

**STEWARDS**  
**(Incorporated in Hong Kong and limited by guarantee)**  
**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**STEWARDS**  
**(Incorporated in Hong Kong and limited by guarantee)**  
**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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## **STEWARDS DIRECTORS' REPORT**

The directors have the pleasure in submitting their annual report together with the audited financial statements for the year ended 31 March 2016.

### **Principal activity**

The principal activities of the Company and its subsidiaries (together "the Group") during the year were the provision of services to the local community including education, medical and dental services, rehabilitation, and children and youth activities.

### **Results and state of affairs**

The results of the Group for the year ended 31 March 2016 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 7 to 38.

### **Business review**

#### Fair review of business

The Company's mission is to provide quality non-profit making social welfare, educational and health care services for the benefit of the Hong Kong community and to promote evangelical Christian faith.

Regarding education service, Stewards Pooi Kei College ("SPKC"), our Secondary School under Direct Subsidy Scheme, was quite stable in its enrollment of new students. The performance and operation of the College remained more or less the same as in previous years. The income for SPKC for the year ended 31 March 2016 increased 5.2% to HK\$81,667,389 (2015: HK\$77,616,986). Our two kindergartens, Stewards Pooi Chun Kindergarten and Stewards Pooi Yan Kindergarten also showed improvement in their financial position. The income for the kindergartens for the year ended 31 March 2016 increased 22% to HK\$10,285,605 (2015: HK\$8,404,905), principally due to the increase in the number of students, increase of school fee and the increase in the voucher amount under Government's Pre-primary Education Voucher Scheme.

Regarding social welfare, the subvention under the Lump Sum Grant from Social Welfare Department ("SWD") increased by 8.4% to HK\$71,834,835 (2015: HK\$66,298,169), mainly due to Government's increased provision for the rehabilitation services for the mentally ill persons.

Regarding medical service, as we were able to recruit more dentists for our dental service, Peace Medical Centre's income increased substantially by 43% to HK\$5,317,037 (2015: HK\$3,717,965).

#### Financial key performance indicators for major sectors

The directors considered the key measure of the performance for the education sector to be the school fee income per student (i.e. the subvention from Education Bureau and the school fee from parents divided by the number of students). The school fee income per student for the year was HK\$65,131 which was at similar level to \$65,226 in the previous year.

The directors considered the key measure of financial performance indicator for the social welfare sector to be the growth in total funding for the social services activities. In 2015/16, the total funding income from government subvention and other fund raising activities increase by a healthy 8.4% to \$71,834,835 compared with \$66,298,169 in 2014/15.

## **STEWARDS DIRECTORS' REPORT**

### **Business review (cont'd)**

#### Financial position

As at 31 March 2016, the Group had net assets of HK\$149,408,111 (2015: HK\$140,733,884), comprising non-current assets of HK\$11,762,549 (2015: HK\$10,513,797) and net current assets of HK\$137,645,562 (2015: HK\$130,220,087).

#### Liquidity

As at 31 March 2016, the Group had time deposits, bank balances and cash of HK\$143,695,010 (2015: HK\$133,701,459).

#### Lump sum grant reserve

The Group has different designated funds and reserves and the largest reserve is the Lump Sum Grant Reserve. As at 31 March 2016, the Lump Sum Grant Reserve (excluding provident funds) increased by 48.6% to HK\$22,415,262 (2015: HK\$15,084,645), equivalent to 30.1% (2015: 20.7%) of annual operating expenditure of subvented services. For the year ended 31 March 2016, the Lump Sum Grant subvention were mainly used to pay for the staff costs and operating costs for the subvented services according to the budget approved by the Board of Directors. In the coming years, the Lump Sum Grant Reserve will continue to be used for the payment of staff costs and operating costs in relation to the subvented services.

#### Principal risks and uncertainties

The Board had recently considered a 5-year forecast of the Lump Sum Grant Reserve (from 2016/17 to 2020/21) in order to assess the financial position of our subvented social services in the medium term. This assessment showed that, in the medium term, the Lump Sum Grant Reserve will decline steadily due to the faster increase in staff cost than SWD subventions, although the rate of decline has moderated compared with the assessment in the previous year. There is thus still a need to undertake staff cost control measures to maintain the healthy financial position of the organization in the next few years, including, for example, appropriate downsizing of staff strength through natural wastage.

#### Environmental policies and performance and compliance with the relevant laws and regulations

The Group has adopted environmental policy such as requiring all the electrical appliances and lighting to be shut down when all the staff left the office. Also in order to save the environment, all service units will use the recycle paper or print double sided as far as possible.

#### Environmental policies and performance and compliance with the relevant laws and regulations (cont'd)

The Group complied with all the relevant laws and regulations issued by Education Bureau, Social Welfare Department and Health Department.

Renovation works will be undertaken in Yiu On Halfway House this year in order to bring the premise in full compliance with the Residential Care Homes (Persons with Disabilities) Ordinance. The renovation cost will be subvented by SWD and the amount will be about HK\$1,600,000.

## **STEWARDS DIRECTORS' REPORT**

### **Business review (cont'd)**

#### Key relationships with employees, service users and government bodies

The Group regards its staff as the most important asset and resource of the Group. The Group offered internal vocational training activities and encouraged its staff to attend external training courses to develop personal skills and other professional skill. During the year, the Group maintained cordial relationship with external stakeholders such as service users and government bodies. Service user liaison groups had been set up in individual service units as appropriate and regular liaison was maintained with the relevant service branches of SWD and Education Bureau.

#### Likely future development

Yiu Tsuen Sheltered Workshop has completed the renovation work and obtained the licence to carry out a take away meal service which can provide more training and job opportunities for the service users through providing meal services and to meet the community needs.

The renovation work for the two new sites in Tsueng Kwan O for the Integrated Community Centre for Mental Wellness (“ICCMW”) services had been completed in this summer which enabled us to commence service for the people needed in the community.

### **Fixed assets**

Movements in fixed assets during the year were set out in note 10 to the financial statements.

### **Directors**

The directors who held office during the year and up to the date of this report were as follows:

Ms. PANG Chau Sheung  
Mr. TO Tat Man  
Mr. TSE Chun Fai  
Mr. KWAN Wood Kai Edward (resigned on 11 December 2015)  
Mr. CHOW Kai Cheung  
Mr. LIANG Jun  
Mr. HUI Chi Keung Philip  
Ms. CHAN Oi Yu  
Mr. KWAN Chi Hong

In accordance with the Articles of Association of the Company, half of the directors, who have been longest since their last election for the time being, shall retire in the forthcoming annual general meeting; but shall be eligible, offer themselves for re-election.

