

**KTSAA FOUNDATION LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM 2 APRIL 2008**  
**(DATE OF INCORPORATION) TO 31 DECEMBER 2008**

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## KTSAA FOUNDATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE

The Management Committee presents herewith its first report and the audited financial statements of KTSAA Foundation Limited ('the Foundation') for the period from 2 April 2008 (date of incorporation) to 31 December 2008.

### INCORPORATION

The Foundation was incorporated under the Laws of Hong Kong on 2 April 2008 in name of "KTSAA Foundation Limited" as an approved charitable organisation.

### PRINCIPAL ACTIVITIES

The principal activities of the Foundation are to promote, support, contribute to or otherwise assist any educational activities of Kowloon Technical School and schools operated by the Foundation and other public and non-profit making educational institutions for advancement of education.

### ACCOUNTS

The results of the Foundation for the period from 2 April 2008 (date of incorporation) to 31 December 2008 and the state of affairs of the Foundation as at 31 December 2008 are set out in the accompanying financial statements.

### SUBSIDY AND SCHOLARSHIP PAID

During the period, subsidy to student activities and scholarship amounted to HK\$118,000 was paid.

### MANAGEMENT COMMITTEE MEMBERS

The management committee members who held office during the period and up to the date of this report were:

Mr. Yip Chau Kwai	(appointed on 31 July 2008)
Mr. Chow Chee Ming	(appointed on 31 July 2008)
Mr. Yeung Kai Kay Kenneth	(appointed on 31 July 2008)
Mr. Chan Tak Wai	(appointed on 31 July 2008)
Mr. Lee Chi Ming	(appointed on 31 July 2008)
Mr. To Kwok Lau	(appointed on 31 July 2008)
Mr. Wu Shun On Patrick	(appointed on 31 July 2008)

In accordance with clause (35) of the Foundation's Articles of Association, all management committee members retire and, being eligible, offer themselves for re-election.

KTSAA FOUNDATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

MANAGEMENT COMMITTEE MEMBERS' INTERESTS

No contracts of significance to which the Foundation was a party and in which a management committee member had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the Foundation were entered into or existed during the period.

AUDITORS

The financial statements for the period have been audited by Messrs. C. F. Chu & Co., Certified Public Accountants.

A resolution will be submitted to the members at the annual general meeting to re-appoint Messrs. C. F. Chu. & Co., Certified Public Accountants, as auditors of the Foundation for the ensuing year.

On Behalf of the Board

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Chairman

Date

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KTSAA FOUNDATION LIMITED**

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

We have audited the financial statements of KTSAA Foundation Limited ('the Foundation') set out on pages 5 to 13, which comprise the balance sheet as at 31 December 2008, and the income and expenditure account, statement of changes in equity and cash flow statement for the period from 2 April 2008 (date of incorporation) to 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

### **Management Committee members' responsibility for the financial statements**

The Management Committee members are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong 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 Management 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
KTSAA FOUNDATION LIMITED**

(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Foundation's affairs as at 31 December 2008 and of its surplus and cash flows for the period from 2 April 2008 (date of incorporation) to 31 December 2008 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

C. F. Chu & Co.  
Certified Public Accountants  
Hong Kong

For Discussion Purpose Only

KTSAA FOUNDATION LIMITED  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE PERIOD FROM 2 APRIL 2008 (DATE OF INCORPORATION)  
TO 31 DECEMBER 2008

	HK\$
<b>INCOME</b>	
Donation income	898,446
<b>EXPENDITURE</b>	
Scholarship	5,600
Subsidy to student activity	112,400
	<u>118,000</u>
<b>SURPLUS FOR THE PERIOD</b>	<u><u>780,446</u></u>

For Discussion Purposes Only

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

KTSAA FOUNDATION LIMITED  
BALANCE SHEET AS AT 31 DECEMBER 2008

	HK\$
CURRENT ASSETS	
Accounts receivable	2,676
Bank balances	777,770
	<u>780,446</u>
NET ASSETS	<u>780,446</u>
REPRESENTED BY	
Accumulated Surplus - page 7	<u>780,446</u>

Approved and authorised for issue by the Management Committee On

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Treasurer

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

KTSAA FOUNDATION LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD FROM 2 APRIL 2008 (DATE OF INCORPORATION)  
TO 31 DECEMBER 2008

	Accumulated Surplus
	<u>HK\$</u>
Surplus for the period	<u>780,446</u>
Balance at 31 December 2008	<u><u>780,446</u></u>

For Discussion Purposes Only

KTSAA FOUNDATION LIMITED  
 CASH FLOW STATEMENT  
 FOR THE PERIOD FROM 2 APRIL 2008 (DATE OF INCORPORATION)  
 TO 31 DECEMBER 2008

	HK\$
<b>Cash flows from operating activities</b>	
Surplus for the period	780,446
Increase in accounts receivable	<u>(2,676)</u>
Cash and cash equivalents at end of the period (note)	<u><u>777,770</u></u>

Note: Analysis of the balances of cash and cash equivalents

- Cash at bank	<u><u>777,770</u></u>
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For Discussion Purposes Only

