

HONG KONG COMPUTER SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

張坤會計師行
ERIC CHEUNG & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

HONG KONG COMPUTER SOCIETY

COUNCIL MEMBERS' REPORT

The Council Members hereby present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The Group is principally engaged in promoting the development and application of information technology in Hong Kong.

RESULTS

The results of the Group for the year ended 31 December 2018 and its state of affairs of the Group at that date are set out in the annexed financial statements.

COUNCIL MEMBERS

The Council Members who held office during the year and up to the date of this report were:

Ted Suen	Gabriel Leung
Andy Bien	Rocky Cheng
Suk Wah Kwok	Christine Yau
Argon Ho	Vincent Kwok
Fred Sheu	Horace Chu
Kylie Fung	Richard Leung
Peter Yeung	Louis Ma
John Li	Dennis Lee
Steven Pan	Francis Ngai
Wilson Wong	Eva Kwok

COUNCIL MEMBERS' INTEREST

No contracts of significance to which the Company or its subsidiaries company was a party and in which a council member had a material interest subsisted at the end of the year or at any time during the year.

AUDITORS

The auditors Messrs Eric Cheung & Co., Certified Public Accountants, now retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Council



Ted Suen
President

Hong Kong, 13 April 2019

ERIC CHEUNG & CO
CERTIFIED PUBLIC ACCOUNTANTS
張坤會計師行

Rm A, 8/F, Queen's Centre
58-64 Queen's Road East, Wanchai
Hong Kong
Tel: 27409191 Fax: 23851368
香港灣仔皇后大道東58-64號帝后商業中心8樓A室
Email: ekcheung123@yahoo.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG COMPUTER SOCIETY
(registered in Hong Kong under the Societies Ordinance)

Opinion

We have audited the consolidated financial statements of Hong Kong Company Society and its subsidiaries ("the Group") set out on pages 5 to 13, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and consolidated statement of cash flows 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 consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") 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 ("HKSAs") 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 Financial Statements and Auditor's Report Thereon

The Council Members of the Company are responsible for the other information. The other information comprises all the information included in the council members' report, other than the financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information 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. 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

HONG KONG COMPUTER SOCIETY

(registered in Hong Kong under the Societies Ordinance) - continued

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

The Council Members are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS for Private Entities issued by the HKICPA, and for such internal control as the Council Members 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 Council Members 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 Council Members 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. The report is made 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 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 Council Members.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG KONG COMPUTER SOCIETY
(registered in Hong Kong under the Societies Ordinance) - continued

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

- Conclude on the appropriateness of the Council 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 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.

Eric Cheung & Co.
Certified Public Accountants
Hong Kong, 13 April 2019

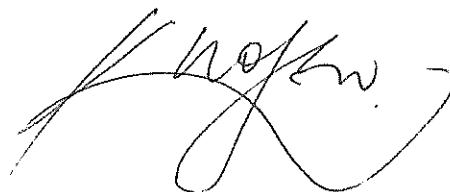
HONG KONG COMPUTER SOCIETY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 HK\$	2017 HK\$
ASSETS			
Non-Current assets			
Property, plant and equipment	5	8,197	17,980
Current assets			
Accounts receivable		995,572	973,688
Deposits and prepayments		59,840	75,427
Cash and bank balances		6,013,922	5,544,996
		<u>7,069,334</u>	<u>6,594,111</u>
Less: Current liabilities			
Accounts payable and accrued expenses		348,962	372,270
Deferred income and receipts in advance		610,897	809,421
		<u>959,859</u>	<u>1,181,691</u>
Net current assets		<u>6,109,475</u>	<u>5,412,420</u>
Net assets		<u><u>6,117,672</u></u>	<u><u>5,430,400</u></u>
RESERVES			
Contribution reserve		2,500,000	2,500,000
Accumulated surplus		<u>3,617,672</u>	<u>2,930,400</u>
		<u><u>6,117,672</u></u>	<u><u>5,430,400</u></u>



Ted Suen
President



Suk Wah Kwok
Council Member

The annexed notes form part of the financial statements.

