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Draft No.: Amendment on 1st Draft

WAH YAN COLLEGE KOWLOON PAST STUDENTS' ASSOCIATION LIMITED
(INCORPORATED IN HONG KONG AND LIMITED BY GUARANTEE)
REPORT OF THE EXECUTIVE COMMITTEE MEMBERS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

REPORT OF THE EXECUTIVE COMMITTEE MEMBERS

The executive committee members have pleasure in submitting their report together with the audited financial statements of Wah Yan College Kowloon Past Students' Association Limited (hereinafter referred to as the "Association") for the year ended 31 December 2011.

Principal activities

The Association is established for the objective of promoting friendship and co-operation among past students of Wah Yan College Kowloon and a closer relationship between these past students, the college itself and the existing students thereof. There was no significant change in its activities during the year.

Financial statements

The results of the Association for the year are set out in the statement of comprehensive income on Page 6.

The state of affairs of the Association as at 31 December 2011 is set out in the statement of financial position on Page 7.

The cash flows of the Association for the year are set out in the statement of cash flows on Page 9.

Executive committee members

The executive committee members in office during the financial year and up to the date of this report were:

| | |
|--------------------------|----------------------------|
| Chan Chi Ming, Alvin | |
| Chan Geng Chuen, Bosco | (Appointed on 28 May 2011) |
| Chan Pak Woon | (Resigned on 28 May 2011) |
| Chan Tak On | |
| Chan Hing Yau, Philip | |
| Chan Tsz Tung, Anthony | (Appointed on 28 May 2011) |
| Chan Yuk Lung, Bryan | |
| Cheng Man Shun, Mike | |
| Cheung Kin Kwong | (Appointed on 28 May 2011) |
| Chiu Yu Kiu | (Appointed on 28 May 2011) |
| Chong Hin Wang | (Appointed on 28 May 2011) |
| Chow Yau Shing, Laurence | |
| Chow Kwong Chuen | (Appointed on 28 May 2011) |
| Chui Man Lung, Everett | (Appointed on 28 May 2011) |
| Chung Yuet Kan | (Appointed on 28 May 2011) |
| Fok Po Tin | (Resigned on 28 May 2011) |
| Fong Tsz Ching | (Appointed on 28 May 2011) |
| Fong Wing Hong, Monty | |
| Ho Leung, David | |
| Ho Siu Tong (Chairman) | |

REPORT OF THE EXECUTIVE COMMITTEE MEMBERS (CONTINUED)

Executive committee members (continued)

| | |
|----------------------------|----------------------------|
| Ho Kwong Hei | (Appointed on 28 May 2011) |
| Kwan Hoi Man, Herman | (Appointed on 28 May 2011) |
| Keung Yiu Ming, Stanislaus | (Resigned on 28 May 2011) |
| Ko Man Hon, Gary | |
| Ko Pat Sing, Tony | (Resigned on 28 May 2011) |
| Kong Hiu Fung | (Appointed on 28 May 2011) |
| Lam Ho Yin | (Resigned on 28 May 2011) |
| Lau Ming Yum, Matthew | |
| Lau Wai Hung | |
| Lee Kin Man | (Resigned on 28 May 2011) |
| Lee Yu Leung | |
| Li Yin Pok | |
| Ng Fei Yeung | |
| Pong Ti Fan, Ivan | (Resigned on 28 May 2011) |
| Siu Chun Pong, Raymond | |
| Sze Chun Fai | |
| Wong Ho Lung, Billy | (Resigned on 28 May 2011) |
| Wong Tze Shing, Milton | |
| Wu Hong Kit, Kenneth | (Resigned on 28 May 2011) |
| Yu Chun Sing Sam | |
| Yuen Kin Hang | (Appointed on 28 May 2011) |
| Yung Pun To, Douglas | |
| Yung Chung Hung | (Resigned on 28 May 2011) |

In accordance with Articles of Association, all executive committee members shall retire at the forthcoming annual general meeting and, being eligible, are available for re-election.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Association were entered into or existed during the year.

