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青 鳥  
**Action for Reach Out**

財 務 報 告  
*Financial Statements*

二零一七年六月三十日

30th June 2017

羅 思 雲 會 計 師 行  
*Stephen Law & Company*  
CERTIFIED PUBLIC ACCOUNTANTS

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# ACTION FOR REACH OUT

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**青鳥**  
**ACTION FOR REACH OUT**

**REPORT OF THE EXECUTIVE COMMITTEE**

The executive committee has pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June 2017.

**REPORTING ENTITY**

Action for Reach Out (the "Association") was incorporated under the Hong Kong Companies Ordinance on 23rd May 1995 and is limited by guarantee without a share capital. In accordance with the constitutional documents of the Association, every member of the Association undertakes to contribute to the Association in the event of its being wound up during the time that she is a member, or within one year afterwards, for such amount as may be required not exceeding HK\$50. The address of the Association's registered office and principal place of business is Room 502, Block A, Bell House, 525-543 Nathan Road, Kowloon, Hong Kong. At 30th June 2017, the Association had 41 members (2016: 30 members). The principal activity of the Association during the year continues to be engaged in activities assisting women working in the commercial sex industry in Hong Kong.

**RESULTS AND STATE OF AFFAIRS**

The results of the Association for the year ended 30th June 2017 and the state of its affairs at that date is set out in the attached financial statements.

**BUSINESS REVIEW**

The Association falls within reporting exemption for the financial year. Accordingly, the Association is exempted from preparing a business review.

**EXECUTIVE COMMITTEE MEMBERS**

The executive committee members who held office during the financial year were:

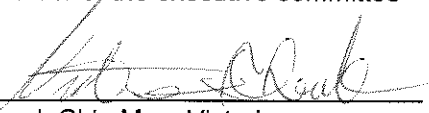
Cheuk Chiu Man, Victoria  
Fong Yeung, Francois  
Ho Wai Ming  
Kam Man Fai  
Lau Tsz Chun  
Leung Lui Mo Ching, Nancy  
Moyreen Tilbrook  
Pang Sui Fong  
Yuen Wing Yan Winnie

In accordance with articles 42 and 43 of the Association's articles of association, all executive committee members who have served for 2 years shall retire from office and being eligible, offer themselves for re-election, provided that no executive committee member shall act as such for more than 6 years consecutively. Accordingly Cheuk Chiu Man, Victoria and Ho Wai Ming will retire as executive committee members in the forthcoming annual general meeting without re-appointment.

**AUDITORS**

The financial statements have been audited by Messrs. Stephen Law & Company, Certified Public Accountants, who retire, and being eligible, offer themselves for re-election.

By order of the executive committee

  
Cheuk Chiu Man, Victoria  
Chairperson  
Hong Kong

10 JAN 2018

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ACTION FOR REACH OUT**  
(incorporated in Hong Kong and limited by guarantee)

**Opinion**

We have audited the financial statements of Action for Reach Out ("the Association") set out on pages 4 to 13, which comprise the statement of financial position as at 30th June 2017, and the income statement and statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Association are prepared, in all material respects, in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 900 (Revised), *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard* 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 Association 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.

**Other Information**

The executive committee members are responsible for the other information. The other information comprises the information included in the report of the executive committee, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Executive Committee Members for the Financial Statements**

The executive committee members are responsible for the preparation of financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the executive committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive committee members are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive committee members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 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. 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive committee members.
- Conclude on the appropriateness of the executive committee members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association to cease to continue as a going concern.

