

**ALICE HO MIU LING NETHERSOLE
CHARITY FOUNDATION**

雅麗氏何妙齡那打素慈善基金會

**AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017**

F. S. Li & Co.

李福樹會計師事務所

**CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION
(incorporated under Cap. 1181 of the Laws of Hong Kong)

Opinion

We have audited the consolidated financial statements of Alice Ho Miu Ling Nethersole Charity Foundation (the "Foundation") and its subsidiary (together, the "Group") set out on pages 3 to 26, which comprise the consolidated and Foundation statements of financial position as at 31st March 2017, and the consolidated and Foundation statements of comprehensive income, the consolidated and Foundation statements of changes in equity and the consolidated and Foundation cash flow statements for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and of the Foundation as at 31st March 2017, and of the financial performance and the cash flows of the Group and of the Foundation for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRSPE") 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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** section of our report. We are independent of the Group 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 Consolidated Financial Statements and Auditor's Report Thereon

The Governors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Governors and Those Charged with Governance for the Consolidated Financial Statements

The Governors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the HKFRSPE issued by the HKICPA, and for such internal control as the Governors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Governors are responsible for assessing the Group'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 Governors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, in accordance with our agreed terms of engagement, 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 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 consolidated financial statements.

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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.
- Conclude on the appropriateness of the Governors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.



F. S. Li & Co.
Certified Public Accountants

Hong Kong, 5th September 2017.

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2017

	<u>Note</u>	2017 HK\$	(Reclassified) 2016 HK\$
INCOME			
Government grants and subventions		64,976,806	65,038,149
<u>Less: Amounts clawed back by Social Welfare</u> Department ("SWD")		-	(476,709)
		64,976,806	64,561,440
Dividends from available-for-sale investments		20,197,840	18,553,535
Donations		1,581,306	1,498,597
Service fee income		5,789,346	5,692,822
Interest income		1,821,533	2,816,770
Income on licensing and car parking fees		5,265,711	5,680,542
Program income		1,344,014	1,062,072
Purchasing service income		2,817,765	2,758,015
Sales on rehab shop		18,994,691	19,130,818
Administration service income		3,112,396	2,686,595
Other income		405,436	472,119
Total revenues		126,306,844	124,913,325
Gain on disposal of available-for-sale investments		9,274,861	90,452,802
TOTAL INCOME		135,581,705	215,366,127
EXPENDITURE			
Cost of sales on rehab shop		(16,333,878)	(16,467,620)
Operating expenses on rehab shop		(487,587)	(372,701)
Operating expenses on services	4	(91,645,114)	(89,793,315)
Donations		(13,249,779)	(12,271,120)
Administration, property management and other expenses		(37,490,732)	(16,995,674)
Loss on foreign exchange		(2,748,423)	(3,105,496)
TOTAL EXPENDITURE		(161,955,513)	(139,005,926)
(DEFICIT)/SURPLUS FOR THE YEAR	5	(26,373,808)	76,360,201
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Reclassification from investment revaluation reserve to surplus or deficit on disposal of available-for-sale investments	18	(127,931)	(95,129,895)
Change in fair value of available-for-sale investments	18	62,479,554	(58,611,837)
		62,351,623	(153,741,732)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		35,977,815	(77,381,531)

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31ST MARCH 2017

	Note	HK\$	2017 HK\$	2016 HK\$
NON-CURRENT ASSETS				
Property, plant and equipments	7		87,593	180,719
Available-for-sale investments	9		<u>828,723,258</u>	<u>715,194,871</u>
			828,810,851	<u>715,375,590</u>
CURRENT ASSETS				
Inventories		887,485		897,870
Account receivables and deposits	10	4,581,541		22,030,247
Bank and cash balances		<u>211,190,716</u>		<u>276,959,179</u>
		216,659,742		299,887,296
Less: CURRENT LIABILITIES				
Account payables and accruals		<u>13,792,432</u>		<u>19,562,540</u>
NET CURRENT ASSETS			<u>202,867,310</u>	<u>280,324,756</u>
NET ASSETS			<u>1,031,678,161</u>	<u>995,700,346</u>
<i>financed by:</i>				
RESERVES				
Government's reserves				
Block Grant reserve	12		945,691	309,208
Lump Sum Grant reserve	13		44,750,717	43,929,037
Provident Fund reserve	14		9,485,544	8,686,550
Social Welfare Development Fund surpluses	15		74,818	141,343
Foundation's reserves				
Alice Ho Miu Ling Nethersole Nursing Home	16		2,611,848	2,675,128
Designated Funds	17		37,263,224	46,837,927
Investment revaluation reserve	18		176,672,318	114,320,695
Nethersole Hospital Fund	19		496,016,353	511,801,844
Special Reserve Fund	20		263,857,648	267,002,803
Income and expenditure account - deficit			<u>-</u>	<u>(4,189)</u>
			<u>1,031,678,161</u>	<u>995,700,346</u>

The consolidated financial statements on pages 3 to 26 were approved and authorized for issue by the Board of Governors on 5th September 2017.