**STEWARDS  
DIRECTORS' REPORT**

**Directors' interests in contract**

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

**Directors' right to acquire shares or debentures**

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

**Auditor**

The accompanying financial statements have been audited by Fung, Yu & Co. CPA Limited, Certified Public Accountants (Practising).

**Other matters**

At the date of this report the directors are not aware of any circumstances not otherwise dealt with in this report of financial statements, which would render any amount stated in the financial statements misleading.

On behalf of the Board

  
\_\_\_\_\_  
PANG Chau Sheung  
Chairman

Hong Kong: 06 SEP 2016



FUNG, YU & CO. CPA LIMITED  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
STEWARDS  
(incorporated in Hong Kong and limited by guarantee)**

We have audited the consolidated financial statements of Stewards ("the Company") and its subsidiaries set out on pages 7 to 38, which comprise the consolidated statements of financial position as at 31 March 2016, the consolidated statement of surplus or deficit and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of principal accounting policies and other explanatory notes.

**Directors' responsibility for the consolidated financial statements**

The directors are responsible for the preparation of these consolidated 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 directors determine is necessary to enable the preparation of consolidated 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 and to report our opinion solely to you, as a body, in accordance with section 405 of the 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated 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 directors, as well as evaluating the overall presentation of the consolidated financial statements.



FUNG, YU & CO. CPA LIMITED  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
STEWARDS  
(incorporated in Hong Kong and limited by guarantee)**

**Auditor's responsibility (cont'd)**

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

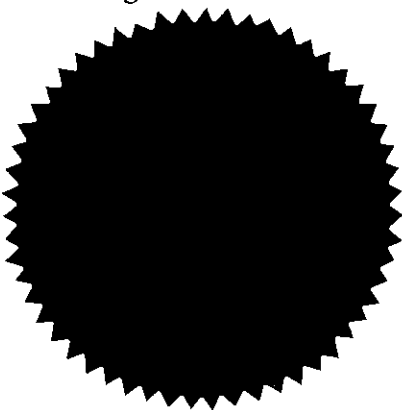
**Opinion**

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



**FUNG, YU & CO. CPA LIMITED**  
Certified Public Accountants (Practising)

**Lau Vui Cheong**  
Practising Certificate Number: P03455



Date: 06 SEP 2016



**STEWARDS**  
**(Incorporated in Hong Kong and limited by guarantee)**  
**CONSOLIDATED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016 HK\$	2015 HK\$
INCOME	5	198,918,636.00	187,473,028.63
LESS: EXPENDITURE			
- Staff costs		139,158,691.18	125,726,384.50
- Operating costs		43,759,595.95	49,068,519.19
- Property costs		6,700,002.60	6,615,560.00
		<u>189,618,289.73</u>	<u>181,410,463.69</u>
SURPLUS BEFORE TAXATION	6	9,300,346.27	6,062,564.94
TAXATION	8	-	-
SURPLUS FOR THE YEAR		9,300,346.27	6,062,564.94
OTHER COMPREHENSIVE LOSS FOR THE YEAR (page 9)		<u>(480,429.62)</u>	<u>(431,849.92)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>8,819,916.65</u>	<u>5,630,715.02</u>

**STEWARDS**  
(Incorporated in Hong Kong and limited by guarantee)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	Notes	2016 HK\$	2015 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, furniture and equipment	10 (a)	11,443,151.99	10,111,672.71
Available-for-sale financial assets	11	319,397.20	402,124.45
		11,762,549.19	10,513,797.16
<b>CURRENT ASSETS</b>			
Inventories	13	127,511.02	91,968.60
Held-to-maturity financial assets	12	-	1,534,000.00
Accounts receivable and sundry debtors		1,114,338.53	1,223,580.35
Deposits and prepayments		2,549,984.08	4,482,723.78
Time deposits		100,624,170.04	89,084,780.95
Bank balances and cash		43,070,839.75	44,616,677.96
		147,486,843.42	141,033,731.64
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses		8,083,205.75	7,611,169.06
Social welfare/Education Bureau surplus		448,043.90	1,418,375.44
Receipt in advance		1,310,032.16	1,784,099.87
		9,841,281.81	10,813,644.37
<b>NET CURRENT ASSETS</b>		<u>137,645,561.61</u>	<u>130,220,087.27</u>
<b>NET ASSETS</b>		<u>149,408,110.80</u>	<u>140,733,884.43</u>
<b>RESERVES</b>			
Accumulated fund	16	92,502,167.86	84,724,397.63
Designated funds	17	19,344,202.65	25,165,386.96
Flag day fund	18	3,594,029.92	4,469,994.13
Lump sum grant reserve	19	28,885,282.09	21,805,552.65
Block grant reserve	20	5,326,937.24	4,730,334.77
Investment revaluation reserve	21	(244,508.96)	(161,781.71)
		<u>149,408,110.80</u>	<u>140,733,884.43</u>

Approved and authorized for issue by the board of directors on  
On behalf of the board:

06 SEP 2016



PANG Chau Sheung  
Director



TO Tat Man  
Director

STEWARDS

(Incorporated in Hong Kong and limited by guarantee)  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016

