

香港航空青年團
HONG KONG AIR CADET CORPS
(Incorporated in Hong Kong)
For the year ended 31st March 2018

REPORTS AND ACCOUNTS

謝煜權會計師事務所有限公司
Raymond Y. K. Tse & Co. CPA Limited
Certified Public Accountants (Practising)
HONG KONG

REPORT OF EXECUTIVE BOARD MEMBERS

The Executive Board Members submit their annual report together with the audited financial statements for the year ended 31st March 2018.

The state of the Corps’ affairs and appropriations

The state of the Corps’ affairs as at 31st March 2018 are set out in the financial statements on pages 1 to 19.

Incorporation

The Corps was incorporated in Hong Kong on 1st September 2008 under the Hong Kong Companies Ordinance. The Corps is limited by guarantee and not having a share capital.

Principal Activity

The Principal activity of the Corps is the provision of aviation education and youth development programmes.

Property, Plant and Equipment

The changes in the property, plant and equipment of the Corps are stated in Note 11 of the accounts.

Executive Board Members

The Executive Board Members in office during the year and up to date of this report were:-

Chau Cham Chiu, Peter	(周湛樵)	
Lee Kwok Wing	(李國榮)	
Loh Hogan	(樂可均)	
Lau Wing Chu, Edwin	(劉榮柱)	
Chow Wai Chung, Edmund	(周偉忠)	
Fung Ying Chung, Joe	(馮應聰)	
Pong Oi Lan, Scarlett	(龐愛蘭)	(Resigned on 10th January 2018)
Ng Wai Cheong	(吳蔚昌)	
Wong Ka Lun	(黃家倫)	
Leung Koon Ping	(梁冠平)	
Chan Kwok Chiu	(陳國超)	
Yip Dicky Peter	(葉迪奇)	
Chan Chi Pui, Michael	(陳志培)	
Lee Joseph	(李宗德)	
Yam Tat Wing	(任達榮)	(Resigned on 15th April 2018)
Cheung Him Wah	(張謙華)	
Cheng Ka Kui, Arnold	(鄭家駒)	(Resigned on 31st May 2017)
Chan Pak Kin, Edmond	(陳柏堅)	
Mak Ka Wing, Patrick	(麥家榮)	(Appointed on 10th January 2018)
Chan Man Lang	(陳孟麟)	(Appointed on 11th April 2018)

In accordance with Article 44 of the Corps' Articles of Association, all the Executive Board Members retire, at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Executive Board Members' Benefits

None of the Executive Board Members had whether directly or indirectly any interest in significant contracts with the Corps during or at the end of the year.

None of the Executive Board Members had any arrangement with the Corps to enable them to acquire benefits by means of the acquisition of shares in or debentures of the Corps or any other body corporate during or at the end of the year.

Auditors

A resolution for the reappointment of Raymond Y. K. Tse & Co. CPA Limited as auditors of the Corps is to be proposed at the forthcoming Annual General Meeting.

By Order of the Executive Board

A handwritten signature in black ink, appearing to be 'John', written over the word 'Chairman'.

Chairman

Dated this Hong Kong : 19 JUL 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG AIR CADET CORPS

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

Opinion

We have audited the financial statements of Hong Kong Air Cadet Corps ("the Corps") set out on pages 1 to 19, which comprise the statement of financial position as at 31st March 2018, and the income statement and statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Corps as at 31st March 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standard ("HKFRSs") 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 of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corps 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.

Information Other than the Financial Statements and Auditor's Report Thereon

The Executive Board Members are responsible for the other information. The other information comprises all information included in the Executive Board Members' report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the information that we obtained prior to the date of this auditor's report, 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.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG AIR CADET CORPS

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

Responsibilities of Executive Board Members for the Financial Statements

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

In preparing the financial statements, the Executive Board Members are responsible for assessing the Corps' 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 Executive Board Members either intend to liquidate the Corps or to cease operations, or have no realistic alternative but to do so.

Executive Board Members are responsible for overseeing the Corps' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the report.

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 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 Corps' internal control.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG AIR CADET CORPS

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board Members.
- Conclude on the appropriateness of the Executive Board 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 Corps 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 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 Corps to cease to continue as a going concern.

We communicate with Executive Board Members 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.



