

THE DEMOCRATIC PARTY
(Incorporated in Hong Kong and limited by guarantee)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017


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CHEUNG YIN TUNG
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THE DEMOCRATIC PARTY

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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REPORT OF CENTRAL COMMITTEE

The Central Committee have pleasure in presenting their report together with the audited financial statements of the Group and the Party for the year ended 31 March 2017.

FINANCIAL STATEMENTS

The Group's financial performance for the year are set out in the consolidated statement of income and general fund on pages 6 to 7.

The financial position of the Group at 31 March 2017 is set out in the consolidated statement of financial position on page 8.

The cash flows of the Group for the year are set out in the consolidated statement of cash flows on page 9.

PRINCIPAL ACTIVITIES

The Party has been established as a Political Party in Hong Kong. Its subsidiary holds leasehold land and buildings which have been leased to the Party as offices.

There have been no significant changes in the nature of these activities during the year.

CENTRAL COMMITTEE MEMBERS

The Central Committee members during the year and up to the date of this report were:

Au Nok Hin	(resigned on 4 December 2016)
Chai Man Hon	
Chan Shu Ying, Josephine	(resigned on 4 December 2016)
Chau Man Fong	(resigned on 4 December 2016)
Cheung Man Kwong	
Cheung Yin Tung	(elected on 4 December 2016)
Chong Wing Fai, Winfield	(elected on 4 December 2016)
Chow Kam Siu, Joseph	
Chu Shun Nga, Beatrice	(elected on 4 December 2016)
Fung Man Tao, Joshua	(elected on 4 December 2016)
Ho Chi Wai	
Ho Chun Yan	
Hui Chi Fung	
Lai King Wai	(resigned on 4 December 2016)
Lam Cheuk Ting	(elected on 4 December 2016)
Lam Chung Hoi	(resigned on 4 December 2016)
Lam Ka Ka	
Lam Tsz Kin, Howard	(resigned on 4 December 2016)
Lau Wai Hing, Emily	(resigned on 4 December 2016)
Lee Wing Tat	
Leung Wing Kuen	(elected on 4 December 2016)
Li Kin Yin	
Li Wing Shing	
Lo Kin Hei	
Mok Kin Shing	
Ng Hoi Yan, Bonnie	(elected on 4 December 2016)
Ng Wing Fai, Stanley	
Or Yiu Lam, Ricky	(resigned on 4 December 2016)
Sin Chung Kai	(resigned on 4 December 2016)
Tam Chun Kit	(resigned on 4 December 2016)
Ting Tsz Yuen	(elected on 4 December 2016)
Tsoi Yiu Cheong, Richard	
Tsoi Yu Lung	(resigned on 4 December 2016)
Tsui Hon Kwong	
Wan Siu Kin, Andrew	
Wong Kin Shing	(elected on 4 December 2016)
Wong Lai Sheung, Catherine	(elected on 4 December 2016)
Wong Pik Wan	
Wu Chi Wai	(elected on 4 December 2016)
Yuen Hoi Man	
Yeung Sum	

REPORT OF CENTRAL COMMITTEE - CONTINUED

RETIREMENT BY ROTATION

Central Committee members shall hold office until and shall retire from office at the second next Annual General Meeting after that at which they are elected, and shall be eligible for re-election.

PERMITTED INDEMNITY PROVISIONS

At no time during the year and up to the date of this report, were there any permitted indemnity provisions in force for the benefit of any of the Central Committee members.

CENTRAL COMMITTEE MEMBER'S INTERESTS IN CONTRACTS

Except as disclosed in the financial statements, no contract of significance to which the Party or its subsidiary was a party and in which a Central Committee member had a material interest subsisted at the end of the year or at any time during the year.

BUSINESS REVIEW

The Group falls within reporting exemption for the year and is accordingly not required to prepare a business review.

