

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL

2025

REPORT(S) AND ACCOUNTS



陳李羅會計師事務所有限公司
Chan, Li, Law CPA Limited

香 港 執 業 會 計 師

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

HONG KONG

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

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THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee members submit herewith their annual report together with the audited financial statements of The Neighbourhood Advice-Action Council (the “Council”) for the year ended 31 March 2025.

PRINCIPAL ACTIVITY

The principal activity of the Council during the year was the provision of social services to the community.

RESULTS

The financial performance and cash flows of the Council for the year ended 31 March 2025 and the financial position of the Council at that date are set out in the financial statements on pages 10 to 51.

EXECUTIVE COMMITTEE MEMBERS

The Executive Committee members who held office during the financial year were :-

Chairman	Mr. TAI Keen Man
Vice Chairmen	Mr. LAM Kin Lai, JP
	Dr. WAN Tack Fan
	Mr. YIP Ching Shan
	Mr. SUI Wai Keung, GBS, JP
	Dr. CHEUNG Kwok Wah
Honorary Secretary	Dr. KWAN Ka Hung, Julian
Honorary Treasurer	Mr. SIU Yu Bun, Alan, SBS
Committee Members	Mr. CHEUNG Kin Chun
	Ar. KWONG Sum Yee, Anna, MH
	Mr. YEUNG Yiu Shing, Gary
	Dr. HO Chui Fong, Mimi
	Dr. LI Siu Kei
	Mr. AU Kwok Yee, Benjamin
	Mr. TUNG Chi Fat, MH
	Ms. WONG Yeung Fong
	Ms. LI Kit Yu
	Mr. WONG Chu Kee, Daniel

In accordance with article 41 of the Council’s articles of association, all Executive Committee members shall retire from office in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

EXECUTIVE COMMITTEE MEMBERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Council was a party, and in which an Executive Committee member of the Council had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EXECUTIVE COMMITTEE MEMBERS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Council a party to any arrangement to enable the Executive Committee members of the Council to acquire benefits by means of the acquisition of shares in or debentures of the Council or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the operation of the Council were entered into or existed during the year.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision (for the benefit of the executive committee members of the Council) is currently in force and was in force throughout this year.

BUSINESS REVIEW

Description of the Business

The Council is a registered charitable non-governmental organization, provides a comprehensive spectrum of services designed to support individuals across all age groups and diverse backgrounds. As of the reporting period, the Council oversees and offers strategic guidance to 80+ service units operating throughout Hong Kong and Mainland China. These units are organized under nine specialized services/divisions, namely:

- Family and Child Welfare
- Children and Youth Services
- Elderly Services
- Rehabilitation Services
- Community Development
- Mainland Services
- Education Services
- Health Care
- Social Enterprise.

Each division is committed to delivering high-quality, mission-driven services that align with the Council's core values and objectives.

External Environment and Major Funding Bodies

External Environment and major funding bodies of the Council during the period between 1 April 2024 and 31 March 2025 (“reporting period”) are as follows:

	Percentage of the Council's Total Income (%)
Social Welfare Department (SWD)	77.2
Education Bureau	2.9
Lotteries Fund	1.9
Hong Kong Jockey Club Charities Trust	1.9
Hospital Authority	1.5
Five largest funding bodies in aggregate	85.4

Financial Performance

Total income and expenditure for the year are HK\$959 million (2023-24: HK\$921 million) and HK\$917 million (2023-24: HK\$886 million) respectively. Hence a surplus of HK\$42 million was recorded for the year and an increase of HK\$7 million over the surplus compared with the previous financial year.

In the reporting period, the revenue increased mainly attribute from the increase in Lump Sum Grant Subvention from SWD, and the special grants from the government and external parties to support our daily operation. SWD subsidized HK\$740 million (2023-24: HK\$722 million) which increase 2% as compared with that of the previous year. Additional subventions for various services in our subsidized service units.

Environmental Policies and Performance

Environmental sustainability remains a key priority for the Council. A range of initiatives has been implemented to promote energy conservation, enhance material efficiency, and minimize environmental impact across our operations.

We also participated in the “Green Welfare NGOs scheme” launched by The Electrical and Mechanical Service Department (EMSD) to implement energy audits and energy saving projects for welfare NGO premises, and align with Hong Kong’s Climate Action Plan 2050. Several service centres have been successfully approved in the scheme.

Jockey Club Integrated Employment Services Centre i-Butterfly demonstrates a strong commitment to environmental protection through the adoption of high-efficiency, energy-saving, and water-conserving equipment. From design to daily operations, energy efficiency was prioritized, with appliances across the facility meeting Grade 1 Energy Labels. The installation of 51 split-type air conditioners (rated A+ to A++) and 31 electronic sensor faucets (Grade 1 Water Efficiency) further reflects our dedication to sustainable practices. These efforts contribute to reduced resource consumption and promote green operations throughout the centre.

Compliance with the Relevant Laws and Regulations

The Council is a company incorporated in Hong Kong and limited by guarantee, operating in accordance with the laws and regulations of the Hong Kong Special Administrative Region (HKSAR). In addition to complying with the Service Quality Standards (SQS), the Council places strong emphasis on promoting awareness and understanding of the National Security Law across all levels of the organization—from the Board to frontline staff and service users.

During the reporting period, the Council conducted workshops covering topics such as National Security Law and Intellectual Property Protection in Generative Artificial Intelligence for the board of directors, the senior staff and service unit supervisors. We have also developed Policy and Guidelines for the service units to set operational measures procedures to safeguarding national security and implement National Security Education Policy and Guidelines for service units to standardize operations.

Relationship with Employees, Funding Bodies and Service Users

Employees

The Council fosters a positive working relationship with its employees. Staff salaries are aligned with the Civil Service Pay Scale, with adjustments made in accordance with the periodic announcements by the Social Welfare Department. Additionally, the Council offers comprehensive benefits, including medical insurance, a one-time employer contribution to staff MPF accounts, and annual performance incentives for all eligible employees. Having actively committed ourselves to adopt employee-oriented family-friendly employment practices.

Our Council emphasizes open communication, with regular meetings with the service unit supervisors and Staff Association to collect feedback. We champion employee well-being by providing Study and Training Incentives for stress relaxation and personal growth and continuously implementing established initiatives like 'Fun Office' and 'Health Steps' to ensure a healthy and pleasant work environment.

Service Users

The Council remains committed to prioritizing the care and well-being of its service users. During the reporting period, no serious complaints or material incidents were recorded. Nonetheless, the Council continues to pursue service excellence by actively seeking feedback and enhancing both the quality and scope of its services.

To facilitate ongoing improvement, multiple communication channels are maintained, including:

- Opinion boxes and dedicated email accounts
- Various annual service users' meetings
- Service Quality Standards (SQS) visits

These mechanisms ensure that service users' voices are heard and considered in the Council's continuous development efforts.

Starting in August 2024, the Council presented the film, *The Manors*, starring members with disabilities, and held over a hundred screenings and sharing at several cinemas. With the support from the Labour and Welfare Bureau and the Social Welfare Department, several film screenings were held for the staff of the Bureau and the Department as well as the members of the Advisory Committee. Mr Chris SUN, JP, Secretary for Labour and Welfare attended one of the film screenings and toured to the real-life filming location—Harmony Manor to support the actors and engage with other members with disabilities, showing the government’s concerns and support for people with disabilities.

