

THE CONSERVANCY ASSOCIATION

長春社

STATEMENTS OF ACCOUNTS

For the year ended 31st December 2011

楊少銓會計師事務所
ALBERT S. C. YOUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

THE CONSERVANCY ASSOCIATION
EXECUTIVE COMMITTEE'S REPORT

The executive committee has pleasure in submitting its annual report together with the audited financial statements of the Association for the year ended 31st December 2011.

Principal activities

The Association is established for the objective of promoting environmental protection.

Results and appropriations

The result of the Association for the year ended 31st December 2011 and the state of the Association's affairs at that date are set out in the annexed financial statements and notes.

Property, plant and equipment

Details of movements during the year in the property, plant and equipment of the Association are set out in note 7 to the financial statements.

Executive committee

The members of executive committee during the year and up to the date of this report were:

Mr. Lam Kin Lai (Chairman)
Mr. Chan Chit Kwai, Stephen
Mr. Chan Kim On
Ms. Chan Suk Han
Mr. Hau Chi Hang
Ms. Ho Siu Fong
Mr. Hung Wing Tat
Mr. Lai Kwong Tak, Albert
Ms. Law Wai Yi, Winnie
Mr. Ng Cho Nam
Mr. Wan Kwok Wai, Martin
Ms. Woo Kwok Ping
Mr. Yick Wing Fat, Simon
Mr. Yick Wing Lam, William

In accordance with the Articles no. 42 & 46 of Association, the names should be as Mr. Lam Kin Lai; Mr. Chan Kim On; Ms. Chan Suk Han; Mr. Lai Kwong Tak, Albert; Mr. Ng Cho Nam; Mr. Wan Kwok Wai, Martin; Ms. Woo Kwok Ping; Mr. Yick Wing Fat, Simon whose term of office shall expire on the close of this year's Annual General Meeting and, being eligible, shall offer themselves for re-election.

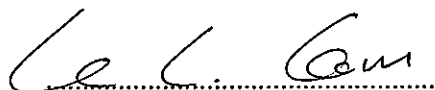
Executive committee members' interests in contracts

No contract of significance to which the Association was a party and in which the executive committee members of Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Auditors

A resolution to reappoint Messrs. Albert S. C. Young & Company as auditors of the Association will be proposed at the annual general meeting.

On behalf of the executive committee



Chairman

Hong Kong, 14 MAY 2012

楊少銓會計師事務所 香港執業會計師

ALBERT S. C. YOUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

89-93 Bonham Strand, 2nd Floor, Office C, Man Lok Building, Hong Kong.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE CONSERVANCY ASSOCIATION**

We have audited the financial statements of The Conservancy Association set on pages 4 to 12 which comprise statement of financial position as at 31st December 2011 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Executive committee members' responsibilities for the financial statements

The executive committee members are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards for Private Entities issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Hong Kong Companies Ordinance, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive committee members, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

楊少銓會計師事務所 香港執業會計師

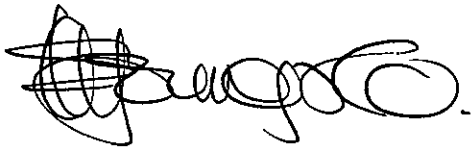
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE CONSERVANCY ASSOCIATION**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Association's affairs as at 31st December 2011 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards for Private Entities and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



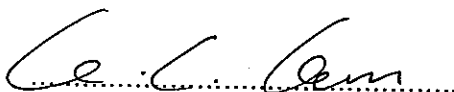
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Albert S. C. Young & Company,
Certified Public Accountants.

