

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

香 港 大 學 校 友 會

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2012**

W.T. WONG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

香港大學校友會

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012

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W. T. WONG & CO. CERTIFIED PUBLIC ACCOUNTANTS

Rooms M207-8, Haleson Bldg., 1 Jubilee St., Central, Hong Kong. TEL: 2581 2283 FAX: 2542 4904

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)

Report on the Financial Statements

We have audited the financial statements of Hong Kong University Alumni Association (the "Association") set out on pages 3 to 15, which comprise the balance sheet as at 31 January 2012, and 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 141 of the Hong Kong Company 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.

W. T. WONG & CO. CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF THE HONORARY AUDITOR

TO THE MEMBERS OF HONG KONG UNIVERSITY ALUMNI ASSOCIATION

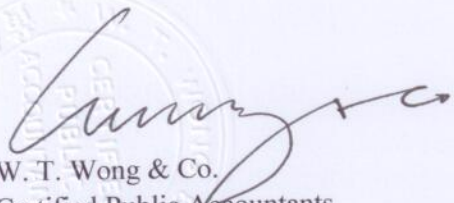
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(incorporated in Hong Kong with liability limited by guarantee)

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Association's affairs as at 31 January 2012 and of its surplus 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 accordance with the Hong Kong Companies Ordinance.



W. T. Wong & Co.
Certified Public Accountants

Hong Kong, - 7 AUG 2012

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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STATEMENT OF INCOME AND RETAINED SURPLUS FOR THE YEAR ENDED 31 JANUARY 2012

	Note	<u>2012</u> HK\$	<u>2011</u> HK\$
Revenue	3	3,113,943	2,728,718
Administrative and other operating expenses		(2,314,353)	(2,421,829)
Finance costs	5	<u>(59,047)</u>	<u>(72,155)</u>
Total surplus for the year	6	740,543	234,734
General reserve at beginning of year		<u>1,639,296</u>	<u>1,404,562</u>
General reserve at end of year		<u><u>2,379,839</u></u>	<u><u>1,639,296</u></u>

See accompanying notes

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

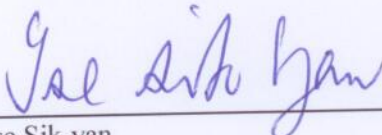
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BALANCE SHEET

AS AT 31 JANUARY 2012

	Note	<u>2012</u> HK\$	<u>2011</u> HK\$
Non-current assets			
Property, plant and equipment	7	<u>4,174,630</u>	<u>4,265,585</u>
Current assets			
Inventories	8	42,690	32,091
Other receivables	9	229,464	187,569
Cash and cash equivalents	10	<u>732,828</u>	<u>629,777</u>
		<u>1,004,982</u>	<u>849,437</u>
Current liabilities			
Other payables	11	942,550	971,946
Borrowing	12	<u>1,681,723</u>	<u>2,421,880</u>
		<u>2,624,273</u>	<u>3,393,826</u>
Net current liabilities		<u>(1,619,291)</u>	<u>(2,544,389)</u>
NET TOTAL ASSETS		<u>2,555,339</u>	<u>1,721,196</u>
Fund and reserves			
General reserve	13	2,379,839	1,639,296
Life members' subscription fund	14	<u>175,500</u>	<u>81,900</u>
TOTAL FUNDS		<u>2,555,339</u>	<u>1,721,196</u>

