

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL

2026

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 2026**

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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 2026.

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 2026 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	
	Dr. Tsang Chi Yui, Derek	(appointed on 15 November 2025)

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 organisation and 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. These units are organised under nine specialised 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.

Major Funding Bodies

Major funding bodies of the Council during the period between 1 April 2025 and 31 March 2026 (“reporting period”) are as follows:

	Percentage of the Council's Total Income (%)
Social Welfare Department (SWD)	76.2
Education Bureau	2.6
Lotteries Fund	2.0
Hong Kong Jockey Club Charities Trust	4.4
Hospital Authority	1.5
Five largest funding bodies in aggregate	<u>86.7</u> =====

Financial Performance

Total income and expenditure for the year amounted to HK\$976 million (2024-25: HK\$959 million) and HK\$883 million (2024-25: HK\$917 million), respectively. Accordingly, a surplus of HK\$93 million was recorded for the year, representing an increase of approximately HK\$51 million compared with the previous financial year.

The increase in revenue was mainly attributable to higher reimbursements from the Hong Kong Jockey Club Charities Trust and special grants received from the Government and external parties to support the Organisation's operations.

The decrease in expenditure was mainly attributable to lower administrative and operating expenses, including a reduction in the use of hire of services, as well as the completion of certain externally funded projects during the year.

Environmental Policies and Performance

Environmental sustainability remains a priority for the Council. During the reporting period, the Council implemented measures to conserve energy, improve the efficient use of materials and reduce the environmental impact of its operations.

At the Head Office, policies, procedures and memoranda are published on the SharePoint intranet and circulated electronically. Microsoft Forms are used for stationery requests and conference room bookings, thereby reducing paper consumption and physical record-keeping.

At service centres, LED lighting, inverter air conditioners and exhaust fans are installed where appropriate to reduce electricity consumption and improve ventilation. Renovation plans for new service units incorporate LED lighting, Grade 1 energy-labelled air conditioners and automatic sensor taps to improve energy and water efficiency and reduce operating costs.

Compliance with the Relevant Laws and Regulations

The Council is an organisation incorporated in Hong Kong and limited by guarantee. It operates in accordance with the applicable laws and regulations of the Hong Kong Special Administrative Region (HKSAR) and the Service Quality Standards (SQS) issued by the Social Welfare Department. The Council continued to strengthen the Executive Committee's oversight of legal and regulatory compliance and staff awareness of national security, safeguarding, information security, occupational safety and service-related risks.

During the reporting period, the Council provided education on national security and national development; legal training on national laws, social work practice and organisational liability; food hygiene certification training; and training on the Personal Data (Privacy) Ordinance and information security awareness. Relevant staff also attended briefings and online training on the Mandatory Reporting of Child Abuse Ordinance. Guidance was issued on risk management for outsourced nursing services. Occupational safety measures included safety training, follow-up training after work injuries, the proper use of personal protective equipment and workplace inspections. Board members also received legal training on conflicts of roles and the potential liabilities of an organisation and its directors arising from employee misconduct.

Relationship with Employees, Funding Bodies and Service Users

Employees

The Council maintains constructive working relationships with its employees. Staff salaries are aligned with the Civil Service Pay Scale and adjusted in accordance with announcements by the Social Welfare Department. Eligible employees are provided with medical insurance, a one-off employer contribution to their Mandatory Provident Fund accounts and annual performance incentives. The Council also continues to adopt employee-oriented and family-friendly employment practices.

The Council promotes open communication through regular meetings with service unit supervisors and the Staff Association. Staff well-being initiatives, including Fun Office and Health Steps, continued during the year. The Personal Growth and Enrichment Subsidy Scheme 2025–26 supported eligible staff in undertaking courses on well-being, work-related skills and personal effectiveness. New staff orientation programmes were also implemented to strengthen support for new employees. In response to the fire at Wang Fuk Court, Tai Po, workshops were held to enhance staff understanding of post-traumatic emotional responses, emotional support and self-care.