	Accumulated fund HK\$	Designated funds HK\$	Flag day fund HK\$	Lump sum grant reserve HK\$	Block grant reserve HK\$	Investment revaluation reserve HK\$	Total HK\$
At 31 March 2014	81,862,511.75	23,975,295.51	3,885,695.16	21,507,576.12	3,793,585.44	(107,839.01)	134,916,824.97
Surplus for the year ended 31 March 2015	6,062,564.94	-	-	-	-	-	6,062,564.94
Other comprehensive income / (loss) for the year	-	-	-	-	-	(53,942.70)	(53,942.70)
Deficit arising on revaluation of investment	-	100,970.50	-	-	29,999.33	-	130,969.83
Income directly dealt with in the fund	-	(348,715.05)	(160,162.00)	-	-	-	(508,877.05)
Expenditure directly dealt with in the fund	-	(247,744.55)	(160,162.00)	-	29,999.33	(53,942.70)	(431,849.92)
Total comprehensive income for the year	6,062,564.94	(247,744.55)	(160,162.00)	-	29,999.33	(53,942.70)	5,630,715.02
Transfer to Education Bureau and Social Welfare	(228,877.53)	-	-	-	-	-	(228,877.53)
Department surplus account	415,221.97	-	-	-	-	-	415,221.97
Other transfers	(3,387,023.50)	-	-	-	-	-	-
Transfer between funds		1,437,836.00	744,460.97	297,976.53	906,750.00	-	
At 31 March 2015	84,724,397.63	25,165,386.96	4,469,994.13	21,805,552.65	4,730,334.77	(161,781.71)	140,733,884.43
Surplus for the year ended 31 March 2016	9,300,346.27	-	-	-	-	-	9,300,346.27
Other comprehensive income / (loss) for the year	-	-	-	-	-	(82,727.25)	(82,727.25)
Deficit arising on revaluation of investment	-	270,588.00	-	-	27,630.67	-	298,218.67
Income directly dealt with in the fund	-	(582,435.04)	(113,486.00)	-	-	-	(695,921.04)
Expenditure directly dealt with in the fund	-	(311,847.04)	(113,486.00)	-	27,630.67	(82,727.25)	(480,429.62)
Total comprehensive income for the year	9,300,346.27	(311,847.04)	(113,486.00)	-	27,630.67	(82,727.25)	8,819,916.65
Transfer from Education Bureau and Social Welfare	126,536.42	-	-	-	-	-	126,536.42
Department surplus account	(272,226.70)	-	-	-	-	-	(272,226.70)
Other transfers	(1,376,885.76)	(5,509,337.27)	(762,478.21)	7,079,729.44	568,971.80	-	-
Transfer between funds							
At 31 March 2016	92,502,167.86	19,344,202.65	3,594,029.92	28,885,282.09	5,326,937.24	(244,508.96)	149,408,110.80

**STEWARDS**  
**(Incorporated in Hong Kong and limited by guarantee)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Cash flows from operating activities</b>		
Surplus before taxation	9,300,346.27	6,062,564.94
Income directly dealt with in reserve	298,218.67	130,969.83
Expenditure directly dealt with in reserve	(695,921.04)	(508,877.05)
Adjustments:		
- Transfer to Education Bureau and Social Welfare Department surplus account	126,536.42	(228,877.53)
- Other transfer	(272,226.70)	415,221.97
- Loss on disposal of property, furniture and equipment	39,920.07	15,378.00
- Depreciation	5,151,039.87	6,194,931.07
- Interest income	(993,725.75)	(1,302,071.48)
	<u>12,954,187.81</u>	<u>10,779,239.75</u>
Operating cash flows before working capital changes		
(Increase) / decrease in inventories	(35,542.42)	27,985.06
Decrease in accounts receivable and sundry debtors	109,241.82	2,814,855.01
Decrease / (increase) in deposits and prepayments	1,932,739.70	(598,861.00)
Increase in accounts payable and accrued expenses	472,036.69	2,285,939.25
Decrease in Social Welfare Department/Education Bureau surplus account	(970,331.54)	(24,072.82)
Decrease in receipts in advance	(474,067.71)	(567,355.50)
<b>Net cash from operating activities</b>	<u>13,988,264.35</u>	<u>14,717,729.75</u>
<b>Cash flows from investing activities</b>		
Interest received	993,725.75	1,302,071.48
Proceeds from disposal / (acquisition) of held-to-maturity financial assets	1,534,000.00	(1,534,000.00)
Additions to property, plant and equipment	(6,522,439.22)	(4,290,679.00)
<b>Net cash used in investing activities</b>	<u>(3,994,713.47)</u>	<u>(4,522,607.52)</u>
<b>Net increase in cash and cash equivalents</b>	9,993,550.88	10,195,122.23
<b>Cash and cash equivalents at beginning of year</b>	<u>133,701,458.91</u>	<u>123,506,336.68</u>
<b>Cash and cash equivalents at end of year</b>	<u>143,695,009.79</u>	<u>133,701,458.91</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Time deposits	100,624,170.04	89,084,780.95
Bank balances and cash	43,070,839.75	44,616,677.96
	<u>143,695,009.79</u>	<u>133,701,458.91</u>

**STEWARDS**  
**(Incorporated in Hong Kong and limited by guarantee)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. General information**

- (a) Stewards is a charitable organisation incorporated under the Companies Ordinance with liabilities of members limited by guarantee. Pursuant to the Memorandum of the Association, the liability of each member is limited to HK\$100. The address of registered office and principal place of operation of the Company is situated at 145 Hong Ning Road, Kwun Tong, Kowloon, Hong Kong.
- (b) The principal activities of the Company are the provision of services to the local community including education, medical and dental services, rehabilitation, and children and youth activities. The Company operated the following units during and at the end of the financial year:

**Central Administration**

Central Administration Office  
Accounting Support

**Clinics**

Peace Medical Centre

**Kindergartens**

Stewards Pooi Chun Kindergarten  
Stewards Pooi Yan Kindergarten

**Social services**

After School Care Services  
High Rock Christian Centre  
Youth Online - Stewards Integrated Service Centre for Young People  
School Social Work Services  
Sha Kok Youth & Children's Centre  
Sunnyway On Job Training for Young People  
Supervisory Support for Rehabilitation Service Units  
Supported Employment Programme  
Work Extension Programme  
Yiu On Commercially - Hired Vehicle  
Yiu On Halfway House  
Yiu On Integrated Rehabilitation Service Centre  
Yiu Tsuen Sheltered Workshop  
Visiting Medical Practitioner Scheme  
Crossland Adventure Centre  
Men Community & Reach Out Service  
Syner-bright Zone (Integrated Community Centre for Mental Wellness)

**STEWARDS**  
(Incorporated in Hong Kong and limited by guarantee)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

1. **General information (cont'd)**

(b) **Social services**

Take Your Way Clubhouse (Integrated Community Centre for Mental Wellness)

(c) Details of the Company's subsidiaries (entities controlled by the Company) at the date of the statement of financial position are as follows:-

<u>Name of subsidiary</u>	<u>Place of incorporation and operation</u>	<u>Principal activities</u>
Arm Services Company Limited	Hong Kong	Operate social enterprises engaging in providing car cleaning service, tuck shop business in schools, and flower shop
Stewards Pooi Kei College Management Limited	Hong Kong	Provide secondary education to local students
Stewards Peace Dental Clinic Limited	Hong Kong	provide dental services to the general public at comparative reduced rates

The above subsidiaries are companies limited by guarantee and not having a share capital. They were set up with no capital injection by the Company. They are accounted for as subsidiaries of the Company and 100% consolidated by the Company by virtue of control.