AUDITORS

The auditors, Messrs. William Po & Co., Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Central Committee



Chairman

19 OCT 2017

Certified Public Accountants

蒲錦文會計師事務所

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE DEMOCRATIC PARTY****(Incorporated in Hong Kong and limited by guarantee)****Opinion**

We have audited the consolidated financial statements of The Democratic Party ("the Party") and its subsidiary (collectively referred to as "the Group") set out on pages 6 to 20, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of income and general fund and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Central Committee members are responsible for the other information. The other information comprises the information included in the report of Central Committee, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Central Committee members and Those Charged with Governance for the Consolidated Financial Statements

The Central Committee members are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS for Private Entities issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Central Committee members determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE DEMOCRATIC PARTY - CONTINUED
(Incorporated in Hong Kong and limited by guarantee)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

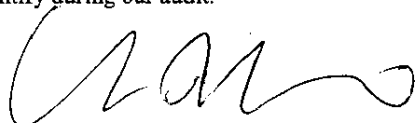
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Central Committee members.
- Conclude on the appropriateness of the Central Committee members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE DEMOCRATIC PARTY - CONTINUED
(Incorporated in Hong Kong and limited by guarantee)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



WILLIAM PO & CO.
Certified Public Accountants
Hong Kong, 19 OCT 2017

**CONSOLIDATED STATEMENT OF INCOME AND GENERAL FUND
FOR THE YEAR ENDED 31 MARCH 2017**

	2017	2016
	HK\$	HK\$
Income		
Donations from non-members	9,650,321	7,279,870
Donations from members	2,128,648	1,650,350
Membership fee	56,730	30,870
Income on sale of raffle tickets	2,386,846	2,874,276
Sundry income	213,201	348,389
Project and activity income	8,498,410	8,807,710
Interest income	-	9,576
Monthly donation scheme income	25,416	41,016
Bad debts recovered	50,750	44,530
	<u>23,010,322</u>	<u>21,086,587</u>
Less: Expenditure (details on page 7)	(19,540,829)	(17,954,484)
Surplus before tax	3,469,493	3,132,103
Income tax expenses	6 (1,075)	-
Surplus for the year	3,468,418	3,132,103
General fund brought forward	19,209,773	16,077,670
General fund carried forward	22,678,191	19,209,773

The notes on pages 10 to 20 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF INCOME AND GENERAL FUND - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2017**

	2017	2016
	HK\$	HK\$
Details of expenditure		
Accounting fee	-	4,000
Advertisement	1,734	-
Amortisation of goodwill	126,942	126,942
Audit fee	84,100	85,500
Bank Charges	12,455	18,771
Building management fee	109,476	107,375
Business registration fee	2,620	6,985
Consumables and minor purchases	76,547	98,074
Depreciation	734,521	880,616
Electricity	57,875	53,316
Exchange loss	-	4,692
Expenditure on sale of raffle tickets	37,500	73,036
Insurance	42,168	10,438
Internet charge	101,597	88,709
Loss on disposal of property, plant and equipment	13,900	-
Legal fee	99,800	750,400
Mandatory provident fund	203,319	209,472
Motor vehicle running expenses	102,358	85,664
Newspapers and magazines	24,508	30,034
Operating lease charges on property rental	2,793	16,682
Photocopying and film	91,675	98,141
Postage	4,798	4,210
Printing, stationery and typing	14,688	26,713
Project and activity expenses	11,231,504	6,258,854
Provision for bad and doubtful debts	33,805	11,045
Rates	40,570	37,369
Repairs and maintenance	31,734	97,368
Recruitment cost	14,724	6,720
Salaries and related costs	4,693,087	4,788,258
Storage expenses	36,000	55,009
Subsidy to councillor offices	398,435	459,805
Subsidy for district development	926,428	3,247,640
Sundry expenses	86,589	97,189
Telephone and fax fee	43,634	74,871
Local travelling and transportation expenses	58,945	40,586
	<u>19,540,829</u>	<u>17,954,484</u>

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The notes on pages 10 to 20 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Notes	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment	7	10,147,916	10,665,157
Goodwill	9	761,650	888,592
Loan receivables - non-current portion		2,548,800	-
		13,458,366	11,553,749
Current assets			
Loan receivables - current portion		1,761,600	671,505
Other receivables, deposits and prepayments	10	5,097,574	4,756,413
Tax recoverable		3,193	-
Cash and cash equivalents	11	7,320,627	8,335,857
		14,182,994	13,763,775
Current liabilities			
Accruals		1,513,271	2,657,853
Net current assets		12,669,723	11,105,922
Total assets less current liabilities		26,128,089	22,659,671
Non-current liabilities			
Non-interest bearing borrowings	12	3,449,898	3,449,898
Net assets		22,678,191	19,209,773
Represented by:			
General fund		22,678,191	19,209,773