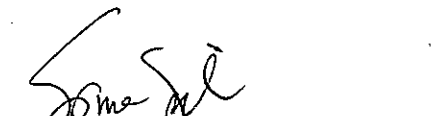
Hong Kong, 14 MAY 2012

THE CONSERVANCY ASSOCIATION
STATEMENT OF FINANCIAL POSITION at 31st December 2011

	Note	<u>2011</u> \$	<u>2010</u> \$
ASSETS			
Non-current assets			
Property, plant and equipment	7	393,974	61,336
Amount due from a related Association	8	650,000	1,750,000
		<u>1,043,974</u>	<u>1,811,336</u>
Current assets			
Accounts and other receivables	9	2,827,088	2,022,192
Cash and cash equivalents	10	6,703,939	6,519,550
		<u>9,531,027</u>	<u>8,541,742</u>
Current liabilities			
Accounts and other payables	11	3,719,899	2,354,848
Net current assets		<u>5,811,128</u>	<u>6,186,894</u>
Net assets		<u>6,855,102</u>	<u>7,998,230</u>
 GENERAL FUND			
Accumulated surplus		<u>6,855,102</u>	<u>7,998,230</u>

Approved and authorised for issue by the board of executive committee on **14 MAY 2012**


 Chairman


 Honorary treasurer

THE CONSERVANCY ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2011

	Note	<u>2011</u> \$	<u>2010</u> \$
Income	4	8,654,698	9,170,774
Expenditure			
Projects		4,518,958	6,163,779
Operating and administrative		4,128,868	2,373,803
		<u>8,647,826</u>	<u>8,537,582</u>
Waive of amount due from a related Association		1,150,000	-
(Deficit)/surplus for the year	5	(1,143,128)	633,192
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		<u>(1,143,128)</u>	<u>633,192</u>

THE CONSERVANCY ASSOCIATION
STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2011

	<u>Accumulated surplus</u> \$
Balance at 31.12.2009	7,365,038
Total comprehensive income for the year	633,192
Balance at 31.12.2010	<u>7,998,230</u>
Total comprehensive loss for the year	(1,143,128)
Balance at 31.12.2011	<u><u>6,855,102</u></u>

THE CONSERVANCY ASSOCIATION
STATEMENT OF CASH FLOWS
For the year ended 31st December 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash flows from operating activities		
(Deficit)/surplus for the year	(1,143,128)	633,192
Adjustments for:		
Depreciation	69,986	43,982
Bank interest income	(39,564)	(19,481)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(1,112,706)	657,693
Decrease in amount due from a related Association	1,100,000	-
(Increase) in accounts and other receivables	(804,896)	(1,038,746)
Increase in accounts and other payables	1,365,051	777,181
	<hr/>	<hr/>
Net cash generated from operating activities	547,449	396,128
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Cash flows from investing activities		
Bank interest income	39,564	19,481
Purchase of property, plant and machinery	(402,624)	(21,660)
	<hr/>	<hr/>
Net cash (used in) investing activities	(363,060)	(2,179)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase in cash and cash equivalents	184,389	393,949
Cash and cash equivalents at beginning of year	6,519,550	6,125,601
	<hr/>	<hr/>
Cash and cash equivalents at end of year	6,703,939	6,519,550
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Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	6,703,939	6,519,550
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THE CONSERVANCY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

1. General

The Association is domiciled and incorporated in Hong Kong with limited guarantee without share capital. Under the provision of its Memorandum and Articles of Association every member shall, in the event of the Association being wound up, contribute such amount as may be required to meet the liabilities of the Association but not exceeding the sum of HK\$10.00 each.

The address of the registered office and principal place of the Association is Unit 102, 1/F., Park Building, No. 476 Castle Peak Road, Kowloon. The principal activities of the Association were promoting environmental protection during the year. The functional currency of the Association is Hong Kong dollars, and thus its financial statements are presented in Hong Kong dollars.

2. Significant accounting policies

(a) Basis of accounting

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

(b) Revenue recognition

Revenue comprises income from fund-raising and projects are accounted for on accrual basis.

(c) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets, other than legal title, to the Association. All other leases are classified as operating leases.

The Association as lessee

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

(d) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. If not, the expenditure is treated as an expense in the period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives on a straight-line basis.

