

LIBERAL PARTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2010

K K YEUNG PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
楊國琦合夥人會計師行



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LIBERAL PARTY

REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee have pleasure in submitting their annual report together with the audited Financial Statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

Liberal Party (the "Party") is a non-profit-making political organisation. It serves the community by participating actively in various forms of social and political services and provides services to its members who are involved in the elections to representative bodies such as district councils or the Legislature. It also acts as the trustee of several charity funds to look after the charity activities carried out by these funds during the year.

RESULTS

The results for the year ended 31st December, 2010 are set out in the Statement of Comprehensive Income on page 6.

The state of the Party's affairs as at 31st December, 2010 is set out in the Statement of Financial Position on page 7.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 10 to the Financial Statements.

EXECUTIVE COMMITTEE MEMBERS

The Executive Committee Members who held offices during the year and at the date of this report were:

Chan Chun Tung	
Cheung Yu Yan, Tommy	(Resigned on 16th December, 2010)
Chiang Lily	(Ceased on 24th August, 2011)
Chow Liang Shuk Yee, Selina	(Appointed on 6th January, 2011)
Chow Wing Kan	
Fang Kang, Vincent	
Fung Ka Pun	

LIBERAL PARTY

REPORT OF THE EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE MEMBERS (CONTINUED)

Ho Hin Ming
Ho Sai Chu
Hui Ka Wah, Ronnie
Kwok Siu Ming
Lam Yau Pik, Paul
Lau Kin Yee, Miriam
Leung Chi Wai (Appointed on 24th August, 2011)
Leung Lai Fung
Li Sheng Chi
Li Tze Leung
Li Ying Sang, Tommy
Lin Mark
Shiu Ka Fai, Peter
So Hoi Pan
Sze Wei Hung
Tien Michael Puk Sun (Resigned on 19th November, 2010)
Ting Woo Shou, Kenneth
Tsang Chi Hung
Tsoi Chi Chung
Yick Chi Ming, Frankie
Young Howard
Yuen Kin Chung, Kenny (Appointed on 24th August, 2011)
Yum Pui

In accordance with the Party's Articles of Association, all Executive Committee Members shall be eligible for re-election.

EXECUTIVE COMMITTEE MEMBERS' INTEREST

No contracts of significance in relation to the Party's business to which the Party was a party and in which any executive committee members had a material interest, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No substantial contract concerning the management and administration of the Party was entered into or existed during the year.

LIBERAL PARTY

REPORT OF THE EXECUTIVE COMMITTEE

AUDITORS

During the year, Messrs. K K Yeung Partnership, Certified Public Accountants (Practising) were appointed as the auditors of the Party, and who retire and being eligible, offer themselves for re-appointment.

On Behalf Of The Executive Committee



Lau Kin Yee, Miriam
Chairman

Hong Kong: 31st August, 2011

K K YEUNG PARTNERSHIP

K K Yeung Partnership
Certified Public Accountants (Practising)
Room 1403B, 9 Queen's Road Central, Hong Kong
TEL : (852) 2856 0038 FAX : (852) 2565 6628
E-MAIL : kky@kkyeung.com
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LIBERAL PARTY

(Incorporated in Hong Kong and limited by guarantee)

We have audited the Financial Statements of Liberal Party set out on pages 6 to 22, which comprise the Statement of Financial Position as at 31st December, 2010, and the Statement of Comprehensive Income, Statement of Changes in Accumulated Surpluses and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

EXECUTIVE COMMITTEE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Executive Committee is responsible for the preparation and the true and fair presentation of these Financial Statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Companies Ordinance. This responsibility include designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these Financial Statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Statements are free from material misstatement.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIBERAL PARTY

(Incorporated in Hong Kong and limited by guarantee)

AUDITOR'S RESPONSIBILITY (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Committee, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2 (b) in the Financial Statements which indicates that the Party incurred a deficit of HK\$1,261,283.27 during the year ended 31 December 2010 and, as of that date, the Party's liabilities exceeded its total assets by HK\$182,728.30. These conditions, along with other matters as set forth in Note 2 (b), indicate the existence of a material uncertainty which may cast significant doubt about the Party's ability to continue as a going concern.

We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the Financial Statements and our opinion is not qualified in this respect.

OPINION

In our opinion, the Financial Statements give a true and fair view of the state of the Party's affairs as at 31st December, 2010 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.


CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

Hong Kong: 31st August, 2011

LIBERAL PARTY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	<u>Note</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
Revenue	5	9,613,924.54	13,698,197
Other income	6	1,168,725.98	1,103,953
Administrative expenses		(12,043,933.79)	(14,657,090)
Other operating expenses		<u>-</u>	<u>(94,027)</u>
(Deficit)/Surplus before tax	7	(1,261,283.27)	51,033
Income tax expense	9	<u>-</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(1,261,283.27)	51,033
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR		<u><u>(1,261,283.27)</u></u>	<u><u>51,033</u></u>

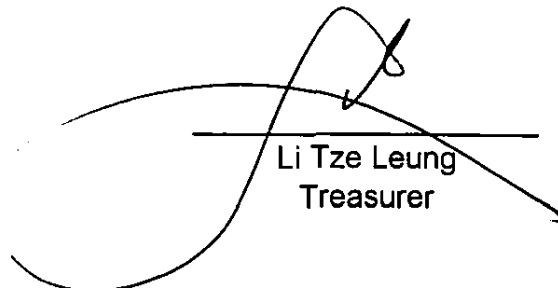
LIBERAL PARTY
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2010

