



Pearson Fearn & Co.

Certified Public Accountants

THE LION ROCK INSTITUTE (HK) LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2017

THE LION ROCK INSTITUTE (HK) LIMITED

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December 2017.

PRINCIPAL ACTIVITY

The Company is incorporated in Hong Kong and its registered office is located at Room 412, 4/F., Asia Standard Tower, 59 Queen's Road Central, Hong Kong. The Company is a non-profit making organization which promotes free market or acts of related charity.

PLANT AND EQUIPMENT

Movements in plant and equipment during the year are set out in Note 5 to the financial statements.

RESULTS

The results of the Company for the year ended 31st December 2017 and the state of the Company's affairs at that date are set out on pages 6 to 12.

DIRECTORS

The names of the persons who acted as directors during the year and to the date of this report are:

SHUEN Pak Man Andrew

Gavin Andrew WORK

William John STACEY

Daniel Patrick RYAN

(Resigned on 26th April 2017)

WONG Yee Wai

Nicholas Robert SALLNOW-SMITH

In accordance with the Company's Articles of Association, all directors retire but, being eligible, offer themselves for re-election.

PERMITTED INDEMNITY PROVISIONS

At no time during the year and up to the date of this report was there a permitted indemnity provision in force for the benefit of the directors of the Company.

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DIRECTORS' REPORT

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No other transactions, arrangements or contracts of significance in relation to the Company's business in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY

At no time during the year was the Company a party to any arrangement to enable the directors of the Company to hold any interests in the shares or debentures of, the Company or its specified undertakings.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year.

EVENTS AFTER THE FINANCIAL REPORTING DATE

The Company has no significant events occurring after the financial reporting date.

AUDITOR

The financial statements have been audited by Pearson Fearn & Co. who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board



Nicholas Robert Sallnow-Smith
Chairman
Hong Kong, 10th October 2018



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE LION ROCK INSTITUTE (HK) LIMITED

(INCORPORATED IN HONG KONG WITH LIABILITY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

Opinion

We have audited the financial statements of The Lion Rock Institute (HK) Limited ("the Company") set out on pages 6 to 12, which comprise the statement of financial position as at 31st December 2017, and statement of income and retained earnings and 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 Company as at 31st December 2017, and of its financial performance and its 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") 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") 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 Company 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 directors are responsible for the other information. The other information comprises all the information included in the annual report, 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 on the other information obtained prior to the date of this auditor's report, 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 Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS for PE issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE LION ROCK INSTITUTE (HK) LIMITED

(INCORPORATED IN HONG KONG WITH LIABILITY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements (Continued)

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

Those charged with governance are responsible for overseeing the Company'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. The 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE LION ROCK INSTITUTE (HK) LIMITED

(INCORPORATED IN HONG KONG WITH LIABILITY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

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

- Conclude on the appropriateness of the directors' 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 Company'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 Company 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.

PEARSON FEARN & CO.
Certified Public Accountants

Hong Kong, 10th October 2018

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**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31ST DECEMBER 2017**
(Expressed in Hong Kong Dollars)

	<u>Notes</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Revenue	2 & 4	918,230	1,719,466
Other income		-----	-----
Bank interest income	2	2	2
Gain on foreign exchange		--	1
Sundry income		6,177	11,520
		-----	-----
		6,179	11,523
		-----	-----
		924,409	1,730,989
		-----	-----
Expenses			
Auditor's remuneration		10,000	9,000
Auditor's remuneration - underprovided in prior year		500	--
Depreciation	2 & 5	13,235	13,235
Directors' remuneration		--	--
MPF contribution	2	33,950	18,000
Salaries and allowances	2	781,000	437,500
Rental payments under operating leases	2 & 7	241,782	123,832
Project and event expenses		126,488	104,153
Other operating expenses		334,426	149,854
		-----	-----
		1,541,381	855,574
		-----	-----
(Deficit) / Surplus for the year		(616,972)	875,415
Accumulated surplus at the beginning of the year		1,686,938	811,523
		-----	-----
Accumulated surplus at the end of the year		1,069,966	1,686,938
		=====	=====

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STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017 (Expressed in Hong Kong Dollars)

	<u>Notes</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
ASSETS AND LIABILITIES			
Non-Current Asset			
Plant and equipment	2 & 5	16,672	29,907
Current Assets			
Account receivable	2	--	20,966
Deposits	2	39,000	44,773
Cash and cash equivalents	2	1,055,862	1,610,577
		1,094,862	1,676,316
Current Liabilities			
Accrued expenses	2	41,568	19,285
		41,568	19,285
 Net Current Assets		1,053,294	1,657,031
 NET ASSETS		1,069,966	1,686,938
RESERVES			
Accumulated surplus		1,069,966	1,686,938

The financial statements set out on pages 6 to 12 were approved by the Board of Directors on 10th October 2018 and are signed on its behalf by:



Nicholas Robert Sallnow-Smith
Director



William John Stacey
Director

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Hong Kong Dollars)