Chairman


Honorary Treasurer


Secretary

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31ST MARCH 2017

	Government's reserves						Foundation's reserves					Total HK\$
	Additional Resources for Para-medical Staff surpluses HK\$	Block Grant reserve HK\$	Lump Sum Grant reserve HK\$	Provident Fund reserve HK\$	Social Welfare Development Fund surpluses HK\$	Alice Ho Miu Ling Nethersole Nursing Home HK\$	Designated Funds HK\$	Investment revaluation reserve HK\$	Nethersole Hospital Fund HK\$	Special Reserve Fund HK\$	Income and expenditure account HK\$	
Balance at 31st March 2015	1	37,572	42,378,283	8,167,871	96,638	2,866,856	44,014,405	268,062,427	486,155,138	221,306,876	(4,190)	1,073,081,877
Surplus/(Deficit) for the year	(1)	271,636	1,550,754	518,679	44,705	(191,728)	(15,375,882)	-	25,646,706	63,895,331	-	76,360,201
Amount released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(95,129,895)	-	-	-	(95,129,895)
Change in fair value of available-for-sale investments	-	-	-	-	-	-	-	(58,611,837)	-	-	-	(58,611,837)
Total comprehensive income/(expense)	(1)	271,636	1,550,754	518,679	44,705	(191,728)	(15,375,882)	(153,741,732)	25,646,706	63,895,331	-	(77,381,531)
Transfer	-	-	-	-	-	-	18,199,404	-	-	(18,199,404)	-	-
Balance at 31st March 2016	-	309,208	43,929,037	8,686,550	141,343	2,675,128	46,837,927	114,320,695	511,801,844	267,002,803	(4,189)	995,700,346
Surplus/(Deficit) for the year	-	636,483	821,680	798,994	(66,525)	(63,280)	(34,567,519)	-	9,199,825	(3,137,655)	4,189	(26,373,808)
Amount released on disposal of available-for-sale investments	-	-	-	-	-	-	-	(127,931)	-	-	-	(127,931)
Change in fair value of available-for-sale investments	-	-	-	-	-	-	-	62,479,554	-	-	-	62,479,554
Total comprehensive income/(expense)	-	636,483	821,680	798,994	(66,525)	(63,280)	(34,567,519)	62,351,623	9,199,825	(3,137,655)	4,189	35,977,815
Transfer	-	-	-	-	-	-	24,992,816	-	(24,985,316)	(7,500)	-	-
Balance at 31st March 2017	-	945,691	44,750,717	9,485,544	74,818	2,611,848	37,263,224	176,672,318	496,016,353	263,857,648	-	1,031,678,161

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2017

	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/Surplus for the year	(26,373,808)	76,360,201
Adjustments for:		
Interest income	(1,821,533)	(2,816,770)
Dividends from available-for-sale investments	(20,197,840)	(18,553,535)
Gain on disposal of available-for-sale investments	(9,274,861)	(90,452,802)
Waiver of amount due from UCNH	18,308,136	-
Depreciation	<u>75,944</u>	<u>82,228</u>
Operating loss before working capital changes	(39,283,962)	(35,380,678)
Decrease/(Increase) in inventories	10,385	(78,236)
Increase in accounts receivables and deposits	(679,490)	(2,108,944)
(Decrease)/Increase in accounts payables and accruals	(5,770,108)	3,508,623
Decrease in amounts refundable to SWD	<u>-</u>	<u>(49,574)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>(45,723,175)</u></u>	<u><u>(34,108,809)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,838,798	2,986,418
Dividends received	20,000,635	18,624,449
Sale of available-for-sale investments	252,051,151	345,385,141
Purchase of available-for-sale investments	(293,953,054)	(304,084,685)
Purchase of property, plant and equipment	-	(22,000)
Cost adjustment of property, plant and equipment	17,182	-
Net (increase)/decrease in time deposits of more than 3 months to maturity from date of deposit	<u>(9,818,630)</u>	<u>6,515,956</u>
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	<u><u>(29,863,918)</u></u>	<u><u>69,405,279</u></u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(75,587,093)	35,296,470
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>260,197,862</u>	<u>224,901,392</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>184,610,769</u></u>	<u><u>260,197,862</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	211,190,716	276,959,179
Less: Time deposits of more than 3 months to maturity from date of deposit	<u>(26,579,947)</u>	<u>(16,761,317)</u>
	<u><u>184,610,769</u></u>	<u><u>260,197,862</u></u>

Non-cash transactions:

During the year, the Group did not receive scrip dividends in lieu of cash dividends (2016 - received scrip dividends in lieu of cash dividends of HK\$1,386,136).

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2017

	<u>Note</u>	2017 HK\$	(Reclassified) 2016 HK\$
INCOME			
Government grants and subventions		64,976,806	65,038,149
<u>Less: Amounts clawed back by SWD</u>		<u>-</u>	<u>(476,709)</u>
		64,976,806	64,561,440
Dividends from available-for-sale investments		20,197,840	18,553,535
Donations		1,581,286	1,498,144
Service fee income		5,553,926	5,511,942
Interest income		1,821,531	2,816,768
Income on licensing and car parking fees		5,265,711	5,680,542
Program income		1,050,795	962,212
Purchasing service income		2,817,765	2,758,015
Sales on rehab shop		18,994,691	19,130,818
Administration service income		3,112,396	2,686,595
Other income		<u>405,436</u>	<u>472,119</u>
Total revenues		125,778,183	124,632,130
Gain on disposal of available-for-sale investments		<u>9,274,861</u>	<u>90,452,802</u>
TOTAL INCOME		<u>135,053,044</u>	<u>215,084,932</u>
EXPENDITURE			
Cost of sales on rehab shop		(16,333,878)	(16,467,620)
Operating expenses on rehab shop		(487,587)	(372,701)
Operating expenses on services	4	(87,010,817)	(85,495,833)
Donations		(17,374,739)	(16,297,473)
Administration, property management and other expenses		(37,475,597)	(16,985,609)
Loss on foreign exchange		<u>(2,748,423)</u>	<u>(3,105,496)</u>
TOTAL EXPENDITURE		<u>(161,431,041)</u>	<u>(138,724,732)</u>
(DEFICIT)/SURPLUS FOR THE YEAR	5	<u>(26,377,997)</u>	<u>76,360,200</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Reclassification from investment revaluation reserve to surplus or deficit on disposal of available-for-sale investments	18	(127,931)	(95,129,895)
Change in fair value of available-for-sale investments	18	<u>62,479,554</u>	<u>(58,611,837)</u>
		<u>62,351,623</u>	<u>(153,741,732)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		<u>35,973,626</u>	<u>(77,381,532)</u>

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION


STATEMENT OF FINANCIAL POSITION AT 31ST MARCH 2017

	<u>Note</u>	HK\$	2017 HK\$	2016 HK\$
NON-CURRENT ASSETS				
Property, plant and equipments	7		87,593	180,719
Available-for-sale investments	9		<u>828,723,258</u>	<u>715,194,871</u>
			828,810,851	<u>715,375,590</u>
CURRENT ASSETS				
Inventories		887,485		897,870
Account receivables and deposits	10	4,827,027		22,023,709
Bank and cash balances		<u>210,761,215</u>		<u>276,214,477</u>
		216,475,727		299,136,056
Less: CURRENT LIABILITIES				
Account payables and accruals		<u>13,608,417</u>		<u>18,807,111</u>
NET CURRENT ASSET:			<u>202,867,310</u>	<u>280,328,945</u>
NET ASSETS			<u>1,031,678,161</u>	<u>995,704,535</u>
<i>financed by:</i>				
RESERVES				
Government's reserves				
Block Grant reserve	12		945,691	309,208
Lump Sum Grant reserve	13		44,750,717	43,929,037
Provident Fund reserve	14		9,485,544	8,686,550
Social Welfare Development Fund				
surpluses	15		74,818	141,343
Foundation's reserves				
Alice Ho Miu Ling Nethersole Nursing				
Home	16		2,611,848	2,675,128
Designated Funds	17		37,263,224	46,837,927
Investment revaluation reserve	18		176,672,318	114,320,695
Nethersole Hospital Fund	19		496,016,353	511,801,844
Special Reserve Fund	20		<u>263,857,648</u>	<u>267,002,803</u>
			<u>1,031,678,161</u>	<u>995,704,535</u>

The consolidated financial statements on pages 3 to 26 were approved and authorized for issue by the Board of Governors on 5th September 2017.


