,847,371

LEI KING WAN ESTATE OWNERS' FUND

Schedule 1
(Continued)

DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2020 (CONTINUED)

(FOR MANAGEMENT INFORMATION PURPOSES ONLY)

	Residential and shops										Carpark			2019 Total HK\$
	Site A HK\$	Site B HK\$	Site C HK\$	Site D HK\$	Sub-total HK\$	Site A HK\$	Site B HK\$	Site C HK\$	Site D HK\$	Sub-total HK\$	2020 Total HK\$			
Shops														
Cleaning services	86,400	89,200	86,400	86,400	348,400	-	-	-	-	-	348,400	-	297,600	
Patrol guard	219,890	219,890	219,890	274,863	934,533	-	-	-	-	-	934,533	-	889,755	
Manager's fee	32,020	31,259	28,273	35,976	127,528	-	-	-	-	-	127,528	-	117,568	
Administration costs	5,790	7,230	7,850	6,780	27,650	-	-	-	-	-	27,650	-	27,650	
MR TSF to Capital Fund (5%)	17,789	17,366	15,707	19,986	70,848	-	-	-	-	-	70,848	-	65,315	
Other repairs and maintenance	43,700	31,000	-	31,690	106,390	-	-	-	-	-	106,390	-	91,300	
Sub-total	405,589	395,945	358,120	455,695	1,615,349	-	-	-	-	-	1,615,349	-	1,489,188	
Flats														
Tower guard	2,418,624	2,418,624	2,418,624	3,023,280	10,279,152	-	-	-	-	-	10,279,152	-	9,789,670	
Manager's fee	1,034,552	1,005,066	903,007	1,128,631	4,071,256	-	-	-	-	-	4,071,256	-	3,543,320	
Lift maintenance	467,040	528,000	570,240	583,800	2,149,080	-	-	-	-	-	2,149,080	-	2,380,080	
Cleaning services	760,740	856,240	765,140	998,040	3,380,160	-	-	-	-	-	3,380,160	-	2,863,416	
Other repairs and maintenance	2,293,167	2,127,983	1,227,933	2,381,944	8,031,027	-	-	-	-	-	8,031,027	-	5,079,633	
Refuse bags	41,712	41,712	41,712	52,140	177,276	-	-	-	-	-	177,276	-	140,097	
Doorphone maintenance	12,840	12,863	12,984	14,736	53,423	-	-	-	-	-	53,423	-	53,424	
Improvement work for maintenance	297,155	344,740	403,500	333,230	1,378,625	-	-	-	-	-	1,378,625	-	1,377,325	
MR TSF to Capital Fund (5%)	574,751	558,370	501,671	627,017	2,261,809	-	-	-	-	-	2,261,809	-	1,968,511	
Telephone	5,703	5,703	5,703	6,229	23,338	-	-	-	-	-	23,338	-	23,307	
Festival decoration	798	798	798	997	3,391	-	-	-	-	-	3,391	-	8,108	
Sub-total	7,907,082	7,900,099	6,851,312	9,150,044	31,808,537	-	-	-	-	-	31,808,537	-	27,256,891	

Schedule 1
(Continued)

LEI KING WAN ESTATE OWNERS' FUND

**DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2020 (CONTINUED)**

(FOR MANAGEMENT INFORMATION PURPOSES ONLY)