2. **Adoption of new or revised Hong Kong Financial Reporting Standards (HKFRSs)**

In the current year, the Group has adopted, for the first time, all of the new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) which are relevant to its operations and effective for the accounting year ended 31 March 2016. The adoption of these new and revised HKFRSs does not have material effect on these financial statements.

**Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle**

These 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 Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

**STEWARDS**  
**(Incorporated in Hong Kong and limited by guarantee)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**3. New and revised HKFRSs issued but not yet effective**

Up to the date of these consolidated financial statements, certain new and revised HKFRSs which may be relevant to the Group's operations and consolidated financial statements have been issued by the HKICPA but are not yet effective for the accounting year ended 31 March 2016. The Group is not yet in a position to state whether the adoption of them would have a significant impact on the Group's results of operations and financial position.

**4. Principal accounting policies**

**(a) Basis of preparation**

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investments in listed equity securities classified under available-for-sale financial assets are stated at fair values as set out in the accounting policies below.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

**(b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company. Control is achieved when the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated financial statements included the financial statements of the Company and all its subsidiaries made up to 31 March each year. Significant intercompany transactions are eliminated on consolidation and all figures in the consolidated financial statements relate to external transactions only.

The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of surplus and deficit and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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**(Incorporated in Hong Kong and limited by guarantee)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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4. **Principal accounting policies (cont'd)**

(c) **Recognition of income**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in surplus or deficit as follows:

- (i) Subvention from Social Welfare Department, Education Bureau and Community Chest are recognised when the money is received.
- (ii) Government grants are recognised as income over the periods necessary to match them with the related costs.
- (iii) Clinic fees income are recognised in the period when the services are rendered.
- (iv) School and programme fees are recognised upon completion of services.
- (v) Revenue from production of goods is recognised on transfer of risks and rewards of ownership which generally coincides with time when goods are delivered to customers and title has passed.
- (vi) Service income and other service income are recognised when the services are rendered.
- (vii) Donations and gifts are recognised on a receipt basis.
- (viii) Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

(d) **Property, furniture and equipment**

Property, furniture and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, furniture and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. All other expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is recognised as expenses during the year in which it is incurred.

The gain or loss on disposal of an item of property, furniture and equipment is the difference between the net sale proceeds and the net carrying value of the relevant asset, and is recognised in surplus or deficit.

Depreciation is provided to write off the cost of property, furniture and equipment over their estimated useful lives by using the straight line method at the following annual rates:

Furniture and fixtures	20% per annum
Leasehold improvements	20-50% per annum
Motor vehicles	20% per annum



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4. **Principal accounting policies (cont'd)**

(e) **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measure date

Level 2 - based on inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly

Level 3 - based on inputs that are unobservable for the asset or liability

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(f) **Financial assets**

The Group classifies its financial assets in the following categories: held-to-maturity securities, financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The financial assets recognised in the financial statements during the year include held-to-maturity securities, available-for-sale financial assets and loans and receivables.

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(f) **Financial assets (cont'd)**

(i) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative investments in listed and unlisted securities, other than investments in subsidiaries, associates and jointly-controlled entities. They are intended to be held for a continuing strategic or long term purpose and are stated in the statement of financial position at fair value, except that equity securities which do not have a quoted market price in an active market and whose fair value cannot be measured reliably are measured at cost less any impairment losses.

In respect of available-for-sale financial assets carried at fair value, the unrealised gains or losses arising from changes in the fair value of investments are dealt with as movements in the investment revaluation reserve. When the investments are sold, the difference between the sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal of investments and recognised in surplus or deficit. Impairment losses recognised in surplus or deficit for equity investments carried at fair value are not subsequently reversed through surplus or deficit. If, in a subsequent period, the fair value of a debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in surplus or deficit, the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit.

In respect of available-for-sale financial assets carried at cost less any accumulated impairment losses, when there is objective evidence that an impairment loss has been incurred on an investment, the carrying amount of the investment should be reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and the amount of the impairment is recognised in surplus or deficit for the year in which it arises. Any impairment losses recognised shall not be reversed.

(ii) **Loans and receivables**

Loans and receivables (including accounts receivable and sundry debtors, deposits and prepayments, bank deposits and cash balance) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and thereafter stated at amortised cost less any impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial, in such cases, the receivables are stated at cost less any impairment losses for bad and doubtful debts.

(iii) **Held-to-maturity securities**

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the expressed intention and positive ability to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

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4. **Principal accounting policies (cont'd)**

(f) **Financial assets (cont'd)**

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Group transfers substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in surplus or deficit.

(g) **Impairment of assets**

Internal and external sources of information are reviewed at each date of the statement of financial position to identify indications that the financial and non-financial assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

(i) **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) **Recognition of impairment losses**

An impairment loss is recognised in surplus or deficit whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of other assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable. For financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows. Impairment losses for account receivables are reversed if in a subsequent period the amount of impairment losses decreases.

(iii) **Reversals of impairment losses**

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the surplus or deficit in the year in which the reversals are recognised.

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4. **Principal accounting policies (cont'd)**

(h) **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) **Financial liabilities**

Financial liabilities (including accounts payable and accrued expense, Social Welfare Department/Education Bureau subvention surplus and receipts in advance) are initially recognised at fair value less directly attributable transaction costs and are subsequent measured at amortised cost, using the effective interest method, unless the balances are interest-free loans obtained from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in such cases, they are stated at cost.

Financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments. The Group derecognises financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

(j) **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the landlord are accounted for as operating leases. Rentals payable under operating leases are recognised as an expense on the straight-line basis over the lease terms.

(k) **Employee benefits**

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

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4. **Principal accounting policies (cont'd)**

(k) **Employee benefits (cont'd)**

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawals.