Executive committee members' interests in contracts

The executive committee members' interests in contracts are set out in Note 8 and 10 to the financial statements. Apart from the foregoing, no other contracts of significance in relation to the Association was a party and in which an executive committee member of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE EXECUTIVE COMMITTEE MEMBERS (CONTINUED)

Auditors

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as auditors of the Association for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the executive committee

.....
Ho Siu Tong
Chairman

Hong Kong, [x]
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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
WAH YAN COLLEGE KOWLOON PAST STUDENTS' ASSOCIATION LIMITED _____ 4**
(incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of Wah Yan College Kowloon Past Students' Association Limited set out on pages 6 to 24, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Executive committee members' responsibility for the financial statements

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

Auditors' 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 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' judgment, 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 Association, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
WAH YAN COLLEGE KOWLOON PAST STUDENTS' ASSOCIATION LIMITED
(CONTINUED)** _____ 5
(incorporated in Hong Kong and limited by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Association's affairs as at 31 December 2011 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Chartered Accountants
Certified Public Accountants

Hong Kong, [x]
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STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31 December 2011 (in HK Dollars) | Note | 2011 | 2010 |
|---|------|----------------|----------|
| Income | | | |
| Net programme surplus | 6 | 308,211 | 5,309 |
| Membership subscriptions and donations | | 4,900 | 7,250 |
| Souvenir income | | 12,919 | 38,591 |
| Sundry income | | - | 340 |
| Wah Yan Plus Card donation received | | - | 1,000 |
| | | 326,030 | 52,490 |
| Expenditures | | | |
| Accounting and management expenses | | 27,166 | 52,920 |
| Advertising and promotion | | - | 5,000 |
| Bank charges | | 400 | 300 |
| Business registration fee | | 750 | 450 |
| Courier and postage | | - | 368 |
| Election of alumni school manager | | - | 3,969 |
| Insurance | | 2,000 | 2,000 |
| Printing and stationery | | 200 | 566 |
| Sponsorship | | 56,786 | 76,342 |
| Souvenir production | | 8,000 | - |
| Sundry expenses | | 606 | 305 |
| World Union of Jesuit Alumni annual fee | | 1,560 | - |
| | | 97,468 | 142,220 |
| Surplus/(deficit) for the year | | 228,562 | (89,730) |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income/(loss) for the year | | 228,562 | (89,730) |

All of the Association's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

| At 31 December 2011 (in HK Dollars) | Note | 2011 | 2010 |
|-------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Other receivables | | 2,104 | 2,104 |
| Cash and bank balances | | <u>323,408</u> | <u>144,040</u> |
| | | 325,512 | 146,144 |
| Less: Current liabilities | | | |
| Accruals and other payables | 9 | 10,764 | 59,958 |
| Net assets | | 314,748 | 86,186 |
| Funds | | | |
| General fund | | 314,748 | 86,186 |

Approved by the executive committee on [x]

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)
)
) Ho Siu Tong, Chairman
)
)
)
) Wong Tze Shing, Milton, Honorary Treasurer

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN FUND

| For the year ended 31 December 2011 (in HK Dollars) | 2011 | 2010 |
|---|-----------------------|----------|
| General Fund | | |
| At the beginning of the year | 86,186 | 175,916 |
| Surplus/(deficit) for the year | <u>228,562</u> | (89,730) |
| At the end of the year | 314,748 | 86,186 |

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

| For the year ended 31 December 2011 (in HK Dollars) | 2011 | 2010 |
|--|-----------------|----------|
| Cash flows from operating activities | | |
| Surplus/(deficit) for the year and operating cash flows before working capital changes | 228,562 | (89,730) |
| Increase in other receivables | - | (2,104) |
| Increase in receipt in advance | 1,024 | - |
| (Decrease)/increase in accruals and other payables | (50,218) | 46,495 |
| Net cash used in operating activities | 179,368 | (45,339) |
| Net decrease in cash and cash equivalents | 179,368 | (45,339) |
| Cash and cash equivalents at the beginning of the year | 144,040 | 189,379 |
| Cash and cash equivalents at the end of the year | 323,408 | 144,040 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 323,408 | 144,040 |

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (in HK Dollars)

1. CORPORATE INFORMATION

The Association is incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee. The Association's registered office is located at Wah Yan College, Kowloon, 56 Waterloo Road, Kowloon.