## KTSAA FOUNDATION LIMITED

### NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

#### 1. INCORPORATION AND MEMBERS' LIABILITIES

- (a) The Foundation was incorporated under the Laws of Hong Kong on 2 April 2008 as an approved charitable organisation of which the members' liabilities is limited by guarantee and does not have a share capital. In the event of the Foundation being wound up, any person being a member or within one year after he ceases to be a member, should be required to contribute to the deficit of the Foundation for a sum not exceeding HK\$100.
- (b) The Foundation's registered address is located at G/F., Nos. 332-334 Cheung Sha Wan Road, Shamshuipo, Kowloon, Hong Kong.
- (c) The Foundation is an approved charitable organisation with the objectives to promote, support, contribute to or otherwise assist any educational activities of Kowloon Technical School and schools operated by the Foundation and other public and non-profit making educational institutions for advancement of education.

#### 2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The Foundation's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies is set out in note 3.

#### 3. PRINCIPAL ACCOUNTING POLICIES

##### (a) Basis of preparation of the financial statements

The measurement basis used in preparing the financial statements is historical cost.

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Foundation's accounting policies. There is no area involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

KTSAA FOUNDATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

3. PRINCIPAL ACCOUNTING POLICIES – Cont'd

(a) Basis of preparation of the financial statements (cont'd)

*HKFRSs that have been issued but are not effective for the year include the following HKFRSs which may be relevant to the Foundation's operations and financial statements:*

	Effective for annual periods <u>beginning on or after</u>
HKAS 1 Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised) Borrowing Costs	1 January 2009

The Management Committee members of the Foundation have not early adopted these HKFRSs. They expect that the application of the above new standards, revision and interpretations will not result in substantial changes to the Foundation's accounting policies and will have no material impact on the results and the financial position of the Foundation.

(b) Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statements, bank overdrafts which are repayable on demand form an integral part of the Foundation's cash management are included as a component of cash and cash equivalents.

(c) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary environment in which the Foundation operates (the functional currency). The financial statements are presented in Hong Kong dollars, which is the Foundation's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are recognised in the functional currency at the exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated into Hong Kong dollars at the closing rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recognised in the income statement.

## KTSAA FOUNDATION LIMITED

### NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

#### 3. PRINCIPAL ACCOUNTING POLICIES – Cont'd

##### (d) Related party transactions

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

##### (e) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any, unless the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

##### (f) Recognition of revenue

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

- (i) Donation income is recognised on cash received basis.
- (ii) Income from activities and functions is recognised on completion basis and cash is certain for receivable.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 Management Committee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used on these financial statements that the Management Committee expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 5. TAXATION

No Hong Kong Profits Tax has been provided in the financial statements as the Foundation is qualified for exemption from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

KTSAA FOUNDATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

6. MANAGEMENT COMMITTEE MEMBERS' REMUNERATION

No members of the Management Committee of the Foundation receive any fees or other remuneration for serving as a member of the Management Committee.

7. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

Financial instruments of the Foundation consist of "accounts receivable" and "bank balance". The Foundation is exposed to credit risk, liquidity risk and market risks (interest rate risk and currency risk) arising in the normal course of its operation and financial instruments. The Foundation's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

Being member-based organisations, the Foundation carries as little risks from financial instruments as practicable. The Foundation is exposed to the financial risks which are discussed below:

(a) Credit risk

Credit risk is the risk that a counter party will be unable to pay amount in full when due.

The Foundation's credit risk is primarily attributable to deposits with banks. As the banks are authorised financial institutions in Hong Kong, the credit risk is minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty settling its liabilities or selling financial assets quickly at close to its fair value.

As the Foundation's policy is to maintain sufficient funds and the Foundation has no significant payables at the balance sheet date, the liquidity risk is minimal.

(c) Market risk

(i) Interest rate risk

The Foundation has no significant interest rate risk as the exposure on cash flow interest rate risk which is mainly arising from deposits with banks, is considered insignificant.

(ii) Currency risk

The Foundation has no significant currency risk as the Foundation carries out its transactions mainly in Hong Kong dollars, which is the Foundation's functional and presentation currency.

KTSAA FOUNDATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

8. CAPITAL DISCLOSURE AND MANAGEMENT

The Foundation's objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern, so that it continues to provide sufficient surplus to support the Foundation's stability and growth.

The Foundation actively and regularly reviews and manages its capital structure to ensure optimal capital structure at satisfactory level taking into consideration the future capital requirements of the Foundation and capital efficiency, prevailing and projected surplus, projected operating cash flows, projected capital expenditures and projected strategic expansion opportunities.

The Foundation monitors capital by reviewing the level of capital that is at the disposal of the Foundation. The capital comprises accumulated surplus. The capital of the Foundation at 31 December 2008 was HK\$780,446.

9. RELATED PARTY TRANSACTIONS

No material transactions to which the Foundation was a party and in which a Management Committee member had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period, except the income received by the Foundation in the ordinary course of business, such as donation income and fee for activities.