Service Users

The Council safeguards the well-being of service users and monitors service quality through feedback channels, including opinion boxes, dedicated email accounts, annual service-user meetings and Service Quality Standards visits. Feedback received is considered in service planning and improvement. No serious complaints or material incidents were recorded during the reporting period.

During the reporting period, the Council partnered with the Emperor Foundation and Emperor Entertainment to organise the “Green Generation Sports Day”, engaging young volunteers and older participants in intergenerational activities that promoted physical activity, resource reuse and community inclusion.

The “Orchid Asia Capital Presents: NAAC Charity Luncheon 2025”, held at ClubONE Riviera, Sha Tin, brought together over 1,000 service users and carers to promote family harmony and inclusion. Approximately 1,200 gift packs were distributed in recognition of carers’ contributions.

For the fourth consecutive year, the Council partnered with Café de Coral to support older persons and persons with disabilities who had chewing or swallowing difficulties, distributing approximately 600 soft-meal vouchers for “Taste Joy Easy-to-Swallow Meals” and Shanghai Lao Lao. Following the fire at Wang Fuk Court, the Council and Café de Coral Group also provided 2,000 affected residents with meal cards valued at HK\$1,000 each and valid for two months.

On 21 March 2026, the Council held the “Together We Build Dreams for the Future” Inclusive Carnival at the Wan Chai Water Sports and Recreation Precinct. The event promoted mental wellness and inclusion, presented the Council’s service achievements and future direction, and attracted more than 2,000 attendees.

Indication of Likely Future Development

Future Development Strategy

Guided by its Three-Year Strategic Plan, the Council will pursue sustainable development through five priorities: people and communities; accountability and transparency; innovation and professional excellence; talent and leadership; and partnerships and community engagement.

The Council will strengthen governance, risk management and internal accountability while using service data and stakeholder feedback to support planning and decision-making. Digitalisation will be advanced through the phased adoption of appropriate systems and digital tools to streamline workflows, strengthen data management and improve operational efficiency, subject to information security and data protection requirements.

Future Service Development

Future service development will focus on integrated support for carers and mental wellness, improved service accessibility, and the needs of an ageing and increasingly diverse community. The Council will develop evidence-based service models and strengthen cross-service coordination to improve continuity of care and the effective use of resources. Digital solutions will be adopted, where appropriate, to improve service access, coordination and delivery. Partnerships with Mainland counterparts, including collaboration in the Greater Bay will be strengthened to foster a mindset of integration and cooperation to support knowledge exchange and selected initiatives in elderly, youth, family and community services.

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, 14 October 2026



**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 2026, and the statement of comprehensive income and expenditure, the statement of changes in funds and reserves and the 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 2026, and of the financial performance and cash flows of the Council for the year then ended in accordance with HKFRS Accounting Standards as 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") as 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 HKFRS Accounting Standards as 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 HKSA's 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.



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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As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :-

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Ltd.

Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 14 October 2026

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 2026

(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Revenue	7	969,601,363	953,574,570
Other income and net gain	8	6,470,802	5,228,150
Administrative and operating expenses		(881,541,314)	(916,263,115)
Finance costs	10	(1,982,094)	(545,510)
Surplus for the year	11	<u>92,548,757</u>	<u>41,994,095</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>92,548,757</u></u>	<u><u>41,994,095</u></u>

