

YELLOW HOUSE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017



ABACUS CPA LIMITED
安柏思會計師有限公司
Certified Public Accountants
Hong Kong

**YELLOW HOUSE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF YELLOW HOUSE**
(registered in Hong Kong under the Societies Ordinance)

Opinion

We have audited the financial statements of Yellow House ("the Society") set out on pages 4 to 14, which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, the statement of changes in funds, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Society as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for PE") 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 Financial Statements section of our report. We are independent of the Society 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 Financial Statements and Auditor's Report Thereon

The executive committee members are responsible for the other information. The other information comprises all the information, other than 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.

(to be continued)



ABACUS CPA LIMITED
安柏思會計師有限公司

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF YELLOW HOUSE**
(registered in Hong Kong under the Societies Ordinance)

The executive committee members' responsibility for the financial statements

The executive committee members are responsible for the preparation of the financial statements that give a true and fair view in accordance with the HKFRS for PE issued by the HKICPA 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 Society'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 Society or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

(to be continued)



ABACUS CPA LIMITED
安柏思會計師有限公司

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF YELLOW HOUSE**
(registered in Hong Kong under the Societies Ordinance)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAAs, 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 Society'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 Society'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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

ABACUS CPA LIMITED
Certified Public Accountants
Hong Kong, 07 March 2018

Fung Wing Lap
Practising Certificate Number P03644

EF/A2/JL/SW/sl

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**YELLOW HOUSE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**


	Note	2017 HK\$	2016 HK\$
Income			
Activities income	4	382,010	278,220
Administrative income		75,620	275,009
Donations income	5	924,635	1,503,493
Membership fees		450	600
Bank interest income		12,708	18,844
		<u>1,395,423</u>	<u>2,076,166</u>
Expenditure			
General and operating expenses		<u>(1,859,798)</u>	<u>(1,963,411)</u>
(Deficit)/Surplus and total comprehensive income for the year			
	6	<u>(464,375)</u>	<u>112,755</u>

The accompanying notes form an integral part of these financial statements.

**YELLOW HOUSE
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017**

	Note	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment	8	27,604	48,328
Current assets			
Amounts due from committee members	9	-	11,583
Account receivable		-	33,600
Deposit		4,347	2,100
Prepayment		18,163	17,459
Other receivables		10,207	55,890
Loans to students	10	19,489	20,598
Time deposits held by committee members	11	474,830	487,081
Bank balances	11	525,864	972,909
		1,052,900	1,601,220
Current liabilities			
Accrued expenses		5,814	11,584
Other payables		132,456	284,005
Received in advance		52,750	100
		191,020	295,689
Net current assets		861,880	1,305,531
Net assets		889,484	1,353,859
Funds		889,484	1,353,859

Approved and authorised for issue by the Board of Executive Committee on 07 March 2018.



Chief Office Bearer



Treasurer

The accompanying notes form an integral part of these financial statements.

**YELLOW HOUSE
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 MARCH 2017**

	Accumulated surplus/(deficit) on funds							Total
	四川關 懷行動	民藝 工房	助學 基金	山區教 學支援	生命 教育	兒童之 家經費	General Funds	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2015	156,584	49,037	295,934	224,153	(105,391)	(141,343)	762,130	1,241,104
Total comprehensive income for the year	(158,771)	-	(149,338)	413,340	-	(80,193)	87,717	112,755
Transfer among funds	49,037	(49,037)	-	(105,391)	105,391	141,343	(141,343)	-
At 31 March 2016	46,850	-	146,596	532,102	-	(80,193)	708,504	1,353,859
Total comprehensive income for the year	(151,465)	-	(159,790)	(51,378)	-	(74,250)	(27,492)	(464,375)
At 31 March 2017	(104,615)	-	(13,194)	480,724	-	(154,443)	681,012	889,484

The accompanying notes form an integral part of these financial statements.