Continuing the close cooperation, it was the third year partnering with Café de Coral to implement a food assistance programme, offering food assistance to carers as well as people suffering dysphagia. The cumulative amount of funding from Café de Coral reached HK\$33 million, benefiting 10,000 people in need.

Furthermore, Super Super Congee & Noodle, a sub-group of the Café de Coral Group, co-produced a 1000 claypot rice challenge with Lee Kum Kee. 400 service users of the Council and their caregivers were invited for this harvest where artists performed on stage. Inside the venue, wooden sign artworks designed by youth members were displayed to promote intergenerational communication and community engagement.

Ngong Ping 360 cooperated with the Council and 1,500 primary school students. Dressed in Doraemon-inspired T shirt and cap, the participants formed a Doraemon “human mosaic” for fun, and admired the extraordinary view of Hong Kong while riding cable cars. Passengers with day tickets were able to make donations to the Council, leaving a hearty memory.

Indication of Likely Future Development

Future Development Strategy

In light of the current socio-economic conditions and the evolving political landscape in Hong Kong, the Council anticipates increasingly complex and diverse social needs. To address these challenges effectively, the Council will adopt the following strategic approaches:

1. **Strengthening Sector Collaboration**
The Council will actively engage with key stakeholders, including government departments such as the Social Welfare Department (SWD) and other established public bodies, to align with prevailing policies and advocacy efforts.
2. **Promoting Tripartite Partnerships**
A tripartite collaboration model will be advanced to foster synergy among national, Greater Bay Area (GBA), governmental, social, commercial, and academic sectors, enhancing cross-boundary cooperation and innovation.
3. **Leveraging Community Connections**
Building on years of deep-rooted engagement with local communities, the Council will take a proactive role in service integration and knowledge sharing within the professional discipline.
4. **Advancing the Mission of “Extension”**
The Council will continue to promote its core mission of “Extension,” emphasizing shared values and cultivating an internal and external NEIGHBOURHOOD spirit of “A smart step further” to identify and address potential service gaps

Future Service Development

In alignment with the Council's guiding principle of "people-oriented" service delivery, the Council remains committed to supporting individuals in need through the following initiatives:

1. Strengthening Collaboration between Hong Kong and Greater Bay Area (GBA)

Services:

The Council is committed to enhancing cross-boundary collaboration with social service organisations in the Greater Bay Area. By deepening staff understanding of Mainland developments—particularly in areas such as technological advancement and service efficiency—we aim to foster a mindset of integration and cooperation. This initiative will support the development of seamless and innovative service models that reflect a shared vision across regions.

2. Building Capacity in the Social Sector:

In response to the increasing complexity of social needs and the shortage of manpower in the sector, it is imperative to invest in the capacity building of practitioners and staff. Emphasis will be placed on cultivating agility and innovation leadership, particularly through the integration of technology to improve service efficiency and broaden both global and local (GLOCAL) perspectives.

AUDITORS

The financial statements were audited by Chan, Li, Law CPA Limited, Certified Public Accountants (Practising), which retires and, being eligible, offers itself for re-appointment.

On behalf of the Executive Committee



Mr. TAI Keen Man
Chairman

Hong Kong, 15 October 2025



Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
陳李羅會計師事務所有限公司

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**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE MEMBERS OF
THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
(incorporated in Hong Kong with liability limited by guarantee)**

Opinion

We have audited the financial statements of The Neighbourhood Advice-Action Council (the "Council") set out on pages 10 to 51, which comprise the statement of financial position as at 31 March 2025, and the statement of comprehensive income and expenditure, statement of changes in funds and reserves and statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion:

- (i) the financial statements give a true and fair view of the financial position of the Council as at 31 March 2025, and of the financial performance and cash flows of the Council for the year then ended in accordance with Hong Kong Financial Reporting Standards ("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.
- (ii) The Council has complied with the funding requirements as stipulated by the Social Welfare Department ("SWD") and Community Care Fund on implementing the Community Care Fund Projects.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council 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 Committee members are responsible for the other information. The other information comprises all the information included in the report of the Executive Committee set out on pages 1 to 6, 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Committee Members for the Financial Statements

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

The Executive Committee members are responsible for overseeing the Council's 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee members.
- Conclude on the appropriateness of the Executive Committee members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Committee 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.



Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 15 October 2025

Wong Yuk Kwan Jennifer
Practising Certificate No.: P07743

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Revenue	7	953,574,570	917,177,897
Other income and net gain	8	5,228,150	3,343,031
Administrative and operating expenses		(916,263,115)	(884,656,215)
Finance costs	10	(545,510)	(1,110,222)
Surplus for the year	11	<u>41,994,095</u>	<u>34,754,491</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>41,994,095</u></u>	<u><u>34,754,491</u></u>

The notes on pages 16 to 51 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	6,517,298	15,122,788
Listed securities	15	176,300	122,300
Investment property	16	3,300,000	4,100,000
		<u>9,993,598</u>	<u>19,345,088</u>
Current assets			
Inventories	13	275,774	326,829
Accounts and other receivables		5,589,635	6,454,214
Deposit and prepayment		4,783,577	3,300,333
Fixed deposit (pledged)	35	1,750,692	1,570,266
Cash and bank balances	32(a)	425,536,405	394,207,400
		<u>437,936,083</u>	<u>405,859,042</u>
Current liabilities			
Accounts and other payables		15,893,786	32,626,513
Receipt in advance		7,556,993	6,594,097
Deposits received		568,820	563,220
Provision for long service payment	18	2,330,402	1,464,445
Lease liabilities	17	3,734,372	14,698,032
		<u>30,084,373</u>	<u>55,946,307</u>
Net current assets		<u>407,851,710</u>	<u>349,912,735</u>
Total assets less current liabilities		<u>417,845,308</u>	<u>369,257,823</u>
Less : Non-current liability			
Lease liabilities	17	3,020,007	1,144,337
NET ASSETS		<u>414,825,301</u>	<u>368,113,486</u>

The notes on pages 16 to 51 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 MARCH 2025
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
FUNDS AND RESERVES			
Lotteries Fund - Block Grant Reserve	19	8,109,269	7,754,408
Lotteries Fund - Pilot Scheme on Community Care Service Voucher for the Elderly	20	-	(320,263)
SWD Lump Sum Grant Reserve	21	219,262,756	178,642,587
SWD Holding Account	22	29,573,485	29,573,485
SWD Central Items Reserve	23	871,424	2,153,143
SWD Social Welfare Subvention surplus account	24	(4,717,412)	(3,530,059)
SWD Provident Fund Reserve	25	103,701,644	90,342,208
SWD Child Development Fund	26	(692,306)	378,553
SWD Social Welfare Development Fund	27	-	2,051,662
Day Nursery Fund	30	20,411,325	16,616,259
DHC Express - Islands District	29	17,374,619	15,095,432
Other funds	31	4,528,719	4,559,304
General fund	28	16,401,778	24,796,767
		<u>414,825,301</u>	<u>368,113,486</u>

Approved and authorised for issue by the Executive Committee on 15 October 2025



Mr. TAI Keen Man
Chairman



Mr. SIU Yu Bun, Alan, SBS
Honorary Treasurer

The notes on pages 16 to 51 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong dollars)

