

HONG KONG EQUESTRIAN FEDERATION
EXECUTIVE COMMITTEE'S REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1ST SEPTEMBER 2021
TO 31ST MARCH 2022

HONG KONG EQUESTRIAN FEDERATION

REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee submits its report together with the audited financial statements of Hong Kong Equestrian Federation (the "Federation") for the period from 1st September 2021 to 31st March 2022 (the "period").

Principal activities

The principal activities of the Federation are to promote equestrian activities in all its branches and to encourage the use and protection of horses and ponies.

Business review

No business review is presented for the period as the Federation has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance (Cap. 622) since it falls within the reporting exemption.

Determination of accounting period end date

The Federation changed its financial year end date to 31st March in the current period so as to be coterminous with that of the Government of the Hong Kong Special Administrative Region, which are the main source of funding of the Federation. Accordingly, these financial statements cover a period from 1st September 2021 to 31st March 2022. The comparative figures are for the year ended 31st August 2021 which are therefore not directly comparable.

Results

The results of the Federation for the period are set out in the income and expenditure statement on page 7.

Funds

Movements in the funds of the Federation during the period are set out in note 9 to the financial statements.

Executive Committee Members

The Executive Committee Members during the period and up to the date of this report were:

Baker Suzanne
Bond Amanda Jayne
Green Howard John
Harding Andrew Charles
Kuh Gerald
Lee Tze Hau Michael, President
Leung Chan Che Ming Miranda
Lo Ming Chor Anne, Honorary Treasurer
Soong I-Ping, Vice President

In accordance with Articles 83 to 85 of the Federation's Articles of Association, Mrs. Baker Suzanne and Dr. Lo Ming Chor Anne retire by rotation at the forthcoming ordinary yearly meeting and, being eligible, offer themselves for re-election.

HONG KONG EQUESTRIAN FEDERATION

REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)

Executive Committee Members' material interests in transactions, arrangements and contracts that are significant in relation to the Federation's business

No transactions, arrangements and contracts of significance in relation to the Federation's business to which the Federation was a party and in which an Executive Committee Member of the Federation had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

Executive Committee Members' interests in the shares and debentures of the Federation or any specified undertaking of the Federation

At no time during the period was the Federation a party to any arrangement to enable the Executive Committee Members of the Federation to hold any interests in the shares, or debentures of, the Federation or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the activities of the Federation were entered into or existed during the period.

Permitted indemnity provisions

During the period and up to the date of this report, a permitted indemnity provision for the benefit of all Executive Committee Members of the Federation is currently in force and was in force throughout the period.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.


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Lee Tze Hau Michael
President

Hong Kong, **16 NOV 2022**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HONG KONG EQUESTRIAN FEDERATION**
(Incorporated in Hong Kong and limited by guarantee)

Opinion

What we have audited

The financial statements of Hong Kong Equestrian Federation (the "Federation"), which are set out on pages 6 to 27, comprise:

- the balance sheet as at 31st March 2022;
- the income and expenditure statement for the period from 1st September 2021 to 31st March 2022 (the "period");
- the statement of changes in funds for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Federation as at 31st March 2022, and of its financial performance and its cash flows for the period 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 Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 Federation 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.

Other Information

The Executive Committee Members are responsible for the other information. The other information comprises the information included in the Executive Committee's 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HONG KONG EQUESTRIAN FEDERATION (CONTINUED)**
(Incorporated in Hong Kong and limited by guarantee)

Other Information (Continued)

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 Executive Committee Members for the Financial Statements

The Executive Committee Members 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 Executive Committee Members 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 Executive Committee Members are responsible for assessing the Federation'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 Executive Committee Members either intend to liquidate the Federation or to cease operations, or have no realistic alternative but to do so.

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 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 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HONG KONG EQUESTRIAN FEDERATION (CONTINUED)**
(Incorporated in Hong Kong and limited by guarantee)

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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 Federation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee Members.
- Conclude on the appropriateness of the Executive Committee Members' 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 Federation'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 Federation 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 Executive Committee Members 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, **16 NOV 2022**

HONG KONG EQUESTRIAN FEDERATION
(All amounts in Hong Kong dollars unless otherwise stated)

