

ROYAL ASIATIC SOCIETY HONG KONG BRANCH
(A Registered Charitable Institution)

Report and Financial Statements for the
year ended 31 December 2016

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

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31 DECEMBER 2016

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE COUNCIL OF
ROYAL ASIATIC SOCIETY HONG KONG BRANCH**

Opinion

We have audited the financial statements of Royal Asiatic Society Hong Kong Branch set out on pages 3 to 12, which comprise the statement of financial position at 31 December 2016, and the statement of comprehensive income and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the state of the Branch's affairs as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards for Private Entities ("HKFRSs for Private Entities"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

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

Responsibilities of Council for the financial statements

The Council of the Branch is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs for Private Entities issued by the HKICPA, and for such internal control as the directors 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 Council of the Branch is responsible for assessing the Branch'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 Council either intend to liquidate the Branch or to cease operations, or have no realistic alternative but to do so.

The Council of the Branch is responsible for overseeing the Branch'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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE COUNCIL OF
ROYAL ASIATIC SOCIETY HONG KONG BRANCH**

Auditor's responsibilities for the audit of the financial statements (cont.'s)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism through 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's 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 Branch'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 Branch 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 Council 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ian Hasell & Co

Ian Hasell & Co.
Certified Public Accountants (Practising)
Hong Kong, 07 March 2017

2120 Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

Telephone: (852) 2802 9300

Facsimile: (852) 2810 9733

Email: audit@robertsonhasell.hk

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 HK\$	2015 HK\$
SUBSCRIPTIONS			
Life		34,010	31,530
Annual		221,485	244,483
		<u>255,495</u>	<u>276,013</u>
ORGANISED ACTIVITIES			
Income from participants		64,720	105,369
Expenses		(37,244)	(54,334)
		<u>27,476</u>	<u>51,035</u>
SALES OF PUBLICATIONS			
Sales income		6,203	25,834
Costs of sales		-	-
		<u>6,203</u>	<u>25,834</u>
OTHER INCOME			
Bank interest income		2	2
Dividends		26,735	18,994
Donations	4	-	10
Royalty income		13,825	-
Others		265	1,400
		<u>40,827</u>	<u>20,406</u>
NET INCOME		330,001	373,288
EXPENDITURE			
Annual journal	5	(70,543)	(60,732)
Donations to Ride Fund	6	-	(18,445)
Other operating expenses	7	(251,561)	(285,983)
SURPLUS FOR THE YEAR		<u>7,897</u>	<u>8,128</u>
OTHER COMPREHENSIVE INCOME			
Net (loss) on available-for-sale financial assets		(12,310)	(46,391)
Other comprehensive income for the year		<u>(12,310)</u>	<u>(46,391)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>(4,413)</u></u>	<u><u>(38,263)</u></u>

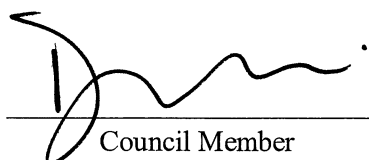
The notes on pages 7 to 12 form an integral part of these financial statements.

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

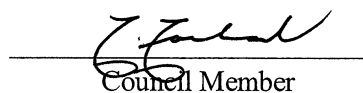
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 HK\$	2015 HK\$
ASSETS			
CURRENT ASSETS			
Cash and bank balances	8	205,672	211,190
Other receivables and prepayments		10,836	10,411
Inventories	9	-	-
		<u>216,508</u>	<u>221,601</u>
NON-CURRENT ASSETS			
Available-for-sale investments	10	494,460	506,770
Equipment	11	7,879	2
		<u>502,339</u>	<u>506,772</u>
TOTAL ASSETS		<u><u>718,847</u></u>	<u><u>728,373</u></u>
LIABILITIES AND RESERVES			
CURRENT LIABILITIES			
Subscriptions received in advance		84,400	90,050
Amounts due to Ride Fund		-	-
Amounts payable		13,384	12,847
		<u>97,784</u>	<u>102,897</u>
RESERVES			
Accumulated funds		607,764	599,867
Investment revaluation reserves		13,299	25,609
		<u>621,063</u>	<u>625,476</u>
TOTAL LIABILITIES AND RESERVES		<u><u>718,847</u></u>	<u><u>728,373</u></u>



Council Member



Council Member

The notes on pages 7 to 12 form an integral part of these financial statements.