Chairman


Honorary Treasurer


Secretary

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31st MARCH 2017**

	Government's reserves					Foundation's reserves					Total HK\$
	Additional Resources for Para-medical Staff surpluses HK\$	Block Grant reserve HK\$	Lump Sum Grant reserve HK\$	Provident Fund reserve HK\$	Social Welfare Development Fund surpluses HK\$	Alice Ho Miu Ling Nethersole Nursing Home HK\$	Designated Funds HK\$	Investment revaluation reserve HK\$	Nethersole Hospital Fund HK\$	Special Reserve Fund HK\$	
Balance at 31st March 2015	37,572	42,378,283	8,167,871	96,638	2,866,856	44,014,405	268,062,427	486,155,138	221,306,876	1,073,086,067	
Surplus/(Deficit) for the year	(1) 271,636	1,550,754	518,679	44,705	(191,728)	(15,375,882)	-	25,646,706	63,895,331	76,360,200	
Amount released on disposal of available-for-sale investments	-	-	-	-	-	-	(95,129,895)	-	-	(95,129,895)	
Change in fair value of available-for-sale investments	-	-	-	-	-	-	(58,611,837)	-	-	(58,611,837)	
Total comprehensive income/(expense)	(1) 271,636	1,550,754	518,679	44,705	(191,728)	(15,375,882)	(153,741,732)	25,646,706	63,895,331	(77,381,532)	
Transfer	-	-	-	-	-	18,199,404	-	-	(18,199,404)	-	
Balance at 31st March 2016	309,208	43,929,037	8,686,550	141,343	2,675,128	46,837,927	114,320,695	511,801,844	267,002,803	995,704,535	
Surplus/(Deficit) for the year	636,483	821,680	798,994	(66,525)	(63,280)	(34,567,519)	-	9,199,825	(3,137,655)	(26,377,997)	
Amount released on disposal of available-for-sale investments	-	-	-	-	-	-	(127,931)	-	-	(127,931)	
Change in fair value of available-for-sale investments	-	-	-	-	-	-	62,479,554	-	-	62,479,554	
Total comprehensive income/(expense)	636,483	821,680	798,994	(66,525)	(63,280)	(34,567,519)	62,351,623	9,199,825	(3,137,655)	35,973,626	
Transfer	-	-	-	-	-	24,992,816	-	(24,985,316)	(7,500)	-	
Balance at 31st March 2017	945,691	44,750,717	9,485,544	74,818	2,611,848	37,263,224	176,672,318	496,016,353	263,857,648	1,031,678,161	

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2017

	<u>2017</u> HK\$	<u>2016</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/Surplus for the year	(26,377,997)	76,360,200
Adjustments for:		
Interest income	(1,821,531)	(2,816,768)
Dividends from available-for-sale investments	(20,197,840)	(18,553,535)
Gain on disposal of available-for-sale investments	(9,274,861)	(90,452,802)
Waiver of amount due from UCNH	18,308,136	-
Depreciation	<u>75,944</u>	<u>82,228</u>
Operating loss before working capital changes	(39,288,149)	(35,380,677)
(Decrease)/Increase in inventories	10,385	(78,236)
Increase in accounts receivables and deposits	(931,514)	(2,078,253)
(Decrease)/Increase in accounts payables and accruals	(5,198,694)	3,575,036
Decrease in amounts refundable to SWD	<u>-</u>	<u>(49,574)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>(45,407,972)</u></u>	<u><u>(34,011,704)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,838,796	2,986,416
Dividends received	20,000,635	18,624,449
Sale of available-for-sale investments	252,051,151	345,385,141
Purchase of available-for-sale investments	(293,953,054)	(304,084,685)
Purchase of property, plant and equipment	-	(22,000)
Cost adjustment of property, plant and equipment	17,182	-
Net (increase)/decrease in time deposits of more than 3 months to maturity from date of deposit	<u>(9,818,630)</u>	<u>6,515,956</u>
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	<u><u>(29,863,920)</u></u>	<u><u>69,405,277</u></u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(75,271,892)	35,393,573
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>259,453,160</u>	<u>224,059,587</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>184,181,268</u></u>	<u><u>259,453,160</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	210,761,215	276,214,477
<u>Less:</u> Time deposits of more than 3 months to maturity from date of deposit	<u>(26,579,947)</u>	<u>(16,761,317)</u>
	<u><u>184,181,268</u></u>	<u><u>259,453,160</u></u>

Non-cash transactions:

During the year, the Foundation did not receive scrip dividends in lieu of cash dividends (2016 - received scrip dividends in lieu of cash dividends of HK\$1,386,136).

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

1. General

Alice Ho Miu Ling Nethersole Charity Foundation (the "Foundation"), is a Christian institution incorporated under the Alice Ho Miu Ling Nethersole Charity Foundation Ordinance (Cap. 1181 of the Laws of Hong Kong).

The registered office of the Foundation is at 11 Chuen On Road, Tai Po, New Territories, Hong Kong.

The activities of the Foundation and its subsidiary company during the year were to operate and support services and projects which help implement the Foundation's objectives of including but not limited to the care, treatment and comfort (whether physically, psychologically or spiritually) of those who are weak, sick or aged or are in need of assistance, and the promotion and demonstration of the Christian belief in the wholeness of man, his body and spirit in the service of people in need.

2. Principal accounting policies

(a) Basis of preparation

These consolidated financial statements were prepared by the Foundation in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRSPE") issued by the Hong Kong Institute of Certified Public Accountants.

The consolidated financial statements have been prepared under the historical cost convention except that the available-for-sale investments are stated at fair value.

