

LOK CHI ASSOCIATION LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2017



Yuen & Chu CPA Limited

Certified Public Accountants

LOK CHI ASSOCIATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2017

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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, 2017.

Financial statements

The state of the Association's affairs as at 31 March, 2017 together with results for the financial year ended on the same date, are set out in the financial statements and notes on pages 6 to 23.

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 18 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 17 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 | |
| Ms. Ho Shuk Han | |
| Mr. Chiu Tak On | (appointed on 17 December, 2016) |
| Ms. Cheung King Fong | (appointed on 17 December, 2016) |
| Mr. Tong Chi Leung | (resigned on 17 December, 2016) |

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.

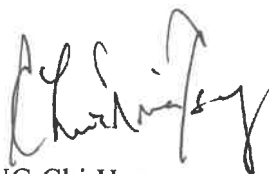
Equity-linked arrangements

No equity-linked arrangements were entered into by the Association, during the year or subsisted at the end of the year.

Auditors

A resolution for the re-appointment of Yuen & Chu CPA Limited as auditor 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 : 27 OCT 2017

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)

Opinion

We have audited the financial statements of Lok Chi Association Limited (“the Association”) set out on pages 6 to 23, which comprise the statement of financial position as at 31st March, 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31st March, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

Information Other than the Financial Statements and Auditor's Report thereon

The members of the Management Committee of the Association are responsible for the other information. The other information comprises the information included in the report of the Management Committee, 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.

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)

Responsibilities of Members of the Management Committee and Those Charged with Governance for the Financial Statements

The members of the Management Committee of the Association 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 members of the Management Committee of the Association determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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)

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

- Conclude on the appropriateness of the members of the Management Committee of the Association's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



YUEN & CHU CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

Hong Kong

Date : 27 OCT 2017

Chu Wai Yin

Practising certificate number : P03995

LOK CHI ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE****FOR THE YEAR ENDED 31 MARCH, 2017**

| | <u>Note</u> | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|-------------|----------------------------|----------------------------|
| Revenue | 6 | 4,322,287 | 4,423,313 |
| Other revenue | 6 | 2,822 | 7,572 |
| Administrative and operating expenditure | | <u>(4,716,842)</u> | <u>(4,594,681)</u> |
| Operating deficits | 7 | <u>(391,733)</u> | <u>(163,796)</u> |
| Fund appropriation | | | |
| Transfer to LWB subvention | 9 | (10,040) | (11,138) |
| Transfer to Hongkong Bank Foundation | 10 | (39,370) | - |
| Transfer from SWD reserve fund | 11 | 2,621 | 925 |
| Transfer from SWD gateway subvention fund | 12 | 387,637 | 308,193 |
| Transfer to SWD programme assistant reserves | 13 | - | - |
| Transfer to SWD lump sum grant reserves | 14 | (85,267) | (32,815) |
| Transfer from / (to) Lotteries fund - Block grant | 15 | 1,105 | (21,154) |
| Transfer from / (to) SWD Social Welfare Development Fund | 16 | <u>108,438</u> | <u>(49,702)</u> |
| | | 365,124 | 194,309 |
| Transfer to designated funds | 17 | <u>(38,974)</u> | <u>(34,093)</u> |
| | | <u>326,150</u> | <u>160,216</u> |
| Deficits and total comprehensive expenditure for the year | | (65,583) | (3,580) |
| Balance, being surplus, brought forward | | <u>4,536,282</u> | <u>4,539,862</u> |
| Balance, being surplus, carried forward | | <u>4,470,699</u> | <u>4,536,282</u> |

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2017

| | <u>Note</u> | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--------------------------------|-------------|----------------------------|----------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 18 | <u>184,525</u> | <u>87,985</u> |
| Current assets | | | |
| Accounts receivable | | 16,606 | 15,949 |
| Utility deposit | | 4,300 | 4,100 |
| Prepayments and sundry debtors | | 72,170 | 110,500 |
| Cash and bank balances | | <u>7,214,619</u> | <u>7,640,591</u> |
| | | <u>7,307,695</u> | <u>7,771,140</u> |
| Current liabilities | | | |
| Receipts in advance | | 50,040 | 76,940 |
| Deferred income | 19 | 184,524 | 152,984 |
| Accruals | | <u>65,065</u> | <u>52,307</u> |
| | | <u>299,629</u> | <u>282,231</u> |
| Net current assets | | <u>7,008,066</u> | <u>7,488,909</u> |
| Net assets | | <u>7,192,591</u> | <u>7,576,894</u> |

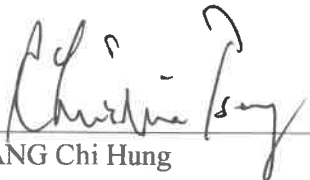
LOK CHI ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION (Cont'd)