The Association is established for the objective of promoting friendship and co-operation among past students of Wah Yan College Kowloon and a closer relationship between these past students, the college itself and the existing students thereof. Under the provision of its Memorandum and Articles of Association, every member shall, in the event of the Association being wound up, contribute such amount as may be required to meet the liabilities of the Association but not exceeding the sum of HK\$10 each.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Association has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Association's financial year beginning 1 January 2011. A summary of the new HKFRSs are set out as below:

| | |
|-------------------------------|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 |
| HKFR1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters |
| HKAS 24 (Revised) | Related Party Disclosures |
| HKAS 32 (Amendments) | Classification of Right Issues |
| HK(IFRIC)-Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the above new HKFRSs had no material effect on the results and financial positions of the Association for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (CONTINUED)

The Association has not early applied the following new HKFRSs that have been issued but are not yet effective.

| | |
|------------------------------|---|
| HKFRS 1 (Amendment) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹ |
| HKFRS 1 (Amendments) | Government Loans ⁴ |
| HKFRS 7 (Amendments) | Financial Instruments: Disclosure - Transfers of Financial Assets ¹ |
| HKFRS 7 (Amendments) | Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities ⁴ |
| HKFRS 9 | Financial Instruments ⁶ |
| HKFRS 10 | Consolidated Financial Statement ⁴ |
| HKFRS 11 | Joint Arrangements ⁴ |
| HKFRS 12 | Disclosure of Interests in Other Entities ⁴ |
| HKFRS 13 | Fair Value Measurement ⁴ |
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income ³ |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Asset ² |
| HKAS 19 (as revised in 2011) | Employee Benefits ⁴ |
| HKAS 27 (as revised in 2011) | Separate Financial Statements ⁴ |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures ⁴ |
| HKAS 32 (Amendments) | Presentation — Offsetting Financial Assets and Financial Liabilities ⁵ |
| HK(IFRIC) — Int 20 | Stripping Costs in the Production Phase of a Surface Mine ⁴ |

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2012.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2014.

⁶ Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. investments that are held within a business model whose objective is to collect the contractual cashflows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The revised disclosure requirements contained in the amendments HKFRS 7 are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company’s financial position. The amendments also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. Company is and other entities are required to apply the amendments for annual periods beginning on or after 1 January 2013, and also interim periods within those annual periods. The required disclosures should be provided retrospectively.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss (“FVTPL”)) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

The amendments to HKAS 32 address inconsistencies in current practice when applying the offsetting criteria and clarify:

- the meaning of ‘currently has a legally enforceable right of set-off’; and
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

The Association is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Association’s results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements are presented in Hong Kong dollars, which is the Association’s functional and presentation currency.

The preparation of financial statements in conformity with HKFRSs requires executive committee members to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believe to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by executive committee members in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of the significant accounting policies followed by the Association in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost basis except for certain financial assets and financial liabilities that are measured at fair values, as explained in the accounting policies set out below.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Association and when revenue can be measured reliably, on the following bases:

- donations are recognised when the right to receive payment is established.
- on the rendering of services, on an appropriate basis over the relevant period in which the services are rendered.
- on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Association maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- membership fee is recognised when the right to receive the fee is established.