	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit) / Surplus for the year	(616,972)	875,415
Adjustments for:		
Depreciation	13,235	13,235
Bank interest income	(2)	(2)
	-----	-----
Operating surplus before working capital changes	(603,739)	888,648
Movements in working capital elements		
Decrease in account receivable	20,966	46
Decrease in deposits	5,773	--
Decrease in account payable	--	(36,986)
Increase in accrued expenses	22,283	1,601
	-----	-----
Cash (used in) / generated from operating activities	(554,717)	853,309
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisition of plant and equipment	--	(8,593)
	-----	-----
Cash (used in) investing activity	--	(8,593)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITY		
Bank interest received	2	2
	-----	-----
Cash generated from financing activity	2	2
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(554,715)	844,718
Cash and cash equivalents at the beginning of the year	1,610,577	765,859
	-----	-----
Cash and cash equivalents at the end of the year	1,055,862	1,610,577
	=====	=====

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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017 (Expressed in Hong Kong Dollars)

1. GENERAL INFORMATION

The Company is incorporated in Hong Kong and its registered office is located at Room 412, 4/F., Asia Standard Tower, 59 Queen's Road Central, Hong Kong. The Company is a non-profit making organization which promotes free market or acts of related charity.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. The account has been prepared under the historical cost convention.

Foreign currency translation

(a) Functional and preparation currency

The financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies during the year are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on exchange are dealt with in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates of exchange ruling at the dates the fair value was determined.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short term, highly liquid investment 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.

Reporting currency

The financial statements are presented in Hong Kong Dollars, the currency in which the majority of material transactions are denominated.

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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017 (Expressed in Hong Kong Dollars)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of plant and equipment in equal annual installments over their estimated useful lives as follows:

Furniture and fitting	- 5 years
Computer equipment	- 5 years

The gain or loss arising from the sale or retirement of plant and equipment, representing the difference between the actual or estimated disposal proceeds and the carrying amount of the asset, is recognized in the income statement.

Account and other receivables

Account and other receivables are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts, 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 impairment losses for bad and doubtful debts.

Account and other payables

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

Revenue recognition

Revenue is recognised in the statement of income and retained earnings, provided it is probable that economic benefits will flow from the revenue and costs, and if applicable, can be measured reliably, as follows:

- (a) Donation is recognised when donation income is received.
- (b) Consultancy income is recognised when the consultancy services were rendered.
- (c) Interest income is recognised on a time apportionment basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement over the lease terms

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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017 (Expressed in Hong Kong Dollars)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year 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.

The Company operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by any defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HKD30,000. Contribution to the plan vest immediately.

3. APPLICATION OF THE HKFRS FOR PRIVATE ENTITIES

These financial statements for the year ended 31st December 2017 are prepared under accounting policies that comply with the Hong Kong Financial Reporting Standards for Private Entities. The Company had applied full Hong Kong Financial Reporting Standards (HKFRSs) to prepare the financial statements prior to the application of the HKFRS for Private Entities.

The Company has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the HKFRS for Private Entities when preparing these financial statements in according with the HKFRS for Private Entities.

4. REVENUE

Revenue for the year comprised the following:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Donation income	293,000	1,265,786
Consultancy income	35,000	50,000
Event income	548,230	303,680
Membership income	42,000	100,000
	<u>918,230</u>	<u>1,719,466</u>

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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017 (Expressed in Hong Kong Dollars)

5. PLANT AND EQUIPMENT

	<u>Furniture & fitting</u> HK\$	<u>Computer equipment</u> HK\$	<u>Total</u> HK\$
<u>Cost</u>			
At 1 st January 2017	58,751	33,783	92,534
Addition for the year	--	--	--
	58,751	33,783	92,534
At 31st December 2017	58,751	33,783	92,534
<u>Accumulated Depreciation</u>			
At 1 st January 2017	35,718	26,909	62,627
Charge for the year	11,516	1,719	13,235
	47,234	28,628	75,862
At 31st December 2017	47,234	28,628	75,862
<u>Net Book Value</u>			
At 31st December 2017	11,517	5,155	16,672
At 31 st December 2016	23,033	6,874	29,907

6. TAXATION

No provision for Hong Kong profits tax is made in the financial statements as the Company is a charity organization which is exempted from tax assessment under Section 88 of the Inland Revenue Ordinance.

7. LEASE COMMITMENTS

At the financial year ended date, the Company had the following future minimum rental commitments under non-cancelable operating leases for land and buildings:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Operating leases which expire:		
Within one year	--	64,400
In the second to fifth years inclusive	--	--
	--	64,400
	--	64,400

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**OTHER OPERATING EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2017**
(Expressed in Hong Kong Dollars)

	<u>2017</u>	<u>2016</u>
	HK\$	HK\$
Accounting fee	3,500	3,500
Bank charges	1,480	1,310
Building management fee	7,312	13,431
Course, study fee and newspaper	5,531	--
Computer expenses and website	3,015	3,300
Cleaning expenses	1,722	7,290
Donation	41,735	48,500
Entertainment	4,161	2,408
Government rates	3,353	5,360
Insurance	4,855	1,693
Legal and professional fee	28,845	5,800
Printing and stationery	37,147	40,174
Rental expenses	--	440
Scholarship	105,000	--
Sundry expenses	81,496	2,920
Telecommunication	4,905	9,668
Utilities	369	3,661
Water expenses	--	399
	-----	-----
	<u>334,426</u>	<u>149,854</u>

**THIS ACCOUNT HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY
AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS.**