(l) **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 amount of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

5. **Income**

Income received during the year are as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Subvention from Education Bureau	67,668,792.45	59,343,715.29
Subvention from Social Welfare Department	71,834,835.00	66,298,169.00
Subvention from Community Chest	1,522,400.00	1,537,717.15
Fee income from medical services	5,300,765.62	3,713,345.80
Fee income from kindergartens and schools	23,903,394.61	25,902,595.24
Fee income from social services and central administration	25,146,768.38	25,693,869.61
Donation received	2,547,954.19	3,681,545.06
Bank interest received	993,725.75	1,302,071.48
	<u>198,918,636.00</u>	<u>187,473,028.63</u>

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**6. Surplus before taxation**

Surplus before taxation is stated after **charging**, inter alia, the following:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Auditor's remuneration	103,000.00	103,000.00
Depreciation	5,151,039.87	6,194,931.07
Loss on disposal of property, furniture and equipment	39,920.07	15,378.00
Operating lease charges - land and buildings	5,036,782.40	5,024,287.00
Staff costs	139,158,691.18	125,726,384.50

**7. Directors' remuneration**

Particulars of directors' remuneration for the year disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance are as follows:-

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Fees	-	-
Other emoluments	-	-
Retirement benefits	-	-
Compensation for loss of office	-	-
	<hr/>	<hr/>
Key management personnel's remuneration	<hr/> <hr/>	<hr/> <hr/>

**8. Taxation**

No provision for Hong Kong profits tax has been made in the financial statements as the Group is exempted from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

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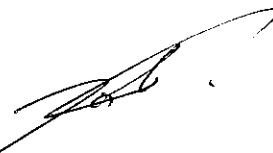
## 9. Statement of financial position of the Company

	Notes	2016 HK\$	2015 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, furniture and equipment	10 (b)	2,427,964.96	3,067,998.31
Available-for-sale financial assets	11	319,397.20	402,124.45
		2,747,362.16	3,470,122.76
<b>CURRENT ASSETS</b>			
Inventories	13	67,663.31	19,375.79
Held-to-maturity financial assets	12	-	1,534,000.00
Accounts receivable and sundry debtors		1,012,629.53	1,143,069.24
Amount due from subsidiaries	14	2,184,134.84	3,643,833.96
Deposits and prepayments		2,077,446.08	2,423,502.18
Time deposits		35,464,797.39	31,000,028.67
Bank balances and cash		18,482,102.08	18,620,286.25
		59,288,773.23	58,384,096.09
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses		2,530,346.92	2,810,363.75
Social welfare/Education Bureau surplus		448,043.90	1,418,375.44
Receipt in advance		1,229,888.16	1,721,632.87
		4,208,278.98	5,950,372.06
<b>NET CURRENT ASSETS</b>		<u>55,080,494.25</u>	<u>52,433,724.03</u>
<b>NET ASSETS</b>		<u>57,827,856.41</u>	<u>55,903,846.79</u>
<b>RESERVES</b>			
Accumulated fund	16	922,513.47	(105,040.01)
Designated funds	17	19,343,602.65	25,164,786.96
Flag day fund	18	3,594,029.92	4,469,994.13
Lump sum grant reserve	19	28,885,282.09	21,805,552.65
Block grant reserve	20	5,326,937.24	4,730,334.77
Investment revaluation reserve	21	(244,508.96)	(161,781.71)
		<u>57,827,856.41</u>	<u>55,903,846.79</u>

Approved and authorized for issue by the board of directors on 06 SEP 2016  
On behalf of the board:



PANG Chau Sheung  
Director



TO Tat Man  
Director

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10. Property, furniture and equipment  
(a) The Group

	Leasehold Land and buildings HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Motor vehicle HK\$	Total HK\$
<b>Cost</b>					
At 1 April 2014	1.00	19,947,075.90	20,021,128.02	701,074.50	40,669,279.42
Additions	-	2,434,712.60	1,855,966.40	-	4,290,679.00
Disposals	-	(59,970.00)	(335,210.00)	-	(395,180.00)
At 31 March 2015	1.00	22,321,818.50	21,541,884.42	701,074.50	44,564,778.42
Additions	-	2,959,985.47	3,562,453.75	-	6,522,439.22
Disposals	-	(1,773,373.30)	-	-	(1,773,373.30)
At 31 March 2016	1.00	23,508,430.67	25,104,338.17	701,074.50	49,313,844.34
<b>Accumulated Depreciation</b>					
At 1 April 2014	-	13,599,489.49	14,585,318.90	453,168.25	28,637,976.64
Charge for the year	-	2,602,733.08	3,493,035.49	99,162.50	6,194,931.07
Disposals written back	-	(58,392.00)	(321,410.00)	-	(379,802.00)
At 31 March 2015	-	16,143,830.57	17,756,944.39	552,330.75	34,453,105.71
Charge for the year	-	3,002,096.97	2,049,780.40	99,162.50	5,151,039.87
Disposals written back	-	(1,733,453.23)	-	-	(1,733,453.23)
At 31 March 2016	-	17,412,474.31	19,806,724.79	651,493.25	37,870,692.35
<b>Net Book Value</b>					
At 31 March 2016	1.00	6,095,956.36	5,297,613.38	49,581.25	11,443,151.99
At 31 March 2015	1.00	6,177,987.93	3,784,940.03	148,743.75	10,111,672.71

The Group's leasehold land and buildings are situated in Hong Kong and are held under medium-term lease.



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10. **Property, furniture and equipment (cont'd)**(b) The Company

	Leasehold Land and buildings HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Motor vehicle HK\$	Total HK\$
<b>Cost</b>					
At 1 April 2014	1.00	6,085,426.76	13,939,270.70	701,074.50	20,725,772.96
Additions	-	884,028.00	-	-	884,028.00
Disposals	-	(21,520.00)	(300,900.00)	-	(322,420.00)
At 31 March 2015	1.00	6,947,934.76	13,638,370.70	701,074.50	21,287,380.96
Additions	-	652,449.00	-	-	652,449.00
Disposals	-	(354,538.30)	-	-	(354,538.30)
At 31 March 2016	1.00	7,245,845.46	13,638,370.70	701,074.50	21,585,291.66
<b>Accumulated Depreciation</b>					
At 1 April 2014	-	4,060,104.33	11,263,196.48	453,168.25	15,776,469.06
Charge for the year	-	637,421.36	2,013,371.73	99,162.50	2,749,955.59
Disposals written back	-	(19,942.00)	(287,100.00)	-	(307,042.00)
At 31 March 2015	-	4,677,583.69	12,989,468.21	552,330.75	18,219,382.65
Charge for the year	-	725,979.37	465,850.48	99,162.50	1,290,992.35
Disposals written back	-	(353,048.30)	-	-	(353,048.30)
At 31 March 2016	-	5,050,514.76	13,455,318.69	651,493.25	19,157,326.70
<b>Net Book Value</b>					
At 31 March 2016	1.00	2,195,330.70	183,052.01	49,581.25	2,427,964.96
At 31 March 2015	1.00	2,270,351.07	648,902.49	148,743.75	3,067,998.31

The Company's leasehold land and buildings are situated in Hong Kong and are held under medium-term lease.