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2026
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	31,920,251	6,517,298
Listed securities	15	251,600	176,300
Investment property	16	3,400,000	3,300,000
		<u>35,571,851</u>	<u>9,993,598</u>
Current assets			
Inventories	13	256,324	275,774
Accounts and other receivables		10,556,924	5,589,635
Deposit and prepayment		4,189,250	4,783,577
Fixed deposit (pledged)	35	1,902,303	1,750,692
Cash and bank balances	32(a)	525,183,836	425,536,405
		<u>542,088,637</u>	<u>437,936,083</u>
Current liabilities			
Accounts and other payables		23,688,550	15,893,786
Receipt in advance		9,286,096	7,556,993
Deposits received		663,210	568,820
Provision for long service payment	18	3,416,916	2,330,402
Lease liabilities	17	16,647,310	3,734,372
		<u>53,702,082</u>	<u>30,084,373</u>
Net current assets		<u>488,386,555</u>	<u>407,851,710</u>
Total assets less current liabilities		<u>523,958,406</u>	<u>417,845,308</u>
Less : Non-current liability			
Lease liabilities	17	16,134,239	3,020,007
NET ASSETS		<u>507,824,167</u>	<u>414,825,301</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 2026
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
FUNDS AND RESERVES			
Lotteries Fund - Block Grant Reserve	19	8,206,959	8,109,269
SWD Lump Sum Grant Reserve	21	270,637,568	219,262,756
SWD Holding Account	22	29,573,485	29,573,485
SWD Central Items Reserve	23	2,483,262	871,424
SWD Social Welfare Subvention surplus account	24	(5,456,554)	(4,717,412)
SWD Provident Fund Reserve	25	111,114,051	103,701,644
SWD Child Development Fund	26	404,818	(692,306)
Day Nursery Fund	30	18,991,237	20,411,325
DHC Express - Islands District	29	19,124,462	17,374,619
Other funds	31	4,686,305	4,528,719
General fund	28	48,058,574	16,401,778
		<u>507,824,167</u>	<u>414,825,301</u>

Approved and authorised for issue by the Executive Committee on 14 October 2026.



 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.

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THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2026
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Cash flows from operating activities			
Surplus for the year		92,548,757	41,994,095
Adjustments for :-			
Bank interest income	8	(6,061,537)	(6,003,187)
Depreciation of right-of-use assets	11	16,881,977	15,146,649
Interest on lease liabilities	10	1,952,650	524,846
Gain on fair value change of listed securities	8	(75,300)	(54,000)
(Gain)/loss on fair value change of investment property	8	(100,000)	800,000
Provision of long service payment	18	1,086,514	865,957
Write off of property, plant and equipment	11	21,151,263	37,169,529
Operating surplus before changes in working capital		<u>127,384,324</u>	<u>90,443,889</u>
Decrease in inventories		19,450	51,055
(Increase)/decrease in accounts and other receivables		(4,967,289)	864,579
Decrease/(increase) in deposit and prepayment		594,327	(1,483,244)
Increase/(decrease) in accounts and other payables		7,794,764	(16,732,727)
Increase in receipt in advance		1,729,103	962,896
Increase in deposits received		94,390	5,600
Net cash generated from operating activities		<u>132,649,069</u>	<u>74,112,048</u>
Cash flows from investing activities			
Bank interest income		6,061,537	6,003,187
Payments to acquire property, plant and equipment		(21,151,261)	(37,169,528)
Decrease/(increase) in time deposits with original maturity over three months		46,171,654	(23,360,048)
Net cash generated from/(used in) investing activities		<u>31,081,930</u>	<u>(54,526,389)</u>
Net cash generated from operating and investing activities - page 15		<u><u>163,730,999</u></u>	<u><u>19,585,659</u></u>

THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 MARCH 2026
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Net cash generated from operating and investing activities - page 14		163,730,999	19,585,659
		-----	-----
Cash flows from financing activities			
Lotteries Fund - Block Grant received, net		83,211	303,174
Clawback of SWD Central Item Reserve		8,387	(1,113,908)
Clawback of SWD Social Welfare Subvention surplus account		(37,146)	(96,965)
Adjustment to SWD Provident Fund received		349,849	266,722
Unvested Provident Fund received, net		926,570	8,209,660
Clawback of SWD Provident Fund Reserve		(1,246,440)	(1,027,541)
Clawback of SWD Social Welfare Development Fund		-	(2,077,751)
Other funds received, net		365,678	254,329
Additions of rights-of-use assets		(10,316)	-
Increase in fixed deposit (pledged)		(151,611)	(180,426)
Capital element of lease rentals paid	32(b)	(16,247,446)	(15,629,150)
Interest element of lease rentals paid	32(b)	(1,952,650)	(524,846)
		-----	-----
Net cash used in financing activities		(17,911,914)	(11,616,702)
		-----	-----
Net increase in cash and cash equivalents		145,819,085	7,968,957
		-----	-----
Cash and cash equivalents at the beginning of the year		357,018,264	349,049,307
		-----	-----
Cash and cash equivalents at the end of the year	32(a)	502,837,349	357,018,264
		=====	=====