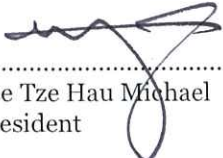
BALANCE SHEET


		As at	
	Note	31st March 2022	31st August 2021
ASSETS			
Non-current assets			
Property, plant and equipment	4	-	-
Right-of-use assets	5	3,789	30,307
Total non-current assets		3,789	30,307
Current assets			
Other receivables	7	1,801,837	119,237
Cash and cash equivalents	8	8,550,748	10,679,977
Total current assets		10,352,585	10,799,214
Total assets		10,356,374	10,829,521
FUNDS			
Capital fund and general fund	9	2,178,962	2,589,051
LIABILITIES			
Non-current liabilities			
Provision for long service payment	10	32,441	-
Current liabilities			
Accounts and other payables	10	1,934,429	333,697
Contract liabilities	12	64,125	57,555
Deferred income	13	6,142,407	7,817,623
Lease liabilities	11	4,010	31,595
Total current liabilities		8,144,971	8,240,470
Total liabilities		8,177,412	8,240,470
Total funds and liabilities		10,356,374	10,829,521

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 6 to 27 were approved by the Executive Committee on and were signed on its behalf.

16 NOV 2022


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Lee Tze Hau Michael
President


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Lo Ming Chor Anne
Honorary Treasurer

HONG KONG EQUESTRIAN FEDERATION
(All amounts in Hong Kong dollars unless otherwise stated)

INCOME AND EXPENDITURE STATEMENT

		For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
	Note		
Revenue			
Membership income		90,730	114,975
Competition income		120,720	78,000
Subvention income for specific purposes			
- Leisure and Cultural Services Department ("LCSD")	13	2,055,558	2,623,574
- Hong Kong Jockey Club (the "HKJC") for operating activities	13	-	1,641,800
- Hong Kong Sports Institute Limited ("HKSIL")	13	3,486,416	8,093,491
- The Equestrian Foundation Limited, EEM Asia (HK) Limited and Lee & Man Paper Manufacturing Limited	13	1,422	235,060
Other subventions for activities function		117,580	98,040
Other income			
Interest income		151	1,578
Net exchange gain		2,800	2,150
Miscellaneous income		49,559	148,975
		<u>5,924,936</u>	<u>13,037,643</u>
Less: Expenditure			
Expenses on activities function		(4,544,465)	(9,604,410)
Other operating expenses	14	(1,790,075)	(3,230,104)
Finance cost	17	(485)	(2,756)
		<u>(6,335,025)</u>	<u>(12,837,270)</u>
(Deficit)/surplus for the period/year		<u>(410,089)</u>	<u>200,373</u>
Other comprehensive income for the period/year		-	-
Total comprehensive (loss)/income for the period/year		<u><u>(410,089)</u></u>	<u><u>200,373</u></u>

The above income and expenditure statement should be read in conjunction with the accompanying notes.

HONG KONG EQUESTRIAN FEDERATION
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CHANGES IN FUNDS

	Capital fund	General fund	Total
Balance at 1st September 2020	<u>9,280,372</u>	<u>(6,891,694)</u>	<u>2,388,678</u>
Comprehensive loss			
Surplus for the year	-	200,373	200,373
Other comprehensive income	-	-	-
Balances at 31st August 2021 and 1st September 2021	<u>9,280,372</u>	<u>(6,691,321)</u>	<u>2,589,051</u>
Comprehensive loss			
Deficit for the period	-	(410,089)	(410,089)
Other comprehensive income	-	-	-
Balance at 31st March 2022	<u>9,280,372</u>	<u>(7,101,410)</u>	<u>2,178,962</u>

The above statement of changes in funds should be read in conjunction with the accompanying notes.

HONG KONG EQUESTRIAN FEDERATION

(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CASH FLOWS

	Note	For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
Cash flows from operating activities			
Cash (outflow)/inflow from operations	19(a)	(2,101,310)	2,479,240
Cash flows from investing activities			
Interest received		151	1,578
Net cash inflow from investing activities		151	1,578
Cash flows from financing activities			
Principle element of lease payments	19(b)	(27,585)	(46,209)
Interest element of lease payments	19(b)	(485)	(2,756)
Net cash outflow from financing activities		(28,070)	(48,965)
Net (decrease)/increase in cash and cash equivalents		(2,129,229)	2,431,853
Cash and cash equivalents at beginning of the period/year		10,679,977	8,248,124
Cash and cash equivalents at end of the period/year	8	8,550,748	10,679,977

The above statement of cash flows should be read in conjunction with the accompanying notes.