Raymond Y. K. Tse & Co. CPA Limited
Certified Public Accountants (Practising)

Tse Wing Sing, Victor
Practising Certificate Number : P03617

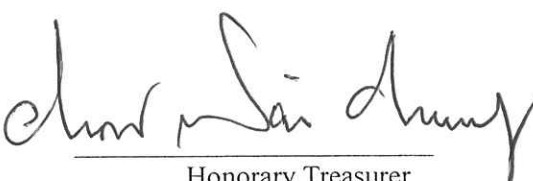
Dated this Hong Kong : 19 JUL 2018

HONG KONG AIR CADET CORPS
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2018

	Note	As at 31/3/2018 HK\$	As at 31/3/2017 HK\$
Aviation Education Fund	(3)	250,000.00	250,000.00
Flying Eagle Programme Fund	(4)	67,726.20	67,726.20
HAB Subvention - Happy Family Thematic Project prior to the year 2014	(5)	376,368.18	376,368.18
HAB Subvention - Happy Family Thematic Project	(5a)	(99,081.47)	(28,708.32)
Yuen Yuen Institute - Ha Fa Shan Campsite	(6)	5,106.83	5,106.83
Hong Kong Jockey Club - Youth Anti-Adversity Project at Ha Fa Shan	(7)	(327,067.32)	(327,067.32)
HAB subvention - Scheme for Needy Student Members for the year 2015 and thereafter	(9)	421,923.00	607,830.00
HAB subvention - Scheme for Needy Student Members for the year 2014	(9a)	162,772.00	-
Accumulated Surplus		<u>5,952,389.84</u>	<u>6,320,704.30</u>
Total Funds		<u><u>6,810,137.26</u></u>	<u><u>7,271,959.87</u></u>
Current Assets			
Cash and bank balances	(10)	2,335,854.04	2,686,190.89
Prepayment, utility and sundry deposit		174,748.00	284,443.80
Stock	(1e)	862,451.10	903,556.15
Fixed deposit		2,474,148.44	2,300,196.82
		<u>5,847,201.58</u>	<u>6,174,387.66</u>
Less : Current Liabilities			
Accruals		39,000.00	52,000.00
Deposit and donation received		391,986.45	324,466.46
		<u>430,986.45</u>	<u>376,466.46</u>
Working Capital		<u>5,416,215.13</u>	<u>5,797,921.20</u>
Add : Non-current assets			
Property, Plant and Equipment	(11)	153,585.55	213,036.74
Investment in certificate of deposit	(12)	1,240,336.58	1,261,001.93
		<u>1,393,922.13</u>	<u>1,474,038.67</u>
Total Net Assets		<u><u>6,810,137.26</u></u>	<u><u>7,271,959.87</u></u>

Approved on behalf of the Executive Board Members by:


Chairman


Honorary Treasurer

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

HONG KONG AIR CADET CORPS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2018

	Capital Projects and Equipment Fund		Aviation Education Fund		Flying Eagle Programme Fund		Subvention - Happy Family Thematic Project prior to the year 2014		Subvention - Happy Family Thematic Project		Yuen Yuen Institute - Ha Fa Shan Campsite		HK Jockey Club - Youth Anti-Adversity Project at Ha Fa Shan		Ha Fa Shan Projects		Subvention - Scheme for Needy Student Members for the year 2015 and thereafter		Subvention - Scheme for Needy Student Members for the year 2014		Accumulated Surplus		Total			
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	
As at 31st March 2016	2,316.15	250,000.00	67,726.20	376,368.18	(105,443.56)	5,106.83	(1,015,373.93)	(781,901.69)	789,628.00	-	-	7,401,429.61	6,989,855.79	-	-	-	-	-	-	-	-	-	-	-	-	
Additions for the year	-	-	-	-	261,471.46	-	1,440,397.97	90,232.50	350,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,142,101.93
Utilisation for the year	(2,316.15)	-	-	-	(184,736.22)	-	(752,091.36)	(560,185.54)	(79,942.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,579,271.27)
(Deficit) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,080,725.31)
Refunded to the Government	-	-	-	-	-	-	-	-	(451,856.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(451,856.00)
Transfer to activities account	-	-	-	-	-	-	-	1,251,854.73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,251,854.73
As at 31st March 2017	-	250,000.00	67,726.20	376,368.18	(28,708.32)	5,106.83	(327,067.32)	-	607,830.00	-	-	6,320,704.30	7,271,959.87	-	-	-	-	-	-	-	-	-	-	-	-	7,271,959.87
Additions for the year	-	-	-	-	165,365.50	-	-	-	350,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	515,365.50
Utilisation for the year	-	-	-	-	(235,738.65)	-	-	-	(113,771.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(349,509.65)
(Deficit) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(368,314.46)
Refunded to the Government	-	-	-	-	-	-	-	-	(259,364.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(259,364.00)
Reclassification	-	-	-	-	-	-	-	-	(162,772.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st March 2018	-	250,000.00	67,726.20	376,368.18	(99,081.47)	5,106.83	(327,067.32)	-	421,923.00	-	-	5,952,389.84	6,810,137.26	162,772.00	162,772.00	-	-	-	-	-	-	-	-	-	-	6,810,137.26