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**11. Available-for-sale financial assets**

The investments in securities classified under available-for-sale financial assets are held for long term purposes. At 31 March 2016, investments in securities comprise:

	<b>The Group and the Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
<u>Cost</u>		
Listed equity securities	463,906.16	463,906.16
Unlisted equity securities	100,000.00	100,000.00
	<u>563,906.16</u>	<u>563,906.16</u>
 <u>Carrying value</u>		
Listed equity securities carried at fair value	219,397.20	302,124.45
Unlisted equity securities carried at cost	100,000.00	100,000.00
	<u>319,397.20</u>	<u>402,124.45</u>

The fair value of the listed equity securities is based on quoted market prices.

**12. Held-to-maturity securities**

	<b>The Group and the Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Unlisted debt securities, at amortised cost	-	1,534,000.00

The contractual maturity and coupon rates of the above debt equities are 9 June 2015 and 3.80% respectively.

**13. Inventories**

Inventories represent goods held for resale.

**14. Amount due from subsidiaries**

	<b>The Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Arm Services Company Limited	1,859,321.18	2,700,784.18
Stewards Peace Dental Clinic Limited	324,813.66	943,049.78
	<u>2,184,134.84</u>	<u>3,643,833.96</u>

The above amounts are unsecured and interest free with no fixed repayment terms.

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15. **Separate income and expenditure account for School-Based After-School Learning and Support Programmes**

**For the period from 1 April 2015 to 31 July 2015**

	Programme ST1424 HK\$	Programme ST1425 HK\$	Others HK\$	Total HK\$
Balance as at 1 April 2015	90,039.40	118,624.60	-	208,664.00
<b>Add: Income</b>				
Education Bureau's grant	26,292.00	44,459.00	-	70,751.00
School's subsidies/fee income	3,340.00	-	-	3,340.00
Interest	-	-	-	-
	29,632.00	44,459.00	-	74,091.00
<b>Less: Expenditure</b>				
Tutor fee	64,800.00	99,262.50	-	164,062.50
Function materials and printing charges	12,698.10	19,502.60	-	32,200.70
Programme coordination expense	10,955.00	18,525.00	-	29,480.00
Administration expenses	9,696.70	18,525.00	-	28,221.70
	98,149.80	155,815.10	-	253,964.90
Balance as at 31 July 2015	<u>21,521.60</u>	<u>7,268.50</u>	-	<u>28,790.10</u>

**For the period from 1 August 2015 to 31 March 2016**

	Programme ST1521 HK\$	Programme ST1522 HK\$	Others HK\$	Total HK\$
<b>Add: Income</b>				
Education Bureau's grant	263,568.00	66,054.00	-	329,622.00
School's subsidies/fee income	18,024.00	-	-	18,024.00
Interest	-	-	-	-
	281,592.00	66,054.00	-	347,646.00
<b>Less: Expenditure</b>				
Tutor fee	105,445.00	26,150.00	-	131,595.00
Function materials and printing charges	60,715.00	5,702.40	-	66,417.40
Programme coordination expense	-	-	-	-
Administration expenses	-	-	-	-
	166,160.00	31,852.40	-	198,012.40
Balance as at 31 March 2016	<u>115,432.00</u>	<u>34,201.60</u>	-	<u>149,633.60</u>

The income and expenditure for the School-Based After-School Learning and Support Programmes for the year have been included in the consolidated statement of surplus and deficit and other comprehensive income and the balance of HK\$149,633.60 as at 31 March 2016 has been included in the receipts in advance.

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**16. Accumulated fund**

Accumulated fund attributable to services group are as follows:

	<b>The Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Central Administration Office	(7,841,110.67)	(7,805,560.00)
Clinics	3,673,697.76	3,193,095.86
Kindergarten	572,284.59	(160,429.37)
Schools	91,053,478.56	84,946,327.49
Social Services	5,043,817.62	4,550,963.65
	<u>92,502,167.86</u>	<u>84,724,397.63</u>

	<b>The Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Central Administration Office	(7,577,110.67)	(7,673,560.00)
Clinics	3,292,097.94	3,313,483.13
Kindergarten	572,284.59	(160,429.37)
Social Services	4,635,241.61	4,415,466.23
	<u>922,513.47</u>	<u>(105,040.01)</u>

Movements of the Company's accumulated fund during the year are set out as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance as at 1 April	(105,040.01)	1,340,953.52
Surplus for the year ended 31 March	2,550,129.52	1,754,685.53
Transfer from Education Bureau and Social Welfare		
Department surplus account	126,536.42	(228,877.53)
Other transfers	(272,226.70)	415,221.97
Transfer between funds	(1,376,885.76)	(3,387,023.50)
	<u>922,513.47</u>	<u>(105,040.01)</u>
Balance as at 31 March	<u>922,513.47</u>	<u>(105,040.01)</u>

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**17. Designated funds**

The designated funds are set up for the designated purpose and are used at the discretion of the Board of Directors of the Company. Their details are as follows:

	The Group	
	2016 HK\$	2015 HK\$
Education funds	4,627,486.10	13,254,049.86
Workshop funds	-	6,830,092.11
Gang Yun Foundation	87,765.90	87,765.90
Maintenance/utilities fund	(178,092.54)	(197,290.75)
Membership fund	39,400.00	35,600.00
Ministry fund	158,220.00	140,650.00
Quarters fund	64,975.24	104,467.24
Reserve & development fund	11,218,222.73	2,305,781.56
Social service fund	1,358,224.38	1,434,656.68
Designated fund	904,294.48	-
Walk with you fund	321,741.35	420,929.35
Youth Mental Health subsidy scheme	278,937.60	284,657.60
Yiu Tsuen fund	57,734.70	57,734.70
Fund for Peace Medical Centre	92,072.96	93,072.96
Fund for Stewards Peace Dental Clinic Limited	600.00	600.00
Fund for High Rock Christian Centre	312,619.75	312,619.75
	<u>19,344,202.65</u>	<u>25,165,386.96</u>