Approved by the Executive Committee on - 7 AUG 2012


Tse Sik-yan
President


Danny F.L. Li
Hon. Treasurer

See accompanying notes

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2012

	<u>Note</u>	<u>2012</u> HK\$	<u>2011</u> HK\$
Operating activities			
Surplus for the year		740,543	234,734
Adjustments for:			
Depreciation of property, plant and equipment	5	299,993	351,803
Finance costs		59,047	72,155
Interest income		(1)	(1)
Life membership subscription	14	93,600	10,200
Impairment loss on investment in subsidiary		-	1
		<u>1,193,182</u>	<u>668,892</u>
Operating surplus before changes in working capital			
(Increase) / decrease in other receivables		(41,895)	32,280
(Increase) / decrease in inventories		(10,599)	10,476
(Decrease) / increase in other payables		(29,396)	192,467
		<u>1,111,292</u>	<u>904,115</u>
Net cash generated from operating activities			
Investing activities			
Interest received		1	1
Payment for purchase of property, plant and equipment	7	(209,038)	(128,208)
		<u>(209,037)</u>	<u>(128,207)</u>
Net cash used in investing activities			
Financing activities			
Interest paid		(59,047)	(72,155)
Repayment of bank loan		(740,157)	(312,259)
		<u>(799,204)</u>	<u>(384,414)</u>
Net cash used in financing activities			
Net increase in cash and cash equivalents		103,051	391,494
Cash and cash equivalents at 1 February		629,777	238,283
Cash and cash equivalents at 31 January	10	<u>732,828</u>	<u>629,777</u>

See accompanying notes

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

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 Memorandum and 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 dollars.

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 accounting policies

These financial statements have been prepared 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 (HKICPA) and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

(a) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and 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).

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.

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

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

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

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 lease term
Buildings held for own use	2% p.a.
Furniture, fixtures and equipments	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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012

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

(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) Borrowings

Borrowings are recognised initially at the transaction price and are subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

(g) 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.

(h) Taxation

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

(i) 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 profit or loss 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 2012

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

(j) 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.

(k) Revenue recognition

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".

(l) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

3 Revenue

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

	Note	2012 HK\$	2011 HK\$
Members' subscription and entrance fee		62,400	59,400
Members' general donation		-	1,785
Association activities, net income	4	1,639,152	1,481,095
Levy on sales at club premises		1,172,088	1,062,101
Other income		240,303	124,337
		<u>3,113,943</u>	<u>2,728,718</u>

4 Association activities, net income

	Note	2012 HK\$	2011 HK\$
Catering			
Income		9,923,511	8,978,670
Direct expenses		(8,474,450)	(7,709,444)
		<u>1,449,061</u>	<u>1,269,226</u>
Bar			
Income		310,561	295,374
Direct expenses		(120,470)	(83,505)
		<u>190,091</u>	<u>211,869</u>
	3	<u>1,639,152</u>	<u>1,481,095</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

5 Finance costs

	<u>2012</u> HK\$	<u>2011</u> HK\$
Bank overdraft interest	-	2,127
Bank loan interest	59,047	70,028
	<u>59,047</u>	<u>72,155</u>

6 Surplus for the year

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

	<u>2012</u> HK\$	<u>2011</u> HK\$
Depreciation of property, plant and equipment	299,993	351,803
Emoluments of committee members	-	-
Impairment loss on investment in subsidiary	-	1
Staff cost		
- Salaries and wages	906,881	909,870
- Bonus	54,674	34,418
- Commission	51,170	46,379
- Messing	47,158	48,297
- Mandatory provident fund contributions	65,778	70,158
- Uniform	2,526	1,372
- Welfare	-	701
Operating lease charges on property rental	<u>158,748</u>	<u>136,045</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

7 Property, plant and equipment

	Leasehold land and buildings HK\$	Furniture, fixtures and equipments HK\$	Crockery, silverware and kitchen equipment HK\$	Decoration and leasehold improvement HK\$	Total HK\$
<u>Cost</u>					
As at 1.2.2011	3,246,529	856,862	535,456	2,271,085	6,909,932
Additions	-	38,338	-	170,700	209,038
As at 31.1.2012	<u>3,246,529</u>	<u>895,200</u>	<u>535,456</u>	<u>2,441,785</u>	<u>7,118,970</u>
<u>Accumulated depreciation and impairment</u>					
As at 1.2.2011	354,372	566,254	469,688	1,254,033	2,644,347
Annual depreciation	14,116	63,111	13,154	209,612	299,993
As at 31.1.2012	<u>368,488</u>	<u>629,365</u>	<u>482,842</u>	<u>1,463,645</u>	<u>2,944,340</u>
<u>Carrying amount</u>					
As at 31.1.2012	<u>2,878,041</u>	<u>265,835</u>	<u>52,614</u>	<u>978,140</u>	<u>4,174,630</u>
As at 31.1.2011	<u>2,892,157</u>	<u>290,608</u>	<u>65,768</u>	<u>1,017,052</u>	<u>4,265,585</u>