	Lotteries Fund - Pilot Scheme on Community	SWD Lump Sum Grant	SWD Holding Account	SWD Central Items Reserve	SWD Social Welfare Subvention surplus account	SWD Provident Fund Reserve	SWD Child Development Fund	SWD Social Welfare Development Fund	Day Nursery Fund	DHC Express - Islands District HK\$	Other funds HK\$	General fund HK\$	Total HK\$
	Block Grant Reserve HK\$ Note 19	Reserve HK\$ Note 21	HK\$ Note 22	Reserve HK\$ Note 23	HK\$ Note 24	HK\$ Note 25	HK\$ Note 26	HK\$ Note 27	HK\$ Note 30	HK\$ Note 29	HK\$ Note 31	HK\$ Note 28	
Balance at 1 April 2023	6,686,577	(1,258,117)	29,573,485	196,026	(2,787,559)	82,177,460	(216,888)	2,051,662	17,001,776	11,039,243	4,304,802	37,081,654	335,064,890
Total comprehensive income/ (expense) for the year	42,227	937,854	-	2,197,103	(290,855)	8,965,496	595,441	-	(385,517)	4,056,189	7,372	(11,341,881)	34,754,491
Grant received, net	1,025,604	-	-	-	-	245,290	-	-	-	-	247,130	-	1,518,024
Clawback amount and adjustments, net	-	(1,405,984)	-	(239,986)	(518,528)	(1,046,038)	-	-	-	-	-	(13,383)	(3,223,919)
Transferred from/(to) General fund	-	868,579	-	-	-	-	-	-	-	-	-	(868,579)	-
Effect of HKFRS 16 absorbed by General fund	-	(5,839)	-	-	66,883	-	-	-	-	-	-	(61,044)	-
Balance at 31 March 2024	7,754,408	(320,263)	29,573,485	2,153,143	(3,350,059)	90,342,208	378,553	2,051,662	16,616,259	15,095,432	4,559,304	24,796,767	368,113,486
Total comprehensive income/ (expense) for the year	51,687	-	-	(167,811)	(639,980)	7,264,812	(1,070,859)	26,089	3,795,066	2,279,187	(284,914)	(9,876,516)	41,994,095
Grant received, net	303,174	-	-	-	-	266,722	-	-	-	-	254,329	-	824,225
Unvested Provident Fund received	-	-	-	-	-	6,855,443	-	-	-	-	-	1,354,217	8,209,660
Clawback amount and adjustments, net	-	-	-	(1,113,908)	(96,965)	(1,027,541)	-	(2,077,751)	-	-	-	-	(4,316,165)
Transferred from/(to) General fund	-	320,263	-	-	-	-	-	-	-	-	-	(320,263)	-
Effect of HKFRS 16 absorbed by General fund	-	-	-	-	(450,408)	-	-	-	-	-	-	447,573	-
Balance at 31 March 2025	8,109,269	-	29,573,485	871,424	(4,717,412)	103,701,644	(692,306)	-	20,411,325	17,374,619	4,528,719	16,401,778	414,825,301

The notes on pages 16 to 51 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Cash flows from operating activities			
Surplus for the year		41,994,095	34,754,491
Adjustments for :-			
Bank interest income	8	(6,003,187)	(4,165,294)
Depreciation of right-of-use assets	11	15,146,649	14,544,998
Finance costs	10	545,510	1,110,222
Gain on fair value change of listed securities	8	(54,000)	(15,900)
Loss on fair value change of investment property	8	800,000	600,000
Provision of long service payment	18	865,957	1,464,445
Write off of property, plant and equipment	11	37,169,529	23,125,683
Operating surplus before changes in working capital		<u>90,464,553</u>	<u>71,418,645</u>
Decrease in inventories		51,055	36,797
Decrease in accounts and other receivables		864,579	8,967,953
Increase in deposit and prepayment		(1,483,244)	(127,692)
(Decrease)/increase in accounts and other payables		(16,732,727)	13,263,110
Increase/(decrease) in receipt in advance		962,896	(613,786)
Increase in deposits received		5,600	44,737
Net cash generated from operating activities		<u>74,132,712</u>	<u>92,989,764</u>
Cash flows from investing activities			
Bank interest income		6,003,187	4,165,294
Payments to acquire property, plant and equipment		(37,169,528)	(23,125,681)
Increase in time deposits with original maturity over three months		(23,360,048)	(33,604,974)
Net cash used in investing activities		<u>(54,526,389)</u>	<u>(52,565,361)</u>
Net cash generated from operating and investing activities - page 15		<u>19,606,323</u>	<u>40,424,403</u>

The notes on pages 16 to 51 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Net cash generated from operating and investing activities - page 14		19,606,323	40,424,403
Cash flows from financing activities			
Lotteries Fund - Block Grant received, net		303,174	1,025,604
Clawback of and adjustment to SWD Lump Sum Grant Reserve, net		-	(1,405,984)
Clawback of SWD Central Item Reserve		(1,113,908)	(239,986)
Clawback of SWD Social Welfare Subvention surplus account		(96,965)	(518,528)
Adjustment to SWD Provident Fund received		266,722	245,290
Unvested Provident Fund received, net		8,209,660	-
Clawback of SWD Provident Fund Reserve		(1,027,541)	(1,046,038)
Clawback of SWD Social Welfare Development Fund		(2,077,751)	-
Other funds received, net		254,329	247,130
Clawback of and adjustment to General Fund		-	(13,383)
Modification of rights-of-use assets		-	(1,428)
Increase in fixed deposit (pledged)		(180,426)	(38,551)
Capital element of lease rentals paid	32(b)	(15,629,150)	(14,595,276)
Interest element of lease rentals paid	32(b)	(524,846)	(1,086,819)
Interest element of provision for long service payment	18	(20,664)	(23,403)
Net cash used in financing activities		(11,637,366)	(17,451,372)
Net increase in cash and cash equivalents		7,968,957	22,973,031
Cash and cash equivalents at the beginning of the year		349,049,307	326,076,276
Cash and cash equivalents at the end of the year	32(a)	357,018,264	349,049,307

The notes on pages 16 to 51 form part of these financial statements.

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025
(Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

The Neighbourhood Advice-Action Council (the “Council”) is a company with limited liability by guarantee and incorporated in Hong Kong, and is a government subvented and charitable organisation. The registered office of the Council is located at Room 704, Duke of Windsor Social Service Building, 15 Hennessy Road, Wanchai, Hong Kong. The principal activity of the Council during the year was the provision of social services to the community.

2. LIABILITIES OF MEMBERS

In accordance with the memorandum of association of the Council, every member shall, in the event of the Council being wound up, contribute such amount as may be required to meet the Council’s liabilities but not exceeding HK\$100.

3. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term 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”), the requirements of the Hong Kong Companies Ordinance and the guidelines issued by the Social Welfare Department (“SWD”).

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the investment property and the listed securities are stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Council. None of these impact on the accounting policies of the Council.

The Council has not applied any new or amended standards which are not yet effective for the current accounting period (see note 38).

(d) Property, plant and equipment

Property, plant and equipment with future economic benefits to the Council are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance costs, is normally charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Except for properties leased for own use, the costs of property, plant and equipment have been written down to HK\$1 for each service location and office during the year of acquisition due to the unpredictable future economic benefits from the use of the newly acquired assets.

The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the Statement of Comprehensive Income and Expenditure.

(e) Investment property

Investment property is land and/or buildings which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment property is stated at fair value, unless it is still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time.

3. MATERIAL ACCOUNTING POLICIES (continued)

(e) Investment property (continued)

On initial recognition, the investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income and Expenditure for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income and Expenditure in the year in which the item is derecognised.