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2016

	Accumulated funds	Investment revaluation reserves	Total
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Balance at 1. 1.2015	591,739	72,000	663,739
Total comprehensive income for the year	<u>8,128</u>	<u>(46,391)</u>	<u>(38,263)</u>
Balance at 31.12.2015	599,867	25,609	625,476
Total comprehensive income for the year	<u>7,897</u>	<u>(12,310)</u>	<u>(4,413)</u>
Balance at 31.12.2016	<u><u>607,764</u></u>	<u><u>13,299</u></u>	<u><u>621,063</u></u>

The notes on pages 7 to 12 form an integral part of these financial statements.

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		7,897	8,128
Adjustments for:			
Bank interest income		(2)	(2)
Dividend income		(26,735)	(18,994)
Depreciation		342	-
OPERATING SUPLUS BEFORE			
WORKING CAPITAL CHANGES		(18,498)	(10,868)
Decrease in inventories		-	-
(Increase) in other receivables and prepayments		(425)	(2,863)
(Decrease) / increase in subscription received in advance		(5,650)	20,460
Increase in amounts payable		537	2,517
(Decrease) in amount due to Ride Fund		-	(2,140)
CASH (USED) IN / GENERATED FROM OPERATIONS		(24,036)	7,106
NET CASH (USED) IN / GENERATED FROM			
OPERATING ACTIVITIES		(24,036)	7,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of securities investment		-	(197,961)
Purchase of equipments		(8,219)	-
Dividend received		26,735	18,994
Bank interest income		2	2
NET CASH GENERATED FROM / (USED) IN			
INVESTING ACTIVITIES		18,518	(178,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of obligations under finance leases		-	-
Dividends paid		-	-
NET CASH (USED) IN FINANCING ACTIVITIES		-	-
NET (DECREASE)			
IN CASH AND CASH EQUIVALENTS		(5,518)	(171,859)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		211,190	383,049
CASH AND CASH EQUIVALENTS AT			
END OF THE YEAR	8	205,672	211,190

The notes on pages 7 to 12 form an integral part of these financial statements.

ROYAL ASIATIC SOCIETY HONG KONG BRANCH**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2016****1. GENERAL INFORMATION**

The Hong Kong Branch (“the Branch”) was established as a branch of the Royal Asiatic Society of Great Britain and Northern Ireland.

The objectives of the Branch are the education of the general public by the development and dissemination of knowledge of Asia, particularly Hong Kong and its region.

On 18 September 2001, the Branch achieved recognition as a charitable institution of a public character within the meaning of the Hong Kong Inland Revenue Ordinance.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The basis of preparation and accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of the Branch have been prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities (HKFRS for Private Entities). The financial statements have been prepared under the historical cost convention.

Certain new standards, interpretations and amendments to existing accounting standards have been issued by the Hong Kong Institute of Certified Public Accountants that are relevant to the Branch businesses and are mandatory for the Branch’s accounting periods beginning on or after 1 January 2017. The Branch has not early adopted these new standards, amendments and interpretations for the year ended 31 December 2016. The Branch has already commenced an assessment of the impact of these new standards, interpretations and amendments but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

b) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Hong Kong dollars, which is the Branch’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in profit and loss within “finance costs”. All other exchange gains and losses are presented in profit and loss within “other income” or “other expenses”.