**THE NEIGHBOURHOOD ADVICE-ACTION COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2026
(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 HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and interpretations as 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 HKFRS Accounting Standards 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 new or amended to HKFRS Accounting Standards 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>	Central Western, Southern and Islands District	
		<u>2026</u> HK\$	<u>2025</u> HK\$
Allocated sum of the year	7	410,000	414,000
Actual expenditure		(410,000)	(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>2026</u> HK\$	<u>2025</u> HK\$
INCOME		
Training subsidy	637,440	809,173
	-----	-----
EXPENDITURE		
Staff salaries and MPF	441,139	558,523
Telephone, fax and internet	319	351
Printing and stationery	734	4,530
Other expenses :-		
- Administrative fee	22,443	28,414
- Teaching materials	26,684	25,308
- Utilities	7,400	9,414
	-----	-----
Total expenditure	498,719	626,540
	-----	-----
SURPLUS FOR THE YEAR	138,721	182,633
	-----	-----
Cumulated income brought forward	5,314,315	4,505,142
Cumulated expenditure brought forward	(5,445,419)	(4,818,879)
	-----	-----
CUMULATED DEFICIT BROUGHT FORWARD	(131,104)	(313,737)
	-----	-----
CUMULATED SURPLUS/(DEFICIT) CARRIED FORWARD	7,617	(131,104)
	=====	=====

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

	2026			2025		
	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
Balance absorbed by General fund	(695,276)	(464,269)	-	-	-	-
BALANCE AT THE END OF YEAR	-	-	3,399,913	695,276	464,269	3,399,913
	=====	=====	=====	=====	=====	=====

7. REVENUE

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Income from government and related organisations :-			
Community Care Fund		161,390	162,285
Education Bureau		25,612,155	27,980,887
Employees Retraining Board		75,411	104,737
Health Bureau		13,415,997	13,415,997
Home Affairs Department		7,437,261	8,608,604
Hong Kong Housing Authority and Housing Department		47,308	47,935
Hospital Authority		14,616,000	14,329,000
Labour and Welfare Bureau		8,920	1,301,105
Lotteries Fund		19,047,600	18,086,274
Student Financial Assistance Agency		3,175,988	3,527,037
Social Welfare Department :-			
- Central Items		6,961,482	7,679,923
- Child Care Centre Subsidy Scheme		7,184,645	7,159,205
- Child Development Fund		1,031,327	1,198,307
- Direct Cash Assistance	4	410,000	414,000
- Lump Sum Grant		686,003,134	687,035,532
- Subvention for manpower enhancement		1,970,338	1,528,250
- Subvention for rent and rates		20,988,814	19,950,982
- One-off subsidy		492,300	503,300
- Other subsidies		18,324,460	14,549,484
Other government and related subvention		5,217,385	7,385,506
		<u>832,181,915</u>	<u>834,968,350</u>
Income from other sources – page 32		137,419,448	118,606,220
		<u>969,601,363</u>	<u>953,574,570</u>