HONG KONG COMPUTER SOCIETY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK\$	2017 HK\$
Revenue			
Membership fee income		1,281,028	1,207,656
Project income		<u>6,005,869</u>	<u>5,046,249</u>
		7,286,897	6,253,905
Project expenses		<u>(2,894,793)</u>	<u>(2,561,843)</u>
Gross surplus		4,392,104	3,692,062
Other revenue	6	74,264	75,535
Operating expenses		<u>(3,779,096)</u>	<u>(4,077,794)</u>
Surplus/(Deficit) before tax	7	687,272	(310,197)
Income tax expense	8	<u>-</u>	<u>-</u>
Surplus/(Deficit) after tax		<u><u>687,272</u></u>	<u><u>(310,197)</u></u>

The annexed notes form part of the financial statements.

HONG KONG COMPUTER SOCIETY

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2018

	Contribution reserve HK\$	Accumulated surplus HK\$	Total HK\$
Balance at 1.1.2017	2,500,000	3,240,597	5,740,597
Deficit for the year	<u>-</u>	<u>(310,197)</u>	<u>(310,197)</u>
Balance at 31.12.2017	2,500,000	2,930,400	5,430,400
Surplus for the year	<u>-</u>	<u>687,272</u>	<u>687,272</u>
Balance at 31.12.2018	<u>2,500,000</u>	<u>3,617,672</u>	<u>6,117,672</u>

The annexed notes form part of the financial statements.

HONG KONG COMPUTER SOCIETY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK\$	2017 HK\$
Cash flows from operating activities:		
Surplus/(Deficit) before tax	687,272	(310,197)
Adjustments for:		
Depreciation	9,783	9,783
Interest income	<u>(50,395)</u>	<u>(46,359)</u>
	646,660	(346,773)
Decrease in Accounts receivable	(21,884)	258,450
Decrease/(Increase) in Deposits and prepayments	15,587	(1,161)
Decrease in Accounts payable and accrued expenses	(23,308)	(83,081)
Decrease in Deferred income and receipts in advance	<u>(198,524)</u>	<u>(149,047)</u>
Cash used in operating activities	418,531	(321,612)
Income tax paid	<u>-</u>	<u>285,273</u>
Net cash from/(used in) operating activities	418,531	(36,339)
Cash flows from investing activities:		
Interest received	<u>50,395</u>	<u>46,359</u>
Net increase in cash and cash equivalents	468,926	10,020
Cash and cash equivalents at beginning of year	<u>5,544,996</u>	<u>5,534,976</u>
Cash and cash equivalents at end of year	<u><u>6,013,922</u></u>	<u><u>5,544,996</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>6,013,922</u></u>	<u><u>5,544,996</u></u>

The annexed notes form part of the financial statements.

HONG KONG COMPUTER SOCIETY

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hong Kong Computer Society is a society registered under the Societies Ordinance in Hong Kong. The address of its principal place of business is 5/F, HKPC Building, 78 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong. The Group is principally engaged in promoting the development and application of information technology in Hong Kong.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The Company's financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants. They are presented in Hong Kong dollars.

These financial statements comply with all applicable sections of HKFRS for Private Entities and have been prepared under the accrual basis of accounting.

The principal accounting policies applied in the preparation of these financial statements are set out in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

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

b. Basis of consolidation

The Group's financial statements include the financial statements of the Company and its subsidiaries. All significant intra-group balances and transactions have been eliminated on consolidation.

c. Subsidiaries

A subsidiary is a company in which the Company, directly and indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board.

Interests in subsidiaries are stated at cost unless, in the opinion of the Council Members, there have been permanent diminutions in values, when they are written down to values determined by the Council Members.

d. Impairment of assets

An assessment is made at each date of consolidated statement of financial position to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. 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 recognized in the consolidated statement of comprehensive income. A previously recognized 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 amortization or depreciation), had no impairment losses been recognized for the asset in prior years.

HONG KONG COMPUTER SOCIETY

NOTES TO FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

e. Cash and cash equivalent

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

f. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and permanent impairment.

Depreciation on property, plant and equipment is provided to write off their costs on a straight-line basis over their expected useful lives at the following annual rates:

Furniture, fixtures and equipment 20%

g. Revenue recognition

Administrative service fee is recognized upon provision of services.