HONG KONG EQUESTRIAN FEDERATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activities of the Hong Kong Equestrian Federation (the “Federation”) are to promote equestrian activities in all its branches and to encourage the use and protection of horses and ponies.

The Federation is incorporated under the Hong Kong Companies Ordinance and is limited by guarantee. The address of its registered office is Hong Kong Jockey Club (“HKJC”) Shatin Race Course, 8/F., Central Complex, Shatin, New Territories, Hong Kong.

The Federation changed its financial year end date to 31st March in the current period so as to be coterminous with that of the Government of the Hong Kong Special Administrative Region, which are the main source of funding of the Federation. Accordingly, these financial statements cover a period from 1st September 2021 to 31st March 2022. The comparative figures are for the year ended 31st August 2021 which are therefore not directly comparable.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Federation have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) which is a collective term and includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Federation’s accounting policies. Other than the chargeability of the Hong Kong profits tax as disclosed in note 18, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements that the management expects will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) New and amended standards (collectively, the “Amendments”) adopted by the Federation

The Federation has applied the following Amendments for the first time for its annual accounting period commencing 1st September 2021:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30th June 2021
HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2

The adoption of these Amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

HONG KONG EQUESTRIAN FEDERATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (b) Amendments that are not yet effective and have not been early adopted by the Federation

Certain Amendments have been published that are mandatory for the Federation's accounting periods commencing on or after 1st April 2022. The following Amendments are relevant and applicable to the Federation; however, they have not been early adopted in these financial statements:

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use ¹
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ¹
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ¹
Annual Improvement Project	Annual Improvements to HKFRS Standards 2018-2020 (Amendments) ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ¹
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ²
HKFRS 17 (Amendments)	Insurance Contracts ²
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause ²
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ²
HKAS 8 (Amendments)	Definition of Accounting Estimates ²
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ²
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

Note:

- (1) Effective for Federation's accounting periods beginning on 1st April 2022
- (2) Effective for Federation's accounting periods beginning on 1st April 2023
- (3) Effective for the Federation's accounting period beginning on or after a date to be determined

The Federation has already commenced an assessment of the impact of these Amendments. According to the preliminary assessment made by the Executive Committee, no significant impact on the financial performance and position of the Federation is expected when they become effective.

2.2 Foreign currency translation

- (a) Functional and presentation currency

Items included in the financial statements of the Federation are measured using the currency of the primary economic environment in which the Federation operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Federation's functional and presentation currency.

HONG KONG EQUESTRIAN FEDERATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure statement.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Federation and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income and expenditure statement during the reporting period in which they are incurred.

Depreciation of computer and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 3 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other operating expenses in the income and expenditure statement.

2.4 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Financial assets

(a) Classification

The Company classifies its financial assets as those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

HONG KONG EQUESTRIAN FEDERATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Financial assets (Continued)

(b) Recognition and derecognition

Regular way purchases and sale of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other gains/(losses). Impairment losses are presented as separate line item in profit or loss.

(d) Impairment

The Federation assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets at amortised cost, the Company has assessed the expected credit losses for these receivables under either the 12 months or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.

2.6 Receivables

Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Federation holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Federation currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Federation has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts, if any.

HONG KONG EQUESTRIAN FEDERATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Payables

These amounts represent liabilities for services provided to the Federation prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Hong Kong where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the income and expenditure statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.11 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

HONG KONG EQUESTRIAN FEDERATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 Employee benefits (Continued)

(b) Pension obligations

The Federation has established a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Federation and the employees are required to contribute certain percentage of the employees' relevant income up to a capped limit per employee per month. The Federation has no further obligations once the contributions have been paid. The Federation's contributions to the MPF Scheme are expensed as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Federation recognises a liability and an expense for bonuses when the Federation has a present or legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) Long service payments

The Federation's Hong Kong employees who have completed a required number of years of service in the Federation are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment or retirement. The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Federation to the balance sheet date.

2.12 Provisions

Provisions are recognised when the Federation has a present legal or constructive obligation where, 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.

2.13 Revenue recognition

(a) Membership income

Membership income is recognised yearly over time on an accrual basis. Membership income received for future periods are recognised as contract liabilities in the balance sheet.

(b) Competition income

Competition income is recognised at a point in time when the application of competition event has been approved. Competition income received for future periods are recognised as contract liabilities in the balance sheet.

HONG KONG EQUESTRIAN FEDERATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.13 Revenue recognition (Continued)

(c) Subventions for specific purposes

Subventions for specific purposes are recognised when there is a reasonable assurance that the Federation will comply with the conditions attaching to it and that the subventions will be received.