(f) Investments in securities

Investments in securities are recognised / derecognised on the date the Council commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in surplus or deficit. For an explanation of how the Council determines fair value of financial instruments, see note 36(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Council are classified into one of the following measurement categories :

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (note 3(q)(viii)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in surplus or deficit of expected credit losses ("ECLs"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from the Statement of Comprehensive Income and Expenditure.

3. MATERIAL ACCOUNTING POLICIES (continued)

(f) Investments in securities (continued)

(i) Investments other than equity investments (continued)

Non-equity investments held by the Council are classified into one of the following measurement categories : (continued)

- fair value at profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in the Statement of Comprehensive Income and Expenditure.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Council makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated fund. It is not recycled through the Statement of Comprehensive Income and Expenditure.

(g) Receivables

Receivable is recognised when the Council's right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (note 3(i)(i)).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have been within three months of maturity at acquisition.

For the purpose of statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Council's cash management are also included as a component of cash and cash equivalents. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 3(i)(i).

3. MATERIAL ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets

(i) Credit losses from financial assets

The Council recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost including accounts and other receivables and cash and cash equivalents.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

In respect of the Council’s fixed-rate financial assets and accounts and other receivables, the expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof if the effect is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Council is exposed to credit risk.

The ECLs are measured on either of the following bases:

- 12 months ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date; and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the financial assets to which the ECL model applies.

The Council measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk has not increased significantly since initial recognition.

Loss allowances for accounts receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Council’s historical experience and informed credit assessment that includes forward-looking information.

3. MATERIAL ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets (continued)

Significant increases in credit risk (continued)

The Council assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Council considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

The Council considers a financial instrument to have low credit risk rating is equivalent to the globally understood definition of “investment grade”.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Council recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Council assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset become long past due or when the Council otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

3. MATERIAL ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(ii) Impairment loss on non-financial assets

At each reporting date, the Council reviews the carrying amounts of its non-financial assets, including property, plant and equipment and right-of-use assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchases and, where applicable, costs of conversion and other costs that are incurred in bringing the inventories to their present location and condition, is calculated using the first-in-first-out basis method. Net realisable value represents the estimated selling price in ordinary course of operation less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. MATERIAL ACCOUNTING POLICIES (continued)

(k) Payables

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial in which case they are stated at cost.

(l) Provisions and contingencies

Provisions are recognised when the Council has a legal or constructive obligation arising as a result of a past event, 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 expenditure 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(m) Related parties

(a) A person, or a close member of that person's family, is related to the Council if that person :-

- (i) has control or joint control over the Council ;
- (ii) has significant influence over the Council ; or
- (iii) is a member of the key management personnel of the Council or a parent of the Council.

(b) An entity is related to the Council if any of the following conditions applies :-

- (i) The entity and the Council are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3. MATERIAL ACCOUNTING POLICIES (continued)

(m) Related parties (continued)

- (b) An entity is related to the Council if any of the following conditions applies :- (continued)
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Council or an entity related to the Council.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Council or to the parent of the Council.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

(n) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, contribution to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The Council participates in approved defined contribution scheme for retirement benefits of employees – Mandatory Provident Fund (MPF) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The contributions payable to the Council's defined contribution scheme are charged to surplus or deficit as incurred.
- (iii) The Council recognises long service payments to be made by the Council to its employees upon the termination of services as a defined benefit plan under post-employment benefits. The cost of providing benefits is measured using projected unit credit method with actuarial valuations to determine its present value and service cost. When the calculation results in a benefit to the Council, the recognised asset is limited to lower of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan and the asset ceiling. The net defined benefit liabilities recognised in the statement of financial position represent the present value of the obligation under defined benefit plan minus the fair value of plan assets. The Council carried out comprehensive actuarial valuation at the end of reporting period. The remeasurements of the net defined benefit liabilities during a period are recognised as cost of defined benefit plan during the period.

3. MATERIAL ACCOUNTING POLICIES (continued)

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the Statement of Comprehensive Income and Expenditure, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which is recognised directly in the Statement of Comprehensive Income and Expenditure.

Non-monetary assets and liabilities that are measured in term of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Council initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(p) Leased assets

At inception of a contract, the Council assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Council has elected to separate non-lease components from lease component and accounted for by applying other applicable standards.

At the lease commencement date, the Council recognises a right-of-use asset and a lease liability for the rights and obligations created by all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. When the Council enters into a lease in respect of a low-value asset, the Council decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to the Statement of Comprehensive Income and Expenditure in the accounting period in which they are incurred.

3. MATERIAL ACCOUNTING POLICIES (continued)

(p) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 3(i)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 3(f)(i), 3(q)(viii) and 3(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Council will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income and expenditure if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Council presents right-of-use asset in property, plant and equipment (note 3(d)) and lease liability separately in the statement of financial position. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

3. MATERIAL ACCOUNTING POLICIES (continued)

(p) Leased assets (continued)

(ii) As a lessor

The Council determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Council allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 3(q)(vi).

When the Council is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Council applies the exemption, then the Council classifies the sub-lease as an operating lease.

(q) Revenue and other income recognition

The Council recognises revenue from contracts with customers when (or as) the Council satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Council recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation.

Further details of the Council's revenue and other income recognition policies are as follows :-

- (i) Income from government and related organisations in the form of transfer of resources in return for past or future compliance with certain conditions relating to the operating activities of the Council are recognised when there is reasonable assurance that the conditions have been complied with ;
- (ii) Income from Community Care Fund is recognised on cash basis ;
- (iii) Operating income including membership fee, program fee, service, food, transportation and hostel income are recognised on cash basis ;
- (iv) Donations are recognised when the rights to receive payment are established ;

3. MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue and other income recognition (continued)

Further details of the Council's revenue and other income recognition policies are as follows :- (continued)

- (v) Designated donation income are recognised upon the relevant designated expenses were paid ;
- (vi) Rental income from operating leases is recognised on the accrual and straight line bases over their respective period of the leases ;
- (vii) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Council will comply with the conditions attaching to them. Grants that compensate the Council for expenses incurred are recognised as income in the Statement of Comprehensive Income and Expenditure on a systematic basis in the same periods in which the expenses are incurred ; and
- (viii) Interest income is recognised on a time apportionment basis on the principal outstanding and at the rates applicable.