Government grants and contributions are recognized as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

Sponsorship for projects is recognized when the relevant project have occurred. Other project income is recognized as revenue when the projects have commenced.

Membership fee is recognized on accrual basis.

Interest income is recognized on a time proportion basis taking into account the principal outstanding and the interest applicable.

h. Income tax

Income tax expense includes current tax and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using the tax rates that have been enacted at the date of consolidated statement of financial position.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Tax rates enacted at the date of consolidated statement of financial position are used to determine deferred taxation. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

i. Account and other receivables

Account and other receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

j. Account and other payables

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

k. Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

- i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- ii) the Group and the party are subject to common control;
- iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- iv) the party is a member of key management personnel of the Group or the Group is a parent, or close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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.

l. Leases

An operating lease is a lease such that the lessee pays rental for the hire or rent of an asset for a time which is substantially less than its useful economic life and the lessor retains most of the risks and rewards of ownership of the assets. Operating lease rentals are taken up as an expense in the consolidated statement of comprehensive income over the term of the lease.

m. Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probable of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liability unless the probability of outflow of economic benefits is remote.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of current assets and liabilities

The fair value of the current assets and liabilities are assumed to approximate their carrying amounts because of the nature of their short-term maturity.

HONG KONG COMPUTER SOCIETY

NOTES TO FINANCIAL STATEMENTS - continued

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK\$
Cost	
Balance at 1.2018	246,631
Disposals	<u>(30,933)</u>
Balance at 31.12.2018	<u>215,698</u>
Aggregated depreciation	
Balance at 1.1.2018	228,651
Charge for the year	9,783
Write back on disposals	<u>(30,933)</u>
Balance at 31.12.2018	<u>207,501</u>
Net book value	
At 31.12.2018	<u>8,197</u>
At 31.12.2017	<u>17,980</u>

6. OTHER REVENUE

	2018 HK\$	2017 HK\$
Bank interest income	50,395	46,359
Sundry income	<u>23,869</u>	<u>29,176</u>
	<u>74,264</u>	<u>75,535</u>

7. SURPLUS/(DEFICIT) BEFORE TAX

Surplus/(Deficit) before tax is arrived at after charging:

	2018 HK\$	2017 HK\$
Staff costs	2,661,165	2,749,821
Operating lease rental in respect of land and buildings	344,235	342,240
Depreciation	9,783	9,783

8. INCOME TAX EXPENSE

No provision for profits tax is as the Group has tax loss relief brought forward to set off the estimated assessable profit for the year (2017: nil).

The taxation for the year can be reconciled from taxation based on surplus/(deficit) per consolidated statement of comprehensive income as follows:

HONG KONG COMPUTER SOCIETY

NOTES TO FINANCIAL STATEMENTS - continued

8. INCOME TAX EXPENSE - continued

	2018 HK\$	2017 HK\$
Surplus/(Deficit) before tax	<u>687,272</u>	<u>(310,197)</u>
Calculated at applicable tax rate of 16.5%	113,400	(51,183)
Tax effect of expenses not deductible for tax purposes	1,196	1,163
Tax effect of temporary differences not recognized	1,201	1,097
Tax effect of income not subject to tax	(8,315)	(7,649)
Setting off by tax losses relief brought forward	(109,081)	-
Tax effect of unrecognized tax losses	<u>1,599</u>	<u>56,572</u>
Taxation charge	<u>-</u>	<u>-</u>

No provision for deferred tax was made as the amount is immaterial.

Deferred income tax assets are not recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is not probable. As at the date of consolidated statement of financial position, the Group had unrecognized deferred tax assets attributable to tax losses amounting to approximately HK\$1,309,000 (2017: HK\$3,318,000).

9. KEY SOURCES OF ESTIMATION UNCERTAINTY

a. Impairment of assets

Internal and external sources of information are reviewed by the Group at each date of consolidated statement of financial position to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusions of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

b. Impairment of account and other receivables

In determining the amount of impairment of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

10. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with current year's presentation.

11. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized to issue by the Council on 13 April 2019.