AS AT 31 MARCH, 2017

| | <u>Note</u> | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--------------------------------------|-------------|----------------------------|----------------------------|
| Reserve funds represented by: | | | |
| General fund | 8 | 4,470,699 | 4,536,282 |
| LWB subvention | 9 | 26,957 | 16,917 |
| Hongkong Bank Foundation | 10 | 39,370 | - |
| SWD reserve fund | 11 | 246 | (4,914) |
| SWD gateway subvention fund | 12 | 40,097 | 427,734 |
| SWD programme assistant reserves | 13 | - | 351 |
| SWD lump sum grant reserves | 14 | 895,411 | 810,144 |
| Lotteries fund - Block grant | 15 | 80,243 | 81,348 |
| SWD Social Welfare Development Fund | 16 | 333,892 | 442,330 |
| Designated funds | 17 | <u>1,305,676</u> | <u>1,266,702</u> |
| | | <u>7,192,591</u> | <u>7,576,894</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, 2017

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|-------------------------|----------------------------|----------------------------|
| Total funds at 1 April | 7,576,894 | 7,764,964 |
| Net movements in funds | <u>(384,303)</u> | <u>(188,070)</u> |
| Total funds at 31 March | <u><u>7,192,591</u></u> | <u><u>7,576,894</u></u> |

LOK CHI ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2017

| | <u>Note</u> | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|-------------|----------------------------|----------------------------|
| Cash flows used in operating activities | 24 | <u>(242,251)</u> | <u>(8,980)</u> |
| Cash flows from investing activities | | | |
| Bank interest received | | 152 | 159 |
| Purchase of property, plant and equipment | | <u>(191,303)</u> | <u>(102,042)</u> |
| Net cash used in investing activities | | <u>(191,151)</u> | <u>(101,883)</u> |
| Cash flows from financing activities | | | |
| Backpay of deficits of grants from SWD | | 8,381 | - |
| Refund of surplus of grants to SWD | | <u>(951)</u> | <u>(24,274)</u> |
| Net cash from / (used in) financing activities | | <u>7,430</u> | <u>(24,274)</u> |
| Net decrease in cash and cash equivalents | | (425,972) | (135,137) |
| Cash and cash equivalents at beginning of year | | <u>7,640,591</u> | <u>7,775,728</u> |
| Cash and cash equivalents at end of year | | <u><u>7,214,619</u></u> | <u><u>7,640,591</u></u> |
| Analysis of the balances of cash and cash equivalents | | | |
| Cash and bank balances | | <u><u>7,214,619</u></u> | <u><u>7,640,591</u></u> |

The accompanying notes form part of the financial statements.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH, 2017

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, 2016. A summary of the changes in accounting policies resulting from the Association'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, 2016:

Annual Improvements to HKFRSs 2012 - 2014 cycle

Amendments to HKAS 1 Presentation of financial statements: Disclosure initiative

Amendments to HKAS 16 Property, plant and equipment and Intangible assets:

and HKAS 38 Clarification of acceptable methods of depreciation and amortisation

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, 2017

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 accumulated impairment losses.

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 |

(c) Impairment of assets

Assets are reviewed for impairment at the end of each reporting period 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.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

5. Significant accounting policies (Cont'd)

(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 statement of financial position.

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.

(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.

LOK CHI ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****YEAR ENDED 31 MARCH, 2017****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>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|---|----------------------------|----------------------------|
| <u>Revenue</u> | | |
| Government grants and subventions | 2,798,770 | 2,631,419 |
| Grant from Lotteries fund - Block grant | 21,749 | 35,457 |
| SWD Social Welfare Development Fund | 19,817 | 139,237 |
| Donations from the Community Chest of Hong Kong | 997,100 | 1,069,660 |
| Donations | 197,139 | 210,710 |
| Fund Raising project | - | 68,800 |
| Programme and membership fee income | 287,560 | 267,871 |
| Bank interest income | 152 | 159 |
| | <u>4,322,287</u> | <u>4,423,313</u> |
| <u>Other revenue</u> | | |
| Other income | <u>2,822</u> | <u>7,572</u> |

7. Operating deficits for the year

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|----------------------------|----------------------------|
| Operating deficits for the year is arrived at after charging: | | |
| Staff costs (including Management Committee members' remuneration) | 3,165,231 | 3,072,127 |
| Pension costs | <u>172,839</u> | <u>169,529</u> |
| | <u>3,338,070</u> | <u>3,241,656</u> |
| Audit fee - LWB adult education subvention | 3,500 | 3,000 |
| Audit fee | 14,000 | 14,000 |
| Rental expenses in respect of land and buildings | 2 | 2 |
| Loss on disposal of property, plant and equipment | - | 350 |
| Depreciation | <u>94,763</u> | <u>57,756</u> |