4. INCOME AND EXPENDITURE OF DIRECT CASH ASSISTANCE

Income and expenditure accounts by distinct of the Direct Cash Assistance under District Support Scheme for Children and Youth Development pursuant to the requirement of the SWD are presented as follows:

	<u>Note</u>	<u>Central Western, Southern and Islands District</u>	
		<u>2025</u> HK\$	<u>2024</u> HK\$
Allocated sum of the year	7	414,000	414,000
Actual expenditure		(414,000)	(414,000)
Unspent allocation		<u>-</u>	<u>-</u>
		=====	=====

5. TRAINING SUBSIDY PROGRAMME FOR CHILDREN ON WAITING LIST FOR SUBVENTED PRE-SCHOOL REHABILITATION SERVICE PROGRAMME SUBSIDISED BY CENTRAL ITEM

Training Subsidy Programme for Children on Waiting List for Subvented Pre-School Rehabilitation Service was granted to the Council during the current and preceding years. Separate accounts of such subsidy are presented as follows pursuant to the requirements of the SWD :

	<u>2025</u> HK\$	<u>2024</u> HK\$
INCOME		
Training subsidy	809,173	441,659
	-----	-----
EXPENDITURE		
Staff salaries and MPF	558,523	541,305
Telephone, fax and internet	351	434
Printing and stationery	4,530	7,639
Other expenses :-		
- Administrative fee	28,414	27,612
- Teaching materials	25,308	35,747
- Utilities	9,414	10,510
	-----	-----
Total expenditure	626,540	623,247
	-----	-----
SURPLUS/(DEFICIT) FOR THE YEAR	182,633	(181,588)
	-----	-----
Cumulated income brought forward	4,505,142	4,063,483
Cumulated expenditure brought forward	(4,818,879)	(4,195,632)
	-----	-----
CUMULATED DEFICIT BROUGHT FORWARD	(313,737)	(132,149)
	-----	-----
CUMULATED DEFICIT CARRIED FORWARD	(131,104)	(313,737)
	=====	=====

6. PROJECTS SUBSIDISED BY COMMUNITY CARE FUND

The Council has implemented three Community Care Fund (“CCF”) assistance programmes as at year end with accumulated income over HK\$250,000. According to the requirement of CCF, the Council is required to disclose the income and expenditure for each programme in its financial statements.

Project 1 : Community Care Fund - Pilot Scheme on Living Allowance for Carers of Elderly Persons from Low-Income Families

Project 2 : Community Care Fund - Pilot Scheme on Living Allowance for Low-Income Carers of Persons with Disabilities

Project 3 : Community Care Fund - Pilot Scheme on Home Care and Support for Elderly Persons with Mild Impairment

6. PROJECTS SUBSIDISED BY COMMUNITY CARE FUND (continued)

	2025			2024		
	Project 1 HK\$	Project 2 HK\$	Project 3 HK\$	Project 1 HK\$	Project 2 HK\$	Project 3 HK\$
BALANCE AT THE BEGINNING OF YEAR	695,276	464,269	3,399,913	695,276	464,269	3,399,913
Income						
Subsidy from CCF	-	-	-	236,280	422,160	-
Total income	-	-	-	236,280	422,160	-
Expenditure						
Salaries and allowances	-	-	-	-	71,548	-
Provident fund contributions	-	-	-	-	3,577	-
Miscellaneous	-	-	-	-	1,615	-
Other expenditure	-	-	-	4	2,015	-
- Insurance	-	-	-	236,276	343,405	-
- Management fee	-	-	-			
Total expenditure	-	-	-	236,280	422,160	-
Surplus for the year	-	-	-	-	-	-
Surplus brought forward from previous year	-	-	-	695,276	464,269	3,399,913
BALANCE AT THE END OF YEAR	695,276	464,269	3,399,913	695,276	464,269	3,399,913

7. REVENUE

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Income from government and related organisations :-			
Community Care Fund		162,285	790,903
Education Bureau		27,980,887	28,740,036
Employees Retraining Board		104,737	160,763
Health Bureau		13,415,997	13,415,997
Home Affairs Department		8,608,604	5,103,373
Hong Kong Housing Authority and Housing Department		47,935	248,815
Hospital Authority		14,329,000	12,275,000
Labour and Welfare Bureau		1,301,105	3,387,667
Lotteries Fund		18,086,274	15,317,083
Student Financial Assistance Agency		3,527,037	3,327,231
Social Welfare Department :-			
- Central Items		7,679,923	10,615,393
- Child Care Centre Subsidy Scheme		7,159,205	6,602,649
- Child Development Fund		1,198,307	2,256,716
- Direct Cash Assistance	4	414,000	414,000
- Lump Sum Grant		687,035,532	671,630,164
- Subvention for manpower enhancement		1,528,250	1,600,507
- Subvention for rent and rates		19,950,982	18,906,135
- One-off subsidy		503,300	534,804
- Other subsidies		14,549,484	9,600,649
Other government and related subvention		7,385,506	2,054,619
		<u>834,968,350</u>	<u>806,982,504</u>
Income from other sources – page 32		118,606,220	110,195,393
		<u><u>953,574,570</u></u>	<u><u>917,177,897</u></u>

7. REVENUE (continued)

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Income from other sources :-			
Flag day income	9	1,336,476	1,483,765
Community Chest – other donations		159,684	291,128
Designated donations and grants		2,236,129	6,198,355
General donations		3,196,984	3,094,602
Operating income		92,100,323	89,039,252
Sundry income		1,515,032	856,601
The Hong Kong Jockey Club Charities Trust :-			
- Grant to implement Extension of Jockey Club Community eHealth Care Project		814,680	1,993,000
- Grant on Jockey Club JoyAge Project for Elderly Mental Wellness Project Extension		4,178,237	-
- Funds to carry out the “Pathway to Healthy Ageing” Project for older people at risk of “accelerated ageing”		60,225	437,886
- Funds to develop and operate the Pre-school Rehabilitation Services Information Technology System		2,023,546	1,670,090
- Grant on NAAC Jockey Club “STEP by STEP” Blended Families Support Project		-	3,386,206
- Grant to implement the advance Information and Communications Technology in Family Services		635,786	95,813
- Grant to 21st Century Integrated Children and Youth Services Centres		2,342,710	144,082
- Funds to implement Community Support for Elderly Singletons and Doubletons		1,183,077	-
- Grant on integrated support project For Elderly With Mild Cognitive Impairment		746,668	-
- Funds to implement "Jockey Club Digital Tablet and Online Support Programme for Homebound Elderly"		169,961	163,930
- Grant on Jockey Club "Reach to Bridge" Community Elderly Support Project		1,075,813	1,150,000
- HKJCCT Gerontechnology and Smart Ageing In Place		673,959	-
- Funds to implement Frailty Prevention Programme for Older People		39,716	-
- Grant on Jockey Club JoyAge Holistic Support Project for Elderly Mental Wellness		2,156,000	-
- Other donations		1,961,214	190,683
Income from other sources – page 31		<u>118,606,220</u>	<u>110,195,393</u>

8. OTHER INCOME AND NET GAIN

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Bank interest income		6,003,187	4,165,294
Exchange loss, net		(29,037)	(238,163)
Gain on fair value change of listed securities		54,000	15,900
Loss on fair value change of investment property	16	(800,000)	(600,000)
		<u>5,228,150</u>	<u>3,343,031</u>
		=====	=====

9. NET PROCEEDS FROM FLAG DAY FUND RAISING ACTIVITIES

During the years ended 31 March 2025 and 2024, the Council held two Flag Day fund raising activities in public places of territory-wide region on 5 October 2024 and 30 December 2023 respectively.

