

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

香港大學校友會

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2016

WYN CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

黃姚會計師事務所有限公司
WYN CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

Directors: Alex Y. W. Yiu 姚熾偉
CPA (Practising)

Belinda K. Y. Nam 藍健儀
CPA (Practising)

**REPORT OF THE HONORARY AUDITOR
TO THE MEMBERS OF HONG KONG UNIVERSITY ALUMNI ASSOCIATION**
香港大學校友會
(incorporated in Hong Kong with liability limited by guarantee)

We have audited the financial statements of Hong Kong University Alumni Association (the "Association") set out on pages 3 to 15, which comprise the statement of financial position as at 31 January 2016, the statement of income and retained surplus and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Executive Committee's Responsibility for the Financial Statements

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

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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive 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.

黃姚會計師事務所有限公司

WYN CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF THE HONORARY AUDITOR

TO THE MEMBERS OF HONG KONG UNIVERSITY ALUMNI ASSOCIATION

香港大學校友會

(incorporated in Hong Kong with liability limited by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 January 2016 and of its financial performance and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards for Private Entities and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

WYN CPA Limited

Certified Public Accountants

Hong Kong, 6 September 2016.

Alex Y.W. Yiu

Practising Certificate No. P02937

HONG KONG UNIVERSITY ALUMNI ASSOCIATION
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STATEMENT OF INCOME AND RETAINED SURPLUS
FOR THE YEAR ENDED 31 JANUARY 2016

	<u>Note</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Revenue	3	4,542,171	4,026,994
Administrative and other operating expenses		(3,210,261)	(2,899,905)
Total surplus for the year	5	1,331,910	1,127,089
General reserves at beginning of year		5,429,368	4,302,279
General reserves at end of year		<u>6,761,278</u>	<u>5,429,368</u>

The annexed notes form part of these financial statements, and should be read in conjunction with these financial statements.

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2016

	<u>Note</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Non-current assets			
Property, plant and equipment	7	4,050,101	4,122,489
		-----	-----
Current assets			
Inventories	8	78,135	47,603
Other receivables	9	427,226	271,786
Cash and cash equivalents	10	4,033,409	2,877,251
		<u>4,538,770</u>	<u>3,196,640</u>
Current liabilities			
Other payables	11	1,058,993	1,273,261
		<u>1,058,993</u>	<u>1,273,261</u>
Net current assets		<u>3,479,777</u>	<u>1,923,379</u>
		-----	-----
NET TOTAL ASSETS		<u><u>7,529,878</u></u>	<u><u>6,045,868</u></u>
Fund and reserves			
General reserves	12	6,761,278	5,429,368
Life members' subscription fund	13	768,600	616,500
TOTAL FUNDS		<u><u>7,529,878</u></u>	<u><u>6,045,868</u></u>

These financial statements were approved and authorized for issue by the Executive Committee on 6 September 2016 and are signed on its behalf by:

Paul W.C. Ho
President

Danny F.L. Li
Hon. Treasurer

The annexed notes form part of these financial statements, and should be read in conjunction with these financial statements.

HONG KONG UNIVERSITY ALUMNI ASSOCIATION
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2016

	<u>Note</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Operating activities			
Surplus for the year		1,331,910	1,127,089
Adjustments for:			
Depreciation of property, plant and equipment		281,596	324,463
Interest income		(14,207)	(3)
Life membership subscription	13	152,100	8,100
Operating surplus before changes in working capital		1,751,399	1,459,649
Increase in other receivables		(155,440)	(83,143)
(Increase) / decrease in inventories		(30,532)	11,486
(Decrease) / increase in other payables		(214,268)	189,437
Net cash generated from operating activities		<u>1,351,159</u>	<u>1,577,429</u>
Investing activities			
Interest received		14,207	3
Payment for purchase of property, plant and equipment	7	(209,208)	(268,336)
Net cash used in investing activities		<u>(195,001)</u>	<u>(268,333)</u>
Net increase in cash and cash equivalents		1,156,158	1,309,096
Cash and cash equivalents at 1 February		<u>2,877,251</u>	<u>1,568,155</u>
Cash and cash equivalents at 31 January	10	<u>4,033,409</u>	<u>2,877,251</u>

The annexed notes form part of these financial statements, and should be read in conjunction with these financial statements.

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

1 General information

Hong Kong University Alumni Association ("the Association") is an Association incorporated in Hong Kong with liability limited by guarantee and does not have a share capital. Under the provision of the Articles of Association, every member shall, in the event of its being wound up while he is a member or within one year after he ceased to be a member, for payment of the debts and liabilities of the Association contracted before he ceases to be a member, and of the costs, charges, and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding HK\$20.

The registered office of the Association is located at Room 101, 1st Floor, Yip Fung Building, No. 2 D'Aguilar Street, Hong Kong. The principal activities of the Association are to engage in the provision of club catering services and the promotion of welfare and social activities for members.

