

LOK CHI ASSOCIATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2016

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LOK CHI ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

The members of the Management Committee have pleasure in submitting their report and audited financial statements for the year ended 31 March, 2016.

Financial statements

The state of the Association's affairs as at 31 March, 2016 together with results for the financial year ended on the same date, are set out in the financial statements and notes on pages 5 to 22.

Principal activities

The Association is a charitable organisation and the principal activities for which the Association is established are to promote the welfare of the intellectually impaired and to support their families in this respect.

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in note 17 to the financial statements.

Reserves

Details of movements in the reserves of the Association during the year are set out in the statement of changes in total funds and notes 8 to 16 to the financial statements.

Members of the Management Committee

The members of the Management Committee during the year and up to the date of this report were:

Officers:

Ms. Tsang Chi Hung	(Chairperson)
Ms. Kwan Chui Kuen	(Vice-Chairperson)
Ms. Leung Pik Han, Alice	(Vice-Chairperson)
Ms. Ko Kit Mui	(Honorary Treasurer)
Ms. Cheung Hang Mui	(Honorary Secretary)

Others:

Ms. Luk Yim Ling	
Ms. Wong Chee Mun	
Dr. Chiu Ching Tak Lan, Rosa	
Dr. Chung Po Yee	
Ms. Wong Oi King	
Dr. Wong Chung Hin, Willy	
Ms. Yeung Mee Ling	
Mr. Tong Chi Leung	
Ms. Ho Shuk Han	(appointed on 29 December, 2015)
Ms. Kwok Man Yee, Wandy	(resigned on 29 December, 2015)

In accordance with Article 12 of the Association's Articles of Association, all members of the Management Committee shall retire and, being eligible, offer themselves for re-election but they shall not hold the same office for three consecutive years.

LOK CHI ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)

Management Committee members' interest in contracts

No contract of significance to which the Association was a party and in which a member of the Management Committee had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted indemnity provision

At no time during the financial year were there any permitted indemnity provisions in force for the benefit of one or more members of the Management Committee of the Association.

Management contract

No contract concerning the management and administration of the Association was entered into or existed during the year.

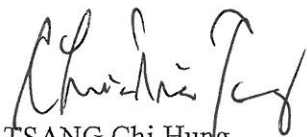
Business review

The Association falls within reporting exemption for the financial year. Accordingly, the Association is exempted from preparing a business review.

Auditors

A resolution for the re-appointment of Yuen & Chu CPA Limited as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By Order of the Management Committee



TSANG Chi Hung
Chairperson

Hong Kong

Date : 25 OCT 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MANAGEMENT COMMITTEE OF LOK CHI ASSOCIATION LIMITED

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

We have audited the financial statements of Lok Chi Association Limited (“the Association”) set out on pages 5 to 22, which comprise the statement of financial position as at 31 March, 2016, and the statement of comprehensive income and expenditure, statement of changes in total funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Members of the Management Committee's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation of financial statements that give a true and fair view 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 Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Management Committee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

TO THE MEMBERS OF THE MANAGEMENT COMMITTEE OF LOK CHI ASSOCIATION LIMITED

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Association's affairs as at 31 March, 2016, and of its deficits and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



