

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 8 APRIL 2008

(DATE OF INCORPORATION) TO 31 DECEMBER 2008

CONTENTS	Pages
Report of the Executive Committee	1 – 2
Independent Auditor's Report	3 – 4
Income and Expenditure Account	5
Balance Sheet	6
Statement of Changes in Equity	7
Cash Flow Statements	8
Notes to the Accounts	9 – 14

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee presents herewith its first report and the audited financial statements of Kowloon Technical School Alumni Association Limited ('the Association') for the period from 8 April 2008 (date of incorporation) to 31 December 2008.

INCORPORATION

The Association was incorporated under the Laws of Hong Kong on 8 April 2008 in name of "Kowloon Technical School Alumni Association Limited".

PRINCIPAL ACTIVITIES

The principal activities of the Association are to promote, support, contribute to or otherwise assist any educational activities of Kowloon Technical School, to promote and organise activities and welfare functions to the alumni and acting as a bridge between the alumni and Kowloon Technical School.

ACCOUNTS

The results of the Association for the period from 8 April 2008 (date of incorporation) to 31 December 2008 and the state of affairs of the Association as at 31 December 2008 are set out in the accompanying financial statements.

EXECUTIVE COMMITTEE MEMBERS

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

Mr. Yip Chau Kwai	<Chairman>	(appointed on 18 August 2008)
Mr. Chow Chee Ming	<Deputy Chairman>	(appointed on 18 August 2008)
Mr. Law Kwong Chau	<Hon. Treasurer>	(appointed on 18 August 2008)
Ms. Ho Woon Ping	<Hon. Secretary>	(appointed on 18 August 2008)
Mr. Chan Kin Leong		(appointed on 18 August 2008)
Mr. Hui Yee Kwok		(appointed on 18 August 2008)
Mr. Kan Kam Yuen		(appointed on 18 August 2008)
Mr. Leung Shing Hin		(appointed on 18 August 2008)
Mr. Leung Siu Kwong		(appointed on 18 August 2008)
Mr. Chan Tak Wai		(appointed on 18 August 2008)
Mr. Szeto Wing Kwok		(appointed on 18 August 2008)
Mr. Chan Kai Leung		(appointed on 18 August 2008)
Mr. Lee Siu Fai		(appointed on 18 August 2008)
Mr. Mak Li Ho		(appointed on 18 August 2008)
Mr. Siu Yat Wang		(appointed on 18 August 2008)
Mr. Woo Lap Fai		(appointed on 18 August 2008)
Mr. Ma Wui Leung		(appointed on 18 August 2008)
Mr. Poon Po Keung		(appointed on 18 August 2008)
Mr. Leung Man Kin		(appointed on 18 August 2008)

In accordance with clause (41) of the Association's Articles of Association, all Executive Committee members retire and, being eligible, offer themselves for re-election.

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

REPORT OF THE EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE MEMBERS' INTERESTS

No contracts of significance to which the Association was a party and in which a Executive 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 Association 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 Association for the ensuring year.

On Behalf of the Board

Chairman

Date

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED**
(incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

We have audited the financial statements of Kowloon Technical School Alumni Association Limited ('the Association') set out on pages 5 to 14, 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 8 April 2008 (date of incorporation) to 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Executive Committee members' responsibility for the financial statements

The Executive 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 Executive 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
KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION 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 Association's affairs as at 31 December 2008 and of its deficit and cash flows for the period from 8 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

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED
 INCOME AND EXPENDITURE ACCOUNT
 FOR THE PERIOD FROM 8 APRIL 2008 (DATE OF INCORPORATION)
 TO 31 DECEMBER 2008

	Note	HK\$
INCOME		
Subscription fee income		908
EXPENDITURE		
Advertisement		1,800
Deficit from annual dinners		2,020
Sundry expenses		1,000
		<u>4,820</u>
DEFICIT BEFORE TAXATION		(3,912)
TAXATION	5	<u>-</u>
DEFICIT FOR THE PERIOD		<u><u>(3,912)</u></u>

For Discussion Purposes Only

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

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2008

	HK\$
CURRENT ASSETS	
Accounts receivable	12,140
Bank balances	239,000
	251,140
CURRENT LIABILITIES	
Accounts payable	2,020
	<u>249,120</u>
NET ASSETS	<u><u>249,120</u></u>
REPRESENTED BY	
Accumulated Surplus - page 7	<u><u>249,120</u></u>