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Balance at the beginning of year		-	-
		-----	-----
INCOME			
Street collections		938,661	735,020
Other forms of appeals		397,815	748,745
	7	<u>1,336,476</u>	<u>1,483,765</u>
EXPENDITURE			
Administrative expenses		(104,536)	(92,196)
NET PROCEEDS		<u>1,231,940</u>	<u>1,391,569</u>
		-----	-----
The net proceeds of the flag day fund raising activities had been used for operating :-			
NAAC Martha Baker Social Centre for the Elderly	40%	492,776	556,628
NAAC Sau Mau Ping Social Centre for the Elderly	40%	492,776	556,628
NAAC Pak Tin Social Centre for the Elderly	20%	246,388	278,313
		<u>1,231,940</u>	<u>1,391,569</u>
		-----	-----
Balance at the end of the year		-	-
		=====	=====

10. FINANCE COSTS

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Interest on lease liabilities	14	524,846	1,086,819
Interest on provision for severance and long service payments	18	20,664	23,403
		<u>545,510</u>	<u>1,110,222</u>

11. SURPLUS FOR THE YEAR

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Surplus for the year is arrived at after charging :-			
Auditors' remuneration		476,600	430,956
Cost of inventories sold		2,111,551	1,812,087
Depreciation of right-of-use assets	14	15,146,649	14,544,998
Staff costs			
- Salaries, wages and other benefits		647,465,687	622,083,450
- Contributions to defined contribution retirement plan		44,633,761	41,868,666
Write off of property, plant and equipment	14	<u>37,169,529</u>	<u>23,125,683</u>

12. INCOME TAX

No provision for Hong Kong profits tax has been made as the Council is an approved charitable organisation and is exempt from tax under section 88 of the Hong Kong Inland Revenue Ordinance.

13. INVENTORIES

	<u>2025</u> HK\$	<u>2024</u> HK\$
School uniform	9,447	9,447
School bags	52,664	69,333
Books	12,948	16,944
Staff uniform	200,715	231,105
	<u>275,774</u>	<u>326,829</u>

There were no inventories held at their net realisable value at the end of reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use HK\$	Furniture and equipment HK\$	Total HK\$
Cost :-			
At 1 April 2023	78,981,483	76	78,981,559
Additions	1,852,647	23,125,681	24,978,328
Written off against surplus or deficit	-	(23,125,683)	(23,125,683)
At 31 March 2024	80,834,130	74	80,834,204
Additions	6,541,160	37,169,528	43,710,688
Written off against surplus or deficit	-	(37,169,529)	(37,169,529)
At 31 March 2025	87,375,290	73	87,375,363
Accumulated depreciation :-			
At 1 April 2023	51,166,418	-	51,166,418
Charge for the year	14,544,998	-	14,544,998
At 31 March 2024	65,711,416	-	65,711,416
Charge for the year	15,146,649	-	15,146,649
At 31 March 2025	80,858,065	-	80,858,065
Net book value :-			
At 31 March 2025	6,517,225	73	6,517,298
At 31 March 2024	15,122,714	74	15,122,788

The Council's right-of-use assets represented by the properties leased for own use carried at depreciation cost. The Council has obtained the right to use the properties as its services centres through tenancy agreements. The lease typically run for an initial period of 2 to 4 years.

	Note	2025 HK\$	2024 HK\$
Interest on lease liabilities	10	524,846	1,086,819
Additions to right-of-use assets		6,541,160	923,039
Modification to right-of-use assets		-	929,608
Carrying amount of right-of-use assets		6,517,225	15,122,714
Depreciation of right-of-use assets	11	15,146,649	14,544,998
Expense relating to short-term leases		205,198	69,156
Total cash outflow for leases	32(c)	16,359,194	15,751,251

15. LISTED SECURITIES

	<u>2025</u> HK\$	<u>2024</u> HK\$
Equity securities listed in Hong Kong, at fair value	176,300	122,300

The securities were donated by an unrelated third party to the Council. The dividends generated by these securities shall be used to subsidise elderly projects conducted by the Council.

16. INVESTMENT PROPERTY

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year		4,100,000	4,700,000
Fair value adjustment	8	(800,000)	(600,000)
At the end of the year		<u>3,300,000</u>	<u>4,100,000</u>

- (a) The investment property was donated by an ex-member of the Council. The Council intends to hold the investment property as long term investment for generating rental income to subsidise non-subservent elderly services of the Council in Hong Kong. The rental income generated during the year amounted to HK\$112,500 (2024: HK\$150,000).
- (b) The investment property is situated in Hong Kong and located on the lands held under long leases.
- (c) Fair value model is adopted for the measurement of the investment property.
- (d) Fair value measurement of properties
- (i) Fair value hierarchy

As defined in HKFRS 13 – Fair value measurement, the level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :-

- Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

16. INVESTMENT PROPERTY (continued)**(d) Fair value measurement of properties (continued)****(i) Fair value hierarchy (continued)**

- Level 3 valuations : Fair value measured using significant unobservable inputs

During the financial year ended 31 March 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Council's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment property of the Council was revalued as at 31 March 2025 using Level 2 inputs. The valuation was carried out by an independent registered professional valuer, who have among their staff with recent experience in the location and category of property being valued.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment properties and properties held for own use located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

17. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Council's lease liabilities at the end of the current and previous reporting periods :-

	2025		2024	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within 1 year	3,734,372	3,976,568	14,698,032	15,089,590
After 1 year but within 5 years	3,020,007	3,115,463	1,144,337	1,166,036
	<u>6,754,379</u>	<u>7,092,031</u>	<u>15,842,369</u>	<u>16,255,626</u>
Less : Total future interest expenses		(337,652)		(413,257)
Present value of the lease liabilities		<u>6,754,379</u>		<u>15,842,369</u>

18. PROVISION FOR SEVERANCE AND LONG SERVICE PAYMENT

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments (“LSP”) in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee’s final salary (capped at \$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Council’s contributions to MPF scheme or ORSO plans, with an overall cap of \$390,000 per employee.

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date i.e. 1 May 2025. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

The Council has accounted for the offsetting mechanism and its abolition as disclosed in note 3(n)(iii).

The Council has determined that the Amendment Ordinance primarily impacts the Council’s LSP liability with respect to Hong Kong employees that do not participate in the Council’s ORSO plans. The Amendment Ordinance has no material impact on the Council’s LSP liability with respect to employees that participate in the Council’s ORSO plans.

18. PROVISION FOR LONG SERVICE PAYMENT (continued)

The present value of unfunded obligation and its movements are as follows :-

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	1,464,445	-
Expenses recognised in profit or loss:		
Past service cost	-	727,704
Current service cost	845,293	713,338
Interest cost	20,664	23,403
At the end of the year	<u>2,330,402</u>	<u>1,464,445</u>

The weighted average duration of the defined benefit obligation is 22 years.

Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows :-

	<u>2025</u>	<u>2024</u>
Discount rate	3.216%	3.216%
Future salary increases	3.72%	3.72%
Expected investment return in offsettable		
MPF accrued benefits	2.56% - 3.34%	2.56% - 3.34%
ORSO accrued benefits	0.55%	0.55%

The below analysis shows how the defined benefit obligation would have increased/decreased as a result of 20% change in the significant actuarial assumptions:-

	<u>2025</u>		<u>2024</u>	
	Increase in 20% HK\$	Decrease in 20% HK\$	Increase in 20% HK\$	Decrease in 20% HK\$
Discount rate	(141,553)	122,415	(141,553)	122,415
Future salary increases	54,459	(31,701)	54,459	(31,701)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

19. LOTTERIES FUND – BLOCK GRANT RESERVE

Movement of the Furniture and Equipment Replenishment and Minor Works Block Grant Reserve :-

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year		7,754,408	6,686,577
		-----	-----
Add : Block Grant received during the year		10,227,000	9,666,000
Interest income		51,687	42,227
Adjustment of Block Grant absorbed by other funds		31,000	-
		<u>10,309,687</u>	<u>9,708,227</u>
		-----	-----
Less : Minor works projects		5,872,923	4,553,811
Purchase of furniture and equipment		3,525,543	3,535,736
Vehicle overhauling		556,360	550,849
	(a)	<u>9,954,826</u>	<u>8,640,396</u>
		-----	-----
At the end of the year		<u>8,109,269</u>	<u>7,754,408</u>
		=====	=====

