

THE DEMOCRATIC PARTY

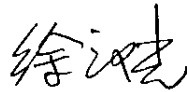
**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

核證無誤及為真確副本



Mr. HO Chun Yan
Chairman of Central Committee

核證無誤及為真確副本



Mr. TSUI Hon Kwong
Treasurer of Central Committee



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THE DEMOCRATIC PARTY

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

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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 Party for the year ended 31 March 2010.

FINANCIAL STATEMENTS

The results for the year are set out in the statement of income and general fund on pages 4 - 5.

The state of affairs of the Party at 31 March 2010 is set out in the statement of financial position on page 6.

The cash flows of the Party for the year are set out in the statement of cash flows on page 7.

PRINCIPAL ACTIVITIES

The Party has been established as a Political Party in Hong Kong.

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 7 to the financial statements.

CENTRAL COMMITTEE MEMBERS

The central committee members during the year and up to the date of the annual general meeting were:

Chan Shu Ying, Josephine
Cheng Kar Foo, Andrew (resigned on 12 July 2010)
Cheung Yin Tung
Cheung Yuet Lan
Chiu Chung Lam
Chui Pak Tai
Chow Kam Siu, Joseph
Fung Wai Kwong
Ho Chun Yan
Lam Chung Hoi
Lam Tsz Kin, Howard
Lau Wai Hing Emily
Law Chi Kwong
Lee Wing Tat
Leung Suk Ching
Li Kin Yin
Li Wah Ming
Li Wing Shing
Mok Siu Lun
Ng Wing Fai, Stanley
Or Yiu Lam, Ricky
Sin Chung Kai
Tik Chi Yuen
To Kun Sun, James
Tsoi Yu Lung
Tsui Hon Kwong
Wong Sing Chi
Wu Chi Wai
Yam Kai Bong (resigned on 12 July 2010)
Yeung Sum

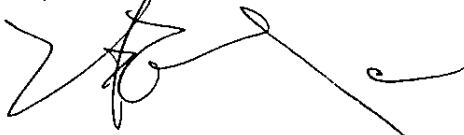
CENTRAL COMMITTEE MEMBERS' INTERESTS IN CONTRACTS

No central committee member has material interest in any contract with the Party during or at the end of the year.

AUDITORS

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

By order of the Central Committee



Central Committee Member

1 1 NOV 2010

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)**

We have audited the financial statements of The Democratic Party set out on pages 4 to 13, which comprise the statement of financial position as at 31 March 2010, and the statement of income and general fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Central committee members' responsibility for the financial statements

Central committee members are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 auditor's 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 and true and fair presentation of the financial statements 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 central committee members, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Party's affairs as at 31 March 2010 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



WILLIAM PO & CO.

Certified Public Accountants

Hong Kong, 11 NOV 2010

STATEMENT OF INCOME AND GENERAL FUND
FOR THE YEAR ENDED 31 MARCH 2010

	2010 HK\$	2009 HK\$
Income		
Donations from non-members	3,019,254	4,383,114
Donations from members	2,933,179	3,163,357
Membership fee received	115,280	115,140
Dinner income	4,750	678,536
Income on sale of raffle tickets	2,686,129	877,978
Sundry income	136,369	100,331
Project and activity income	1,242,719	636,363
Interest income	1,103	75,090
Monthly donation scheme income	82,590	94,440
	<u>10,221,373</u>	<u>10,124,349</u>
Less: Expenditure (details on page 5)	(9,384,957)	(11,900,663)
	<u>836,416</u>	<u>(1,776,314)</u>
Surplus/(deficit) for the year	836,416	(1,776,314)
General fund brought forward	5,617,173	7,393,487
General fund carried forward	6,453,589	5,617,173

The notes on pages 8 to 13 form an integral part of these financial statements.

STATEMENT OF INCOME AND GENERAL FUND - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2010