Subventions relating to costs are deferred and recognised in the income and expenditure statement over the period necessary to match them with the costs that they are intended to compensate.

Subventions received for future periods are classified as subventions received in advance in the balance sheet.

(d) Other subventions for activities functions

Other subventions for activities functions are recognised when the right to receive payment is established.

(e) Miscellaneous income

Miscellaneous income is recognised on an accruals basis.

2.14 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income and expenditure statement as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.15 Leases – As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Federation.

Contracts may contain both lease and non-lease components. The Federation allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Federation under residual value guarantees;
- the exercise price of a purchase option if the Federation is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Federation exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.15 Leases – As a lessee (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Federation, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Federation:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Federation, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Federation is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is reassessed, the corresponding adjustment is reflected in the right-of-use asset, or comprehensive income if the right-of-use asset is already reduced to zero.

3 Financial and funds risks management

3.1 Financial risk factors

The Federation's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The Federation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Federation's financial performance.

(a) Foreign exchange risk

Foreign exchange risk arises where future transactions, recognised assets and liabilities are denominated in a currency that is not the Federation's functional currency. The Federation is not exposed to significant foreign currency exchange risk because transactions are mainly denominated in Hong Kong dollar.

HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial and funds risks management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Federation's credit risk primarily arises from deposits at banks and other receivables.

The Federation's financial assets are subject to the expected credit loss model. While cash at banks are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks.

For other financial assets at amortised cost, the Company applies the HKFRS 9 general approach to measuring expected credit losses. The impairment provision is determined as 12-month expected credit losses as there was no significant increase in credit risk on these assets since initial recognition. The loss rates are also adjusted to reflect the forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. No loss allowance provision was determined for these financial assets as at 31st March 2022 as the Executive Committee considered that the expected credit loss was immaterial.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. In the opinion of the Executive Committee Members, the Federation does not have any significant liquidity risk.

The table below analyses the Federation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at	
	31st March 2022	31 August 2021
<u>Less than one year</u>		
Accounts and other payables (note 10)	1,934,429	333,697
Undiscounted lease liabilities (note 11)	4,010	32,080
	<u>1,938,439</u>	<u>365,777</u>

(d) Cash flow interest rate risk

The Federation's interest rate risk mainly arises from the bank balances which carry interest at market interest rates. The Executive Committee Members are of the opinion that the interest income derived from the bank balances is insignificant to the Federation's operation and accordingly, no sensitivity analysis is presented for cash flow interest rate risk.

3.2 Funds risk management

The Federation's objectives when managing funds are to safeguard the Federation's ability to continue as a going concern and to have sufficient funding for future operations. The Federation's overall strategy remains unchanged from prior year.

The fund of the Federation represents its capital fund and general fund.

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial and funds risks management (Continued)

3.3 Fair value estimation

No disclosure of fair value measurements by level of fair value hierarchy is required in these financial statements as there are no financial instruments measured on such basis on the balance sheet.

The carrying values less impairment provision for receivables and payables are reasonable approximations their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Federation for similar financial instruments.

3.4 Offsetting financial assets and liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the period/year.

4 Property, plant and equipment

Computer and
equipment

**At 1st September 2020, 31st August 2021, 1st
September 2021 and 31st March 2022**

Cost	652,356
Accumulated depreciation	(652,356)
Net book amount	-

5 Right-of-use assets

Office
equipment

At 1st September 2020

Cost	121,229
Accumulated depreciation and impairment	(45,461)

Net book amount	75,768
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Year ended 31st August 2021

Opening net book amount	75,768
Depreciation charge (note 14)	(45,461)

Closing net book amount	30,307
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At 31st August 2021

Cost	121,229
Accumulated depreciation and impairment	(90,922)

Net book amount	30,307
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HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

5 Right-of-use assets (Continued)

	Office equipment
Period from 1st September 2021 to 31st March 2022	
Opening net book amount	30,307
Depreciation charge (note 14)	(26,518)
Closing net book amount	<u>3,789</u>
At 31st March 2022	
Cost	121,229
Accumulated depreciation and impairment	(117,440)
Net book amount	<u>3,789</u>

The Federation leases office equipment. Rental contracts are typically made for fixed period of 5 years with no extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose covenants, but lease assets may not be used as security for borrowing purposes.