Note:

- (a) Expenditure charged to Block Grant during the year should be full expenditure amount, i.e. the actual expenditure incurred in 2024-25.
- (b) Surplus from the Block Grant can only be used for the replenishment of furniture and equipment and minor works. At 31 March 2025, the outstanding commitments in respect of Block Grant Reserve are as follows :-

	<u>2025</u> HK\$	<u>2024</u> HK\$
Contracted for but not provided in the financial statements	114,050	-
Authorised but not contracted for	-	-
	<u>114,050</u>	<u>-</u>
	=====	=====

20. LOTTERIES FUND - PILOT SCHEME ON COMMUNITY CARE SERVICE VOUCHER FOR THE ELDERLY

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year		(320,263)	(1,258,117)
Surplus for the year		-	937,854
Transfer from General fund	28	320,263	-
At the end of the year		<u>-</u>	<u>(320,263)</u>

21. SWD LUMP SUM GRANT RESERVE

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year		178,642,587	149,214,769
Surplus for the year		40,617,334	29,971,062
Refund to Government		-	(1,405,984)
Transferred from General fund	28	-	868,579
Effect of HKFRS 16 absorbed by General fund	28	2,835	(5,839)
At the end of the year		<u>219,262,756</u>	<u>178,642,587</u>

According to the letter issued by Social Welfare Department (“SWD”) dated 14 September 2020, the Council is required to make an upward adjustment to SWD Lump Sum Grant Reserve with an amount of HK\$5,214,157 in which HK\$1,608,420 representing the overspent capital expenditure arising from 2014 to 2018 had been made to the opening balance in the 2020 and the remaining HK\$3,605,737 arising from the capital expenditure on Healthy Manor would be made by 4 instalments (i.e. HK\$1,000,000 in 2021, HK\$868,579 in 2022, HK\$868,579 in 2023 and HK\$868,579 in 2024) as the Council’s funding-raising income has been adversely affected by COVID-19 in the past few years. As of 31 March 2024, all overspent capital expenditure has been refunded.

The SWD had announced that the clawback arrangement regarding the 25% cap would be resumed for the unused balance of Lump Sum Grant received starting from the year 2007/08. During the year ended 31 March 2024, the Council refunded HK\$1,405,984 of SWD Lump Sum Grant Reserve for the result of the year ended 31 March 2023.

According to the letters issued by SWD on 3 March 2024 and 3 March 2025 regarding the Productivity Enhancement Programme, for the financial years from 2023-24 to 2028-29, if the SWD Lump Sum Grant Reserve exceeds 25% of the operating expenses for that fiscal year, the amount that was originally required to be refunded to the SWD could be retained. The standing clawback arrangement will be reinstated at the end of 2029-30.

22. SWD HOLDING ACCOUNT

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning and the end of the year	29,573,485	29,573,485

Upon the implementation of Lump Sum Grant Subvention System (“LSGSS”), SWD put forward certain financial assistance scheme and measures to assist non-governmental organisations (the “NGOs”) in meeting their contractual commitments towards the Snapshot Staff as well as enhancing their human resources practices. One of the facilitating measures for NGOs was to withhold the claw-back of Lump Sum Grant (“LSG”) Reserve above the 25% cap for the three years from 2004-05 to 2006-07. The amount of the cumulative LSG Reserve as at 31 March 2007 can be kept in a holding account (“SWD Holding Account” or “HA”), while the use of this reserve has to be in line with the requirements as stipulated in the LSG Manual and/or prevailing policies.

According to the Review of Enhancement of LSGSS issued in 2022, when the position of Snapshot Staff comes to zero as reported in September of a year, the Council will be required to merge the HA with SWD LSG Reserve. As at September 2025, the estimated number of snapshot staff of the Council were 84 (September 2024 (actual) : 85) and therefore, under the aforesaid review, the NGOs were recommended to improve the management of the HA, and formulate utilisation plans and financial projections (including to honor the contractual commitments towards the Snapshot Staff and enhance human resource arrangements, etc.) to optimise the use of the reserve. The Council is in the process of making utilisation plans and financial projections to optimise the use of the reserve.

23. SWD CENTRAL ITEMS RESERVE

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year		2,153,143	196,026
(Deficit)/surplus for the year		(167,811)	2,197,103
Unspent balance refunded to SWD		(1,113,908)	(239,986)
At the end of the year		<u>871,424</u>	<u>2,153,143</u>

Unspent balance of the SWD Central Items Reserve is subject to clawback arrangement of the SWD.

24. SWD SOCIAL WELFARE SUBVENTION SURPLUS ACCOUNT

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year		(3,530,059)	(2,787,559)
Deficit for the year		(639,980)	(290,855)
Unspent balance refunded to the SWD		(96,965)	(518,528)
Effect of HKFRS 16 absorbed by General fund	28	(450,408)	66,883
At the end of the year		<u>(4,717,412)</u>	<u>(3,530,059)</u>

Deficit on SWD Social Welfare Subvention surplus account is expected to be recovered from the Social Welfare Department. During the year, HK\$4,085 (2024 : HK\$Nil) was recovered in respect of the previous year.

25. SWD PROVIDENT FUND RESERVE

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	90,342,208	82,177,460
Surplus for the year	7,264,812	8,965,496
Adjustment to previous clawback amount	266,722	245,290
Unvested Provident Fund received	6,855,443	-
Unspent balance refunded to the SWD	(1,027,541)	(1,046,038)
At the end of the year	<u>103,701,644</u>	<u>90,342,208</u>

Unspent balance of the SWD Provident Fund Reserve for Snapshot Staff which is not eligible for transferring to the SWD Provident Fund Reserve for non-Snapshot Staff is subject to clawback arrangement of the SWD. At 31 March 2025, the accumulated unspent balance of SWD Provident Fund Reserve for Snapshot Staff subject to the clawback arrangement was HK\$2,018,604 (2024 : HK\$2,273,983).

26. SWD CHILD DEVELOPMENT FUND

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	378,553	(216,888)
(Deficit)/surplus for the year	(1,070,859)	595,441
At the end of the year	<u>(692,306)</u>	<u>378,553</u>

Deficit on SWD child development fund is expected to be recovered from the Social Welfare Department.

27. SWD SOCIAL WELFARE DEVELOPMENT FUND

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	2,051,662	2,051,662
Surplus for the year	26,089	-
Adjustment to previous clawback amount	(2,077,751)	-
At the end of the year	<u>-</u>	<u>2,051,662</u>

28. GENERAL FUND

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year		24,796,767	37,081,654
Deficit for the year		(9,876,516)	(11,341,881)
Transferred to SWD Lump Sum Grant Reserve	21	-	(868,579)
Transferred to Lotteries Fund - Pilot Scheme On Community Care Service Voucher For The Elderly	20	(320,263)	-
Unvested Provident Fund received		1,354,217	-
Effect of HKFRS 16 absorbed by General fund	21 and 24	447,573	(61,044)
Unspent balance refunded to the SWD		-	(13,383)
At the end of the year		<u>16,401,778</u>	<u>24,796,767</u>

29. DHC EXPRESS - ISLANDS DISTRICT

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	15,095,432	11,039,243
Surplus for the year	2,279,187	4,056,189
At the end of the year	<u>17,374,619</u>	<u>15,095,432</u>

Unspent balance of the DHC Express - Islands District is subject to clawback arrangement of the Health Bureau.