7. REVENUE (continued)

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Income from other sources :-			
Flag day income	9	-	1,336,476
Community Chest – other donations		178,337	159,684
Designated donations and grants		2,679,983	2,236,129
General donations		3,600,425	3,196,984
Operating income		87,251,560	92,100,323
Sundry income		1,064,381	1,515,032
The Hong Kong Jockey Club Charities Trust :-			
- Grant to implement Extension of Jockey Club Community eHealth Care Project		5,885,936	814,680
- Grant on Jockey Club JoyAge Project for Elderly Mental Wellness Project Extension		2,223,072	4,178,237
- Funds to carry out the “Pathway to Healthy Ageing” Project for older people at risk of “accelerated ageing”		-	60,225
- Funds to develop and operate the Pre-school Rehabilitation Services Information Technology System		-	2,023,546
- Grant on NAAC Jockey Club “STEP by STEP” Blended Families Support Project		4,998,326	-
- Grant to implement the advance Information and Communications Technology in Family Services		-	635,786
- Grant to 21st Century Integrated Children and Youth Services Centres		1,528,245	2,342,710
- Funds to implement Community Support for Elderly Singletons and Doubletons		2,320,319	1,183,077
- Grant on integrated support project For Elderly With Mild Cognitive Impairment		848,990	746,668
- Funds to implement "Jockey Club Digital Tablet and Online Support Programme for Homebound Elderly"		280,756	169,961
- Grant on Jockey Club "Reach to Bridge" Community Elderly Support Project		970,000	1,075,813
- HKJCCT Gerontechnology and Smart Ageing In Place		237,746	673,959
- Funds to implement Frailty Prevention Programme for Older People		-	39,716
- Grant on Jockey Club JoyAge Holistic Support Porject for Elderly Mental Wellness		-	2,156,000
- Jockey Club S.A.T.H. Project for Healthy Families		4,826,814	-
- Jockey Club Integrated Employment Services Centre – i-Butterfly		16,902,622	-
- Other donations		1,621,936	1,961,214
Income from other sources – page 31		<u>137,419,448</u>	<u>118,606,220</u>

8. OTHER INCOME AND NET GAIN

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Bank interest income		6,061,537	6,003,187
Exchange gain/(loss), net		233,965	(29,037)
Gain on fair value change of listed securities		75,300	54,000
Gain/(loss) on fair value change of investment property	16	100,000	(800,000)
		<u>6,470,802</u>	<u>5,228,150</u>

9. NET PROCEEDS FROM FLAG DAY FUND RAISING ACTIVITIES

During the year ended 31 March 2025, the Council held a Flag Day fund raising activity in public places of territory-wide region on 5 October 2024. The details of flag day income and expenditures are as below :

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Balance at the beginning of year		-	-
		-----	-----
INCOME			
Street collections		-	938,661
Other forms of appeals		-	397,815
	7	<u>-</u>	<u>1,336,476</u>
EXPENDITURE			
Administrative expenses		-	(104,536)
		<u>-</u>	<u>1,231,940</u>
NET PROCEEDS		<u>-</u>	<u>1,231,940</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
NAAC Sau Mau Ping Social Centre for the Elderly	40%	-	492,776
NAAC Pak Tin Social Centre for the Elderly	20%	-	246,388
		<u>-</u>	<u>1,231,940</u>
		-----	-----
Balance at the end of the year		-	-
		=====	=====

10. FINANCE COSTS

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Interest on lease liabilities	14	1,952,650	524,846
Interest on provision for long service payments	18	29,444	20,664
		<u>1,982,094</u>	<u>545,510</u>

11. SURPLUS FOR THE YEAR

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
Surplus for the year is arrived at after charging :-			
Auditors' remuneration		273,900	287,800
Cost of inventories sold		1,870,662	2,111,551
Depreciation of right-of-use assets	14	16,881,977	15,146,649
Staff costs			
- Salaries, wages and other benefits		649,132,659	647,465,687
- Contributions to defined contribution retirement plan		43,445,335	44,633,761
Write off of property, plant and equipment	14	<u>21,151,263</u>	<u>37,169,529</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>2026</u> HK\$	<u>2025</u> HK\$
School uniform	13,047	9,447
School bags	33,790	52,664
Books	8,772	12,948
Staff uniform	200,715	200,715
	<u>256,324</u>	<u>275,774</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 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
Additions	42,284,932	21,151,261	63,436,193
Written off against surplus or deficit	-	(21,151,263)	(21,151,263)
At 31 March 2026	129,660,222	71	129,660,293
Accumulated depreciation :-			
At 1 April 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
Charge for the year	16,881,977	-	16,881,977
At 31 March 2026	97,740,042	-	97,740,042
Net book value :-			
At 31 March 2026	31,920,180	71	31,920,251
At 31 March 2025	6,517,225	73	6,517,298

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.

The analysis of expense items in relation to leases recognised in surplus or deficit is as follows.