**YELLOW HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 HK\$	2016 HK\$
Cash flows from operating activities			
(Deficit)/surplus for the year		(464,375)	112,755
Adjustments for:			
Bank interest income		(12,708)	(18,844)
Bad debts		-	2,370
Depreciation		25,791	24,698
Net foreign exchange losses		33,152	49,793
		<u>(418,140)</u>	<u>170,772</u>
Changes in working capital:			
Decrease/(Increase) in amounts due from committee members		11,583	(11,330)
Decrease in account receivable		33,600	2,950
Increase in deposit		(2,247)	-
Increase in prepayment		(704)	(9,050)
Decrease in loans to students		1,109	11,088
Decrease in other receivables		45,683	215,314
(Decrease)/Increase in accrued expenses		(5,770)	5,454
(Decrease)/Increase in other payables		(151,549)	103,667
Increase in received in advance		52,650	100
Net cash (used in)/generated from operating activities		<u>(433,785)</u>	<u>488,965</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(5,067)	-
Bank interest received		12,708	18,844
Net cash generated from investing activities		<u>7,641</u>	<u>18,844</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(33,152)</u>	<u>(49,793)</u>
Net change in cash and cash equivalents		(459,296)	458,016
Cash and cash equivalents at beginning of year		1,459,990	1,001,974
Cash and cash equivalents at end of year	11	<u>1,000,694</u>	<u>1,459,990</u>

The accompanying notes form an integral part of these financial statements.

**YELLOW HOUSE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. General information

Yellow House (“the Society”) was registered as a society in Hong Kong under the Societies Ordinance. The address of its registered office is located at Flat B, 2/F., Sang Cheong Building, No. 276 Ma Tau Wai Road, To Kwa Wan, Kowloon, Hong Kong. The Society is principally engaged in the relief of poverty and advancement of education in Mainland China.

The financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

2. Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (“HKFRS for PE”) issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention except for certain items as explained in the accounting policies.

3. Summary of significant accounting policies

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

(a) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into Hong Kong Dollars using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Society and when the revenue can be measured reliably on the following basis:

- (i) Membership fee is recognised when the right to receive payment has been established.
- (ii) Donations are recognised as income when there is reasonable assurance that they will be received and the Society will comply with the conditions attaching to them.
- (iii) Activities income is recognised on accruals basis.
- (iv) Interest income is recognised as it accrues using the effective interest method.

(to be continued)

**YELLOW HOUSE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The Society adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Society. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The principal annual rates for depreciation are as follows:

Motor vehicle	25%
Computer	30%
Office equipment	30%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in surplus or deficit.

(to be continued)

**YELLOW HOUSE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. Summary of significant accounting policies (continued)

(d) Impairment of non-financial assets, other than inventories

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) Trade and other receivables

Trade and other receivables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for doubtful debts.

An allowance for doubtful debts of trade and other receivables is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, 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, having been within three months of maturity at acquisition.

(g) Trade and other payables

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

YELLOW HOUSE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

4. Activities income and expenditure

	Income		Expenditure		Surplus/(Deficit)	
	2017	2016	2017	2016	2017	2016
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Activities						
廣西服務團	-	74,720	-	(61,383)	-	13,337
浸信會愛群 - 廣西團	-	74,700	-	(57,333)	-	17,367
非凡大學生香港交流團	57,200	61,600	(56,716)	(78,236)	484	(16,636)
香港基督教 - 廣西團	-	67,200	-	(49,933)	-	17,267
愛群-四川團隊	119,670	-	(99,376)	-	20,294	-
田家炳及福建-四川團	100,240	-	(54,072)	-	46,168	-
探訪交流團	78,400	-	(50,622)	-	27,778	-
成都/香港交流團	26,500	-	(26,292)	-	208	-
	<u>382,010</u>	<u>278,220</u>	<u>(287,078)</u>	<u>(246,885)</u>	<u>94,932</u>	<u>31,335</u>

Activities income includes the administration income for arranging activities.