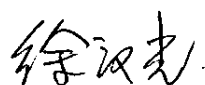
	2010 HK\$	2009 HK\$
Details of expenditure		
Advertising fee	-	1,500
Audit fees	75,000	75,000
Bank charges	13,220	11,863
Business registration fee	2,700	2,700
Consumables and minor purchases	62,577	26,665
Computer supplies	-	11,500
Depreciation	29,034	19,329
Dinner expenses	-	261,234
Electricity	34,518	32,320
Expenditure on sale of raffle tickets	64,098	46,439
Insurance	36,344	42,731
Internet charges	50,736	41,302
Legal and professional fees	4,500	-
Loan receivables written off	76,194	-
Provision for long service payments charged	-	95,351
Mandatory provident fund	137,641	133,656
Motor vehicle running expenses	56,514	82,293
Newspapers and magazines	8,424	8,623
Organisation Enterprise and Development Committee expenses	1,090,700	903,191
Other receivables and deposits written off	79,249	-
Photocopying and film	28,165	26,054
Postage	3,920	6,726
Printing, stationery and typing	27,478	35,376
Project and activity expenses	2,874,599	5,367,345
Rent and rates	365,952	339,963
Repairs and maintenance	13,698	24,355
Recruitment fee	-	2,520
Salaries and related costs	3,407,759	3,340,162
Subsidy to councillor offices	325,821	243,664
Subsidy for district development	393,073	322,354
Sundry expenses	46,384	48,316
Telephone and fax fee	61,386	96,807
Travelling and transportation expense - Local	15,273	28,221
Under provision for legal claims	-	223,103
Total expenditure	9,384,957	11,900,663

The notes on pages 8 to 13 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	Notes	2010 HK\$	2009 HK\$
Non-current assets			
Property, plant and equipment	7	86,010	71,439
Loan receivables - non-current portion	8	45,485	505,300
		<u>131,495</u>	<u>576,739</u>
Current assets			
Loan receivables - current portion	8	547,408	1,972,974
Other receivables, deposits and prepayments		426,323	756,060
Cash and cash equivalents	9	6,487,187	3,422,648
		<u>7,460,918</u>	<u>6,151,682</u>
Current liabilities			
Account payables and accruals		866,399	837,495
Other payables		272,425	273,753
		<u>1,138,824</u>	<u>1,111,248</u>
Net current assets		<u>6,322,094</u>	<u>5,040,434</u>
Net assets		<u>6,453,589</u>	<u>5,617,173</u>
General fund		<u>6,453,589</u>	<u>5,617,173</u>

Approved by:



 Central Committee Member



 Central Committee Member

The notes on pages 8 to 13 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 HK\$	2009 HK\$
Operating activities			
Cash generated from/(used in) operations	12	3,107,041	(3,345,288)
Legal claims paid		-	(1,423,103)
Cash generated from/(used in) operating activities		3,107,041	(4,768,391)
Investing activities			
Purchases of property, plant and equipment		(43,605)	(63,685)
Interest received		1,103	75,090
Cash (used in)/generated from investing activities		(42,502)	11,405
Increase/(decrease) in cash and cash equivalents		3,064,539	(4,756,986)
Cash and cash equivalents at the beginning of the year		3,422,648	8,179,634
Cash and cash equivalents at the end of the year	9	6,487,187	3,422,648

The notes on pages 8 to 13 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010****1 GENERAL**

The Democratic 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 is located at 4th Floor, Hanley House, 776 - 778 Nathan Road, Kowloon, Hong Kong. Under the provision of its Memorandum and 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 PRINCIPAL ACCOUNTING POLICIES**(a) Basis of preparation**

These financial statements have been prepared under the historical cost convention 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.

(b) 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:

Office equipment	20%
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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.

(c) Impairment of non-financial assets

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

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

(d) Operating leases

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2010**

2 PRINCIPAL ACCOUNTING POLICIES (cont'd)**(e) Recognition of revenue**

Revenue is recognised when it is probable that the economic benefits will flow to the Party 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 the 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.

(f) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Party of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Party. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The Party 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 statement of income and general fund as they become payable. The assets of the MPF Scheme are held in an independently administered fund. The Party's contributions vest fully with the employees when contributed into the MPF Scheme.

(g) Related parties

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.

(h) 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 trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

(i) Cash and cash equivalents

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2010**

2 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(j) 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.

3 TRANSITION TO THE HKFRS FOR PRIVATE ENTITIES

The Party's financial statements for the year ended 31 March 2010 are its first annual financial statements prepared under accounting policies that comply with the HKFRS for Private Entities. The Party applied full Hong Kong Financial Reporting Standards (HKFRSs) to prepare its financial statements prior to the application of the HKFRS for Private Entities.

The Party's date of transition is 1 April 2008 and the Party prepared its opening statement of financial position in compliance with the HKFRS for Private Entities at that date.

There are no material difference between the financial statements prepared under the HKFRS for Private Entities and that under the full HKFRSs.