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

8. General fund

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|----------------------------|----------------------------|
| Surplus brought forward from previous year | 4,536,282 | 4,539,862 |
| Transfer to income and expenditure account | <u>(65,583)</u> | <u>(3,580)</u> |
| Surplus carried forward | <u>4,470,699</u> | <u>4,536,282</u> |

9. LWB subvention

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|----------------------------|----------------------------|
| Surplus brought forward from previous year | 16,917 | 5,779 |
| Transfer from income and expenditure account | <u>10,040</u> | <u>11,138</u> |
| Surplus carried forward | <u>26,957</u> | <u>16,917</u> |

10. Hongkong Bank Foundation

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|----------------------------|----------------------------|
| Surplus brought forward from previous year | <u>-</u> | <u>-</u> |
| Add: Income during the year: Subvention received | 73,465 | - |
| Less: Expenditure during the year: Programme expenses | <u>34,095</u> | <u>-</u> |
| | <u>39,370</u> | <u>-</u> |
| Surplus carried forward | <u>39,370</u> | <u>-</u> |

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

11. SWD reserve fund

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|---|----------------------------|----------------------------|
| (Deficits) / surplus brought forward from previous year | (4,914) | 18,359 |
| Transfer to income and expenditure account | (2,621) | (925) |
| Backpay from SWD during the year | 8,381 | - |
| Refund to SWD during the year | <u>(600)</u> | <u>(22,348)</u> |
| Surplus / (deficits) carried forward | <u>246</u> | <u>(4,914)</u> |

12. SWD gateway subvention fund

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|----------------------------|----------------------------|
| Surplus brought forward from previous year | <u>427,734</u> | <u>735,927</u> |
| Add: Income during the year: | | |
| Subvention received | 316,000 | 316,000 |
| Other income | - | 590 |
| Programme and membership fee income | <u>28,200</u> | <u>39,915</u> |
| | <u>344,200</u> | <u>356,505</u> |
| Less: Expenditure during the year: | | |
| Staff salaries | 629,073 | 563,097 |
| Mandatory Provident Fund | 21,307 | 23,608 |
| Programme expenses | 76,230 | 70,493 |
| Office supplies | <u>5,227</u> | <u>7,500</u> |
| | <u>731,837</u> | <u>664,698</u> |
| Surplus carried forward | <u>40,097</u> | <u>427,734</u> |

13. SWD programme assistant reserves

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|----------------------------|----------------------------|
| Surplus brought forward from previous year | 351 | 1,365 |
| Refund to SWD during the year | <u>(351)</u> | <u>(1,014)</u> |
| Surplus carried forward | <u>-</u> | <u>351</u> |

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

14. 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 01.04.2015 | 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 | - | (912) | - | (912) |
| Balance as at 31.03.2016 | 455,506 | - | 354,638 | 810,144 |
| Transfer from income and expenditure account | 29,369 | - | 55,898 | 85,267 |
| Balance as at 31.03.2017 | <u>484,875</u> | <u>-</u> | <u>410,536</u> | <u>895,411</u> |

15. Lotteries fund - Block grant

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|---|----------------------------|----------------------------|
| Surplus brought forward from previous year | 81,348 | 60,194 |
| Transfer (to) / from income and expenditure account | (1,105) | 21,154 |
| Surplus carried forward | <u>80,243</u> | <u>81,348</u> |

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

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

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

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|---|----------------------------|----------------------------|
| Balance of Block Grant Reserve brought forward from previous financial year | 81,348 | 60,194 |
| Add: Block Grant received during the year | <u>35,000</u> | <u>33,000</u> |
| | 116,348 | 93,194 |
| Less: Expenditure during the year (Note)- Furniture and equipment | <u>(36,105)</u> | <u>(11,846)</u> |
| | 80,243 | 81,348 |
| 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>80,243</u></u> | <u><u>81,348</u></u> |

Capital Commitments

As at 31 March 2017, the outstanding commitments in respect of Furniture and Equipment Replenishment and Minor Works Block Grant were as follows -

| | <u>2017</u> <u>HK\$</u> | <u>2016</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 2016-17.

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

16. 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 01.04.2015 | - | 392,628 | 392,628 |
| Income during the year: | | | |
| Subvention received | - | 181,537 | 181,537 |
| Interest received | - | 5 | 5 |
| Expenditure during the year: | | | |
| Training and professional development (scope A) | - | (3,390) | (3,390) |
| Business system upgrading (scope B(IT)) | - | (58,450) | (58,450) |
| Studies (scope C) | - | (70,000) | (70,000) |
| Surplus for the year | - | 49,702 | 49,702 |
| Balance as at 31.03.2016 | - | 442,330 | 442,330 |
| Income during the year: | | | |
| Interest received | - | 4 | 4 |
| Expenditure during the year: | | | |
| Training and professional development (scope A) | - | (55,060) | (55,060) |
| Business system upgrading (scope B(IT)) | - | (53,382) | (53,382) |
| Deficits for the year | - | (108,438) | (108,438) |
| Balance as at 31.03.2017 | - | 333,892 | 333,892 |