(b) Consolidation

The consolidated financial statements include the accounts of the Foundation and its subsidiary (together, the "Group") made up to 31st March after eliminating inter-group transactions and balances.

(c) Revenue recognition

(i) Dividend income is recognized when the right to receive the income is established.

(ii) Donations are recognized when the funds have been received.

(iii) Interest income is recognized as it accrues using the effective interest method.

(iv) Licensing and car parking fees from properties held under operating leases is accounted for, using a straight line basis, over the respective periods of the leases.

(v) Government subvention is recognized as income when no specified future performance conditions are imposed; if there are conditions, it is recognized as income when conditions are fulfilled.

(vi) Program and service income is recognized upon provision of service.

(vii) Sales on rehab shop is recognized upon delivery of goods.

2. Principal accounting policies (continued)

(d) Foreign currencies

The Group's and the Foundation's functional currency and presentation currency are Hong Kong dollars. Transactions arising in foreign currencies during the year are converted at exchange rates approximating to those ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated at rates of exchange approximating to those ruling at the end of reporting period. All exchange differences are dealt with in surplus or deficit.

(e) Impairment losses

At the end of each reporting period, property, plant and 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 asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment is recognized immediately in surplus or deficit.

Similarly, at the end of each reporting period inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in surplus or deficit.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in surplus or deficit.

(f) Property, plant and equipment

Property, plant and equipment (other than those funded by subventions) are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of property, plant and equipment less accumulated impairment loss over their estimated useful lives using a straight line basis at the following rates:-

Furniture and fixtures	20 per cent per annum
Computer software and hardware	33-1/3 per cent per annum

(g) Assets held under operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to surplus or deficit on a straight line basis over the lease periods.

(h) Subsidiary company

A company is a subsidiary company if it is controlled by the Foundation.

2. Principal accounting policies (continued)

(i) Financial instruments

To account for financial instruments (financial assets and liabilities), the Group/the Foundation chooses to apply the recognition and measurement provision of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" of Hong Kong Financial Reporting Standards and the disclosure requirements of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of HKFRSPE.

(j) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted securities that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognized directly in investment revaluation reserve until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in investment revaluation reserve is included in surplus or deficit.

(k) Inventories

Inventories, representing goods for sale, are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs of purchases and other costs incurred in bringing the inventories to the present location and condition. Net realizable value represents estimated selling price less direct selling costs.

(l) Account receivables and deposits

Account receivables and deposits are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts, unless the effect of discounting would be immaterial, in which case the receivables and deposits are stated at cost less impairment losses for bad and doubtful debts. A provision for impairment of receivables and deposits is made when there is objective evidence that the Group/the Foundation will not be able to collect all amounts due according to the original terms of receivables and deposits.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, and deposits with banks within 3 months to maturity from date of deposit.

(n) Account payables and accruals

Accounts payable and accruals are initially recognized at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

2. Principal accounting policies (continued)

(p) Provisions

Provisions are recognized for liabilities of uncertain timing or amount when the Group/the Foundation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(q) Related parties

For the purpose of these consolidated financial statements, related party includes a person or an entity as defined below:

- (i) A person or a close member of that person's family is related to the Group/the Foundation if that person:
 - (a) is a member of the key management personnel of the Group/the Foundation or of a parent of the Group/the Foundation;
 - (b) has control over the Group/the Foundation; or
 - (c) has joint control or significant influence over the Group/the Foundation or has significant voting power in it.
- (ii) An entity is related to the Group/the Foundation if any of the following conditions applies:
 - (a) the entity and the Group/the Foundation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) either entity is an associate or joint venture of the other entity (or of a member of the group of which the other entity is a member).
 - (c) both entities are joint ventures of a third entity.
 - (d) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group/the Foundation or an entity related to the Group/the Foundation. If the Group/the Foundation is itself such a plan, the sponsoring employers are also related to the plan.
 - (f) the entity is controlled or jointly controlled by a person identified in Note 2(q)(i).
 - (g) a person identified in Note 2(q)(i)(a) has significant voting power in the entity.
 - (h) a person identified in Note 2(q)(i)(b) has significant influence over the entity or significant voting power in it.
 - (i) a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the Group/the Foundation.
 - (j) a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the Group/the Foundation or has significant voting power in it.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. Accounting estimates and judgments

The key sources of estimation, uncertainty and critical accounting judgements in applying the Group's and the Foundation's accounting policies are described below.

Valuation of available-for-sale investments

The fair value of available-for-sale investments is based on market prices quoted, for equivalent instruments at the end of reporting period, by the financial institutions which provide investment agency services to the Group/the Foundation.

4. Operating expenses on services

	<u>The Group</u>		<u>The Foundation</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$	<u>2017</u> HK\$	<u>2016</u> HK\$
Chaplaincy services	9,690,616	9,167,483	9,690,616	9,167,483
Elderly services	70,722,753	70,784,931	70,722,753	70,784,931
Rehabilitation services	4,634,297	4,297,482	-	-
Education services	5,419,299	4,252,481	5,419,299	4,252,481
Volunteer and community development	718,893	675,837	718,893	675,837
Community and patient resources	459,256	615,101	459,256	615,101
	<u>91,645,114</u>	<u>89,793,315</u>	<u>87,010,817</u>	<u>85,495,833</u>

5. (Deficit)/Surplus for the year

(Deficit)/Surplus for the year is stated after charging the following items:

	<u>The Group</u>		<u>The Foundation</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$	<u>2017</u> HK\$	<u>2016</u> HK\$
Staff cost				
Salaries, wages, allowances and benefits (excluding contributions to provident fund)	77,895,203	69,300,036	74,079,885	65,755,150
Contributions to defined contribution provident fund	<u>5,023,869</u>	<u>4,541,489</u>	<u>4,776,757</u>	<u>4,317,517</u>
	82,919,072	73,841,525	78,856,642	70,072,667
Waiver of amount due from UCNH	18,308,136	-	18,308,136	-
Depreciation	<u>75,944</u>	<u>82,228</u>	<u>75,944</u>	<u>82,228</u>

6. Taxation

The Foundation and its subsidiary company are charitable institutions and are exempt from Hong Kong profits tax under section 88 of the Hong Kong Inland Revenue Ordinance.