YUEN & CHU CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

Hong Kong

Date : 25 OCT 2016

Chu Wai Yin

Practising certificate number : P03995

LOK CHI ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH, 2016

	<u>Note</u>	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Revenue	6	4,423,313	4,469,197
Other revenue	6	7,572	-
Administrative and operating expenditure		<u>(4,594,681)</u>	<u>(4,214,426)</u>
Operating (deficits) / surplus	7	<u>(163,796)</u>	<u>254,771</u>
Fund appropriation			
Transfer (to) / from LWB subvention	9	(11,138)	6,823
Transfer to EDB after school care programme		-	(3,300)
Transfer from SWD reserve fund	10	925	2,244
Transfer from SWD gateway subvention fund	11	308,193	196,125
Transfer to SWD programme assistant reserves	12	-	(351)
Transfer to SWD lump sum grant reserves	13	(32,815)	(206,329)
Transfer to Lotteries fund - Block grant	14	(21,154)	(14,347)
Transfer to SWD Social Welfare Development Fund	15	<u>(49,702)</u>	<u>(179,490)</u>
		194,309	(198,625)
Transfer to designated funds	16	<u>(34,093)</u>	<u>(19,368)</u>
		<u>160,216</u>	<u>(217,993)</u>
(Deficits) / surplus and total comprehensive (expenditure) / income for the year		(3,580)	36,778
Balance, being surplus, brought forward		<u>4,539,862</u>	<u>4,503,084</u>
Balance, being surplus, carried forward		<u>4,536,282</u>	<u>4,539,862</u>

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2016

	<u>Note</u>	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Non-current assets			
Property, plant and equipment	17	<u>87,985</u>	<u>44,049</u>
Current assets			
Accounts receivable		15,949	21,668
Utility deposit		4,100	4,100
Prepayments and sundry debtors		110,500	87,120
Cash and bank balances		<u>7,640,591</u>	<u>7,775,728</u>
		<u>7,771,140</u>	<u>7,888,616</u>
Current liabilities			
Receipts in advance		76,940	35,650
Deferred income	18	152,984	83,048
Accruals		<u>52,307</u>	<u>49,003</u>
		<u>282,231</u>	<u>167,701</u>
Net current assets		<u>7,488,909</u>	<u>7,720,915</u>
Net assets		<u>7,576,894</u>	<u>7,764,964</u>

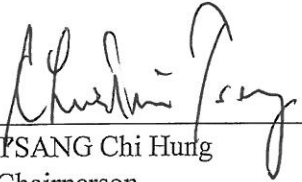
LOK CHI ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION (Cont'd)

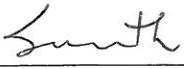
AS AT 31 MARCH, 2016

	<u>Note</u>	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Reserve funds represented by:			
General fund	8	4,536,282	4,539,862
LWB subvention	9	16,917	5,779
SWD reserve fund	10	(4,914)	18,359
SWD gateway subvention fund	11	427,734	735,927
SWD programme assistant reserves	12	351	1,365
SWD lump sum grant reserves	13	810,144	778,241
Lotteries fund - Block grant	14	81,348	60,194
SWD Social Welfare Development Fund	15	442,330	392,628
Designated funds	16	1,266,702	1,232,609
		<u>7,576,894</u>	<u>7,764,964</u>

The accompanying notes form part of the financial statements.



TSANG Chi Hung
Chairperson



KO Kit Mui
Honorary Treasurer

LOK CHI ASSOCIATION LIMITED

STATEMENT OF CHANGES IN TOTAL FUNDS

FOR THE YEAR ENDED 31 MARCH, 2016

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Total funds at 1 April	7,764,964	7,510,993
Net movements in funds	<u>(188,070)</u>	<u>253,971</u>
Total funds at 31 March	<u><u>7,576,894</u></u>	<u><u>7,764,964</u></u>

LOK CHI ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH, 2016

	Note	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Cash flows (used in) / generated from operating activities	23	<u>(8,980)</u>	<u>242,028</u>
Cash flows from investing activities			
Bank interest received		159	156
Purchase of property, plant and equipment		<u>(102,042)</u>	<u>(16,953)</u>
Net cash used in investing activities		<u>(101,883)</u>	<u>(16,797)</u>
Cash flows from financing activities			
Refund of surplus of grants to LWB		-	(800)
Refund of surplus of grants to SWD		<u>(24,274)</u>	<u>-</u>
Net cash used in financing activities		<u>(24,274)</u>	<u>(800)</u>
Net (decrease) / increase in cash and cash equivalents		(135,137)	224,431
Cash and cash equivalents at beginning of year		<u>7,775,728</u>	<u>7,551,297</u>
Cash and cash equivalents at end of year		<u><u>7,640,591</u></u>	<u><u>7,775,728</u></u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<u><u>7,640,591</u></u>	<u><u>7,775,728</u></u>