Approved by:


Chairman


Honorary Treasurer

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 HK\$	2016 HK\$
Operating activities			
Surplus before tax		3,469,493	3,132,103
Adjustments for:			
Interest income		-	(9,576)
Provision for bad and doubtful debts		33,805	11,045
Depreciation		734,521	880,616
Amortisation of goodwill		126,942	126,942
Loss on disposal of property, plant and equipment		13,900	-
Operating surplus before changes in working capital		4,378,661	4,141,130
Increase in loan receivables		(3,638,895)	(597,405)
Increase in other receivables, deposits and prepayments		(374,966)	(2,671,269)
Decrease in accruals		(1,144,582)	(218,037)
Cash (used in)/generated from operations		(779,782)	654,419
Tax paid		(4,268)	-
Net cash (used in)/generated from operating activities		(784,050)	654,419
Investing activities			
Purchase of property, plant and equipment		(231,180)	(2,012,104)
Interest received		-	31,112
Net cash used in investing activities		(231,180)	(1,980,992)
Net decrease in cash and cash equivalents		(1,015,230)	(1,326,573)
Cash and cash equivalents at the beginning of the year		8,335,857	9,662,430
Cash and cash equivalents at the end of the year	11	7,320,627	8,335,857

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1 GENERAL

The Democratic Party ("The Party") has been incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee without share capital. The Party's registered office and principal place of operation is located at 4th Floor, Hanley House, 776 - 778 Nathan Road, Kowloon, Hong Kong. The Party has been established as a Political Party in Hong Kong. Under the provision of its Articles of Association, every member shall, in the event of the Party being wound up, contribute such amount as may be required to meet the liabilities of the Party but not exceeding the sum of HK\$10 each.

2 SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation**

These consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

(b) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Party and its subsidiary. A subsidiary is an entity (including special purpose entity) over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally but not necessarily accompanying a shareholding of more than half of the voting power. The subsidiary is fully consolidated from the date on which control is transferred to the group and is de-consolidated from the date that control ceases.

All intragroup transactions, balances, income and expenses are eliminated. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group. There is no difference in the reporting date of the financial statements of the company and its subsidiary used in the preparation of the consolidated financial statements.

In the Party's statement of financial position, the investment in a subsidiary is stated at cost less provision for impairment loss. The results of the subsidiary are accounted for by the Party on the basis of dividends received and receivable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated amortisation and accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position. Goodwill is amortised on a straight-line basis over a period of ten years.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(d) Property, plant and equipment

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

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Leasehold land	the unexpired period of the lease
Buildings	4%
Leasehold improvement	4% - 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(e) Impairment of non-financial assets, other than goodwill**

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

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

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to consolidated statement of income and general fund as incurred over the lease term.

(g) Recognition of revenue

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

- * donations are recognised when the right to receive payment is established.
- * membership fee is recognized when the right to receive the fee is established.
- * on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to costs incurred to date as compared to the total costs that would be incurred under the transaction.
- * interest on a time proportion basis that takes into account the effective yield on the asset.

(h) 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) The Group operates a Mandatory Provident Fund scheme ("MPF scheme") for the employees. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable. The assets of the MPF Scheme are held in an independently administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017****2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(i) Related party**

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(j) Receivables

Receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand and demand deposits with original maturities of three months or less.

(l) Payables

Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Significant judgement

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the consolidated financial statements are made in determining:

- * whether there is an indication of impairment of assets.
- * the expected manner of recovery of the carrying amount of assets.
- * whether the discount rates used to calculate the recoverable amount of assets are appropriate for the purpose of impairment review.

(n) Foreign currency translation**i) Functional and presentation currency**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "Functional Currency"). These consolidated financial statements are presented in Hong Kong dollars, which is the Group's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income and general fund.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated.