7. Property, plant and equipment

	<u>Furniture and equipment</u> HK\$	<u>Computer software and hardware</u> HK\$	<u>Total</u> HK\$
Cost			
At 31st March 2016	390,284	414,423	804,707
Cost adjustment	<u>-</u>	<u>(17,182)</u>	<u>(17,182)</u>
At 31st March 2017	<u>390,284</u>	<u>397,241</u>	<u>787,525</u>
Accumulated depreciation			
At 31st March 2016	325,129	298,859	623,988
Charge for the year	<u>25,795</u>	<u>50,149</u>	<u>75,944</u>
At 31st March 2017	<u>350,924</u>	<u>349,008</u>	<u>699,932</u>
Net book value			
At 31st March 2017	<u>39,360</u>	<u>48,233</u>	<u>87,593</u>
At 31st March 2016	<u>65,155</u>	<u>115,564</u>	<u>180,719</u>

In addition to above property, plant and equipment, the Group/the Foundation owns a leasehold land in Hong Kong which is granted by the Government of the HKSAR without consideration. The Group/The Foundation has contributed the costs of construction of Block K and portions of costs of construction of Block J and main hospital of Alice Ho Miu Ling Nethersole Hospital on the land. As these properties are prohibited from alienation and any purposes other than for the purpose of the hospital according to the Government lease, these properties are considered to be no commercial value and therefore their book values are nil.

8. Subsidiary company

The Foundation is the sole member of its subsidiary company which is limited by guarantee and has no share capital. There is no investment cost in the subsidiary company.

Particulars of the subsidiary company are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Percentage held</u>	<u>Activity nature</u>
Alice Ho Miu Ling Nethersole Social Service Limited	Hong Kong	100%	During the year under review, to operate, manage and supervise the operation and management of a self-financed home for aged people and dementia, and to provide community rehabilitation services (including physiotherapy and occupational therapy).

9. Available-for-sale investments

	<u>2017</u> HK\$	<u>2016</u> HK\$
Listed equity securities, listed debt securities and fund investments, at market value	<u>828,723,258</u>	<u>715,194,871</u>
Representing:		
Designated Funds	42,391,207	37,743,537
Nethersole Hospital Fund	486,070,108	447,880,508
Special Reserve Fund	<u>300,261,943</u>	<u>229,570,826</u>
	<u>828,723,258</u>	<u>715,194,871</u>

10. Account receivables and deposits

	<u>The Group</u>		<u>The Foundation</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$	<u>2017</u> HK\$	<u>2016</u> HK\$
Amount due from subsidiary company	-	-	370,411	4,506
Amount due from United Christian Nethersole Care Home (Note 11)	-	16,613,718	-	16,613,718
Other receivables and deposits	<u>4,581,541</u>	<u>5,416,529</u>	<u>4,456,616</u>	<u>5,405,485</u>
	<u>4,581,541</u>	<u>22,030,247</u>	<u>4,827,027</u>	<u>22,023,709</u>

11. Amount due from United Christian Nethersole Care Home

The amount due from United Christian Nethersole Care Home was unsecured and interest free. The amount was waived during the year.

12. Block Grant reserve

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	<u>309,208</u>	<u>37,572</u>
Grant received	920,000	878,000
Interest income	14	8
Recognized expenditure		
Minor works projects	(6,400)	(273,848)
Furniture and equipment	(254,696)	(305,284)
Vehicle overhauling	<u>(22,435)</u>	<u>(27,240)</u>
Surplus for the year	<u>636,483</u>	<u>271,636</u>
At end of the year	<u>945,691</u>	<u>309,208</u>

12. Block Grant reserve (continued)

The reserve represents the accumulated surplus of Furniture and Equipment Replenishment and Minor Works Block Grant from the Lotteries Fund.

As at 31st March 2017 the outstanding commitments in respect of Furniture and Equipment Replenishment and Minor Works Grant were as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Contracted but not provided	-	-
Authorized but not contracted	-	-
	<u>-</u>	<u>-</u>

13. Lump Sum Grant reserve

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	<u>43,929,037</u>	<u>42,378,283</u>
Income (Note 25)	71,924,443	69,144,222
Amount clawed back by SWD	-	(476,708)
Expenditure (Note 25)	<u>(70,303,769)</u>	<u>(66,598,081)</u>
Surplus for the year	1,620,674	2,069,433
Provident fund surplus transferred to Provident Fund reserve (Note 14)	<u>(798,994)</u>	<u>(518,679)</u>
	<u>821,680</u>	<u>1,550,754</u>
At end of the year	<u>44,750,717</u>	<u>43,929,037</u>

The reserve represents the accumulated surpluses of Lump Sum Grant from the Government of the HKSAR.

Reconciliation of figures presented in Annual Financial Report for SWD:

	<u>Per Financial</u> <u>Statements</u> HK\$	<u>Provident Fund</u> <u>adjustment for</u> <u>previous year</u> HK\$	<u>Per Annual</u> <u>Financial</u> <u>Report</u> HK\$
Total Income	71,924,443	59,603	71,984,046
Total Expenditure	<u>(70,303,769)</u>		<u>(70,303,769)</u>
Surplus for the year	1,620,674		1,680,277
<u>Less:</u> Surplus of Provident Fund	<u>(798,994)</u>	(59,603)	<u>(858,597)</u>
	<u>821,680</u>		<u>821,680</u>

14. Provident Fund reserve

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	8,686,550	8,167,871
Provident fund surplus for the year (Note 13)	<u>798,994</u>	<u>518,679</u>
At end of the year	<u><u>9,485,544</u></u>	<u><u>8,686,550</u></u>

The reserve represents the accumulated surpluses of Provident Fund grant from the Government of the HKSAR.

Reconciliation of figures presented in Annual Financial Report for SWD:

	<u>Per Financial</u> <u>Statements</u> HK\$	<u>Provident Fund</u> <u>adjustment for</u> <u>previous year</u> HK\$	<u>Per Annual</u> <u>Financial</u> <u>Report</u> HK\$
Surplus for the year	798,994	59,603	858,597
Surplus brought forward	8,686,550	-	8,686,550
Additional subvention received for previous year	<u>-</u>	(59,603)	<u>(59,603)</u>
Surplus carried forward	<u><u>9,485,544</u></u>		<u><u>9,485,544</u></u>

15. Social Welfare Development Fund surpluses

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	<u>141,343</u>	<u>96,638</u>
Grant received	192,938	302,935
Interest income	4	6
Expenditure	<u>(259,467)</u>	<u>(258,236)</u>
(Deficit)/Surplus for the year	<u><u>(66,525)</u></u>	<u><u>44,705</u></u>
At end of the year	<u><u>74,818</u></u>	<u><u>141,343</u></u>

The reserve represents the accumulated surplus of Social Welfare Development Fund from the Lotteries Fund.