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

HONG KONG AIR CADET CORPS
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2018

	Note	Year ended 31/3/2018 HK\$	Year ended 31/3/2017 HK\$
Income			
Subvention income	(13)	3,141,500.00	3,122,200.00
Membership fee income		119,850.00	130,110.00
Endowment		700,600.00	747,085.91
Surplus fund from flag day	(14)	523,900.65	590,082.04
Other income		14,275.67	15,017.76
Interest income		9,172.14	64,099.26
Surplus on trading account	(15)	67,557.64	86,352.16
Exchange gain		82,518.83	-
		<u>4,659,374.93</u>	<u>4,754,947.13</u>
Less : Direct activities expenses			
Net deficit on various activities	(16)	1,873,709.94	2,925,667.88
Squadron subsidies		147,658.59	165,570.87
		<u>2,021,368.53</u>	<u>3,091,238.75</u>
Less : General and administrative expenses			
Auditors' remuneration		24,000.00	23,000.00
Bank charges and interest		4,326.80	4,606.19
Building management fee		15,792.00	15,739.00
Cleaning charges		42,653.50	39,958.00
Courier charges		752.00	3,595.70
Depreciation		52,309.69	72,604.40
Electricity and water		40,716.20	37,045.90
Entertainment		11,279.00	10,894.00
Exchange loss		-	36,744.15
Insurance		111,544.01	142,031.88
Licence fee		6,210.00	8,370.00
Loss on written off of general furniture, fixtures and equipment		20,986.50	4,211.53
Minor purchase, repairs and maintenance		54,712.34	59,592.43
Motor vehicles expenses		23,203.33	25,617.88
Postage		1,042.80	1,305.50
Printing and stationery		6,937.15	19,780.63
Provident fund and mandatory provident fund contribution		121,309.26	115,560.99
Rent, rates and utilities charges		38,687.00	37,887.00
Souvenir		85,793.33	95,444.27
Staff salaries and contract end gratuities		2,259,223.37	1,861,348.70
Storage charges		44,845.00	45,225.00
Subscription fee		2,300.00	2,300.00
Sundry expenses		9,854.40	4,912.90
Telephone and internet charges		27,322.00	27,496.26
Travelling expenses		177.60	173.10
Legal and professional fee		-	15,000.00
Loss on written off of obsolete stock		343.58	33,988.28
		<u>3,006,320.86</u>	<u>2,744,433.69</u>
Total expenses		<u>5,027,689.39</u>	<u>5,835,672.44</u>
(Deficit) for the year		<u>(368,314.46)</u>	<u>(1,080,725.31)</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

HONG KONG AIR CADET CORPS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2018