	Note	2026 HK\$	2025 HK\$
Interest on lease liabilities	10	1,952,650	524,846
Additions to right-of-use assets		42,284,932	6,541,160
Carrying amount of right-of-use assets		31,920,180	6,517,225
Depreciation of right-of-use assets	11	16,881,977	15,146,649
Expense relating to short-term leases		63,508	205,198

Total cash outflow for leases are set out in note 32(c).

15. LISTED SECURITIES

	<u>2026</u> HK\$	<u>2025</u> HK\$
Equity securities listed in Hong Kong, at fair value	251,600	176,300
	=====	=====

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>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		3,300,000	4,100,000
Fair value adjustment	8	100,000	(800,000)
At the end of the year		3,400,000	3,300,000
		=====	=====

- (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\$125,000 (2025: HK\$112,500).
- (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) The Council leases out investment property under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted every 1 to 2 years to reflect market rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Council in future periods as follows :-

	<u>2026</u> HK\$	<u>2025</u> HK\$
Within 1 year	150,000	-
After 1 year but within 2 years	25,000	-
	175,000	-
	=====	=====

16. INVESTMENT PROPERTY (continued)

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

During the financial year ended 31 March 2026, 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 2026 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 :-

	2026		2025	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$	HK\$	HK\$	HK\$
Within 1 year	16,647,310	17,882,470	3,734,372	3,976,568
After 1 year but within 5 years	16,134,239	16,550,210	3,020,007	3,115,463
	<u>32,781,549</u>	<u>34,432,680</u>	<u>6,754,379</u>	<u>7,092,031</u>
Less : Total future interest expenses		(1,651,131)		(337,652)
Present value of the lease liabilities		<u>32,781,549</u>		<u>6,754,379</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 Hospital's contributions to MPF scheme or ORSO plans, with an overall cap of \$390,000 per employee. Currently, the Council does not have any separate funding arrangement in place to meet its LSP obligation.

Starting from 1 May 2025, the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "2022 Amendment Ordinance") came into effect, which abolishes 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. Separately, a 25-year scheme to provide a subsidy ("Subsidy") for employers' costs in relation to the post-transition portion of the LSP has been implemented with effect on 1 May 2025.

18. PROVISION FOR LONG SERVICE PAYMENT (continued)

Among other things, upon 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 2022 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 2022 Amendment Ordinance has no material impact on the Council's LSP liability with respect to employees that participate in the Council's ORSO plans.

The Council was not entitled to any Subsidy during the year ended 31 March 2026.

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year	2,330,402	1,464,445
Expenses recognised in profit or loss:		
Current service cost	1,057,070	845,293
Interest cost	29,444	20,664
At the end of the year	<u>3,416,916</u>	<u>2,330,402</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>2026</u>	<u>2025</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%

18. PROVISION FOR LONG SERVICE PAYMENT (continued)

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>2026</u>		<u>2025</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>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		8,109,269	7,754,408
		-----	-----
Add : Block Grant received during the year		10,519,000	10,227,000
Interest income		14,479	51,687
Adjustment of Block Grant absorbed by other funds		-	31,000
		-----	-----
		10,533,479	10,309,687
		-----	-----
Less : Minor works projects		4,775,341	5,872,923
Purchase of furniture and equipment		5,085,355	3,525,543
Vehicle overhauling		575,093	556,360
		-----	-----
	(a)	10,435,789	9,954,826
		-----	-----
At the end of the year		8,206,959	8,109,269
		=====	=====

19. LOTTERIES FUND – BLOCK GRANT RESERVE (continued)

Note:

- (a) Expenditure charged to Block Grant during the year should be full expenditure amount, i.e. the actual expenditure incurred in 2025-26.
- (b) Surplus from the Block Grant can only be used for the replenishment of furniture and equipment and minor works. At 31 March 2026, the outstanding commitments in respect of Block Grant Reserve are as follows :-

	<u>2026</u> HK\$	<u>2025</u> HK\$
Contracted for but not provided in the financial statements	-	114,050
Authorised but not contracted for	-	-
	<u>-</u>	<u>114,050</u>