16. Alice Ho Miu Ling Nethersole Nursing Home

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	2,675,128	2,866,856
Deficit after transfer for the year (Note 25)	<u>(63,280)</u>	<u>(191,728)</u>
At end of the year	<u><u>2,611,848</u></u>	<u><u>2,675,128</u></u>

The reserve represents the accumulated surpluses of Alice Ho Miu Ling Nethersole Nursing Home.

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

17. Designated Funds

	At 31.03.2016 HK\$	Income HK\$	Expenditure HK\$	Surplus/ (Deficit) for the year HK\$	Transfer (Note 19) HK\$	At 31.03.2017 HK\$
DESIGNATED FOR TRUST						
Staff Training Endowment Fund	2,500,000	-	-	-	-	2,500,000
Staff Welfare Endowment Fund	1,500,000	-	-	-	-	1,500,000
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
DESIGNATED FOR HOSPITAL SERVICE DEVELOPMENT						
Chan King Yee Memorial Fund	1,844,436	-	(414,926)	(414,926)	-	1,429,510
Chaplaincy Fund - AHNH	541,305	695,969	(5,296,174)	(4,600,205)	4,816,596	757,696
Chaplaincy Fund - PYNEH	149,349	1,493,782	(4,405,512)	(2,911,730)	2,762,381	-
Elderly Service Fund	637,703	107,885	(122,006)	(14,121)	-	623,582
Departmental Fund	296,765	-	(44,100)	(44,100)	-	252,665
Equipment Fund	46,426	12,500	-	12,500	-	58,926
Central Administration Office Fund	478,007	4,120,500	(9,763,801)	(5,643,301)	5,754,184	588,890
Nethersole Institute of Continuing Holistic Health Education Fund	462,116	969,285	(5,423,299)	(4,454,014)	4,325,560	333,662
Nethersole Outreaching Rehabilitation Mission	1,514,666	-	-	-	(1,514,666)	-
Special Project Fund	12,751,474	1,696,947	(18,513,114)	(16,816,167)	6,903,470	2,838,777
	<u>18,722,247</u>	<u>9,096,868</u>	<u>(43,982,932)</u>	<u>(34,886,064)</u>	<u>23,047,525</u>	<u>6,883,708</u>
DESIGNATED FOR HUMAN RESOURCES DEVELOPMENT						
Anne Ward Scholarship Fund	726,523	-	(27,657)	(27,657)	283,847	982,713
Stephen Chang Memorial Scholarship Fund	283,847	-	-	-	(283,847)	-
Staff Training Fund	437,081	619,700	(457,403)	162,297	152,989	752,367
Staff Welfare Fund	266,498	389,687	(1,840,347)	(1,450,660)	1,792,302	608,140
Vicky Chau Scholarship Fund	615,341	-	-	-	-	615,341
	<u>2,329,290</u>	<u>1,009,387</u>	<u>(2,325,407)</u>	<u>(1,316,020)</u>	<u>1,945,291</u>	<u>2,958,561</u>
DESIGNATED FOR CONTINGENCY RELIEF/HARDSHIP						
Patients' Welfare Fund	<u>77,425</u>	<u>12,500</u>	<u>(7,900)</u>	<u>4,600</u>	<u>-</u>	<u>82,025</u>
DESIGNATED FOR INDEPENDENT SERVICES						
Chen Yuen Lee Chun Memorial Staff Lodge	15,038,243	5,349,693	(4,219,359)	1,130,334	-	16,168,577
Community & Patient Resource Fund - PYNEH	3,981,147	12,500,970	(12,091,244)	409,726	-	4,390,873
Volunteer & Community Development Fund - AHNH	2,689,575	6,544,171	(6,454,266)	89,905	-	2,779,480
	<u>21,708,965</u>	<u>24,394,834</u>	<u>(22,764,869)</u>	<u>1,629,965</u>	<u>-</u>	<u>23,338,930</u>
	<u>46,837,927</u>	<u>34,513,589</u>	<u>(69,081,108)</u>	<u>(34,567,519)</u>	<u>24,992,816</u>	<u>37,263,224</u>

The Funds were set up for various designated purposes.

ALICE HO MIU LING NETHERSOLE CHARITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

17. **Designated Funds** (continued)