5. Program donation income and expenditure

	Income		Expenditure		Surplus/(Deficit)	
	2017	2016	2017	2016	2017	2016
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Programs						
四川關懷行動	-	7,457	(151,465)	(166,228)	(151,465)	(158,771)
助學基金	568,992	767,181	(728,782)	(916,519)	(159,790)	(149,338)
山區教學支援	269,509	590,269	(320,887)	(176,929)	(51,378)	413,340
兒童之家經費	17,520	20,158	(91,770)	(100,351)	(74,250)	(80,193)
General donations	68,614	118,428	-	-	68,614	118,428
	<u>924,635</u>	<u>1,503,493</u>	<u>(1,292,904)</u>	<u>(1,360,027)</u>	<u>(368,269)</u>	<u>143,466</u>

**YELLOW HOUSE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. (Deficit)/surplus for the year

(Deficit)/surplus is arrived at after charging/(crediting):

	2017	2016
	HK\$	HK\$
Bad debts	-	2,370
Depreciation of property, plant and equipment	25,791	24,698
Net foreign exchange losses	33,152	49,793
Staff costs (Note i)	279,084	327,758
Bank interest income	(12,708)	(18,844)
	<u> </u>	<u> </u>

Note:

i) Salaries for program staffs are included in program expenses.

7. Income tax expense

No provision for Hong Kong Profits Tax has been made in the financial statements of the Society as the Society is an approved charitable institution. It is exempted from payment of Profits Tax by virtue of section 88 of the Inland Revenue Ordinance.

8. Property, plant and equipment

	Office equipment	Computer	Motor vehicle	Total
	HK\$	HK\$	HK\$	HK\$
<u>Cost</u>				
At 1 April 2016	-	2,134	96,230	98,364
Addition	2,500	2,567	-	5,067
At 31 March 2017	<u>2,500</u>	<u>4,701</u>	<u>96,230</u>	<u>103,431</u>
<u>Accumulated depreciation</u>				
At 1 April 2016	-	1,920	48,116	50,036
Charge for the year	750	983	24,058	25,791
At 31 March 2017	<u>750</u>	<u>2,903</u>	<u>72,174</u>	<u>75,827</u>
<u>Net carrying amount</u>				
At 31 March 2017	<u>1,750</u>	<u>1,798</u>	<u>24,056</u>	<u>27,604</u>
At 31 March 2016	<u>-</u>	<u>214</u>	<u>48,114</u>	<u>48,328</u>

**YELLOW HOUSE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. Amounts due from committee members

The amounts due from committee members are unsecured, interest-free and have no fixed terms of repayment.

10. Loans to students

The Loans to students are unsecured, interest-free and repayable from 1 year or on demand.

11. Cash and cash equivalents

Cash and cash equivalents comprise:

	2017	2016
	HK\$	HK\$
Time deposits held by committee members	474,830	487,081
Cash at bank	525,864	972,909
	<u>1,000,694</u>	<u>1,459,990</u>

12. Financial instruments by category

	2017	2016
	HK\$	HK\$
Financial assets:		
<i>Financial assets measured at amortised cost:</i>		
Amounts due from committee members	-	11,583
Account receivable	-	33,600
Deposit	4,347	2,100
Other receivables	10,207	55,890
Loans to students	19,489	20,598
Time deposits held by committee members	474,830	487,081
Bank balances	525,864	972,909
	<u>1,034,737</u>	<u>1,583,761</u>
Financial liabilities:		
<i>Financial liabilities measured at amortised cost:</i>		
Accrued expenses	5,814	11,584
Other payables	132,456	284,005
	<u>138,270</u>	<u>295,589</u>

**YELLOW HOUSE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

13. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Society had the following material transactions with a related party:

	2017	2016
	HK\$	HK\$
Salaries paid to a member	<u>77,648</u>	<u>75,150</u>

14. Approval of financial statements

These financial statements are approved and authorised for issue by the Society's Board of Executive Committee on 07 March 2018.