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

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		-	(320,263)
Transfer from General fund	28	-	320,263
At the end of the year		<u>-</u>	<u>-</u>

21. SWD LUMP SUM GRANT RESERVE

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		219,262,756	178,642,587
Surplus for the year		51,092,886	40,617,334
Transfer from General fund	28	283,655	-
Adjustment to SWD Provident Fund Reserve	25	(1)	-
Effect of HKFRS 16 absorbed by General fund	28	(1,728)	2,835
At the end of the year		<u>270,637,568</u>	<u>219,262,756</u>

According to the letters issued by The Social Welfare Department (“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>2026</u> HK\$	<u>2025</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 2026, the estimated number of snapshot staff of the Council were 59 (September 2025 (actual) : 73) 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>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		871,424	2,153,143
Deficit for the year		(438,811)	(167,811)
Unspent balance refunded to SWD		(631,613)	(1,113,908)
Transfer from General fund	28	2,042,262	-
Adjustment for Training Sponsorship Scheme for two-year MOT/MPT Programme of PolyU		640,000	-
At the end of the year		2,483,262	871,424
		=====	=====

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>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		(4,717,412)	(3,530,059)
Deficit for the year		(842,347)	(639,980)
Unspent balance refunded to the SWD		(37,146)	(96,965)
Effect of HKFRS 16 absorbed by General fund	28	140,351	(450,408)
At the end of the year		<u>(5,456,554)</u>	<u>(4,717,412)</u>

25. SWD PROVIDENT FUND RESERVE

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		103,701,644	90,342,208
Surplus for the year		7,474,834	7,264,812
Adjustment to previous clawback amount		349,849	266,722
Unvested Provident Fund received		834,163	6,855,443
Unspent balance refunded to the SWD		(1,246,440)	(1,027,541)
Adjustment from SWD Lump Sum Grant Reserve	21	1	-
At the end of the year		<u>111,114,051</u>	<u>103,701,644</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 2026, the accumulated unspent balance of SWD Provident Fund Reserve for Snapshot Staff subject to the clawback arrangement was HK\$1,679,806 (2025 : HK\$2,018,604).

26. SWD CHILD DEVELOPMENT FUND

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		(692,306)	378,553
Deficit for the year		(144,329)	(1,070,859)
Transfer from General Fund	28	1,241,453	-
At the end of the year		<u>404,818</u>	<u>(692,306)</u>

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

27. SWD SOCIAL WELFARE DEVELOPMENT FUND

	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year	-	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>-</u>

28. GENERAL FUND

	<u>Note</u>	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year		16,401,778	24,796,767
Surplus/(deficit) for the year		35,270,382	(9,876,516)
Transfer to SWD Central Items Reserve	23	(2,042,262)	-
Transfer to SWD Child Development Fund Reserve	26	(1,241,453)	-
Transfer to Lotteries Fund - Pilot Scheme On Community Care Service Voucher For The Elderly	20	-	(320,263)
Transferred to SWD Lump Sum Grant Reserve	21	(283,655)	-
Unvested Provident Fund received		105,790	1,354,217
Unspent balance refunded to the SWD		(13,383)	-
Effect of HKFRS 16 absorbed by General fund	21 and 24	(138,623)	447,573
At the end of the year		<u>48,058,574</u>	<u>16,401,778</u>

29. DHC EXPRESS - ISLANDS DISTRICT

	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year	17,374,619	15,095,432
Surplus for the year	1,749,843	2,279,187
At the end of the year	<u>19,124,462</u>	<u>17,374,619</u>

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

30. DAY NURSERY FUND

	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year	20,411,325	16,616,259
(Deficit)/surplus for the year	(1,420,088)	3,795,066
At the end of the year	<u>18,991,237</u>	<u>20,411,325</u>