	Year ended 31/3/2018 <u>HK\$</u>	Year ended 31/3/2017 <u>HK\$</u>
Cash flows from operating activities		
(Deficit) for the year	(368,314.46)	(1,080,725.31)
Depreciation	52,309.69	72,604.40
Interest income	(9,172.14)	(64,099.26)
Bank charges and interest	4,326.80	4,606.19
Loss on written off of general furniture, fixtures and equipment	20,986.50	4,211.53
Operating (deficit) before working capital changes	(299,863.61)	(1,063,402.45)
Decrease/(Increase) in prepayment, utility and sundry deposit	109,695.80	(75,736.93)
Decrease in stock	41,105.05	132,487.68
(Decrease) in accruals	(13,000.00)	(4,850.00)
Increase in deposit and donation received	67,519.99	14,224.18
Cash (used in) operation	(94,542.77)	(997,277.52)
Interest income	9,172.14	64,099.26
Bank charges and interest	(4,326.80)	(4,606.19)
Net cash (used in) operating activities	(89,697.43)	(937,784.45)
Cash flows from investing activities		
Payment to acquire property, plant and equipment	(13,845.00)	(17,019.00)
Net cash (used in) investing activities	(13,845.00)	(17,019.00)
Cash flows from financing activities		
Expenditure on the various surplus fund	(349,509.65)	(1,579,271.27)
Cash received from donors for the surplus fund	515,365.50	2,142,101.93
Refunded to the government	(259,364.00)	(451,856.00)
Transfer to activities account	-	1,251,854.73
Net cash (used in)/generated from financing activities	(93,508.15)	1,362,829.39
(Decrease)/Increase in cash and cash equivalents	(197,050.58)	408,025.94
Cash and cash equivalents brought forward	6,247,389.64	5,839,363.70
Cash and cash equivalents carried forward	6,050,339.06	6,247,389.64
Analysis of the balances of cash and cash equivalents :-		
Cash and bank balances	2,335,854.04	2,686,190.89
Investment in certificate of deposit	1,240,336.58	1,261,001.93
Fixed deposit	2,474,148.44	2,300,196.82
	6,050,339.06	6,247,389.64

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Reporting entity

Hong Kong Air Cadet Corps ("the Corps") was incorporated in Hong Kong under the Hong Kong Companies Ordinance with limited liabilities. The Corps is limited by guarantee and not having a share capital. The Corps' registered office is located at Room D, 32nd Floor, Lippo Centre, Tower 1, 89 Queensway, Hong Kong. The Corps' principal activity is the provision of aviation education and youth development programmes.

Note 1 Basis of preparation and accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants and have been prepared under the accrual basis of accounting and on the basis that the Corps is a going concern.

The financial statements have been prepared on the historical cost basis.

The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements:-

(a) Revenue

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

- (i) Sale of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer;
- (ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable;
- (iii) Membership fees is recognised when the income is received and receivable;
- (iv) Government grants is recognised as income over the period necessary to match them with the related cost which they are intended to compensate, on a systematic basis; and
- (v) Endowment income is recognised when the income is received.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies (Continued)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the reducing balance method. The principal annual rates used for depreciation are as follows:-

Leasehold improvement	30%
General furniture, fixtures and equipment	25%
Donated furniture, fixtures and equipment	25%
General motor vehicles	25%

(c) Impairment of assets

An assessment is made at each statement of financial position date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognised for the asset in prior period.

(d) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the statement of financial position date. Exchange gains and losses are dealt with in the income statement.

(e) Stock

Stock are stated at the lower of cost (using a weighted average basis) and net realisable value. In arriving at net realisable value an allowance has been made for deterioration and obsolescence.

(f) Income tax

The Corps being a not-for-profit organisation is exempted from Hong Kong Profits Tax by virtue of Section 88 of the Inland Revenue Ordinance on 1st September 2008.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies (Continued)

(g) Cash flows

For the purpose of the cash flow statement, cash and cash equivalents includes cash in hand, cash at bank and net of bank overdraft.

(h) Cash equivalents

Cash equivalents represents short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

(j) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Corps has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Employee benefits

(i) Salaries, wages, contract end gratuities are accrued in the period in which the associated services are rendered by employees of the Corps.

Employee entitlements to sick leave and maternity leave are recognized when the absences occur.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 1 Basis of preparation and accounting policies (Continued)

(k) Employee benefits (Continued)

- (ii) The Corps operates a defined contribution mandatory provident fund scheme ("MPF Scheme") and provident fund Scheme ("P-Fund Scheme") for its employees in Hong Kong. The assets of the MPF Scheme and P-Fund Scheme are held separately from those of the Corps in independent administered funds.

The Corps and the employees are required to contribute 5% of the employees' relevant income, subject to a maximum of HK\$1,500 per employee per month under the MPF Scheme. The Corps is also required to contribute a maximum of 15% of the employee's relevant income under the P-Fund Scheme. The Corps has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and prepared contributions are recognised as an asset to the extent that a cash refund is available.

(l) Certificate of deposit

Certificate of deposit are stated at cost subject to the currency fluctuation of Renminbi.