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH, 2016

1. General information

Lok Chi Association Limited is a limited company incorporated in Hong Kong with limited liability by guarantee and not having a share capital. The Association's registered office is located at G/F., Tai Wo Hau Community Centre, 15 Tai Wo Hau Road, Kwai Chung, New Territories, Hong Kong. The Association is a charitable organisation and the principal activities for which the Association is established are to promote the welfare of the intellectually impaired and to support their families in this respect.

2. Status of the Association

The Association is a non-profit making incorporated association. In the event of this Association being wound up, any person being a member or within one year after he ceased to be a member should be required to contribute to the deficit of the Association for a sum not exceeding ten dollars in Hong Kong currency.

3. Statement of compliance with Hong Kong Financial Reporting Standards

The Association's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) 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. A summary of significant accounting policies is set out in note 5.

In the current year, the Association has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 April, 2015. A summary of the changes in accounting policies resulting from the Company's application of these HKFRSs is set out in note 4.

The Association has not applied any new standard or interpretation that has been issued but not yet effective for the current accounting period.

4. Changes in accounting policies

In the current year, the Association has initially applied the following new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 April, 2015:

Amendments to HKAS 19 (2011) Defined benefit plans: employee contributions
Annual Improvements to HKFRSs 2010 - 2012 cycle
Annual Improvements to HKFRSs 2011 - 2013 cycle

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and / or disclosure set out in these financial statements.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

4. Changes in accounting policies (Cont'd)

Amendments to HKAS 19 - Defined benefit plans: employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, an association is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements.

Annual improvements to HKFRSs 2010 - 2012 and 2011 - 2013 cycles

The two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Association's related party disclosures as the Association does not obtain key management personnel services from management entities.

5. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The measurement basis used in the preparation of the financial statements is historical cost.

The financial statements are presented in Hong Kong dollars, the currency in which the majority of the Association's transactions are dominated.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and impairment loss.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, on a straight-line basis at the following rates:

Leasehold improvement	Over unexpired lease terms
Furniture, fixtures and reference books	20% per annum
Computer equipment	33.33% per annum

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

5. Significant accounting policies (Cont'd)

(c) Impairment of assets

Assets are reviewed for impairment at each balance sheet date of whether there is any indication that the carrying amount of any asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount, is recognised in the income and expenditure account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from sale of an asset in an arm's length transaction less the cost of the disposal, while value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exist or has decreased. The reversal is recorded in the income and expenditure account.

(d) Recognition of revenue

Grants, donations and subventions received from donors and government bodies for specific purposes are deferred and released to the income and expenditure account as income when these funds are expended on those specific purposes. Any unused funds are classified as funds within the funds employed section of the balance sheet.

Income from functions organized by the Association and membership fee income is recognised on accrual basis.

Bank interest income is recognised on effective interest method.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income and expenditure on a straight-line basis over the lease periods.

(f) Retirement benefit costs

The Association's contributions to retirement schemes are expensed as incurred. The assets of the schemes are held separately from those of the Association in an independently administered fund.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

5. Significant accounting policies (Cont'd)

(g) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income and expenditure account over the expected useful life of the relevant asset by equal annual instalments.

