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**青島**  
**Action for Reach Out**

**財 務 報 告**  
***Financial Statements***

二零二三年六月三十日

30th June 2023

**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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**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 2023.

**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. 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 2023 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	(resigned on 14th December 2023)
Cheng Sea Ling	
Choi Yuk Ping	
Ho Wai Ming	
Lau Tsz Chun	
Lee Chi Kei	(appointed on 6th January 2023)

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.

**INDEMNITY OF EXECUTIVE COMMITTEE MEMBERS**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the executive committee members of the Association is currently in force and was in force throughout the year.

**AUDITORS**

The financial statements have been audited by Messrs. Stephen Law & Company, Certified Public Accountants.

  
Cheng Sea Ling  
Chairperson  
Hong Kong, 27th January 2024



## 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 2023, 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 ("HKSAs") 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 Other than the Financial Statements

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.

### 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 SME-FRS issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the executive committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive committee members are responsible for assessing the 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, 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, 27th January 2024



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**INCOME STATEMENT**

For the year ended 30th June 2023

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b><u>INCOME</u></b>			
Donations received		136,291	144,105
Project fund income		2,332,502	2,048,160
Service income		6,475	4,000
Income from clinic		19,390	20,080
Membership fees income		2,100	2,500
Government subsidies - employment support scheme		56,583	96,000
Sundry income		8,985	8,004
		<u>2,562,326</u>	<u>2,322,849</u>
Income from sales		95,901	145,136
Less: Cost of sales of condoms and clinic supplies medicine consumed	2	72,326	121,165
		<u>23,575</u>	<u>23,971</u>
		<u>2,585,901</u>	<u>2,346,820</u>
<b><u>EXPENDITURE</u></b>			
Audit fee		19,000	18,000
Depreciation		1,794	2,243
Insurance		26,370	32,401
Postage, stationeries and printing		13,425	13,899
Project expenses		2,332,502	2,048,160
Rent, rates and management fee		239,360	288,480
Repairs and maintenance		7,487	-
Salaries and mandatory provident fund contributions		71,600	289,494
Sundry expenses		21,936	17,464
Telephone, fax and internet		7,286	3,899
		<u>2,740,760</u>	<u>2,714,040</u>
<b>Deficit for the year</b>	3	<u>(154,859)</u>	<u>(367,220)</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**  
**STATEMENT OF FINANCIAL POSITION**

As at 30th June 2023

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	7,176	8,970
<b>CURRENT ASSETS</b>			
Inventories	7	25,344	46,295
Account and other receivables	8	29,915	60,843
Reimbursable project costs	9	87,782	302,987
Cash and cash equivalents		940,566	1,339,079
		<u>1,083,607</u>	<u>1,749,204</u>
<b>Less: CURRENT LIABILITIES</b>			
Advance receipts		750	900
Account payable		8,284	169,746
Accrued charges		51,919	45,891
Project funds not yet utilised	10	799,816	1,156,764
		<u>860,769</u>	<u>1,373,301</u>
<b>Net current assets</b>		<u>222,838</u>	<u>375,903</u>
<b>NET ASSETS</b>		<u>230,014</u>	<u>384,873</u>
<b>FUNDS</b>			
Accumulated surplus		<u>230,014</u>	<u>384,873</u>

Approved and authorised for issue by the board of executive committee on 27th January 2024

  
Cheng Sea Ling  
Chairperson

  
Ho Wai Ming  
Secretary

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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**STATEMENT OF CHANGES IN FUNDS**

*For the year ended 30th June 2023*

*(Expressed in Hong Kong Dollars)*

	<u>Accumulated surplus</u>
At 1st July 2021	752,093
Deficit for the year	<u>(367,220)</u>
At 30th June 2022 and 1st July 2022	384,873
Deficit for the year	<u>(154,859)</u>
At 30th June 2023	<u>230,014</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 2023*

*(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 recognised 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; and
- (v) membership fees income is recognised on a cash basis.

##### **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**

The reporting currency of the company is Hong Kong Dollars, which is the currency of the primary economic environment in which the company operates. The financial statements are presented in Hong Kong Dollars.

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 statement.

##### **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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**ACTION FOR REACH OUT**

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

*For the year ended 30th June 2023*

*(Expressed in Hong Kong Dollars)*

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

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

The depreciable 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**

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

**f. Inventories**

Inventories are stated at the lower of cost (using a first-in-first-out basis) and net realisable value. In arriving at net realisable value an allowance has been made for deterioration and obsolescence.