- (a) The Association's leasehold land and building is situated in Hong Kong and is held under long lease.
- (b) At 31 January 2012 and 2011, the leasehold land and buildings have been pledged as security for a bank loan (note 12).

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

8 Inventories

	<u>2012</u> HK\$	<u>2011</u> HK\$
Bar inventories	42,670	21,071
Challenge cup	-	11,000
Other	20	20
	<u>42,690</u>	<u>32,091</u>

9 Other receivables

	<u>2012</u> HK\$	<u>2011</u> HK\$
Utility and other deposits	169,750	169,750
Sundry debtors	55,276	10,623
Prepayments	4,438	7,196
	<u>229,464</u>	<u>187,569</u>

10 Cash and cash equivalents

	<u>2012</u> HK\$	<u>2011</u> HK\$
Cash at bank and on hand	<u>732,828</u>	<u>629,777</u>
Cash and cash equivalents include the following for the purpose of the cash flow statement.		
Cash and cash equivalents	<u>732,828</u>	<u>629,777</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

11 Other payables

	<u>2012</u>	<u>2011</u>
	HK\$	HK\$
Accruals and sundry creditors	487,293	561,215
Deposit received	316,000	300,000
Temporary receipt	139,257	110,731
	<u>942,550</u>	<u>971,946</u>

12 Borrowing

	<u>2012</u>	<u>2011</u>
	HK\$	HK\$
Portion of bank loan due for repayment within one year	256,170	235,557
Portion of bank loan due for repayment after one year which contains a repayment on demand clause	1,425,553	2,186,323
	<u>1,681,723</u>	<u>2,421,880</u>

The Association's term loan agreement contains clauses which give the lender the right on demand immediate repayment at any time irrespective of whether the Association has complied with the covenants and met the scheduled repayment obligations.

13 Changes in fund and reserves

	General <u>reserve</u> HK\$	Life members' subscription <u>fund</u> HK\$	<u>Total</u> HK\$
Balance as at 1 February 2011	1,639,296	81,900	1,721,196
Surplus for the year	740,543	-	740,543
Increase in life members' subscription fund	-	93,600	93,600
Balance as at 31 January 2012	<u>2,379,839</u>	<u>175,500</u>	<u>2,555,339</u>
		(note 14)	

HONG KONG UNIVERSITY ALUMNI ASSOCIATION

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

14 Movement in life members' subscription fund

	<u>2012</u> HK\$	<u>2011</u> HK\$
Balance as at 1 February	81,900	71,700
Addition for the year	117,000	27,000
	<u>198,900</u>	<u>98,700</u>
Less: Amount recognised as income for the year	(23,400)	(16,800)
Balance as at 31 January	<u>175,500</u>	<u>81,900</u>

15 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\$20,000. Contributions to the plan vest immediately.

16 Commitments under operating leases

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>2012</u> HK\$	<u>2011</u> HK\$
Minimum lease payment under operating lease as expense during the year	<u>158,748</u>	<u>136,045</u>

At 31 January 2012, the Association had outstanding commitment under non-cancellable operating lease payable that fall due as follows:

	<u>2012</u> HK\$	<u>2011</u> HK\$
Within one year	48,000	192,000
Later than one year but within five years	-	48,000
	<u>48,000</u>	<u>240,000</u>