The reserve balances for the four day nurseries as at 31 August 2025 as per the audited financial statements dated 16 February 2026 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	168,457	4,395,528	469,254	5,033,239
Tung Chung Day Nursery	440,849	2,455,265	775,681	3,671,795
Yuen Long Day Nursery	119,622	8,125,785	518,643	8,764,050
Fanling Day Nursery	46,414	583,060	419,548	1,049,022
	<u>775,342</u>	<u>15,559,638</u>	<u>2,183,126</u>	<u>18,518,106</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>2026</u> HK\$	<u>2025</u> HK\$
Staff Welfare and Development Fund	(a)	3,576,436	3,414,503
Home Maintenance Elderly Fund	(b)	31,086	31,086
Neighbourhood Cafe Fund	(c)	219,702	225,716
Friends of the Practice, Research and Training Centre on Autism Fund	(d)	859,081	857,414
		<u>4,686,305</u>	<u>4,528,719</u>

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year	3,414,503	3,450,334
Contribution income	171,662	101,966
Service income	200,030	153,653
Expenditure	(209,759)	(291,450)
At the end of the year	<u>3,576,436</u>	<u>3,414,503</u>

(b) Movement of Home Maintenance Elderly Fund

	<u>2026</u> HK\$	<u>2025</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>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year	225,716	227,006
Sales and commission income	829	690
Expenditure	(6,843)	(1,980)
At the end of the year	<u>219,702</u>	<u>225,716</u>

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
At the beginning of the year	857,414	850,878
Interest income	1,667	6,536
At the end of the year	<u>859,081</u>	<u>857,414</u>

32. OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise :-

	<u>2026</u> HK\$	<u>2025</u> HK\$
Cash at bank and on hand	205,705,168	236,250,972
Time deposits	319,478,668	189,285,433
Cash and bank balances	<u>525,183,836</u>	<u>425,536,405</u>
Less: time deposits with original maturities more than three months	(22,346,487)	(68,518,141)
Cash and cash equivalents	<u><u>502,837,349</u></u>	<u><u>357,018,264</u></u>

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

	<u>Lease liabilities</u> HK\$
At 1 April 2024	15,842,369
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>
Changes from financing cash flows :-	
Capital element of lease rentals paid	(16,247,446)
Interest element of lease rentals paid	(1,952,650)
	<u>(18,200,096)</u>
Other changes :-	
Increase in lease liabilities from entering into new leases during the year	42,274,616
Interest on lease liabilities	1,952,650
	<u>44,227,266</u>
At 31 March 2026	<u><u>32,781,549</u></u>

32. OTHER CASH FLOW INFORMATION (continued)

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

	<u>2026</u> HK\$	<u>2025</u> HK\$
Within operating cash flows	63,508	205,198
Within financing cash flows	18,200,096	16,153,996
	<u>18,263,604</u>	<u>16,359,194</u>

These amounts relate to the lease rentals paid.

33. CAPITAL COMMITMENTS

As at 31 March 2026, the outstanding commitments in respect of capital expenditure of the Council were as follows :-

	<u>2026</u> HK\$	<u>2025</u> HK\$
Contracted for but not provided in the financial statements	30,430,847	6,128,690
Authorised but not contracted for	-	-
	<u>30,430,847</u>	<u>6,128,690</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 (2025: HK\$574,300) was given to the Council and was secured by a bank fixed deposit of HK\$1,689,157 (2025: HK\$1,640,692) placed by the Council. The bank guarantee was used to support the Council in operating a project with the Hospital Authority. The bank guarantee has been released on 19 August 2026.

During the year, bank fixed deposits of HK\$213,146 (2025: HK\$110,000) were pledged to a bank to secure commercial credit card facilities granted to the Council.

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>2026</u>				
Assets				
Listed securities	251,600	-	-	251,600
	=====	=====	=====	=====
<u>2025</u>				
Assets				
Listed securities	176,300	-	-	176,300
	=====	=====	=====	=====

During the years ended 31 March 2026 and 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.

All other financial instruments are carried at amounts not materially different from their fair values at 31 March 2026 and 2025.

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 2026 and 31 March 2025. The Executive Committee of the Council regularly reviews and manages its capital to ensure adequacy for both operational and capital need.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2026

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 2026 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 HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity	1 January 2026
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
HKFRS 19, Subsidiaries without public accountability: disclosures	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 except for the following :

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Council does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.