	At 31.03.2015 HK\$	Income HK\$	Expenditure HK\$	Surplus/ (Deficit) for the year HK\$	Transfer (Note 20) HK\$	At 31.03.2016 HK\$
DESIGNATED FOR TRUST						
Staff Training Endowment Fund	2,500,000	-	-	-	-	2,500,000
Staff Welfare Endowment Fund	1,500,000	-	-	-	-	1,500,000
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
DESIGNATED FOR HOSPITAL RESERVE DEVELOPMENT						
Chan King Yee Memorial Fund	1,867,476	-	(23,040)	(23,040)	-	1,844,436
Chaplaincy Fund - AHNH	191,040	960,859	(5,488,286)	(4,527,427)	4,877,692	541,305
Chaplaincy Fund - PYNEH	212,976	1,404,252	(3,987,469)	(2,583,217)	2,519,590	149,349
Elderly Service Fund	1,045,288	4,334	(411,919)	(407,585)	-	637,703
Departmental Fund	903,402	-	(606,637)	(606,637)	-	296,765
Equipment Fund	82,425	600	(36,599)	(35,999)	-	46,426
Central Administration Office Fund	210,371	3,292,792	(8,769,738)	(5,476,946)	5,744,582	478,007
Nethersole Institute of Continuing Holistic Health Education Fund	1,001,004	857,420	(4,256,481)	(3,399,061)	2,860,173	462,116
Nethersole Outreaching Rehabilitation Mission	1,514,666	-	-	-	-	1,514,666
Special Project Fund	11,188,235	1,692,527	(129,288)	1,563,239	-	12,751,474
	<u>18,216,883</u>	<u>8,212,784</u>	<u>(23,709,457)</u>	<u>(15,496,673)</u>	<u>16,002,037</u>	<u>18,722,247</u>
DESIGNATED FOR HUMAN RESOURCES DEVELOPMENT						
Anne Ward Scholarship Fund	742,964	6,059	(22,500)	(16,441)	-	726,523
Stephen Chang Memorial Scholarship Fund	281,922	1,925	-	1,925	-	283,847
Staff Training Fund	323,230	222,927	(409,076)	(186,149)	300,000	437,081
Staff Welfare Fund	5,887	139,329	(1,776,085)	(1,636,756)	1,897,367	266,498
Vicky Chau Scholarship Fund	611,197	4,144	-	4,144	-	615,341
	<u>1,965,200</u>	<u>374,384</u>	<u>(2,207,661)</u>	<u>(1,833,277)</u>	<u>2,197,367</u>	<u>2,329,290</u>
DESIGNATED FOR CONTINGENCY RELIEF/HARDSHIP						
Patients' Welfare Fund	81,425	-	(4,000)	(4,000)	-	77,425
DESIGNATED FOR INDEPENDENT SERVICES						
Chen Yuen Lee Chun Memorial Staff Lodge	13,276,225	5,744,058	(3,982,040)	1,762,018	-	15,038,243
Community & Patient Resource Fund - PYNEH	3,968,329	12,910,421	(12,897,603)	12,818	-	3,981,147
Volunteer & Community Development Fund - AHNH	2,506,343	6,281,449	(6,098,217)	183,232	-	2,689,575
	<u>19,750,897</u>	<u>24,935,928</u>	<u>(22,977,860)</u>	<u>1,958,068</u>	<u>-</u>	<u>21,708,965</u>
	<u>44,014,405</u>	<u>33,523,096</u>	<u>(48,898,978)</u>	<u>(15,375,882)</u>	<u>18,199,404</u>	<u>46,837,927</u>

The Funds were set up for various designated purposes.

18. Investment revaluation reserve

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	114,320,695	268,062,427
Amount released on disposal of available-for-sale investments	(127,931)	(95,129,895)
Change in fair value of available-for-sale investments	<u>62,479,554</u>	<u>(58,611,837)</u>
At end of the year	<u><u>176,672,318</u></u>	<u><u>114,320,695</u></u>
Representing:		
Designated Funds	23,331,072	18,683,402
Nethersole Hospital Fund	88,048,264	56,409,785
Special Reserve Fund	<u>65,292,982</u>	<u>39,227,508</u>
	<u><u>176,672,318</u></u>	<u><u>114,320,695</u></u>

The investment revaluation reserve represents cumulative net change in the fair value of available-for-sale investments until the investments are derecognized or impaired.

19. Nethersole Hospital Fund

	<u>2017</u> HK\$	<u>2016</u> HK\$
At beginning of the year	<u>511,801,844</u>	<u>486,155,138</u>
Dividend and interest received	14,130,154	13,137,793
Gain on disposal of available-for-sale investments	7,448,053	26,704,023
Other income	24	-
Loss on foreign exchange	(2,130,476)	(2,111,235)
Donations	(8,682,973)	(10,789,384)
Administration and other expenses	<u>(1,564,957)</u>	<u>(1,294,491)</u>
Surplus for the year	<u>9,199,825</u>	<u>25,646,706</u>
Amount transferred to Designated Funds (Note 17)	(24,992,816)	-
Amount transferred from Special Reserve Fund (Note 20)	<u>7,500</u>	<u>-</u>
	<u><u>(24,985,316)</u></u>	<u><u>-</u></u>
At end of the year	<u><u>496,016,353</u></u>	<u><u>511,801,844</u></u>

The Fund was set up for general purposes.

20. Special Reserve Fund

	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
At beginning of the year	<u>267,002,803</u>	<u>221,306,876</u>
Dividend and interest received	4,886,316	5,884,185
Gain on disposal of available-for-sale investments	1,826,808	63,748,779
Loss on foreign exchange	(617,917)	(992,685)
Donations	(7,725,462)	(4,026,353)
Administration and other expenses	<u>(1,507,400)</u>	<u>(718,595)</u>
(Deficit)/Surplus for the year	<u>(3,137,655)</u>	<u>63,895,331</u>
Amount transferred to Designated Funds (Note 17)	-	(18,199,404)
Amount transferred to Nethersole Hospital Fund (Note 19)	<u>(7,500)</u>	<u>-</u>
	<u>(7,500)</u>	<u>(18,199,404)</u>
At end of the year	<u>263,857,648</u>	<u>267,002,803</u>

The Fund was set up for re-development of Alice Ho Miu Ling Nethersole Hospital including non-subsented projects.

21. Categories of financial assets and liabilities

<u>The Group</u>	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
<u>Financial assets</u>		
Non-current assets - at fair value		
Available-for-sale investments	828,723,258	715,194,871
Current assets - at amortized cost		
Accounts receivables and deposits (excluding prepayments)	4,539,298	21,981,710
Bank and cash balances	<u>211,190,716</u>	<u>276,959,179</u>
	<u>1,044,453,272</u>	<u>1,014,135,760</u>
<u>Financial liabilities</u>		
Current liabilities - at amortized cost		
Accounts payables and accruals (excluding receipt in advance and provision for annual leave entitlement)	<u>11,862,426</u>	<u>17,607,687</u>

21. Categories of financial assets and liabilities (continued)

<u>The Foundation</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
<u>Financial assets</u>		
Non-current assets - at fair value		
Available-for-sale investments	828,723,258	715,194,871
Current assets - at amortized cost		
Accounts receivables and deposits (excluding prepayments)	4,784,784	21,975,172
Bank and cash balances	<u>210,761,215</u>	<u>276,214,477</u>
	<u><u>1,044,269,257</u></u>	<u><u>1,013,384,520</u></u>
<u>Financial liabilities</u>		
Current liabilities - at amortized cost		
Accounts payables and accruals (excluding receipt in advance and provision for annual leave entitlement)	<u>11,839,009</u>	<u>17,000,456</u>

22. Commitments for acquisition of property, plant and equipment to be donated

	<u>The Group/The Foundation</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$
Contracted but not provided	-	-
Authorized but not contracted	<u>8,110,751</u>	<u>5,088,664</u>
	<u><u>8,110,751</u></u>	<u><u>5,088,664</u></u>

23. Comparative figures

Certain comparative figures in the consolidated statement of comprehensive income and the statement of comprehensive income have been reclassified in order to conform with current year's presentation. In particular, part of the "Administration service income" was reclassified to "Programme income" and "Service fee income" while the "Operating expenses" was separated into "Operating expenses on services" and "Administration, property management and other expenses".