(h) Cash and cash equivalents

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

6. Revenue and other revenue

The Association is principally engaged in promoting the welfare of the intellectually impaired and supporting their families in this respect. Revenue and other revenue recognised during the year are as follows:-

	<u>2016</u>	<u>2015</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Revenue</u>		
Government grants and subventions	2,631,419	2,560,439
Grant from Lotteries fund - Block grant	35,457	28,730
Lotteries fund - Replacement of Member PC	-	676
SWD Social Welfare Development Fund	139,237	332,750
Donations from the Community Chest of Hong Kong	1,069,660	944,660
Donations	210,710	266,859
Fund Raising project	68,800	-
Programme and membership fee income	267,871	334,927
Bank interest income	159	156
	<u>4,423,313</u>	<u>4,469,197</u>
<u>Other revenue</u>		
Other income	<u>7,572</u>	<u>-</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

7. Operating (deficits) / surplus for the year

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Operating (deficits) / surplus for the year is arrived at after charging:		
Staff costs (including Management Committee members' remuneration)	3,072,127	2,754,372
Pension costs	<u>169,529</u>	<u>158,254</u>
	<u>3,241,656</u>	<u>2,912,626</u>
Audit fee - LWB adult education subvention	3,000	3,000
Audit fee	14,000	12,000
Rental expenses in respect of land and buildings	2	2
Loss on disposal of property, plant and equipment	350	-
Depreciation	<u>57,756</u>	<u>67,005</u>

8. General fund

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Surplus brought forward from previous year	4,539,862	4,503,084
Transfer to income and expenditure account	(3,580)	(60,146)
Transfer to EDB after school care programme	-	(300)
Transfer from SWD Social Welfare Development Fund	<u>-</u>	<u>97,224</u>
Surplus carried forward	<u>4,536,282</u>	<u>4,539,862</u>

9. LWB subvention

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Surplus brought forward from previous year	5,779	13,402
Transfer from / (to) income and expenditure account	11,138	(6,823)
Refund to LWB during the year	<u>-</u>	<u>(800)</u>
Surplus carried forward	<u>16,917</u>	<u>5,779</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

10. SWD reserve fund

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Surplus brought forward from previous year	18,359	20,603
Transfer to income and expenditure account	(925)	(2,244)
Refund to SWD during the year	<u>(22,348)</u>	<u>-</u>
(Deficits) / surplus carried forward	<u>(4,914)</u>	<u>18,359</u>

11. SWD gateway subvention fund

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Surplus brought forward from previous year	<u>735,927</u>	<u>932,052</u>
Add: Income during the year:		
Subvention received	316,000	316,000
Other income	590	-
Programme and membership fee income	<u>39,915</u>	<u>39,155</u>
	<u>356,505</u>	<u>355,155</u>
Less: Expenditure during the year:		
Staff salaries	563,097	464,445
Mandatory Provident Fund	23,608	20,132
Programme expenses	70,493	66,130
Office supplies	<u>7,500</u>	<u>573</u>
	<u>664,698</u>	<u>551,280</u>
Surplus carried forward	<u>427,734</u>	<u>735,927</u>

12. SWD programme assistant reserves

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Surplus brought forward from previous year	1,365	1,014
Transfer from income and expenditure account	-	351
Refund to SWD during the year	<u>(1,014)</u>	<u>-</u>
Surplus carried forward	<u>351</u>	<u>1,365</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

13. SWD lump sum grant reserves

	SWD lump sum grant <u>HK\$</u>	Provident fund reserve - existing staff <u>HK\$</u>	Provident fund reserve - 6.8% and other posts <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance as at 01.04.2014	318,835	2,600	250,477	571,912
Transfer from income and expenditure account	<u>156,558</u>	<u>-</u>	<u>49,771</u>	<u>206,329</u>
Balance as at 31.03.2015	475,393	2,600	300,248	778,241
Transfer from / (to) income and expenditure account	(19,887)	(1,688)	54,390	32,815
Refund to SWD during the year	<u>-</u>	<u>(912)</u>	<u>-</u>	<u>(912)</u>
Balance as at 31.03.2016	<u><u>455,506</u></u>	<u><u>-</u></u>	<u><u>354,638</u></u>	<u><u>810,144</u></u>