We communicate with the executive committee members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**STEPHEN LAW & COMPANY**  
Certified Public Accountants  
Hong Kong

10 JAN 2018

**青鳥**  
**ACTION FOR REACH OUT**  
**INCOME STATEMENT**

*For the year ended 30th June 2017*

*(Expressed in Hong Kong Dollars)*

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b><u>INCOME</u></b>			
Donations received		300,091	476,811
Project fund and subvention income		1,327,486	949,804
Income from sales		225,692	200,170
Service income		117,520	55,237
Income from clinic		65,645	58,145
Membership fees income		1,775	1,985
Income from workshops and talk		360	530
Sundry income		2	2
		<u>2,038,571</u>	<u>1,742,684</u>
<b><u>EXPENDITURE</u></b>			
Accountancy fee		1,800	18,600
Audit fee		14,800	14,800
Cost of sales of condoms and clinic supplies and medicine consumed	2	224,064	221,589
Computer expenses		10,324	2,272
Depreciation		1,059	1,128
Insurance		22,317	20,192
Local and overseas traveling expenses		1,676	1,374
Outreach material expenses		1,804	-
Project expenses		1,322,485	943,804
Postage, stationeries and printing		17,012	14,959
Rent, rates and management fee	3	204,850	225,900
Salaries and mandatory provident fund contribution		239,000	291,347
Sundry expenses		38,407	30,686
Telephone, fax and internet		15,228	15,923
Water and electricity		9,256	12,201
Web-site expenses		4,500	4,200
		<u>2,127,239</u>	<u>1,826,742</u>
<b>Deficit for the year</b>	4	<u>(88,668)</u>	<u>(84,058)</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**青鳥**  
**ACTION FOR REACH OUT**  
**STATEMENT OF FINANCIAL POSITION**

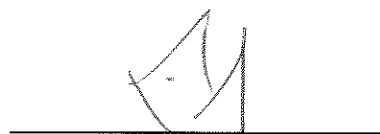
As at 30th June 2016

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	4,234	4,513
<b>CURRENT ASSETS</b>			
Inventories	8	62,265	40,520
Account and other receivables	9	107,646	95,904
Reimbursable project costs	10	2,094	13,061
Cash and cash equivalents		1,418,021	1,426,434
		<u>1,590,026</u>	<u>1,575,919</u>
<b>Less: CURRENT LIABILITIES</b>			
Account payable		35,306	97,484
Accrued charges		49,938	28,706
Project funds not yet utilised	11	722,367	578,925
		<u>807,611</u>	<u>705,115</u>
<b>Net current assets</b>		<u>782,415</u>	<u>870,804</u>
<b>NET ASSETS</b>		<u>786,649</u>	<u>875,317</u>
<b>FUNDS</b>			
Accumulated surplus		<u>786,649</u>	<u>875,317</u>

Approved and authorised for issue by the board of executive committee on 10 JAN 2018

  
 Cheuk Chiu Man, Victoria  
 Chairperson

  
 Ho Wai Ming  
 Treasurer

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**青鳥**  
**ACTION FOR REACH OUT**  
**STATEMENT OF CHANGES IN FUNDS**

*For the year ended 30th June 2017*

*(Expressed in Hong Kong Dollars)*

	<u>Accumulated surplus</u>
<b>At 1st July 2015</b>	959,375
Deficit for the year	<u>(84,058)</u>
<b>At 30th June 2016 and 1st July 2016</b>	875,317
Deficit for the year	<u>(88,668)</u>
<b>At 30th June 2017</b>	<u>786,649</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.



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**ACTION FOR REACH OUT**

**ACCOUNTING POLICE AND EXPLANATORY  
NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June 2017*

*(Expressed in Hong Kong Dollars)*

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The Association qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance and is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Association is a going concern.

The measurement basis used in preparing the financial statements is historical cost.

**a. Revenue recognition**

Revenue is recognized when it is probable that the economic benefits will flow to the Association and when the revenue can be measured reliably on the following bases:

- (i) donations are recorded as income upon receipt except for donations received for specific project;
- (ii) project fund income and subvention income and donations received for specific project are recognised on the basis as set out in note 1b;
- (iii) income from sales of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer;
- (iv) service income and income from clinic are recognised upon the provision of service;
- (v) membership fees income is recognised on a cash basis;
- (vi) workshops and talk are recognised when the events are completed; and
- (vii) interests income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

**b. Grants and donations from third parties**

Grants or donations from third parties, which are earmarked for specific purposes, are initially recognised as deferred income and then they are recognised in the income statement over the period necessary to match with the related costs which they are intended to compensate.