2 Basis of preparation and significant accounting policies

The Association qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance (Cap. 622) and is therefore entitled to prepare and present its financial statements in accordance with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of compliance with section 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), these financial statement have been prepared to present a true and fair view of the financial position and financial performance of the Association. They have been prepared under the historical cost convention as explained in the accounting policies set out below.

(a) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Where the Association acquires leasehold land for own use under a finance lease, the prepaid cost included in property, plant and equipment on initial recognition represents the fair value of the leasehold land, or if lower, the present value of the minimum lease payments, determined at the inception of the lease and any initial direct costs of the lessee (incremental costs that are directly attributable to negotiating and arranging a lease).

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

2 Basis of preparation and significant accounting policies (cont'd)

(a) *Property, plant and equipment (cont'd)*

The other cost of such items of property, plant and equipment comprises the following:

- the purchase price, including legal and brokerage fees, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Depreciation is calculated using the following basis to write down the cost of assets less their residual values over their estimated useful lives:

<u>Property, plant and equipment</u>	<u>Annual depreciation rate</u>
Leasehold land held for own use under a finance lease	over the leased term
Buildings held for own use	2% p.a.
Furniture, fixtures and equipment	20% p.a. on diminishing value
Crockery, silverware and kitchen equipment	20% p.a. on diminishing value
Decoration and leasehold improvement	20% p.a. on diminishing value

Assets held under finance leases, for which there is no reasonable certainty that the Association will obtain ownership at the end of the lease term, are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant lease.

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

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.

(b) *Trade and other receivables*

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

2 Basis of preparation and significant accounting policies (cont'd)

(c) Inventories

Inventories are stated at the lower of cost and net realizable value. At each reporting date, inventories are assessed for impairment and the carrying amount is reduced to its net realizable value with the impairment loss recognised immediately in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

(e) Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(f) Employee benefit obligations

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Association of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Association. Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

(g) Taxation

The Association is exempted from Hong Kong Profits Tax in accordance with Section 24(1) of the Inland Revenue Ordinance.

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Association. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

2 Basis of preparation and significant accounting policies (cont'd)

(i) *Impairment of non-financial assets, other than inventories*

At each reporting date, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and is shown net of discounts.

Revenue is recognized in profit or loss provided it is probable that the economic benefits will flow to the Association and the revenue and costs, if available can be measured reliably, as follows:

- i) Subscription from life member of the Association is credited, on a straight line basis, over ten years to the income statement.
- ii) All donation and subscription other than subscription from life member of the Association is accounted for on cash basis.
- iii) Taking and service charges from catering and bar services are recognised as revenue when services are rendered to customers.
- iv) Interest income is recognized as it accrues using the effective interest method.
- v) Licence income is recognized on a time proportion basis over the licence period and included in "other income".

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

2 Basis of preparation and significant accounting policies (cont'd)

(k) Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- 1) A person or a close member of that person's family is related to the Association if that person:
 - i) is a committee member of the Association;
 - ii) has control or joint control over the Association ; or
 - iii) has significant influence over the Association.
- 2) An entity is related to the Association if any of the following conditions applies:
 - i) the entity and the Association are members of the same group.
 - ii) either entity is an associate or joint venture of the other entity.
 - iii) both entities are joint ventures of the same third entity.
 - iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) the entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association.
 - vi) the entity is controlled or jointly controlled by a person identified in 1).
 - vii) a person identified in 1) i) has significant voting power over the entity.

3 Revenue

Revenue, which is also the Association's turnover, comprise the following:

	<u>Note</u>	<u>2016</u> HK\$	<u>2015</u> HK\$
Members' subscription		192,561	157,500
Members' general donation		-	351
Association activities, net income	4	2,296,719	2,048,094
Levy on sales at club premises		1,677,917	1,468,909
Other income		374,974	352,140
		<u>4,542,171</u>	<u>4,026,994</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

4 Association activities, net income

	Note	<u>2016</u> HK\$	<u>2015</u> HK\$
Catering			
Income		13,041,375	11,720,617
Direct expenses		(10,968,423)	(9,872,735)
		<u>2,072,952</u>	<u>1,847,882</u>
Bar			
Income		388,820	345,809
Direct expenses		(165,053)	(145,597)
		<u>223,767</u>	<u>200,212</u>
	3	<u>2,296,719</u>	<u>2,048,094</u>

5 Total surplus for the year

The following items have been recognised as expenditure in determining total surplus for the year:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Depreciation of property, plant and equipment	281,596	324,463
Staff cost		
Comprising:		
- Salaries and wages	1,120,202	1,095,977
- Bar commission	40,671	35,064
- Bonus	72,549	65,269
- Commission	76,280	63,354
- Messing	48,696	39,200
- Mandatory provident fund contributions	86,369	77,480
- Uniform	1,360	1,546
Operating lease charges on property rental	<u>183,250</u>	<u>192,981</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

6 Remuneration of committee members

None of the committee members received or will receive any fees or other remuneration in respect of their services rendered to the Association during the year (2015: nil).