Approved and authorised for issue by the board of Executive Committee On

Chairman

Treasurer

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

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD FROM 8 APRIL 2008 (DATE OF INCORPORATION)
 TO 31 DECEMBER 2008

	Accumulated Surplus
	<u>HK\$</u>
Deficit for the period	(3,912)
Accumulated surplus transferred from Kowloon Technical School Alumni Association (note 7)	<u>253,032</u>
Balance as at 31 December 2008	<u><u>249,120</u></u>

For Discussion Purposes Only

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED
 CASH FLOW STATEMENT
 FOR THE PERIOD FROM 8 APRIL 2008 (DATE OF INCORPORATION)
 TO 31 DECEMBER 2008

	HK\$
Cash flows from operating activities	
Deficit before taxation	(3,912)
Increase in accounts receivable	(12,140)
Increase in accounts payable	<u>2,020</u>
Cash used in operations	(14,032)
Financing activities	
Accumulated surplus transferred from Kowloon Technical School Alumni Association	<u>253,032</u>
Cash and cash equivalents at end of the period (note)	<u><u>239,000</u></u>
Note: Analysis of the balances of cash and cash equivalents	
- Cash at bank	<u><u>239,000</u></u>

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

1. INCORPORATION AND MEMBERS' LIABILITIES

- (a) The Association was incorporated under the Laws of Hong Kong on 8 April 2008 of which the members' liabilities is limited by guarantee and does not have a share capital. In the event of the Association being wound up, any person being a member or within one year after he ceased to be a member, should be required to contribute to the deficit of the Association for a sum not exceeding HK\$100.
- (b) Before incorporation, the Association was operated under the name "Kowloon Technical School Alumni Association" registered under the Societies Ordinance in Hong Kong. "Kowloon Technical School Alumni Association" was removed from the Societies Ordinance on 6 October 2008 upon incorporation of the Association during the period.
- (c) The Association's registered address is located at G/F., Nos. 332-334 Cheung Sha Wan Road, Shamshuipo, Kowloon, Hong Kong.
- (d) The Association is a non-profit making organisation with the objectives to promote, support, contribute to or otherwise assist any educational activities of Kowloon Technical School and schools operated by the Association and/or the KTSAA Foundation Limited and other public and non-profit making educational institutions, and to promote and organise activities and welfare functions to the alumni and acting as a bridge between the alumni and Kowloon Technical School.

2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The Association'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 Association'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.

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION 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 Association's operations and financial statements:

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

The Executive Committee members of the Association 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 Association's accounting policies and will have no material impact on the results and the financial position of the Association.

(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 Association's cash management are included as a component of cash and cash equivalents.

(c) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income and expenditure account because it excluded items of income or expense that are taxable or deductible in other years, and it further excluded income and expenditure account items that are never taxable or deductible.

Deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

3. PRINCIPAL ACCOUNTING POLICIES – Cont'd

(d) Foreign currencies translation

(i) Functional and presentation currency

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

(e) 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.

(f) 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.

(g) Recognition of revenue

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

- (i) Membership and subscription fee and donation received are recognised on cash basis.
- (ii) Income from activities and functions is recognised on completion basis and cash is certain for receivable.
- (iii) Bank interest income is recognised using the effective interest method.

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

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 Executive 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 Executive 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 provision for Hong Kong profits tax has been made in the accounts as the Association has no assessable profits for the period.

No provision for deferred taxation has been made in the accounts as the tax effects on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts is not material in the context of the accounts.

6. EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

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

7. ACCUMULATED SURPLUS

Accumulated surplus of HK\$253,032 was transferred from "Kowloon Technical School Alumni Association" during the period upon the incorporation of the Association (note 1(b)).

8. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

Financial instruments of the Association consist of "accounts receivable", "bank balance" and "accounts payable". The Association 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 Association'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.

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

8. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT – CON'T

Being member-based organisations, the Association carries as little risks from financial instruments as practicable. The Association 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 Association'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 Association will encounter difficulty settling its liabilities or selling financial assets quickly at close to its fair value.

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

(c) Market risk

(i) Interest rate risk

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

KOWLOON TECHNICAL SCHOOL ALUMNI ASSOCIATION LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 2008

9. CAPITAL DISCLOSURE AND MANAGEMENT

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

The Association 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 Association and capital efficiency, prevailing and projected surplus, projected operating cash flows, projected capital expenditures and projected strategic expansion opportunities.

The Association monitors capital by reviewing the level of capital that is at the disposal of the Association. The capital comprises accumulated surplus. The capital of the Association at 31 December 2008 was HK\$249,120.

10. RELATED PARTY TRANSACTIONS

No material transactions to which the Association was a party and in which a Executive 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 Association in the ordinary course of business, such as subscriptions, fees and donation income.