Grants or donations related to assets are deducted from the cost of the assets at their carrying amount to the extent of the grants received and receivable at the end of the reporting period.

**c. Foreign exchange**

Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong Dollars using exchange rates applicable at the end of the reporting period. Gains and losses on foreign exchange are recognised in the income statements.

**d. Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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**ACCOUNTING POLICE AND EXPLANATORY  
NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June 2017*

*(Expressed in Hong Kong Dollars)*

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

d. **Property, plant and equipment (continued)**

The depreciation amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the reducing balance method. The principal annual rates used for depreciation are as follows:

Furniture and office equipment	20%
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An assessment is made at the end of each reporting period to determine whether there is any indication of impairment or reversal of previous impairment of items of property, plant and equipment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation), had no impairment losses been recognised for the asset in prior years.

e. **Leased assets**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Association. All other leases are classified as operating leases.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rents are charged as an expense in the period in which they are incurred.

f. **Inventories**

Inventories are stated at the lower of cost (using a first-in-first-out basis) and net realisable value.

g. **Account and other receivables**

Accounts and other receivables are stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to the income statement.

h. **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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**ACTION FOR REACH OUT**

**ACCOUNTING POLICE AND EXPLANATORY  
NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June 2017*

*(Expressed in Hong Kong Dollars)*

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**i. Project funds not yet utilised**

The surplus of projects is reflected in the project funds not yet utilised. The surplus of the completed projects is refundable to the funding sources.

**j. Employee benefits**

**(i) Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(ii) Retirement benefits**

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised in surplus or deficit as incurred.

**2. COST OF SALES OF CONDOMS AND CLINIC SUPPLIES AND MEDICINE CONSUMED**

	<u>2017</u>	<u>2016</u>
Opening inventories	40,520	53,653
Purchases	234,452	171,488
<u>Less: Closing inventories</u>	<u>(62,265)</u>	<u>(40,520)</u>
	212,707	184,621
<u>Add: Other direct expenditure</u>		
Salaries	600	24,475
Travelling and other expenses	10,757	12,493
	<u>224,064</u>	<u>221,589</u>

**3. RENT, RATES AND MANAGEMENT FEE**

	<u>2017</u>	<u>2016</u>
Rent, rates and management fee	310,400	290,400
<u>Less: Subvention</u>	<u>(105,550)</u>	<u>(64,500)</u>
	<u>204,850</u>	<u>225,900</u>

**4. DEFICIT FOR THE YEAR**

	<u>2017</u>	<u>2016</u>
Deficit for the year is arrived at after charging:		
Staff costs	1,166,473	995,282
Operating lease rentals	310,400	290,400

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**ACTION FOR REACH OUT**

**ACCOUNTING POLICE AND EXPLANATORY  
NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June 2017*

*(Expressed in Hong Kong Dollars)*

**5. EXECUTIVE COMMITTEE MEMBERS' EMOLUMENTS**

The executive committee members received no remuneration for their services to the Association during the years ended 30th June 2016 and 2017.

**6. INCOME TAX**

No provision has been made for Hong Kong profits tax as the Association is an approved charitable organisation which exempted from all tax under section 88 of the Hong Kong Inland Revenue Ordinance (2016: the same).

**7. PROPERTY, PLANT AND EQUIPMENT**

	<u>Furniture and office equipment</u>
<b>Cost</b>	
At 1st July 2016	79,777
Additions	780
At 30th June 2017	80,551
<b>Accumulated depreciation and impairment loss</b>	
At 1st July 2016	75,258
Charge for the year	1,059
At 30th June 2017	76,317
<b>Net book value</b>	
At 30th June 2017	4,234
At 30th June 2016	4,513

**8. INVENTORIES**

	<u>2017</u>	<u>2016</u>
Condoms	44,141	33,019
Clinic supplies and medicine	18,124	7,501
	62,265	40,520

**9. ACCOUNT AND OTHER RECEIVABLES**

	<u>2017</u>	<u>2016</u>
Account receivable	54,280	48,900
Deposits and prepayment	53,366	47,004
	107,646	95,904

**ACTION FOR REACH OUT****ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2017

*(Expressed in Hong Kong Dollars)***10. REIMBURSABLE PROJECT COSTS**

The Association has been given grants from various sources to fund projects. The balance as at 30th June 2017 of HK\$2,094 (2016: HK\$13,061) represented reimbursable project costs at the end of reporting period and would be carried forward to the next financial year.