24. Related party transactions

During the year the Group did not undertake any transactions with related parties except the transactions and balances detailed elsewhere in these consolidated financial statements (2016 - Same).

During the year the Foundation undertook the following transaction in addition to the transactions and balances detailed elsewhere in these consolidated financial statements:

	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
Donation to subsidiary company	<u>4,124,960</u>	<u>4,026,353</u>

25. Alice Ho Miu Ling Nethersole Nursing Home - detailed income and expenditure

	2017																	
	Social Welfare Department				District Council				Social Welfare Department				Lotteries Fund					
	Lump Sum Grant	Rent and Rates	Special funding programme	Block Grant	Social Welfare Development Fund	Special funding programme	Special funding programme	Block Grant	Social Welfare Development Fund	Special funding programme	Block Grant	Block Grant	Additional Resources for Para-medical Staff	Upgrading Hospital Beds	Social Welfare Development Fund	Non-subsidized services	Total	
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
INCOME																		
Subventions	63,175,865	680,000	5,263	920,000	192,938	2,740	2,740	920,000	192,938	2,740	2,740	16,000	2,834,000	302,935	-	65,038,149		
Less Amounts clawed back by SWD	(63,175,865)	(680,000)	(5,263)	(920,000)	(192,938)	(2,740)	(2,740)	(920,000)	(192,938)	(2,740)	(2,740)	(16,000)	(2,834,000)	(302,935)	-	(476,708)		
Bank interest income	229,804	-	-	14	4	-	-	14	4	-	-	-	-	6	4	64,561,440		
Donation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	231,898		
Fee income	5,533,926	-	-	-	-	-	-	-	-	-	-	-	-	-	20,927	5,511,942		
Program income	30,280	-	130	-	-	-	-	-	-	-	-	-	-	-	-	28,300		
Purchasing service income	2,817,765	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,758,015		
Other income	116,803	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320,277		
	71,924,443	680,000	5,393	920,014	192,942	2,740	2,740	920,014	192,942	2,740	2,740	16,000	2,834,000	302,941	20,931	73,475,799		
EXPENDITURE																		
Advertising for recruitment	43,096	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56,160		
Audit fee	42,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,000		
Bad debts written off	8,275	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Bank charges	18,344	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,280		
Bedding and linen	40,801	-	-	13,300	-	-	-	13,300	-	-	-	-	-	-	5,845	38,798		
Central administration fee	698,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	611,460		
Cleaning materials and cleaning charges	175,752	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140,911		
Cooking utensils	3,848	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,123		
Electrical appliance	294,776	-	-	16,077	-	-	-	16,077	-	-	-	-	-	-	-	177,945		
Electricity	2,849,760	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,126,062		
Food for residents	2,144,908	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,226,794		
Furniture	161,568	-	-	54,880	-	-	-	54,880	-	-	-	-	-	-	-	147,670		
Gas and fuel	248,645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250,675		
Holistic Care Service	326,401	-	-	9,250	-	-	-	9,250	-	-	-	-	-	-	-	297,283		
Household utilities	251,623	-	-	-	-	-	-	-	-	-	-	-	-	-	-	284,191		
Insurance	446,031	-	-	43,540	-	-	-	43,540	-	-	-	-	-	-	-	440,398		
Medical equipment	166,840	-	-	2,140	-	-	-	2,140	-	-	-	-	-	-	-	1,146,951		
Medical expense for residents	570,723	-	-	-	-	-	-	-	-	-	-	-	-	-	-	440,398		
Medical expense for staff	181,867	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,202,313		
Membership fee	33,346	-	-	-	-	-	-	-	-	-	-	-	-	-	-	468,962		
Miscellaneous	9,833	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000		
Newspaper and periodicals	900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,844		
Nursing home license	50,930	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,208		
Occupational equipment	136,834	-	-	67,209	-	-	-	67,209	-	-	-	-	-	-	-	900		
Office equipment	10,543	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117		
Other travelling	25,460	-	-	48,300	-	-	-	48,300	-	-	-	-	-	-	-	112,723		
Physical equipment	1,382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,980		
Postage	9,275	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,130		
Pre-employment medical examination	123,591	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,545		
Printing and stationery	68,783	-	5,393	-	-	2,740	-	-	-	-	-	-	-	-	-	107,372		
Program expenses	3,415,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,499		
Provident fund	3,438,927	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,045,474		
Repair and maintenance	2,732,414	-	-	28,835	-	-	-	28,835	-	-	-	-	-	-	-	649,000		
Resident daily necessities	51,303,127	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,711,265		
Salaries	219,501	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,669,924		
Security guard services	9,380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,798,555		
Staff training	36,645	-	-	-	-	-	-	-	-	-	-	-	-	-	-	210,800		
Staff welfare	2,749	-	-	-	-	-	-	-	-	-	-	-	-	-	-	258,236		
Telephone and intercom system	1,620,674	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,000		
Vehicle license	(70,303,760)	(680,000)	(5,523)	(283,531)	(259,467)	(2,740)	(2,740)	(283,531)	(259,467)	(2,740)	(2,740)	(16,000)	(2,834,000)	(258,236)	(212,659)	(71,281,754)		
Surplus/(Deficit) before transfer	1,620,674	-	636,483	(66,525)	(90,710)	(63,280)	2,127,352	2,069,433	(649,000)	(16,000)	(606,372)	(107,406)	(2,834,000)	(258,236)	(191,728)	2,194,045		
Transfer to:																		
Additional Resources for Para-medical Staff surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Block Grant reserve (Note 12)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(271,636)
Lump Sum Grant reserve (Note 13)	(1,620,674)	-	-	-	-	-	(1,620,674)	(2,069,433)	-	-	-	-	-	-	-	-	-	(2,069,433)
Social Welfare Development Fund surplus (Note 15)	-	-	-	-	66,525	-	66,525	-	-	-	-	-	-	(44,705)	-	-	-	(44,705)
Deficit after transfer for the year	-	-	-	-	(63,280)	(63,280)	(63,280)	-	-	-	-	-	-	(44,705)	-	-	-	(191,728)