THE CONSERVANCY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(g) Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when the Association becomes a party to the contractual provisions of the instrument and measured at fair value.

(i) Accounts and other receivables are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

(iii) Accounts and other payables are subsequently measured at amortised cost, using the effective interest rate method.

3. Critical accounting estimates and judgement

The Association's management makes assumptions, estimates and judgements in the process of applying the Association's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRS for Private Entities. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

(a) Key assumption and other key sources of estimation uncertainty

In the opinion of executive committee members, there is no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

(b) Critical judgements in applying the Association's accounting policies

In the opinion of executive committee members, there is no critical judgements in applying the Association's accounting policies.

THE CONSERVANCY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

4. Income

Income comprises income from fund-raising and projects are accounted for on accrual basis.

5. (Deficit)/surplus for the year

	<u>2011</u>	<u>2010</u>
	\$	\$
(Deficit)/surplus is arrived at after charging the following items,		
Auditor's remuneration	-	-
Executive committee members' emoluments	-	-
- Committee members' fee	-	-
- Salaries and allowance	-	-
Staff cost	-	-
- Salaries	2,725,976	1,176,723
- Mandatory provident fund	247,927	188,906
Depreciation	69,986	43,982
Hire of premises under operating leases	373,752	389,760
Waive of amount due from a related Association	1,150,000	-
	1,150,000	-

6. Taxation

The Association has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution of a public character.

7. Property, plant and equipment

	<u>Computer</u>	<u>Office equipment</u>	<u>Furniture and fixtures</u>	<u>Total</u>
	\$	\$	\$	\$
Cost -				
At 31.12.2010	113,122	122,371	1,120	236,613
Additions	15,033	9,510	378,081	402,624
At 31.12.2011	128,155	131,881	379,201	639,237
Accumulated depreciation -				
At 31.12.2010	94,049	80,481	747	175,277
Charges for the year	12,052	27,491	30,443	69,986
At 31.12.2011	106,101	107,972	31,190	245,263
Net book value -				
At 31.12.2011	22,054	23,909	348,011	393,974
At 31.12.2010	19,073	41,890	373	61,336

Depreciation is charges on straight line basis at the following annual rates :

Computer	30%
Office equipment	25%
Furniture and fixtures	20%

THE CONSERVANCY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

8. Amount due from a related Association

The amount due from a related Association (the balanced loans) is unsecured, interest-free and repayable on demand.

9. Accounts and other receivables

	<u>2011</u>	<u>2010</u>
	\$	\$
Accounts receivable		
Interest receivable	2,168,094	1,172,657
Rental and other deposits and prepayment	8,589	2,251
Deficit on projects in progress	330,103	173,927
	320,302	673,357
	<u>2,827,088</u>	<u>2,022,192</u>

10. Cash and cash equivalents

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash at bank and in hand		
Fixed deposit	2,747,665	1,057,795
	3,956,274	5,461,755
	<u>6,703,939</u>	<u>6,519,550</u>

Cash and cash equivalents comprise cash at bank and in hand. The executive committee members consider that the carrying amount of these assets approximates their fair value.

11. Accounts and other payables

	<u>2011</u>	<u>2010</u>
	\$	\$
Accrued charges and account payable		
Received in advance	2,700	33,447
Surplus on projects in progress	748,557	469,944
	2,968,642	1,851,457
	<u>3,719,899</u>	<u>2,354,848</u>

12. Significant operating leasing arrangements

At the end of reporting period, the significant total future operating leasing commitment for land and buildings are payable as follows :

	<u>2011</u>	<u>2010</u>
	\$	\$
Within one year		
Between two and five years	488,592	292,320
	325,728	-
	<u>814,320</u>	<u>292,320</u>

THE CONSERVANCY ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS

13. Financial instruments

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity of the instrument.

The members of executive committee have considered the effect of the financial instruments and do not anticipate that there are any material impact or risk associated with the financial instruments that need to be accounted for in the Association's financial statements.