	Residential and shops					Carpark					2020 Total HK\$	2019 Total HK\$	
	Site A HK\$	Site B HK\$	Site C HK\$	Site D HK\$	Sub-total HK\$	Site A HK\$	Site B HK\$	Site C HK\$	Site D HK\$	Sub-total HK\$			
Carpark													
Cleaning services	-	-	-	-	-	25,200	64,800	84,000	49,800	223,800	223,800	196,500	
Accounting fee and data processing	-	-	-	-	-	1,500	4,000	5,500	2,500	13,500	13,500	13,500	
Carpark barrier maintenance	-	-	-	-	-	10,380	10,380	10,380	10,380	41,520	41,520	40,200	
Security guard services	-	-	-	-	-	33,951	87,407	112,690	56,345	290,393	290,393	276,565	
Administration costs	-	-	-	-	-	2,330	5,800	7,750	4,200	20,080	20,080	20,080	
Electricity	-	-	-	-	-	12,124	28,970	34,980	17,648	93,722	93,722	190,349	
Other repairs and maintenance	-	-	-	-	-	34,060	(30,640)	10,180	26,750	40,350	40,350	306,500	
Manager's fee	-	-	-	-	-	15,561	23,363	32,952	22,712	94,588	94,588	124,376	
Others	-	-	-	-	-	-	1,800	-	-	1,800	1,800	1,800	
Sub-total						135,106	195,880	298,432	190,335	819,753	819,753	1,169,870	
Total expenditure	13,509,919	13,126,781	11,796,209	14,751,691	53,184,600	167,218	249,819	354,568	243,278	1,014,883	54,199,483	47,733,320	
(Deficit)/surplus for the year	(250,208)	44,134	175,083	(606,106)	(637,097)	81,653	356,212	298,849	166,202	902,916	265,819	1,381,561	
Accumulated (losses)/surplus brought forward	(1,524,554)	(1,193,487)	(2,114,763)	(2,010,344)	(6,843,148)	314,734	465,199	844,957	581,997	2,206,887	(4,636,261)	(11,635,923)	
Transfer from capital equipment fund	(1,774,762)	(1,149,353)	(1,939,680)	(2,616,450)	(7,480,245)	396,387	821,411	1,143,806	748,199	3,109,803	(4,370,442)	(10,254,362)	
	592,540	575,736	517,378	647,003	2,332,657	-	-	-	-	-	2,332,657	5,618,101	
Accumulated (losses)/surplus carried forward	(1,182,222)	(573,617)	(1,422,302)	(1,969,447)	(5,147,588)	396,387	821,411	1,143,806	748,199	3,109,803	(2,037,785)	(4,636,261)	

Schedule 2

LEI KING WAN ESTATE OWNERS' FUND

**NET ESTATE OVERHEAD EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2020**

(FOR MANAGEMENT INFORMATION PURPOSES ONLY)

	2020 HK\$	2019 HK\$
Estate income		
Interest income	26	3,077
Miscellaneous income	3,997,582	538,563
	3,997,608	541,640
Estate overheads		
Accounting and data processing services	150,370	150,370
Administrative staff costs	6,473,054	6,086,017
Advertising	1,075	14,781
Cleaning services	67,360	182,055
Community activities	428	18,315
Electricity, water and telephone	88,414	110,125
Equipment expenses	40,864	47,210
Flower and plants	17,100	48,592
Guard expenses	2,714,757	2,747,178
Insurance	52,667	53,026
Legal and professional fees	104,949	80,842
Miscellaneous expenses	343,585	118,375
Office rent and rates	39,400	48,944
Printing and stationery	242,026	242,865
Repairs and maintenance	292,631	266,393
	10,628,680	10,215,088
Net estate overhead expenses (Schedule 1)	(6,631,072)	(9,673,448)

LEI KING WAN ESTATE OWNERS' FUND

ANALYSIS OF BALANCE SHEET
AS AT 31ST DECEMBER 2020

(FOR MANAGEMENT INFORMATION PURPOSES ONLY)

	Residential and commercial HK\$	Carpark HK\$	Elimination of intra-fund balances HK\$	2020 Total HK\$	2019 Total HK\$
Current assets					
Debtors and prepayments	4,275,992	3,425,255	(3,415,228)	4,286,019	1,076,445
Fixed deposits	3,242,800	430,315	-	3,673,115	3,621,992
Cash and bank balance	11,944,325	-	-	11,944,325	11,368,237
	<u>19,463,117</u>	<u>3,855,570</u>	<u>(3,415,228)</u>	<u>19,903,459</u>	<u>16,066,674</u>
Current liabilities					
Creditors and accruals	13,009,488	66,820	(3,415,228)	9,661,080	8,422,771
Net current assets	<u>6,453,629</u>	<u>3,788,750</u>	<u>-</u>	<u>10,242,379</u>	<u>7,643,903</u>
Financed by:					
Management fund	2,894,262	407,370	-	3,301,632	3,301,632
Capital equipment fund	8,706,952	271,580	-	8,978,532	8,978,532
Income and expenditure account	(5,147,585)	3,109,800	-	(2,037,785)	(4,636,261)
	<u>6,453,629</u>	<u>3,788,750</u>	<u>-</u>	<u>10,242,379</u>	<u>7,643,903</u>
The movements of income and expenditure account are analysed below:					
Accumulated (losses)/surplus b/f	(6,843,145)	2,206,884	-	(4,636,261)	(11,635,923)
(Loss)/surplus for the year	(637,097)	902,916	-	265,819	1,381,561
Accumulated (losses)/surplus b/f	(7,480,242)	3,109,800	-	(4,370,442)	(10,254,362)
Transfer from capital fund	2,332,657	-	-	2,332,657	5,618,101
Accumulated (losses)/surplus c/f	<u>(5,147,585)</u>	<u>3,109,800</u>	<u>-</u>	<u>(2,037,785)</u>	<u>(4,636,261)</u>