ROYAL ASIATIC SOCIETY HONG KONG BRANCH**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2016****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Con't)****c) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

d) Other receivables and prepayment

Other receivables and prepayment are recognised initially at the transactions price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms of receivables.

e) Inventories

Inventories are stated at the lower of cost and selling prices less costs to complete and sell. Cost is calculated using the first-in, first-out (FIFO) method. The cost of finished goods comprises other direct cost. At each reporting date, inventories are assessed for impairment and the carrying amount is reduced to its selling prices less cost to complete and sell with the impairment loss recognised immediately in profit and loss.

f) Available-for-sale investments

Available-for-sale investments are listed share and measured at fair value. Changes in fair value are recognised in the equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged as an expense to the extent that it exceeds the balance, if any, held in the investment revaluation reserve relating to a previous revaluation of that asset until the investment is disposed of or is determined to be impaired, at which time, in cumulative gain or loss previously recognised in the investment revaluation serves is removed from equity and recognised in profit and loss.

g) Equipment

Equipment is stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is calculated at rates sufficient to write off their cost less their residual values over their estimated useful lives on a straight-line basis, at a rate of 25% per annum.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

h) Subscriptions received in advance

The subscriptions are life memberships received and accounted for by five equal installments into profit and loss, commencing with the year in which it is received.

ROYAL ASIATIC SOCIETY HONG KONG BRANCH**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2016****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Con't)****i) Amounts payable**

Amounts payable are stated initially at the transaction price and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognized when it is probable that the economic benefits will flow to the Branch and the amount of revenue can be measured reliably.

- (1) life subscription income relating to life membership is taken into account in five equal installments, commencing with the year in which it is received;
- (2) annual subscription income is accounted for as it is received, except that amount received from new members joining after 31 October in any one year are carried forward into the following year;
- (3) income relating to organized activities is taken into account when the activities are completed;
- (4) adverting in Journal is recognised when the adverting is published;
- (5) interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and in the interest rates applicable;
- (6) donation income is recognised when payment is received;
- (7) Royalty income is recognised when payment is received;

k) Impairment of non-financial assets, other than inventories

At each reporting date, equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected assets is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amounts of the asset is increased to the revised estimated of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

l) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Branch has a present 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 expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow 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 is remote.

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Branch makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. DONATIONS

Donations received during the year amounted to nil (2015: HK\$10)

5. ANNUAL JOURNAL

	<u>2016</u>	<u>2015</u>
	HK\$	HK\$
Journal printing cost	<u>70,543</u>	<u>60,732</u>

6. DONATIONS TO RIDE FUND

No donations to Ride Fund during the year.

7. OTHER OPERATING EXPENSES

	<u>2016</u>	<u>2015</u>
	HK\$	HK\$
Administrator's salary	159,981	189,074
Accounting fee	14,400	14,400
Audit fee	10,500	10,000
Bank charges	2,163	1,592
Depreciation	342	-
Flowers and memorials	480	800
Insurance expenses	942	78
MPF contribution	7,999	9,454
Rent	24,000	24,000
Storage	18,710	18,115
Sundry expenses	2,219	10,888
Postage, printing and photocopying	3,018	4,343
Stationery and office expenses	4,250	2,551
Travelling expenses	2,557	688
	<u>251,561</u>	<u>285,983</u>

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

8. CASH AND CASH EQUIVALENTS

	<u>2016</u> HK\$	<u>2015</u> HK\$
Cash and cash equivalents comprised in HKD	<u>205,672</u>	<u>211,190</u>

9. INVENTORIES

	<u>2016</u> HK\$	<u>2015</u> HK\$
Dictionary of HK Biography	<u>-</u>	<u>-</u>

10. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2016</u> HK\$	<u>2015</u> HK\$
Listed shares, at market value		
Beginning of the year	506,770	355,200
Addition during the year	-	197,961
Net (loss) transfer to reserves	<u>(12,310)</u>	<u>(46,391)</u>
	<u>494,460</u>	<u>506,770</u>

ROYAL ASIATIC SOCIETY HONG KONG BRANCH

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

11. EQUIPMENT

	Computer Equipment HK\$
Cost	
At 1.1.2016 and 31.12.2015	27,300
Written off	(14,500)
Additions	8,219
	<hr/>
At 31.12.2016	21,019
	<hr/>
Accumulated depreciation	
At 1.1.2016 and 31.12.2015	27,298
Written back	(14,500)
Charge for the year	342
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At 31.12.2016	13,140
	<hr/>
Net book value	
At 31.12.2016	7,879
	<hr/>
At 31.12.2015	2
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12. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Council on 07 March 2017.