Details of the maturity analysis of lease liabilities and total cash outflow for leases in 2022 are set out in notes 11 and 19(b) respectively.

6 Financial instruments by category

The Federation's financial instruments include the following:

	As at	
	31st March 2022	31st August 2021
Financial assets at amortised cost		
Other receivables (note 7)	1,758,649	119,237
Cash and cash equivalents (note 8)	8,550,748	10,679,977
	<u>10,309,397</u>	<u>10,799,214</u>
Financial liabilities at amortised cost		
Accounts and other payables (note 10)	1,934,429	333,697
Lease liabilities (note 11)	4,010	31,595
	<u>1,938,439</u>	<u>365,292</u>

The Federation's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

7 Other receivables

	As at	
	31st March 2022	31st August 2021
Other receivables	1,758,649	119,237
Prepayments	43,188	-
	<u>1,801,837</u>	<u>119,237</u>

The carrying values of other receivables approximate their fair values as at 31st March 2022 and 31st August 2021 and are denominated in Hong Kong dollars. The Federation does not hold any collateral as security.

As at 31st March 2022, the Executive Committee considered that the expected credit loss for other receivables was immaterial thus no loss allowance was made.

The Federation does not hold any collateral as security.

8 Cash and cash equivalents

	As at	
	31st March 2022	31st August 2021
Bank balances and cash	6,550,499	8,679,877
Short-term bank deposits with original maturity within three months	2,000,249	2,000,100
Maximum exposure to credit risk	<u>8,550,748</u>	<u>10,679,977</u>

The carrying amounts of fixed deposits with original maturity within three months and cash and cash equivalents are denominated Hong Kong dollars.

9 Funds

The balances of the funds represent the unutilised amount of the seed money granted for the operation of the Federation, and also the interest income, subventions and donations generated from the Federation. These funds are used to promote equestrian activities and to encourage the use and protection of horse and ponies.

10 Accounts and other payables

	As at	
	31st March 2022	31st August 2021
Other payables and accrued charges	1,934,429	333,697
Provision for long service payment	32,441	-
	<u>1,966,870</u>	<u>333,697</u>
Less: non-current provision for long service payment	(32,441)	-
Current portion	<u>1,934,429</u>	<u>333,697</u>

The carrying amounts of accounts and other payables approximate their fair values as at 31st March 2022 and 31st August 2021 and are denominated in Hong Kong dollars.

HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

11 Lease liabilities

	As at	
	31st March 2022	31st August 2021
Current	4,010	31,595
Minimum lease payments		
- Within one year	4,010	32,080
Less: total future interest expenses	-	(485)
Present value of lease liabilities	4,010	31,595

The nature of the Company's leasing activities by type of right-of-use assets recognised on balance sheet is detailed in note 5.

Interest expense of HK\$485 (2021:HK\$2,756) has been charged in "finance cost" in income and expenditure statement.

12 Contract liabilities

	As at	
	31st March 2022	31st August 2021
Contract liabilities – receipts in advance from members for membership income and competition income	64,125	57,555

Revenue of HK\$57,555 was recognised that was included in contract liabilities balance at the beginning of the year (2021: Nil).

HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

13 Deferred income

	Subvention from LCSD	Subvention from HKJC	Subvention from Lee & Man Paper Manufacturing Ltd.	Subvention from The Equestrian Foundation Limited and EEM Asia (HK) Limited	Subvention from HKSI	Subvention from Brilliant Printing Limited and Sports Federation & Olympic Committee of Hong Kong, China	Total
Balances at 1st September 2020	2,223,817	216,075	216,639	71,202	2,794,450	139,940	5,662,123
Subvention received	6,199,943	2,000,000	-	-	8,337,183	-	16,537,126
Reclassification of subventions	(1,051,714)	1,051,714	-	-	-	-	-
Recognised in income and expenditure statement	(2,623,574)	(1,641,800)	(216,639)	(18,421)	(8,093,491)	-	(12,593,925)
Refunded to LCSD and HKSI	(1,587,701)	-	-	-	(200,000)	-	(1,787,701)
Balance at 31st August 2021 and 1st September 2021	3,160,771	1,625,989	-	52,781	2,838,142	139,940	7,817,623
Subvention received	2,044,081	-	-	-	3,300,000	-	5,344,081
Recognised in income and expenditure statement	(2,055,558)	-	-	(1,422)	(3,486,416)	-	(5,543,396)
Refunded to LCSD and HKSI	(1,005,744)	-	-	-	(470,157)	-	(1,475,901)
Balance at 31st March 2022	2,143,550	1,625,989	-	51,359	2,181,569	139,940	6,142,407

HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

14 Expenses by nature

	For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
Auditor's remuneration	67,200	84,000
Accountancy fee	81,200	90,000
Employee benefit expense (note 15)	1,293,735	2,390,828
Depreciation of right-of-use assets (note 5)	26,518	45,461
Registration and affiliation fees	6,776	20,436
Professional fees	115,115	94,069
Other expenses	199,531	505,310
Total other operating expenses	<u>1,790,075</u>	<u>3,230,104</u>

15 Employee benefit expense (including executive committee members' emoluments)

	For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
Salaries and wages	1,221,563	2,239,798
Bonus	-	66,701
Pension costs – MPF scheme	39,731	84,329
Provision for long service payment	32,441	-
	<u>1,293,735</u>	<u>2,390,828</u>
Allowance paid to executive committee member	636	636
	<u>1,294,371</u>	<u>2,391,464</u>

16 Benefits and interest of Executive Committee Members

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance (Cap. 622) and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G):

HONG KONG EQUESTRIAN FEDERATION

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NOTES TO THE FINANCIAL STATEMENTS**16 Benefits and interest of Executive Committee Members (Continued)**

- (a) Executive Committee Members' emolument (equivalent to key management compensation)

	For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
Fee	-	-
Allowances	636	636
	<u>636</u>	<u>636</u>

During the period/year, no retirement benefits, payments or benefits in respect of termination of Executive Committee Members' services (also represents key management compensation) were paid or made, directly or indirectly, to the Executive Committee Members; nor are any payable (2021: nil). No consideration was provided to or receivable by third parties for making available Executive Committee Members' services (2021: nil). There are no loans, quasi-loans or other dealings in favour of the Executive Committee Members, their controlled bodies corporate and connected entities (2021: nil).

- (b) No Executive Committee Member of the Federation had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Federation's business to which the Federation was or is a party that subsisted at the end of the period/year or at any time during the period/year (2021: nil).

17 Finance cost

	For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
Interest expense on lease liabilities	485	2,756
	<u>485</u>	<u>2,756</u>

18 Income tax expense

No provision for Hong Kong profits tax has been made as the Federation has no assessable profit for the period/year (2021: Nil).

The Executive Committee Members are of the opinion that the Federation is not carrying on business in Hong Kong and accordingly, is not subjected to Hong Kong profits tax.

HONG KONG EQUESTRIAN FEDERATION
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

18 Income tax expense (Continued)

The tax on the Federation's surplus for the period/year differs from the theoretical amount that would arise as follows:

	For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
(Deficit)/surplus for the period/year	(410,089)	200,373
Calculated at a tax rate of 16.5% (2021: 16.5%)	(67,665)	33,062
Income not subject to tax	(977,614)	(2,151,211)
Expense not deductible	1,045,279	2,118,149
Income tax expense	-	-

At 31st March 2022 and 31st August 2021, the Federation has no material unprovided deferred income tax.

19 Cash flow information

(a) Cash (outflow)/inflow from operations

	For the period from 1st September 2021 to 31st March 2022	For the year ended 31st August 2021
(Deficit)/surplus for the period/year	(410,089)	200,373
Adjustments for:		
- Interest income	(151)	(1,578)
- Depreciation of right-of-use assets (note 5)	26,518	45,461
- Provision for long service payment (note 15)	32,441	-
- Finance cost (note 17)	485	2,756
Changes in working capital:		
- Other receivables	(1,682,600)	176,178
- Accounts and other payables	1,600,732	(157,005)
- Contract liabilities	6,570	57,555
- Deferred income	(1,675,216)	2,155,500
Cash (outflow)/inflow from operations	(2,101,310)	2,479,240

HONG KONG EQUESTRIAN FEDERATION
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NOTES TO THE FINANCIAL STATEMENTS

19 Cash flow information (Continued)

(b) Reconciliation of liabilities arising from financing activities during the period/year.

	Lease liabilities
Balance as at 1st September 2020	77,804
Accrued interest	2,756
Cash movements	
- payment for lease liabilities	(48,965)
	<hr/>
Balances as at 31st August and 1st September 2021	31,595
Accrued interest	485
Cash movements	
- payment for lease liabilities	(28,070)
	<hr/>
Balance as at 31st March 2022	<u><u>4,010</u></u>