	The Company	
	2016 HK\$	2015 HK\$
Education funds	4,627,486.10	13,254,049.86
Workshop funds	-	6,830,092.11
Gang Yun Foundation	87,765.90	87,765.90
Maintenance/utilities fund	(178,092.54)	(197,290.75)
Membership fund	39,400.00	35,600.00
Ministry fund	158,220.00	140,650.00
Quarters fund	64,975.24	104,467.24
Reserve & development fund	11,218,222.73	2,305,781.56
Social service fund	1,358,224.38	1,434,656.68
Designated fund	904,294.48	-
Walk with you fund	321,741.35	420,929.35
Youth Mental Health subsidy scheme	278,937.60	284,657.60
Yiu Tsuen fund	57,734.70	57,734.70
Fund for Peace Medical Centre	92,072.96	93,072.96
Fund for High Rock Christian Centre	312,619.75	312,619.75
	<u>19,343,602.65</u>	<u>25,164,786.96</u>

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17. **Designated funds** (cont'd)

Movement of the Company's designated funds during the year are set out as follows:

	<b>The Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance as at April 1	25,164,786.96	23,974,995.51
Add: Income directly dealt with in the fund	270,588.00	100,670.50
Transfer from other funds	<u>(5,509,337.27)</u>	<u>1,437,836.00</u>
	19,926,037.69	25,513,502.01
Less: Expenditure directly dealt with in the fund	<u>(582,435.04)</u>	<u>(348,715.05)</u>
Balance as at March 31	<u><u>19,343,602.65</u></u>	<u><u>25,164,786.96</u></u>

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18. Flag day fund

	The Group and the Company	
	2016 HK\$	2015 HK\$
<u>Designated Flag Day fund</u>		
Balance as at April 1	4,063,155.67	3,368,694.70
Donations from flag day fund raising event held on 14 March 2015	-	1,727,515.20
	4,063,155.67	5,096,209.90
Flag Day expenses	-	(99,678.10)
	4,063,155.67	4,996,531.80
Usage of Flag day fund held in 2008 to 2015		
After school care programme	-	(72,565.43)
Counselling services	(114,583.88)	(95,099.63)
Rehabilitation services	(13,939.60)	(4,946.60)
Middle aged and senior male services	(105,531.31)	(293,472.43)
Youth menal health services	(202,856.00)	(467,292.04)
Recurrent expenses of central administration	(325,567.42)	-
	(762,478.21)	(933,376.13)
Balance as at 31 March	3,300,677.46	4,063,155.67
<u>General Flag Day Fund</u>		
Balance as at April 1	406,838.46	517,000.46
Other donations	-	50,000.00
	406,838.46	567,000.46
Funds allocated to		
- Central Administration Office	-	(120,162.00)
- Ma Ko Pan Memorial College	(89,966.00)	-
- Pooi Kei Primary School	(23,520.00)	(40,000.00)
	(113,486.00)	(160,162.00)
Balance as at March 31	293,352.46	406,838.46
Total balance of flag day as at 31 March	3,594,029.92	4,469,994.13

For the remaining net proceeds collected from the flag days held on 2 May 2009, 29 January 2011, 25 February 2012, 16 Feb 2013 and 14 Mar 2015 brought forward, the usage of HK\$762,478.21 were used as disclosed above. The unused balance of HK\$3,300,677.46 will be carried forward and will be used for the purposes of i) youth mental health service; ii) middle-aged and senior male pilot project; iii) rehabilitation service; iv) counseling service; and v) children and youth service.

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19. Lump sum grant reserve

	The Group and the Company	
	2016 HK\$	2015 HK\$
<b>Income</b>		
Lump sum grant and tide-over grant	67,760,490.00	61,099,498.00
Fee Income	2,198,929.50	1,689,099.00
Other Income	10,070,282.49	10,775,900.13
Interest Received	150,662.25	201,893.92
Total Income	<u>80,180,364.24</u>	<u>73,766,391.05</u>
<b>Expenditure</b>		
Personal Emoluments	64,648,541.90	56,410,580.32
Other Charges	14,578,135.13	17,147,196.88
Total Expenditure	<u>79,226,677.03</u>	<u>73,557,777.20</u>
Surplus for the year transferred from accumulated fund	953,687.21	208,613.85
Adjustment as per SWD account inspection letter dated 4 Apr 2016	350.00	-
Transfer from Workshop Fund	6,485,984.23	-
Transfer of unspent PA to LSG	-	89,362.68
Refund to Government	(360,292.00)	-
Balance at beginning of year	21,805,552.65	21,507,576.12
Balance at end of year	<u>28,885,282.09</u>	<u>21,805,552.65</u>
The components of the reserve are as follows:		
Lump sum grant reserve (excluding provident fund)	22,415,262.26	15,084,645.24
Surplus of provident fund subvention	6,470,019.83	6,720,907.41
	<u>28,885,282.09</u>	<u>21,805,552.65</u>



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**20. Block grant reserve**

Movements of the block grant allocation from Social Welfare Department for property, furniture and equipment and minor works:

	<b>The Group and the Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance at beginning of year	4,730,334.77	3,793,585.44
Bank interest income	27,630.67	29,999.33
	<u>4,757,965.44</u>	<u>3,823,584.77</u>
Block grant received	1,010,000.00	924,000.00
Expenditure for renovation, furniture and equipment	(441,028.20)	(17,250.00)
Transfer from accumulated fund and other funds	<u>568,971.80</u>	<u>906,750.00</u>
Balance at end of year	<u><u>5,326,937.24</u></u>	<u><u>4,730,334.77</u></u>

As at 31 March 2016, the outstanding commitments in respect of block grant allocation from SWD for furniture & equipment and minor works were as follows:

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

**21. Investment revaluation reserve**

	<b>The Group and the Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Balance at beginning of year	(161,781.71)	(107,839.01)
Decrease in the fair value of investments in securities	(82,727.25)	(53,942.70)
Balance at end of year	<u><u>(244,508.96)</u></u>	<u><u>(161,781.71)</u></u>

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**22. Movement of Additional Resources for Para-medical staff**

	<b>The Group and the Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
<u>Grant Code: 35141-837-2170-0000</u>		
Balance brought forward	135,661.57	135,661.57
Refund to government	<u>(135,661.57)</u>	<u>-</u>
Surplus for the year and to be refunded to SWD	<u>-</u>	<u>135,661.57</u>

**23. Use of the Social Welfare Development Fund (SWDF)**

	<b>The Group and the Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
<u>Phase 1</u>		
Balance brought forward	-	158,355.53
Less: Refunded to SWD	<u>-</u>	<u>(158,355.53)</u>
Balance to be refunded to SWD	<u>-</u>	<u>-</u>