(c) Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Association becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Association's financial assets are its loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial asset that require delivery of assets within the time frame established by regulation or convention in the market place.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of account and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When account and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Other financial liabilities

The Association's financial liabilities are classified into other financial liabilities and are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Association has transferred 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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Association's statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Association's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

(e) Related party transactions

- (a) A person, or a close member of that person's family, is related to the Association if that person:
- (i) has control or joint control over the Association;
 - (ii) has significant influence over the Association; or
 - (iii) is a member of the key management personnel of the Association or of a parent of the Association.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Related party transactions (continued)

(b) An entity is related to the Association if any of the following conditions applies:

- (i) the entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

(f) Current assets and current liabilities

Current assets are expected to be realised within twelve months of the reporting period or in the normal course of the Association's operating cycle. Current liabilities are expected to be settled within twelve months of the reporting period or in the normal course of the Association's operating cycle.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value estimation

The carrying amounts of the Association's financial assets, including other receivables, cash and bank balances, and financial liabilities, including accruals and other payables, approximate their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

5. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

| | <u>2011</u> | <u>2010</u> |
|---|----------------|-------------|
| Financial assets | | |
| Loans and receivables (including cash and cash equivalents) | 325,512 | 146,144 |
| Financial liabilities | | |
| Amortised cost | 10,764 | 59,958 |

(b) Financial risk management objectives and policies

The main risks arising from the Association's financial instruments are market risk (including interest rate risk), credit risk and liquidity risk. The executive committee members review and agree policies for managing each of these risks and they are summarised below.

Market risk

The Association's activities expose it primarily to the financial risk of changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Association's exposure to market risk or the manner in which it manages and measures the risk.

Interest rate risk

As the Association has no significant interest bearing assets and liabilities, the Association's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

As at 31 December 2011 and 2010, the Association's maximum exposure to credit risk which will cause a financial loss to the Association due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

Other than concentration of credit risk on liquid funds which are deposited with banks with high credit ratings, the Association does not have any other significant concentration of credit risk.

Liquidity risk

The Association'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 long terms.

Fair value of financial instruments

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

- (i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively.
- (ii) The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance in generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

- (iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Association's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 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 and 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); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Association has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

(c) Capital management

Capital comprises general fund stated on the statement of financial position. The Association's objective when managing capital is to safeguard its ability to continue as a going concern.

The Association manages capital by regularly monitoring its current and expected liquidity requirements.

There are no transfer between Level 1 and 2 in both years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

6. NET PROGRAMME SURPLUS

| | <u>2011</u> | <u>2010</u> |
|--|----------------|-------------|
| Income | | |
| Fr. Deignan's birthday party | - | 8,680 |
| Wah Yan League | 8,400 | 25,600 |
| Homecoming Concert | 598,200 | - |
| | 606,600 | 34,280 |
| Less: Expenditure | | |
| Fr. Deignan's birthday party | - | 9,075 |
| Referee fee & other expenses of Wah Yan League | 8,400 | 19,896 |
| Homecoming Concert | 289,989 | - |
| | 298,389 | 28,971 |
| Net programme surplus | 308,211 | 5,309 |

7. TAXATION

No provision for Hong Kong profits tax has been made as the Association is not subject to profits tax by virtue of Section 24(1) of the Inland Revenue Ordinance.

8. EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

During the year ended 31 December 2011 and 31 December 2010, no amounts have been paid in respect of executive committee members' emoluments, executive committee members' or past executive committee members' pensions or for any compensation to executive committee members' or past executive committee members' in respect of loss of office.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011 (in HK Dollars)

9. ACCRUALS AND OTHER PAYABLES

| | <u>2011</u> | <u>2010</u> |
|---------------------|---------------|---------------|
| Accruals | 9,740 | 1,704 |
| Receipts in advance | <u>1,024</u> | <u>58,254</u> |
| | <u>10,764</u> | <u>59,958</u> |

10. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, no compensation of any kind was paid to the executive committee members who were key management personnel of the Association (2010: Nil).

Save as disclosed in elsewhere of the financial statements, there was no other material related party transaction during the year.

11. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the executive committee on [x].

----- End of Notes-----