Note 2 Capital Projects and Equipment Fund

	As at	As at
	31/3/2018	31/3/2017
	HK\$	HK\$
Balance brought forward	-	2,316.15
Utilisation during the year	-	(2,316.15)
Balance carried forward	-	-

The fund is earmarked to finance capital projects and equipment acquisition essential to the ongoing development of the Corps. The fund shall be maintained by transfers from the operational surplus of the Corps and by money generated from fund raising projects.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 3 Aviation Education Fund

	As at 31/3/2018	As at 31/3/2017
	HK\$	HK\$
Balance brought forward	<u>250,000.00</u>	<u>250,000.00</u>
Balance carried forward	<u>250,000.00</u>	<u>250,000.00</u>

The fund is earmarked to support activities, programmes, projects in relating to aviation education, flying training and aeromodelling in the Corps. The fund shall be maintained by transfers from the operational surplus of the Corps and by money generated from fund raising projects.

Note 4 Flying Eagle Programme Fund

	As at 31/3/2018	As at 31/3/2017
	HK\$	HK\$
Balance brought forward	<u>67,726.20</u>	<u>67,726.20</u>
Balance carried forward	<u>67,726.20</u>	<u>67,726.20</u>

The fund was set up from donations received under the Operation Flying Eagle Corporate Citizenship Programme founded by Specialist Flight Lieutenant Michael Fitzgerald Wong to support educational helicopter flying.

Note 5 HAB Subvention - Happy Family Thematic Project prior to the year 2014

	As at 31/3/2018	As at 31/3/2017
	HK\$	HK\$
Balance brought forward	<u>376,368.18</u>	<u>376,368.18</u>
Balance carried forward	<u>376,368.18</u>	<u>376,368.18</u>

The fund was provided by Home Affairs Bureau ("HAB") to promote a closer tie between members and their families by engaging the latter in Corps' activities and programmes. The subvention scheme was terminated and the surplus fund of HK\$376,368.18 is retained and fixed for future determination.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 5a HAB Subvention - Happy Family Thematic Project

	As at <u>31/3/2018</u>	As at <u>31/3/2017</u>
	HK\$	HK\$
(Deficit) brought forward	(28,708.32)	(105,443.56)
Reimbursement of last year's (deficit) by HAB	<u>27,008.11</u> *	<u>67,499.96</u>
	(1,700.21)	(37,943.60)
Add : Non-approved expenditure by HAB transfer to Corps' other activities expenses	<u>1,700.21</u> *	<u>37,943.60</u>
	-	-
Add: Current year's government subvention	<u>165,365.50</u>	<u>193,971.50</u>
	165,365.50	193,971.50
Less : Utilisation during the year	<u>264,446.97</u>	<u>222,679.82</u>
(Deficit) carried forward	<u>(99,081.47)</u>	<u>(28,708.32)</u>

The fund was provided by Home Affairs Bureau ("HAB") to promote a closer tie between members and their families by engaging the latter in Corps' activities and programmes.

The Corps signed a commitment letter (承諾書) on 20th March 2017 and confirmed to receive a 50% subvention in advance for the operation of 2017/2018 Happy Family Thematic Project. Upon the completion of the project each year, the Corps is required to file the audited financial statements carried out by a professional body to HAB. The approved remaining deficit/surplus will be reimbursed by/refunded to HAB subject to the approval of the audited financial statement.

* During the year, HAB has finalised the subvention for the year ended 31st March 2017 and the deficit of HK\$27,008.11 were reimbursed to the Corps. The non-approved expenditure of HK\$1,700.21 were transferred to current year's activities expenditures.

Note 6 Yuen Yuen Institute - Ha Fa Shan Campsite

	As at <u>31/3/2018</u>	As at <u>31/3/2017</u>
	HK\$	HK\$
Balance brought forward	<u>5,106.83</u>	<u>5,106.83</u>
Balance carried forward	<u>5,106.83</u>	<u>5,106.83</u>

The fund was provided by Yuen Yuen Institute to construct the Ha Fa Shan campsite and related facilities for use as an outdoor training base by young people of Hong Kong. All expenditures should be approved by the Committee - 下花山營地建設諮詢委員會.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 7 Hong Kong Jockey Club - Youth Anti-Adversity Project at Ha Fa Shan

The three years sponsorship by Hong Kong Jockey Club-Youth Anti-Adversity Project at Ha Fa Shan was completed on 31st March 2017. The Hong Kong Jockey Club Charities Trust has made a review on the audited financial statements for the whole project on May 2018 and confirmed the final subvention to be reimbursed to the Corps was HK\$351,238.42. The Corps considered that the under-provision of the recoverable amount of HK\$24,171.10 will be taken up as operating income in the year 2018/2019.