14. Lotteries fund - Block grant

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Surplus brought forward from previous year	60,194	45,847
Transfer from income and expenditure account	<u>21,154</u>	<u>14,347</u>
Surplus carried forward	<u><u>81,348</u></u>	<u><u>60,194</u></u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

14. Lotteries fund - Block grant (Cont'd)

Movement of the Furniture and Equipment Replenishment and Minor Works Block Grant Reserve

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Balance of Block Grant Reserve brought forward from previous financial year	60,194	45,847
Add: Block Grant received during the year	<u>33,000</u>	<u>32,000</u>
	93,194	77,847
Less: Expenditure during the year (Note)- Minor work project	-	(1,700)
Furniture and equipment	<u>(11,846)</u>	<u>(15,953)</u>
	81,348	60,194
Contribution from NGO to cover the deficit (if any)	<u>-</u>	<u>-</u>
Balance of Block Grant Reserve carried forward to next financial year	<u><u>81,348</u></u>	<u><u>60,194</u></u>

Capital Commitments

As at 31 March 2016, the outstanding commitments in respect of Furniture and Equipment Replenishment and Minor Works Block Grant were as follows -

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Contracted for but not provided in the financial statements	-	-
Authorised but not contracted for	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Note :

Expenditure charged to Block Grant during the year should be full expenditure amount, i.e. the actual expenditure incurred in 2015-16.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

15. SWD Social Welfare Development Fund

	<u>Phase 1</u> <u>HK\$</u>	<u>Phase 2</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance as at 01.04.2014	99,337	113,801	213,138
Transfer from income and expenditure account	-	276,714	276,714
Transfer (to) / from general fund	<u>(99,337)</u>	<u>2,113</u>	<u>(97,224)</u>
Balance as at 31.03.2015	-	392,628	392,628
Transfer from income and expenditure account	<u>-</u>	<u>49,702</u>	<u>49,702</u>
Balance as at 31.03.2016	<u>-</u>	<u>442,330</u>	<u>442,330</u>

16. Designated funds

	<u>Fun day</u> <u>fund</u> <u>HK\$</u>	<u>Scout</u> <u>fund</u> <u>HK\$</u>	<u>Friends of</u> <u>Lok Chi fund</u> <u>HK\$</u>	<u>Development</u> <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance as at 01.04.2014	766	9,680	43,012	1,159,783	1,213,241
Transfer (to) / from income and expenditure account	<u>(378)</u>	<u>562</u>	<u>(31,950)</u>	<u>51,134</u>	<u>19,368</u>
Balance as at 31.03.2015	388	10,242	11,062	1,210,917	1,232,609
Transfer (to) / from income and expenditure account	<u>(388)</u>	<u>623</u>	<u>16,285</u>	<u>17,573</u>	<u>34,093</u>
Balance as at 31.03.2016	<u>-</u>	<u>10,865</u>	<u>27,347</u>	<u>1,228,490</u>	<u>1,266,702</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

17. Property, plant and equipment

	<u>Leasehold improvement</u> HK\$	<u>Furniture, fixtures and reference books</u> HK\$	<u>Computer equipment</u> HK\$	<u>Total</u> HK\$
<u>At cost</u>				
As at 01.04.2014	48,720	738,438	450,473	1,237,631
Additions	1,000	12,159	3,794	16,953
Disposals	-	(1,588)	(13,758)	(15,346)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31.03.2015	49,720	749,009	440,509	1,239,238
Additions	-	14,232	87,810	102,042
Disposals	-	(33,920)	(799)	(34,719)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31.03.2016	<u>49,720</u>	<u>729,321</u>	<u>527,520</u>	<u>1,306,561</u>
<u>Accumulated depreciation</u>				
As at 01.04.2014	38,436	690,174	414,920	1,143,530
Charge for the year	4,972	25,721	36,312	67,005
Written back on disposals	-	(1,588)	(13,758)	(15,346)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31.03.2015	43,408	714,307	437,474	1,195,189
Charge for the year	4,972	22,250	30,534	57,756
Written back on disposals	-	(33,570)	(799)	(34,369)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31.03.2016	<u>48,380</u>	<u>702,987</u>	<u>467,209</u>	<u>1,218,576</u>
<u>Net book value</u>				
As at 31.03.2016	<u>1,340</u>	<u>26,334</u>	<u>60,311</u>	<u>87,985</u>
As at 31.03.2015	<u>6,312</u>	<u>34,702</u>	<u>3,035</u>	<u>44,049</u>