4 EMPLOYEE BENEFIT EXPENSE

The Party has employee benefit expense included in project and activity expenses and Organisation Enterprise and Development Committee expenses. Details are as follows:

	2010	2009
	HK\$	HK\$
Salaries and allowances	1,205,563	776,417
Mandatory provident fund contribution	44,987	19,201
	<u>1,250,550</u>	<u>795,618</u>

Analysis of the total employee benefit expenses is as follows:

	2010	2009
	HK\$	HK\$
Salaries and allowances	4,613,322	4,116,579
Mandatory provident fund contribution	182,628	152,857
Provision for long service payments charged/(reversed)	(18,428)	95,351
	<u>4,777,522</u>	<u>4,364,787</u>

5 CENTRAL COMMITTEE MEMBERS' EMOLUMENTS

During the years ended 31 March 2010 and 31 March 2009, no amounts have been paid in respect of Central Committee Members' emoluments, Central Committee Members' or past Central Committee Members' pensions or for any compensation to Central Committee Members or past Central Committee Members in respect of loss of office.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2010**

6 TAXATION

No provision for Hong Kong profits tax is made in the financial statements as the Central Committee consider that the Party has no assessable profits for the year.

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

7 PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$
Cost:	
At 1 April 2009	101,564
Additions	43,605
	<hr/>
At 31 March 2010	145,169
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Accumulated depreciation:	
At 1 April 2009	30,125
Charge for the year	29,034
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At 31 March 2010	59,159
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Net book value:	
At 31 March 2010	86,010
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At 31 March 2009	71,439
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2010

8 LOAN RECEIVABLES

The balance represents loans to election candidates and are repayable by monthly installments. No interest is charged and no security is provided. Included in loan receivables are loans to central committee members of HK\$490,313 (2009: HK\$1,862,000). Details of loans to central committee members disclosed pursuant to Section 161B of the Companies Ordinance are set out below:

Name of borrower:	Cheung Yin Tung	Lee Wing Tat	Leung Suk Ching	Li Wah Ming
Terms of the loan				
Duration and repayment terms:	On demand	On demand	On demand	On demand
Interest rate:	Free	Free	Free	Free
Security for the loan:	Unsecured	Unsecured	Unsecured	Unsecured
Balance of the loan				
At 1 April 2009:	HK\$ 95,000	HK\$ 200,000	HK\$ Nil	HK\$ 400,000
At 31 March 2010:	HK\$ 23,508	HK\$ Nil	HK\$ 28,600	HK\$ 78,605
Maximum debit balance outstanding during the year:	HK\$ 95,000	HK\$ 200,000	HK\$ 28,600	HK\$ 400,000

Name of borrower:	Tik Chi Yuen	To Kun Sun, James	Wong Sing Chi	Wu Chi Wai
Terms of the loan				
Duration and repayment terms:	On demand	On demand	On demand	On demand
Interest rate:	Free	Free	Free	Free
Security for the loan:	Unsecured	Unsecured	Unsecured	Unsecured
Balance of the loan				
At 1 April 2009:	HK\$ 85,000	HK\$ 500,000	HK\$ 532,000	HK\$ 50,000
At 31 March 2010:	HK\$ 24,000	HK\$ 57,000	HK\$ 278,600	HK\$ Nil
Maximum debit balance outstanding during the year:	HK\$ 85,000	HK\$ 500,000	HK\$ 532,000	HK\$ 50,000

9 CASH AND CASH EQUIVALENTS

	2010 HK\$	2009 HK\$
Fixed deposits	2,851,262	100,376
Cash at bank	3,632,191	3,320,023
Cash on hand	3,734	2,249
	6,487,187	3,422,648

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2010

10 OPERATING LEASE COMMITMENTS

At the year end date, the total future minimum lease payments of the Party under non-cancellable operating leases are payable as follows:

	2010 HK\$	2009 HK\$
Within one year	78,600	87,000
In the second to fifth years, inclusive	28,500	45,806
	<u>107,100</u>	<u>132,806</u>

11 RELATED PARTY TRANSACTIONS

During the year, the Party had the following transactions with related parties:

	2010 HK\$	2009 HK\$
Rental expenses paid to entity with joint control	240,000	240,000

12 CASH GENERATED FROM/(USED IN) OPERATIONS

Reconciliation of surplus/(deficit) to cash generated from/(used in) operations is as follows:

	2010 HK\$	2009 HK\$
Surplus/(deficit) for the year	836,416	(1,776,314)
Adjustments for:		
Interest income	(1,103)	(75,090)
Depreciation	29,034	19,329
Under provision/provision for legal claims	-	223,103
Operating cash flows before changes in working capital	864,347	(1,608,972)
Decrease/(increase) in loan receivables	1,885,381	(1,556,609)
Decrease/(increase) in other receivables, deposits and prepayments	329,737	(375,744)
Increase in account payables and accruals	28,904	181,037
(Decrease)/increase in other payables	(1,328)	15,000
Cash generated from/(used in) operations	<u>3,107,041</u>	<u>(3,345,288)</u>

13 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

14 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Party's Central Committee Members on **11 NOV 2010**