(b) Impairment of non-financial assets, other than goodwill

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment
- investment in subsidiary

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated statement of income and general fund whenever the carrying amount of an asset exceeds its recoverable amounts. If an indication of impairment is identified, the Group is required to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Changes in any of these estimates could result in a material change to the asset carrying amount in the consolidated financial statements.

(c) Impairment test of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the loan and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the loan and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**
4 EMPLOYEE BENEFIT EXPENSES

The Group has employee benefit expense included in various expenditure. Details are as follows:

	2017	2016
	HK\$	HK\$
Project and activity expenses	413,881	74,166
Salaries and allowances	4,693,087	4,788,258
Mandatory provident fund	203,319	209,472
	<u>5,310,287</u>	<u>5,071,896</u>

Analysis of the total employee benefit expenses is as follows:

	2017	2016
	HK\$	HK\$
Salaries and allowances	5,067,798	4,823,729
Mandatory provident fund	203,319	211,472
Other benefit	39,170	36,695
	<u>5,310,287</u>	<u>5,071,896</u>

**5 CENTRAL COMMITTEE MEMBER'S REMUNERATION (EQUIVALENT TO KEY
MANAGEMENT PERSONNEL COMPENSATION)**

During the years ended 31 March 2017 and 31 March 2016, no amounts have been paid in respect of Central Committee member's emoluments, Central Committee member's or past Central Committee member's pensions or for any compensation to Central Committee member or past Central Committee member in respect of loss of office.

6 INCOME TAX EXPENSE

	2017	2016
	HK\$	HK\$
Hong Kong profits tax	<u>1,075</u>	<u>-</u>

Hong Kong profits tax is provided at the rate of 16.50% on the estimated assessable profits for the year.

Deferred taxation has not been provided in the financial statements as the Group has no significant Hong Kong profits tax liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings HK\$	Leasehold improvement HK\$	Office equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost:					
At 1 April 2016	11,914,255	1,591,765	485,765	677,344	14,669,129
Additions	-	-	231,180	-	231,180
Disposals	-	-	(72,383)	-	(72,383)
At March 31, 2017	<u>11,914,255</u>	<u>1,591,765</u>	<u>644,562</u>	<u>677,344</u>	<u>14,827,926</u>
Accumulated depreciation and impairment:					
At 1 April 2016	3,282,692	318,353	267,458	135,469	4,003,972
Charge for the year	170,360	318,353	110,339	135,469	734,521
Written back on disposals	-	-	(58,483)	-	(58,483)
At March 31, 2017	<u>3,453,052</u>	<u>636,706</u>	<u>319,314</u>	<u>270,938</u>	<u>4,680,010</u>
Net book value:					
At March 31, 2017	<u>8,461,203</u>	<u>955,059</u>	<u>325,248</u>	<u>406,406</u>	<u>10,147,916</u>
At March 31, 2016	<u>8,631,563</u>	<u>1,273,412</u>	<u>218,307</u>	<u>541,875</u>	<u>10,665,157</u>

The carrying amount of Group's leasehold land and buildings is analysed as follows:

	2017 HK\$	2016 HK\$
Held in Hong Kong		
Under long-term leases (over 50 years)	1,814,642	1,753,445
Under medium-term leases (10 - 50 years)	<u>6,646,561</u>	<u>6,878,118</u>
	<u>8,461,203</u>	<u>8,631,563</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8 LOAN RECEIVABLES

The balances represent loans to candidates of Legislative Council and District Council elections and are repayable by monthly instalments. No interest is charged and no security is provided.

Details of loans to Central Committee members included in loan receivables disclosed pursuant to Section 383(1)(d) of the Hong Kong Companies Ordinance are set out below:

Name of Borrower:	Hui Chi Fung	Lam Cheuk Ting	Li Wing Shing
Terms of the loans			
Duration and repayment terms:	On demand	On demand	On demand
Interest rate:	Free	Free	Free
Security for the loan:	Unsecured	Unsecured	Unsecured
Balance of the loan			
At 1 April 2016	Nil	Nil	HK\$ 21,800
At 31 March 2017	HK\$ 672,000	HK\$ 857,000	HK\$ 2,600
Maximum debit balance outstanding during the year	HK\$ 735,000	HK\$ 857,000	HK\$ 21,800
Name of Borrower:	Mok Kin Shing	Ting Tsz Yuen	Wan Siu Kin, Andrew
Terms of the loans			
Duration and repayment terms:	On demand	On demand	On demand
Interest rate:	Free	Free	Free
Security for the loan:	Unsecured	Unsecured	Unsecured
Balance of the loan			
At 1 April 2016	HK\$ 38,400	HK\$ 28,000	Nil
At 31 March 2017	HK\$ 19,200	HK\$ 12,000	HK\$ 1,157,000
Maximum debit balance outstanding during the year	HK\$ 38,400	HK\$ 28,000	HK\$ 1,157,000
Name of Borrower:	Wong Pik Wan	Wu Chi Wai	Yuen Hoi Man
Terms of the loans			
Duration and repayment terms:	On demand	On demand	On demand
Interest rate:	Free	Free	Free
Security for the loan:	Unsecured	Unsecured	Unsecured
Balance of the loan			
At 1 April 2016	Nil	Nil	HK\$ 48,400
At 31 March 2017	HK\$ 83,200	HK\$ 83,200	HK\$ 27,600
Maximum debit balance outstanding during the year	HK\$ 100,000	HK\$ 100,000	HK\$ 48,400

9 GOODWILL

	HK\$
Cost	
At 1 April 2016 and 31 March 2017	1,269,418
Accumulated amortisation	
At 1 April 2016	380,826
Amortisation of goodwill	126,942
At 31 March 2017	507,768
Net carrying amount	
At 31 March 2017	761,650

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK\$	HK\$
Deposit paid	14,477	30,227
Prepayments	47,567	76,811
Other receivables	5,035,530	4,649,375
	<u>5,097,574</u>	<u>4,756,413</u>

11 CASH AND CASH EQUIVALENTS

	2017	2016
	HK\$	HK\$
Cash at bank	7,319,373	8,329,402
Cash on hand	1,254	6,455
	<u>7,320,627</u>	<u>8,335,857</u>

12 NON-INTEREST BEARING BORROWINGS

	2017	2016
	HK\$	HK\$
Long-term loan from a Central Committee member	<u>3,449,898</u>	<u>3,449,898</u>

Long-term loan from a Central Committee member is unsecured, interest free and does not have a fixed term of repayment. However, the Central Committee do not anticipate that repayment will be demanded within one year from the year end date.

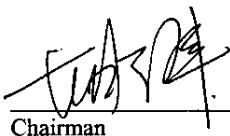
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**


13 STATEMENT OF FINANCIAL POSITION OF THE PARTY

(a) Company-level statement of financial position

	Notes	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment		1,686,713	2,033,594
Interest in a subsidiary	13(b)	4	4
Loan receivables - non-current portion		2,548,800	-
		<u>4,235,517</u>	<u>2,033,598</u>
Current assets			
Loan receivables - current portion		1,761,600	671,505
Other receivables, deposits and prepayments		12,365,137	12,023,976
Cash and cash equivalents		6,679,581	7,920,477
		<u>20,806,318</u>	<u>20,615,958</u>
Current liabilities			
Accruals		1,499,112	2,642,294
Net current assets		<u>19,307,206</u>	<u>17,973,664</u>
Net assets		<u>23,542,723</u>	<u>20,007,262</u>
Represented by:			
General fund	13(c)	<u>23,542,723</u>	<u>20,007,262</u>

Approved by:


Chairman


Honorary Treasurer

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

13 STATEMENT OF FINANCIAL POSITION OF THE PARTY (cont'd)

(b) Particulars of principal subsidiaries

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital	Company's equity interest
Sound Factor Limited	Hong Kong	Holds leasehold land and buildings which has been leased to the Party as offices	800 ordinary shares	100%

(c) Movement of general fund of the Party

	2017	2016
	HK\$	HK\$
At the beginning of the year	20,007,262	16,628,998
Surplus for the year	<u>3,535,461</u>	<u>3,378,264</u>
At the end of the year	<u><u>23,542,723</u></u>	<u><u>20,007,262</u></u>

14 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Party's Central Committee on **19 OCT 2017**