30. DAY NURSERY FUND

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	16,616,259	17,001,776
Surplus/(deficit) for the year	3,795,066	(385,517)
At the end of the year	<u>20,411,325</u>	<u>16,616,259</u>

The reserve balances for the four day nurseries as at 31 August 2024 as per the audited financial statements dated 28 February 2025 are as below:

	<u>KGES</u> HK\$	<u>School Funds</u> HK\$	<u>Other funds</u> HK\$	<u>Total</u> HK\$
Tung Yan Day Nursery	286,915	3,804,881	758,402	4,850,198
Tung Chung Day Nursery	219,405	3,297,389	894,211	4,411,005
Yuen Long Day Nursery	677,727	7,184,663	574,683	8,437,073
Fanling Day Nursery	7,645	889,455	474,171	1,371,271
	<u>1,191,692</u>	<u>15,176,388</u>	<u>2,701,467</u>	<u>19,069,547</u>

Kindergarten Education Scheme Funds ("KGES") and School Funds represent "income from government subsidies/grants" and "non-government funds" respectively as stated in the Education Bureau Circular No. 7/2016 and related circulars of the scheme. Other Fund represents designated grants received for specific purposes.

31. OTHER FUNDS

	<u>Note</u>	<u>2025</u> HK\$	<u>2024</u> HK\$
Staff Welfare and Development Fund	(a)	3,414,503	3,450,334
Home Maintenance Elderly Fund	(b)	31,086	31,086
Neighbourhood Cafe Fund	(c)	225,716	227,006
Friends of the Practice, Research and Training Centre on Autism Fund	(d)	857,414	850,878
		<u>4,528,719</u>	<u>4,559,304</u>

31. OTHER FUNDS (continued)**(a) Movement of Staff Welfare and Development Fund**

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	3,450,334	3,200,341
Contribution income	101,966	208,359
Service income	153,653	41,634
Expenditure	(291,450)	-
At the end of the year	<u>3,414,503</u>	<u>3,450,334</u>

(b) Movement of Home Maintenance Elderly Fund

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning and at the end of the year	<u>31,086</u>	<u>31,086</u>

(c) Movement of Neighbourhood Cafe Fund

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	227,006	229,869
Sales and commission income	690	725
Expenditure	(1,980)	(3,588)
At the end of the year	<u>225,716</u>	<u>227,006</u>

(d) Movement of Friends of the Practice, Research and Training Centre on Autism Fund

	<u>2025</u> HK\$	<u>2024</u> HK\$
At the beginning of the year	850,878	843,506
Interest income	6,536	7,372
At the end of the year	<u>857,414</u>	<u>850,878</u>

32. OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise :-

	<u>2025</u> HK\$	<u>2024</u> HK\$
Cash at bank and on hand	236,250,972	297,691,280
Time deposits	189,285,433	96,516,120
Cash and bank balances	<u>425,536,405</u>	<u>394,207,400</u>
Less: time deposits with original maturities more than three months	(68,518,141)	(45,158,093)
Cash and cash equivalents	<u><u>357,018,264</u></u>	<u><u>349,049,307</u></u>

(b) Reconciliation of liabilities arising from financing activities is as follows :-

	<u>Lease liabilities</u> HK\$
At 1 April 2023	28,586,426
Changes from financing cash flows :-	
Capital element of lease rentals paid	(14,595,276)
Interest element of lease rentals paid	(1,086,819)
	<u>(15,682,095)</u>
Other changes :-	
Increase in lease liabilities from entering into new leases during the year	1,851,219
Interest on lease liabilities	1,086,819
	<u>2,938,038</u>
At 31 March 2024	<u><u>15,842,369</u></u>
Changes from financing cash flows :-	
Capital element of lease rentals paid	(15,629,150)
Interest element of lease rentals paid	(524,846)
	<u>(16,153,996)</u>
Other changes :-	
Increase in lease liabilities from entering into new leases during the year	6,541,160
Interest on lease liabilities	524,846
	<u>7,066,006</u>
At 31 March 2025	<u><u>6,754,379</u></u>

32. OTHER CASH FLOW INFORMATION (continued)

(c) Cash outflow for leases included in the statement of cashflows comprise the following :-

	<u>2025</u> HK\$	<u>2024</u> HK\$
Within operating cash flows	205,198	69,156
Within financing cash flows	16,153,996	15,682,095
	<u>16,359,194</u>	<u>15,751,251</u>

These amounts relate to the lease rentals paid.

33. CAPITAL COMMITMENTS

As at 31 March 2025, the outstanding commitments in respect of capital expenditure of the Council were as follows :-

	<u>2025</u> HK\$	<u>2024</u> HK\$
Contracted for but not provided in the financial statements	6,128,690	25,952,944
Authorised but not contracted for	-	-
	<u>6,128,690</u>	<u>25,952,944</u>

34. BENEFITS AND INTEREST OF EXECUTIVE COMMITTEE MEMBERS

No benefits and interest of Executive Committee members required to be disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance was incurred by the Council during the current and preceding years.

35. BANKING FACILITIES

During the year, bank guarantee of HK\$574,300 (2024: HK\$1,182,200) was given to the Council and was secured by a bank fixed deposit of HK\$1,750,692 (2024: HK\$1,570,266) placed by the Council. The bank guarantee was used to support the Council in operating a project with the Hospital Authority.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Council's financial assets comprise mainly cash and cash equivalents and accounts and other receivables, which represent the Council's maximum exposure to market risk, cash flow interest rate risk and credit risk in relation to financial assets. The Council's financial liabilities comprise mainly accounts and other payables and lease liabilities which represent the Council's maximum exposure to credit risk, arise in the normal course of the Council's activities.

(a) Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Council's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Council conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

(b) Cash flow interest rate risk

The Council's exposure to change in interest rate relates primarily to interest bearing bank deposits.

(c) Credit risk

Credit risk represents the potential loss that the Council would incur if counter parties fail to perform pursuant to the terms of their obligations to the Council. The Council has guidelines and procedures governing the process of granting credit in the operation. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(d) Liquidity risk

The Council's funding requirements and liquidity risks are managed with the objective of meeting its operation obligations in a timely manner. The Council achieves this by using appropriate management measures and monitoring its cash flow commitments on a regular basis.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(e) Fair values

The following table presents the carrying value of the financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 “Financial Instruments: Disclosures”, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined in note 16(d)(i).

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<u>2025</u>				
Assets				
Listed securities	176,300	-	-	176,300
	=====	=====	=====	=====
<u>2024</u>				
Assets				
Listed securities	122,300	-	-	122,300
	=====	=====	=====	=====

During the years ended 31 March 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Council’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All other financial instruments are carried at amounts not materially different from their fair values at 31 March 2025 and 2024.

37. CAPITAL MANAGEMENT

The capital structure of the Council consists of debt, cash and cash equivalents and funds. The Council has no written capital risk management policies and guidelines and the Council manages its capital mainly to ensure the Council will be able to continue as a going concern through the optimisation of the debt and fund balances. No changes were made in the overall strategy during the years ended 31 March 2025 and 31 March 2024. The Executive Committee of the Council regularly reviews and manages its capital to ensure adequacy for both operational and capital need.

38. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Council.

	Effective for accounting period <u>beginning on or after</u>
Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027

The Council is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.