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

18. Deferred income

Grants and subvention related to assets are recorded as deferred income and are released to the income and expenditure account as the related expenditure are incurred.

19. Taxation

No provision for Hong Kong profits tax has been made in these financial statements as the Association is an approved charitable organisation under Section 88 of the Hong Kong Inland Revenue Ordinance.

20. Management Committee members' remuneration

Pursuant to Section 383(1) of the Companies Ordinance, Management Committee members' remuneration is disclosed as follows:

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Fees and other emoluments	-	-

21. Commitments under operating leases

As at 31 March, 2016, the Association had the following future minimum lease payments under non-cancellable operating leases for the following periods:-

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Land and buildings: Within one year	2	2

22. Staff provident fund

The staff provident fund is managed by Principal Trust Company (Hong Kong) Limited, the balance of which has not been dealt with in these financial statements.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

23. Note to the statement of cash flows

Reconciliation of (deficits) / surplus to cash (used in) / generated from operating activities:

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Operating (deficits) / surplus for the year	(163,796)	254,771
Adjustments for:		
Loss on disposal of property, plant and equipment	350	-
Depreciation	57,756	67,005
Bank interest received	(159)	(156)
Operating (deficits) / surplus before working capital changes:	(105,849)	321,620
Decrease / (increase) in accounts receivable	5,719	(185)
Increase in prepayments and sundry debtors	(23,380)	(30,264)
Increase / (decrease) in receipts in advance	41,290	(34,563)
Increase / (decrease) in deferred income	69,936	(11,052)
Increase / (decrease) in accruals	3,304	(3,528)
Net cash (used in) / generated from operating activities	<u>(8,980)</u>	<u>242,028</u>

24. Financial risk management

Financial assets of the Association mainly include accounts receivable, prepayments and cash & bank balances. Financial liabilities of the Association mainly include receipts in advance, deferred income and accruals.

The Management Committee members considered that the carrying amounts of the Association's financial instruments approximated their fair values as at the end of the reporting period. Fair value estimates are made at a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainty and matters of significant judgment and therefore cannot be determined with precision. Changes in assumption could significantly affect the estimates.

The Association is exposed to various kinds of risks in its operations and financial instruments. These risks are limited by the Association's financial management policies and practices described below:

(a) Credit risk

The Association has placed its cash and bank balances and fixed deposits with reputable banks in Hong Kong.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2016

24. Financial risk management (Cont'd)

(b) Liquidity risk

The Association's liquidity risk is minimised by maintaining sufficient cash and liquid assets and the availability of funding through an adequate amount of funds.

25. Hong Kong Financial Reporting Standards issued but not yet effective for the year

HKFRSs that have been issued but are not yet effective for the year include the following which may be relevant to the Association's operations and financial statements:

	<u>Effective for annual periods beginning on or after</u>
Annual improvements to HKFRSs 2012 - 2014 cycle	1 January 2016
Amendments to HKAS 1 Disclosure initiative	1 January 2016
Amendments to HKAS 7 Disclosure initiative	1 January 2017
Amendments to HKAS 16 Clarification of acceptable methods of and HKAS 38 depreciation and amortisation	1 January 2016
HKFRS 15 Revenue from contracts with customers	1 January 2018
HKFRS 16 Leases	1 January 2019

26. Approval of financial statements

The financial statements were approved by the members of the Management Committee on

25 OCT 2016