Except for the income received by the Association in the ordinary course of business, such as catering and bar income, subscriptions and fees, there were no material related party transactions between the Association and its committee members or parties related to the committee members.

7 Property, plant and equipment

	Leasehold land and buildings HK\$	Furniture, fixtures and equipment HK\$	Crockery, silverware and kitchen equipment HK\$	Decoration and leasehold improvement HK\$	Total HK\$
Cost:					
As at 1.2.2015	3,246,529	1,514,934	557,946	2,706,185	8,025,594
Additions	-	54,008	-	155,200	209,208
As at 31.1.2016	<u>3,246,529</u>	<u>1,568,942</u>	<u>557,946</u>	<u>2,861,385</u>	<u>8,234,802</u>
Accumulated depreciation and impairment:					
As at 1.2.2015	410,838	962,442	516,014	2,013,811	3,903,105
Annual depreciation	14,116	118,032	8,386	141,062	281,596
As at 31.1.2016	<u>424,954</u>	<u>1,080,474</u>	<u>524,400</u>	<u>2,154,873</u>	<u>4,184,701</u>
Carrying amount:					
As at 31.1.2016	<u>2,821,575</u>	<u>488,468</u>	<u>33,546</u>	<u>706,512</u>	<u>4,050,101</u>
As at 31.1.2015	<u>2,835,691</u>	<u>552,492</u>	<u>41,932</u>	<u>692,374</u>	<u>4,122,489</u>

- The Association's leasehold land and building is situated in Hong Kong and is held under long term lease.
- At 31 January 2016 and 2015, the leasehold land and buildings have been pledged as security for the overdraft facilities granted to the Association.
- The fair value of Association's leasehold land and buildings at 31 January 2016 amounting to HK\$54,500,000 (2015: HK\$50,600,000) has been arrived at on the basis of a valuation carried out by Crowe Horwath (HK) Consulting & Valuation Limited, a firm of qualified professional valuers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

8 Inventories

	<u>2016</u> HK\$	<u>2015</u> HK\$
Bar inventories	36,115	47,583
Challenge cup	42,000	-
Other	20	20
	<u>78,135</u>	<u>47,603</u>

9 Other receivables

	<u>2016</u> HK\$	<u>2015</u> HK\$
Utility and other deposits	254,846	182,350
Sundry debtors	148,171	53,109
Prepayments	24,209	36,327
	<u>427,226</u>	<u>271,786</u>

10 Cash and cash equivalents

	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash at bank and on hand	4,033,409	2,877,251

Cash and cash equivalents include the following for the purpose of the cash flow statement.

	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash at bank	3,861,530	2,759,845
Cash on hand	171,879	117,407
	<u>4,033,409</u>	<u>2,877,251</u>

11 Other payables

	<u>2016</u> HK\$	<u>2015</u> HK\$
Accruals and sundry creditors	667,406	752,727
Deposit received	300,000	300,000
Temporary receipts	91,587	220,534
	<u>1,058,993</u>	<u>1,273,261</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2016

12 Changes in fund and reserves

	General <u>reserves</u> HK\$	Life members' subscription <u>fund</u> HK\$	<u>Total</u> HK\$
Balance as at 1 February 2015	5,429,368	616,500	6,045,868
Surplus for the year	1,331,910	-	1,331,910
Increase in life members' subscription fund	-	152,100	152,100
Balance as at 31 January 2016	<u>6,761,278</u>	<u>768,600</u>	<u>7,529,878</u>
		(Note 13)	

13 Movement in life members' subscription fund

	<u>2016</u> HK\$	<u>2015</u> HK\$
Balance as at 1 February 2015	616,500	608,400
Additions for the year	<u>270,000</u>	<u>99,000</u>
	886,500	707,400
Less: Amount recognised as income for the year	<u>(117,900)</u>	<u>(90,900)</u>
Balance as at 31 January 2016	<u>768,600</u>	<u>616,500</u>

14 Employee benefit obligations

The Association operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2016

15 Commitment under operating lease

The Association rent an office under operating lease. The lease is for an average period of two years, with fixed rental over the same period.

	<u>2016</u> HK\$	<u>2015</u> HK\$
Minimum lease payment under operating lease as expense during the year	183,250	192,981

At 31 January 2016, the Association had outstanding commitment under non-cancellable operating lease payable that fall due as follows:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Within one year	405,600	237,600
Later than one year but within five years	405,600	297,000
	<u>811,200</u>	<u>534,600</u>