The three-year accumulated income and expenditure accounts are summarized as follows:-

	<u>Note</u>	<u>As at 31/3/2018 HK\$</u>	<u>As at 31/3/2017 HK\$</u>
Donation received		-	3,222,609.58
Less : Expenditures			
1) Capital expenditure		-	1,276,631.80
2) Purchase of a 7-seater motor van - SM7880		-	274,757.00
3) 3-year accumulated operating expenses		-	4,187,611.34
		-	5,739,000.14
Less : 3-year accumulated Campsite income		-	1,787,035.00
		-	3,951,965.14
		-	(729,355.56)
Add : Forecast (deficit) transfer to current year Ha Fa Shan Campsite Project	(8)	-	402,288.24
		-	(327,067.32)
Balance brought forward		<u>(327,067.32)</u>	-
Balance carried forward		<u>(327,067.32)</u>	<u>(327,067.32)</u>

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 8 Ha Fa Shan Campsite Projects

	Note	As at 31/3/2018 HK\$	As at 31/3/2017 HK\$
Campsite fee income		-	90,232.50
Less : Operating expenses		-	157,897.30
		-	(67,664.80)
Forecast non-approved operating expenses transfer from Hong Kong Jockey Club-Youth Anti-Adversity project	(7)	-	(402,288.24)
		-	(469,953.04)
(Debit) balance brought forward		-	(781,901.69)
		-	(1,251,854.73)
Transferred to current year activities account	(16)	-	1,251,854.73
(Debit) balance carried forward		-	-

As at 31st March 2017 the Executive Board Members confirmed that the accumulated deficit of Ha Fa Shan Campsite Projects in the amount of HK\$1,251,854.73 for the 3-year operation was transferred to current year activities account.

Note 9 HAB Subvention - Scheme for Needy Student Members for the year 2015 and thereafter

	Note	As at 31/3/2018 HK\$	As at 31/3/2017 HK\$
Balance brought forward		607,830.00	789,628.00
Reclassification of net surplus for year 2014 payable to HAB	(9a)	(162,772.00)	-
		445,058.00	789,628.00
Year 2017 (Years 2015 and 2016) excess surplus refunded to HAB		(259,364.00)	(451,856.00)
		185,694.00	337,772.00
Fund allocated for the year		350,000.00	350,000.00
		535,694.00	687,772.00
Utilisation during the year		(113,771.00)	(79,942.00)
Balance carried forward		421,923.00	607,830.00

The fund was provided by the Home Affairs Bureau to assist the needy student members of uniformed groups in purchasing uniforms, participating in camping/outing activities and joining leadership training courses.

In accordance with the Memorandum of Administrative Arrangements ("MAA"), the unused surplus carried forward of each year for Uniformed Groups (UGs) should not be more than 50% of the UGs subvention (Cap.). During the year, the Corps refunded HK\$259,364 for year 2017 Scheme and refunded HK\$451,856 for year 2015 and 2016.

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 9a HAB Subvention - Scheme for Needy Student Members for the Year 2014

	<u>Note</u>	<u>As at 31/3/2018</u> HK\$	<u>As at 31/3/2017</u> HK\$
Reclassification of net surplus for the year 2014 payable to HAB	(9)	<u>162,772.00</u>	-
Balance carried forward		<u>162,772.00</u>	-

In accordance with the Memorandum of Administrative Arrangements mentioned in Note 9, the Corps was required to refund the unused surplus of the year 2014 in the amount of HK\$162,772.00 to HAB. However, HAB did not request the Corps to refund the surplus up to audited report date and therefore the Corps considered to disclose separately.