**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.

**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.



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

*For the year ended 30th June 2023*

*(Expressed in Hong Kong Dollars)*

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

**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>2023</u>	<u>2022</u>
Opening inventories	46,295	49,513
Purchases	49,261	112,627
<u>Less: Closing inventories</u>	<u>(25,344)</u>	<u>(46,295)</u>
	70,212	115,845
<u>Add: Other direct expenditure</u>		
Travelling and other expenses	2,114	5,320
	<u>72,326</u>	<u>121,165</u>

**3. DEFICIT FOR THE YEAR**

	<u>2023</u>	<u>2022</u>
Deficit for the year is arrived at after charging:		
Staff costs	1,650,196	1,792,191
Operating lease rentals	<u>347,360</u>	<u>396,480</u>

**4. EXECUTIVE COMMITTEE MEMBERS' EMOLUMENTS**

The executive committee members received no remuneration for their services to the Association during the years ended 30th June 2022 and 2023.



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

*For the year ended 30th June 2023*

*(Expressed in Hong Kong Dollars)*

**5. 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 (2022: the same).

**6. PROPERTY, PLANT AND EQUIPMENT**

	<u>Furniture and office equipment</u>
<b>Cost~</b>	
At 1st July 2022	20,027
Additions	-
At 30th June 2023	<u>20,027</u>
<b>Accumulated depreciation and impairment loss</b>	
At 1st July 2022	11,057
Depreciation for the year	<u>1,794</u>
At 30th June 2023	<u>12,851</u>
<b>Net book value</b>	
At 30th June 2023	<u>7,176</u>
At 30th June 2022	<u>8,970</u>

**7. INVENTORIES**

	<u>2023</u>	<u>2022</u>
Condoms	<u>25,344</u>	<u>46,295</u>

**8. ACCOUNT AND OTHER RECEIVABLES**

	<u>2023</u>	<u>2022</u>
Deposits and prepayment	<u>29,915</u>	<u>60,843</u>

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**ACTION FOR REACH OUT**

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

*For the year ended 30th June 2023*

*(Expressed in Hong Kong Dollars)*

**9. REIMBURSABLE PROJECT COSTS**

The Association has been given grants from various sources to fund projects. The balance as at 30th June 2023 of HK\$87,782 (2022: HK\$302,987) represented reimbursable project costs at the end of reporting period and would be carried forward to the next financial year.

	At 1st July 2021	Funds received	Funds utilised	Transfer from project not yet utilised	At 30th June 2022 and 1st July 2022	Funds received	Funds utilised	Transfer to project not yet utilised	At 30th June 2023
<b>a. Beat Drugs Fund</b>	-	-	-	227,228	227,228	(751,140)	611,694	-	87,782
<b>b. S. K. Yee Medical Foundation</b>	-	-	-	75,759	75,759	(116,586)	1,079	39,748	-
	-	-	-	302,987	302,987	(867,726)	612,773	39,748	87,782

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

For the year ended 30th June 2023

(Expressed in Hong Kong Dollars)

**10. PROJECT FUNDS NOT YET UTILISED**

The Association has been given grants from various sources to fund projects. The balance as at 30th June 2023 of HK\$799,816 (2022: HK\$1,156,764) represented project funds not yet utilised at the end of reporting period and would be carried forward to the next financial year.

	At 1st July 2021	Funds received	Funds utilised	Transfer from reimbursable project cost	Transfer to account payable	At 30th June 2022 and 1st July 2022	Funds and interest received	Funds utilised	Transfer to reimbursable project cost	At 30th June 2023
a. Council for AIDS Trust Fund										
- PPE 702 PM	464,793	431,958	(735,289)	-	(161,462)	-	-	-	-	-
- PPE 714PM	-	1,220,443	(291,402)	-	-	929,041	615,608	(1,016,340)	-	528,309
b. American Women's Association of Hong Kong	16,000	-	(11,587)	-	-	4,413	-	-	-	4,413
c. Mental Health Initiatives Funding Scheme	-	-	-	-	-	-	503,886	(402,886)	-	101,000
d. Sir Robert Ho Tung Charitable Fund	24,000	-	(24,000)	-	-	-	60,000	(60,000)	-	-
e. S. K. Yee Medical Foundation	48,940	113,434	(238,133)	75,759	-	-	-	-	39,748	39,748
f. Beat Drugs Fund	67,628	368,400	(663,256)	227,228	-	-	-	-	-	-
g. Gilead Sciences Hong Kong Limited	-	340,000	(116,690)	-	-	223,310	-	(219,796)	-	3,514
g. Others	621,361	2,474,235	(2,080,357)	302,987	(161,462)	1,156,764	143,540	(20,708)	-	122,832
							1,323,034	(1,719,730)	39,748	799,816



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

*For the year ended 30th June 2023*

*(Expressed in Hong Kong Dollars)*

**11. 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.

**12. COMMITMENTS UNDER OPERATING LEASES**

The Association had the following total future minimum lease payments under non-cancellable operating leases:-

	<u>2023</u>	<u>2022</u>
Not later than one year	<u>26,280</u>	<u>168,800</u>

**13. 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>2023</u>	<u>2022</u>
Donations received from executive committee members	1,600	-
Membership fees received from executive committee members	600	-