	<b>The Group and the Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<u>Phase 2</u>		
Balance brought forward	420,810.97	64,392.40
Income		
Allocation from SWDF	315,106.00	692,106.00
Interest received	63.60	69.20
Total income during the year	<u>315,169.60</u>	<u>692,175.20</u>
Expenditure under SWDF during the year:		
1. Expenditure for projects under scope A	165,349.10	248,951.60
2. Expenditure for projects under scope B (non-IT)	-	-
3. Expenditure for projects under scope B (IT)	-	-
4. Expenditure for projects under scope C	143,046.25	86,805.03
5. Expenditure for administrative support	-	-
Total expenditure during the year	<u>308,395.35</u>	<u>335,756.63</u>
Balance carried forward to the next financial year	<u>427,585.22</u>	<u>420,810.97</u>

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**23. Use of the Social Welfare Development Fund (SWDF) (cont'd)**

The above expenditures under the SWDF have been incurred in accordance with the requirements stipulated in SWDF Guidance Notes for Application, SWD's approval letter(s) and the procurement of projects and services are in line with the procedures specified in the Lotteries Fund Manual.

The above income and expenditure have been included in the consolidated statement of surplus or deficit and other comprehensive income of the Company and the balance of \$427,585.22 as at 31 March 2016 has been included in Social Welfare Department/Education Bureau surplus

**24. District Support Scheme for Children and Youth Development - Development Project (DSSCYD)**

	Project 觸.碰人生-社區藝術 共融參與計劃 \$
<b>Income</b>	
Subsidy from SWD DSSCYD	24,609.60
Total income	24,609.60
<b>Expense</b>	
Banner	174.00
Performance fee	4,000.00
Transportation	254.00
Postage	297.00
Promotion printing	656.00
Programme materials	1,404.70
Souvenir	420.00
Tutor fee	21,850.00
Total expenses	29,055.70
<b>Deficit absorbed by the Company</b>	(4,446.10)

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**25. Financial instruments**

The carrying amounts of each of the categories of financial instruments as at the date of the statement of financial position are as follows:

	<b>The Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Financial assets</b>		
Available-for-sale financial assets (investments in securities)		
- carried at fair value	291,397.20	302,124.45
- carried at cost	100,000.00	100,000.00
Held-to-maturity financial assets (investments in securities)		
- carried at amortised cost	-	1,534,000.00
Loans and receivables (including cash and bank balances)	147,359,332.40	139,407,763.04
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	9,841,281.81	10,813,644.37

Other than the investment carried at cost, the fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts.

**26. Operating lease commitments**

At 31 March 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>The Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Within one year	3,646,860.00	4,247,356.00
In the second to fifth years inclusive	5,146,420.00	1,611,700.00
	8,793,280.00	5,859,056.00

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**27. Risk related to financial instruments**

The Group's overall policy on risk management remained the same as in the previous year. The risks associated with the Group's financial instruments at the date of the statement of financial position are as follows:

**Credit risk**

The carrying amounts of accounts receivables and sundry debtors, deposits and prepayments, time deposits, and bank balances and cash as stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk at the date of the statement of financial position. The Group has a credit policy in place and exposures to the credit risk are monitored on an ongoing basis. In respect of the time deposits and bank balances, the exposure to credit risk is minimised by placing the deposits with reputable international financial institutions only. The Group has no significant concentrations of credit risk.

At the date of the statement of financial position, the Group had no receivables that were past or impaired.

**Price risk**

The Group's investments in listed equity securities are measured at fair value at each date of the statement of financial position. Therefore, the Group is exposed to security price risk. The movements in the market values of the investments in securities are reviewed by the management of the Group periodically.

Any reasonable changes in security price would not result in a significant change in the Group's results and therefore no sensitivity analysis is presented for price risk.

**Interest rate risk**

The value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to fair value interest rate risk primarily relates to its fixed-rate time deposits. However, the Group only invests surplus fund in fixed-rate financial assets and such investments are normally short term. In consequence, no material exposure to fair value interest rate risk is expected.

**Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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27. **Risk related to financial instruments (cont'd)**

**Liquidity risk (cont'd)**

The maturity analysis for the Group's financial liabilities at the date of the statement of financial position, based on the contractual undiscounted cash flows, is as follows:

At 31 March 2016

	Social Welfare Department / Education Bureau surplus HK\$	Payables and accruals HK\$	Total financial liabilities HK\$
Carrying amount	448,043.90	9,393,237.91	9,841,281.81
Within 3 months	-	8,083,205.75	8,083,205.75
More than 3 months but within 1 year	448,043.90	1,310,032.16	1,758,076.06
	448,043.90	9,393,237.91	9,841,281.81

At 31 March 2015

	Social Welfare Department / Education Bureau surplus HK\$	Payables and accruals HK\$	Total financial liabilities HK\$
Carrying amount	1,418,375.44	9,395,268.93	10,813,644.37
Within 3 months	-	7,611,169.06	7,611,169.06
More than 3 months but within 1 year	1,418,375.44	1,784,099.87	3,202,475.31
	1,418,375.44	9,395,268.93	10,813,644.37

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**28. Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid and ask prices respectively.
- The fair values of derivative instruments are measured at fair value by reference to the valuation provided by counterparty financial institutions for these instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

*Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

At 31 March 2016

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Financial assets			
<i>Available-for-sale financial assets</i>			
- Listed equity securities	219,397.20	-	219,397.20

At 31 March 2015

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Financial assets			
<i>Available-for-sale financial assets</i>			
- Listed equity securities	302,124.45	-	302,124.45

There were no transfer between Levels 1 and 2 during the years ended 31 March 2015 and 2016.

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**29. Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to carry out its principal activities. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of accumulated surplus for service projects. In order to maintain or adjust the capital structure, the Group may appeal for the subvention from Hong Kong Government and donations from the general public.

**30. Critical accounting estimates and judgements**

In preparing these financial statements, the management is required to exercise significant judgements in the selection and application of accounting principles, including making estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal to the related actual results. The following is a review of the more significant accounting policies that are impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

**Impairment**

The Group assesses annually whether property, furniture and equipment, held-to-maturity securities and available-for-sale financial assets have any indication of impairment. The recoverable amounts of the assets have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates.

**Depreciation**

The Group's net book value of property, furniture and equipment as at 31 March 2016 was HK\$11,443,151.99. The Group depreciates the assets on a straight-line basis over their estimated useful life. The estimated useful life reflects the directors' estimate of the periods that the company intends to derive future economic benefits from the use of the assets.

..... The End .....