Note 10 Cash and bank balances

	<u>As at 31/3/2018</u> HK\$	<u>As at 31/3/2017</u> HK\$
HSBC - HK Dollar - Current Account No.:-		
#808-620280-001	157,185.08	5,582.21
#808-620280-002	905,495.51	1,254,684.09
#808-620280-003	164,089.12	156,593.70
#808-620280-004	17,443.86	77,813.92
#808-620280-005	17,073.47	37,302.44
#808-620280-006	22,879.55	110,751.60
#808-620280-007	86,312.84	168,875.90
#808-620280-008	43,046.57	25,423.89
#808-620280-009	978.11	4,978.11
#817-429079-001	314,307.71	114,003.51
HSBC - HK Dollar - Saving Account No.:-		
#808-620298-292	25,002.54	25,002.09
#808-620280-292	31,655.68	106,654.62
#848-176319-838	3,844.48	74,105.64
HSBC - CNY Dollar - Saving Account No.:-		
#848-176319-838	542,560.92	520,440.57
Cash in hand	3,978.60	3,978.60
	<u>2,335,854.04</u>	<u>2,686,190.89</u>

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 11 Property, plant and equipment

At Cost	Leasehold Improvement HK\$	General Furniture, Fixtures and Equipment HK\$	Donated Furniture, Fixtures and Equipment HK\$	General Motor Vehicles HK\$	Total HK\$
As at 31st March 2017	1,311,996.80	1,275,469.44	20,726.00	285,500.00	2,893,692.24
Additions	-	13,845.00	-	-	13,845.00
Less : Written off	-	(239,798.34)	-	-	(239,798.34)
As at 31st March 2018	1,311,996.80	1,049,516.10	20,726.00	285,500.00	2,667,738.90
Less : Accumulated Depreciation					
As at 31st March 2017	1,295,279.24	1,146,953.77	20,672.97	217,749.52	2,680,655.50
Charge for the year	5,015.27	30,343.54	13.26	16,937.62	52,309.69
Less : Written back	-	(218,811.84)	-	-	(218,811.84)
As at 31st March 2018	1,300,294.51	958,485.47	20,686.23	234,687.14	2,514,153.35
Net Book Value					
As at 31st March 2018	11,702.29	91,030.63	39.77	50,812.86	153,585.55
As at 31st March 2017	16,717.56	128,515.67	53.03	67,750.48	213,036.74

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 12 Investment in certificate of deposit

The coupon rate of certificate of deposit is 3.75% per annum payable in half-yearly basis and the maturity date is 22nd January 2019. The certificate of deposit is not protected by the Deposit Protection Scheme in Hong Kong.

Note 13 Subvention income

	Year ended 31/3/2018	Year ended 31/3/2017
	HK\$	HK\$
Home Affairs Bureau Subvention	2,480,000.00	2,480,000.00
Community Chest	661,500.00	642,200.00
	<u>3,141,500.00</u>	<u>3,122,200.00</u>

Note 14 Surplus fund from flag day

	Year ended 31/3/2018	Year ended 31/3/2017
	HK\$	HK\$
Income		
Appeal letters	130,700.00	117,460.00
Flag day collection	412,902.80	492,998.90
	<u>543,602.80</u>	<u>610,458.90</u>
Less : Expenditure		
Audit fee	2,600.00	2,600.00
Cleaning and repair fees of flag bags	1,944.00	2,127.00
Certificate and souvenirs for helpers	3,782.50	5,040.00
Insurance	2,400.00	2,200.00
Printing and stationery	5,269.20	2,327.00
Postage	1,694.40	1,645.80
Sundry expenses	770.00	853.00
Transportation charges	1,242.05	1,584.06
Octopus handling services charges	-	2,000.00
	<u>19,702.15</u>	<u>20,376.86</u>
Surplus fund transfer to income statement	<u>523,900.65</u>	<u>590,082.04</u>

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 14 Surplus fund from flag day (Continued)

The Flag Day Appeal of Hong Kong Air Cadet Corps was held on 11th November 2017 under Public Subscription Permit No.: FD/R015/2017 issued by Social Welfare Department on 21st December 2016. The flag day surplus fund account was audited on 8th January 2018. The net proceeds from the flag day has been fully utilised during the financial year 2017-2018 and the fund raised has been used to enable development of young people's ability and social responsibility, thereby grooming them to become citizens with a love for the country and Hong Kong, and be in a position to contribute to the Hong Kong Aviation Industry.

Examples of activities related to the youth development include parades, camps, seminars, community service programmes and international exchange programmes (Remarks: the Corps has utilized funds and subsidies from other sources along with Flag Day revenue to conduct the aforementioned activities.)