	At 1st July 2015	Funds received	Funds utilised	At 30th June 2016 and 1st July 2016	Funds received	Funds utilised	Transfer to account payable	At 30th June 2017
<b>1. Beat Drugs Fund</b>	147,127	(400,925)	266,859	13,061	(398,160)	349,793	35,306	-
<b>2. Apple Daily Charitable Foundation</b>	19,200	(19,200)	-	-	(50,123)	52,217	-	2,094
	<u>166,327</u>	<u>(420,125)</u>	<u>266,859</u>	<u>13,061</u>	<u>(448,283)</u>	<u>402,011</u>	<u>35,306</u>	<u>2,094</u>

ACTION FOR REACH OUTACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2017

(Expressed in Hong Kong Dollars)

11. **PROJECT FUNDS NOT YET UTILISED**

The Association has been given grants from various sources to fund projects. The balance as at 30th June 2017 of HK\$722,367 (2016: HK\$578,925) represented project funds not yet utilized at the end of reporting period and would be carried forward to the next financial year.

	At 1st July 2015	Funds received	Funds utilised	Transfer to account payable	At 30th June 2016 and 1st July 2016	Funds received	Funds utilised	Transfer to account receivable	At 30th June 2017
<b>a. The Sir Robert Ho Tung Charitable Fund</b>	-	4,400	(4,400)	-	-	-	-	-	-
<b>b. AIDS Trust Fund</b>	292,338	280,846	(475,700)	(97,484)	-	-	-	-	-
- PPE 629 PM	-	791,169	(212,244)	-	578,925	66	(628,271)	49,280	-
- PPE 652 PM	-	-	-	-	-	859,896	(221,554)	-	638,342
- PPE 672 PM	-	-	-	-	-	-	-	-	-
<b>c. Sedan Chair Charities Fund</b>	-	-	-	-	-	53,100	(26,550)	-	26,550
<b>d. S.K. Yee Medical Foundation</b>	-	-	-	-	-	101,575	(44,100)	-	57,475
	<u>292,338</u>	<u>1,076,415</u>	<u>(692,344)</u>	<u>(97,484)</u>	<u>578,925</u>	<u>1,014,637</u>	<u>(920,475)</u>	<u>49,280</u>	<u>722,367</u>

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**ACTION FOR REACH OUT**

**ACCOUNTING POLICE AND EXPLANATORY  
NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 30th June 2017*

*(Expressed in Hong Kong Dollars)*

**12. EMPLOYEE BENEFIT OBLIGATIONS**

**a. Long service payments**

Under the Hong Kong Employment Ordinance, the Association is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Association. The amount payable is dependent on the employees' final salaries and years of service, and is reduced by entitlements accrued under the Association's retirement plan that are attributable to contributions made by the Association. The Association does not set aside any assets to fund any remaining obligations.

The present value of unfunded obligation to make long-service payment under the Hong Kong Employment Ordinance are immaterial, the Association does not for account the provision for the obligation.

**b. Defined contribution retirement plan**

The Association participates in a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the MPF scheme) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the scheme, the employer and its employees are required to make contributions to the plan at 5% each of the employees' relevant income, but subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

**13. OPERATING LEASE ARRANGEMENTS**

At the end of the reporting period, the association had total future minimum lease payment under non-cancellable operating leases following due as follows:-

	<u>2017</u>	<u>2016</u>
Not later than one year	308,718	-
Later than one year	144,782	-
	<u>453,500</u>	<u>-</u>

**14. RELATED PARTY TRANSACTIONS**

In addition to the details disclosed elsewhere in these financial statements, the Association had following material related party transaction during the reporting period.

	<u>2017</u>	<u>2016</u>
Received donations from executive committee members	9,890	62,100
Received membership fees from executive committee members	450	975