17. 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 01.04.2015 | 388 | 10,242 | 11,062 | 1,210,917 | 1,232,609 |
| Transfer (to) / from income and expenditure account | (388) | 623 | 16,285 | 17,573 | 34,093 |
| Balance as at 31.03.2016 | - | 10,865 | 27,347 | 1,228,490 | 1,266,702 |
| Transfer (to) / from income and expenditure account | - | (2,778) | (3,466) | 45,218 | 38,974 |
| Balance as at 31.03.2017 | - | 8,087 | 23,881 | 1,273,708 | 1,305,676 |

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

18. Property, plant and equipment

| | <u>Leasehold improvement</u> <u>HK\$</u> | <u>Furniture, fixtures and reference books</u> <u>HK\$</u> | <u>Computer equipment</u> <u>HK\$</u> | <u>Total</u> <u>HK\$</u> |
|--|---|---|--|-----------------------------|
| <u>At cost</u> | | | | |
| As at 01.04.2015 | 49,720 | 749,009 | 440,509 | 1,239,238 |
| Additions | - | 14,232 | 87,810 | 102,042 |
| Disposals | - | (33,920) | (799) | (34,719) |
| As at 31.03.2016 | 49,720 | 729,321 | 527,520 | 1,306,561 |
| Additions | 33,575 | 31,519 | 126,209 | 191,303 |
| Disposals | - | (32,060) | (139,945) | (172,005) |
| As at 31.03.2017 | <u>83,295</u> | <u>728,780</u> | <u>513,784</u> | <u>1,325,859</u> |
| <u>Accumulated depreciation</u> | | | | |
| As at 01.04.2015 | 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) |
| As at 31.03.2016 | 48,380 | 702,987 | 467,209 | 1,218,576 |
| Charge for the year | 3,548 | 18,105 | 73,110 | 94,763 |
| Written back on disposals | - | (32,060) | (139,945) | (172,005) |
| As at 31.03.2017 | <u>51,928</u> | <u>689,032</u> | <u>400,374</u> | <u>1,141,334</u> |
| <u>Net book value</u> | | | | |
| As at 31.03.2017 | <u>31,367</u> | <u>39,748</u> | <u>113,410</u> | <u>184,525</u> |
| As at 31.03.2016 | <u>1,340</u> | <u>26,334</u> | <u>60,311</u> | <u>87,985</u> |

LOK CHI ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

YEAR ENDED 31 MARCH, 2017

19. 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.

20. 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.

21. Management Committee members' remuneration

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

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|---------------------------|----------------------------|----------------------------|
| Fees and other emoluments | - | - |

22. Commitments under operating leases

As at 31 March, 2017, the Association had the following future minimum lease payments under non-cancellable operating leases for the following periods:-

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|--|----------------------------|----------------------------|
| Land and buildings: Within one year | 2 | 2 |

23. Staff provident fund

The staff provident fund is managed by Principal Trust Company (Asia) 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, 2017

24. Note to the statement of cash flows

Reconciliation of deficits to cash used in operating activities:

| | <u>2017</u> <u>HK\$</u> | <u>2016</u> <u>HK\$</u> |
|---|----------------------------|----------------------------|
| Operating deficits for the year | (391,733) | (163,796) |
| Adjustments for: | | |
| Loss on disposal of property, plant and equipment | - | 350 |
| Depreciation | 94,763 | 57,756 |
| Bank interest received | <u>(152)</u> | <u>(159)</u> |
| Operating deficits before working capital changes: | (297,122) | (105,849) |
| (Increase) / decrease in accounts receivable | (657) | 5,719 |
| Increase in utility deposit | (200) | - |
| Decrease / (increase) in prepayments and sundry debtors | 38,330 | (23,380) |
| (Decrease) / increase in receipts in advance | (26,900) | 41,290 |
| Increase in deferred income | 31,540 | 69,936 |
| Increase in accruals | <u>12,758</u> | <u>3,304</u> |
| Net cash used in operating activities | <u>(242,251)</u> | <u>(8,980)</u> |

25. Financial risk management

Financial assets of the Association mainly include accounts receivable, prepayments and cash and 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, 2017

25. 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.

26. 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> |
|----------------------|---------------------------------------|---|
| Amendments to HKAS 7 | Disclosure initiative | 1 January 2017 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

The Association has not early adopted these HKFRSs. The Management Committee of the Association anticipate that the adoption of these HKFRSs will not have a significant impact on the results and financial position of the Association. The Association will be continuing with the assessment of what the impact of these HKFRSs is expected to be in the period of initial application.

27. Approval of financial statements

The financial statements were approved by the members of the Management Committee on **27 OCT 2017**