Note 15 Surplus on trading account

	<u>Note</u>	<u>Year ended</u> <u>31/3/2018</u>	<u>Year ended</u> <u>31/3/2017</u>
		<u>HK\$</u>	<u>HK\$</u>
Sales		338,646.69	261,312.50
Less : Cost of goods sold			
Opening stock		903,556.15	1,036,043.83
Add : Purchase		229,984.00	42,472.66
		<u>1,133,540.15</u>	<u>1,078,516.49</u>
Less : Closing stock	(1e)	862,451.10	903,556.15
		<u>271,089.05</u>	<u>174,960.34</u>
Surplus from trading account transfer to income statement		<u><u>67,557.64</u></u>	<u><u>86,352.16</u></u>

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 16 Net deficit on various activities

During the year, the Corps has the (surplus)/deficit on the various activities as follows:-

	<u>Note</u>	<u>Year ended</u> <u>31/3/2018</u>	<u>Year ended</u> <u>31/3/2017</u>
		HK\$	HK\$
Adult training		(22,531.17)	(492.57)
Advanced Aviation Education Programme (Fixed Wing)		26,471.52	(4,466.19)
Advanced Aviation Education Programme (Helicopter)		(72,488.91)	(53,249.32)
Adventure Activities Squadron		79,200.00	61,164.65
Annual parade		105,974.16	134,414.27
Vocational Qualifications Unit		18,902.90	13,071.78
Fund walk		(22,952.10)	(58,944.50)
Liaison Unit activities		(40,835.40)	81,881.86
International air cadet exchange	(16a)	342,077.00	371,914.37
International Air Cadet Exchange Association		37,993.53	53,697.95
Mainland and local activities		132,198.73	(41,438.62)
Other activities and courses		49,289.07	123,749.52
Scholarship for training programme		284,410.00	373,692.00
Technical Operations Support Wing		(12,156.63)	23,800.00
Training activities		211,680.99	398,832.21
UK training team programme		69,924.58	110,144.54
Summer camp		151,350.29	38,465.68
Operations group programmes		184,949.57	19,184.61
Annual dinner		-	28,390.91
Deficit on Ha Fa Shan Campsite projects	(8)	-	1,251,854.73
Fellowship Dinner		4,592.49	-
Ha Fa Shan Campsite		345,659.32	-
		<u>1,873,709.94</u>	<u>2,925,667.88</u>

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 16a International Air Cadet Exchange Programme

	The Corps	HK Jockey Club Subvention Scheme	Year ended 31/3/2018	Year ended 31/3/2017
	HK\$	HK\$	HK\$	HK\$
Income				
Exchange fee income	154,500.00	-	154,500.00	256,170.00
Subvention received	-	140,708.00 *	140,708.00	-
	<u>154,500.00</u>	<u>140,708.00</u>	<u>295,208.00</u>	<u>256,170.00</u>
Less: Expenditures				
Air ticket expenses	118,417.00	119,477.00	237,894.00	247,787.00
Uniform	-	11,640.00	11,640.00	-
Insurance	-	5,616.00	5,616.00	-
Sundry expenses	8,336.00	3,975.00	12,311.00	11,139.77
China tour and hotel accommodation	231,002.40	-	231,002.40	240,844.00
Printing and stationery	1,639.50	-	1,639.50	3,644.20
Messing	106,148.70	-	106,148.70	96,737.48
Transportation	31,033.40	-	31,033.40	27,931.92
	<u>496,577.00</u>	<u>140,708.00</u>	<u>637,285.00</u>	<u>628,084.37</u>
(Deficit) for the year	<u><u>(342,077.00)</u></u>	<u><u>-</u></u>	<u><u>(342,077.00)</u></u>	<u><u>(371,914.37)</u></u>

*The Corps was granted a subvention of HK\$855,000.00 from the Hong Kong Jockey Club Charities Trust on 22nd April 2016 to set up a three-year award scheme "The International Air Cadet Exchange Programme for Underprivileged Youth" to sponsor 60 underprivileged youths to participate in exchange programme.

During the year 1, 13 underprivileged youths are qualified to receive subvention under the scheme.

Note 17 Executive Board Members' remuneration

Executive Board Members' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance is as follows:-

	Year ended 31/3/2018	Year ended 31/3/2017
	HK\$	HK\$
Fees	-	-
Other emoluments	-	-

HONG KONG AIR CADET CORPS
NOTES TO FINANCIAL STATEMENTS

Note 18 Comparative figures

Certain comparative figures have been reclassified so as to conform with the current year's presentation.

Note 19 Approval of financial statements

These financial statements were authorised for issue by the Corps' Executive Board Members on 19 JUL 2018