	<u>Note</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
ASSETS			
Non-Current Asset			
Property, plant and equipment	10	326,389.77	883,506
Current Assets			
Deposits and prepayment		501,739.31	1,079,404
Cash and bank balances		3,483,557.80	3,151,289
		<u>3,985,297.11</u>	<u>4,230,693</u>
Total Assets		<u><u>4,311,686.88</u></u>	<u><u>5,114,199</u></u>
EQUITY AND LIABILITIES			
Accumulated (deficits)/surpluses		(182,728.30)	1,078,555
Total Equity		<u>(182,728.30)</u>	<u>1,078,555</u>
Non-Current Liabilities			
Provision for long service payments		272,272.27	442,853
Total Non-Current Liabilities		<u>272,272.27</u>	<u>442,853</u>
Current Liabilities			
Other payable and accruals		725,331.63	420,903
Sponsorship received in advance		846,811.28	521,888
Advances from			
The Liberal Party Trust Fund	11	2,650,000.00	2,650,000
Total Current Liabilities		<u>4,222,142.91</u>	<u>3,592,791</u>
Total Liabilities		<u>4,494,415.18</u>	<u>4,035,644</u>
Total Equity and Liabilities		<u><u>4,311,686.88</u></u>	<u><u>5,114,199</u></u>

The Financial Statements on pages 6 to 22 were approved and authorised for issue by the Executive Committee on 31st August, 2011 and were signed on its behalf by:



Lau Kin Yee, Miriam
Chairman



Li Tze Leung
Treasurer

LIBERAL PARTY
STATEMENT OF CHANGES IN ACCUMULATED SURPLUSES/(DEFICITS)
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	<u>2010</u> HK\$	<u>2009</u> HK\$
As at the beginning of year	1,078,554.97	1,027,522
(Deficit)/Surplus for the year	<u>(1,261,283.27)</u>	<u>51,033</u>
As at the end of year	<u><u>(182,728.30)</u></u>	<u><u>1,078,555</u></u>

LIBERAL PARTY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	<u>2010</u> HK\$	<u>2009</u> HK\$
Operating activities		
(Deficit)/Surplus before tax	(1,261,283.27)	51,033
Adjustments for:		
Depreciation	583,008.19	921,751
Loss on disposal of property, plant and equipment	-	94,027
Reversal for long services payment	<u>(170,580.58)</u>	<u>(111,979)</u>
Operating (deficit)/surplus before changes in working capital	(848,855.66)	954,832
Decrease/(Increase) in other receivables	577,665.32	(158,981)
Increase/(Decrease) in other payable and accruals	304,428.27	(117,688)
Increase/(Decrease) in sponsorship received in advance	<u>324,923.10</u>	<u>(116,350)</u>
Cash generated from operations	<u>358,161.03</u>	<u>561,813</u>
Investing activities		
Payment for purchase of property, plant and equipment	(25,892.00)	(996,663)
Proceeds of property, plant and equipment	-	15,000
Net cash used in investing activities	<u>(25,892.00)</u>	<u>(981,663)</u>
Net increase/(decrease) in cash and cash equivalents	332,269.03	(419,850)
Cash and cash equivalents at beginning of year	<u>3,151,288.77</u>	<u>3,571,139</u>
Cash and cash equivalents at end of year	<u>3,483,557.80</u>	<u>3,151,289</u>
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	<u>3,483,557.80</u>	<u>3,151,289</u>

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

1. THE PARTY'S INFORMATION

Liberal Party (the "Party") is a company limited by guarantee incorporated in Hong Kong. The Party's registered office is located at 801-803, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon.

The Financial Statements are presented in Hong Kong dollars, which is the same as the functional currency of the Party.

The Party is a non-profit-making political organisation. It serves the community by participating actively in various forms of social and political services and provides services to its members who are involved in the elections to representative bodies such as district councils or the Legislature. It also acts as the trustee of several charity fund to look after the charity activities carried out by these funds during the year.

2. PRINCIPAL ACCOUNTING POLICIES

a.) BASIS OF PREPARATION

- (i) The Financial Statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except otherwise stated.

The preparation of Financial Statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

a.) BASIS OF PREPARATION (CONTINUED)

- (i) The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
- (ii) The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2010. These new HKFRSs have no significant impact on its results of operations and financial position for the current and prior accounting periods.

b.) GOING CONCERN

The Financial Statements have been prepared on the basis of going concern notwithstanding the deficiency of net assets, on the assumption that the Liberal Party Trust Fund will continue to provide such financial assistance as is necessary to maintain the Party as a going concern. The Liberal Party Trust Fund agreed to provide such assistance.

c.) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost or valuation of assets over their estimated useful lives using the straight line method, at the following annual rates:

Leasehold improvements	Over the period of the lease
Furniture and equipment	20%
Motor vehicle	20%

The gain or loss arising from disposal of property, plant and equipment are determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised as income or expenses in the Statement of Comprehensive Income.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

d.) IMPAIRMENT OF ASSETS

Both internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that assets including fixed assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price. Such impairment losses are recognised in the Statement of Comprehensive Income except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the Statement of Comprehensive Income in the year in which the reversals are recognised.

e.) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised 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.

f.) TRADE AND OTHER PAYABLES

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

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

g.) 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. For the purposes of the cash flow statement, cash and cash equivalents would also include advances from banks repayable within three months from the date of the advance.

h.) RETIREMENT BENEFITS SCHEME

The Party operates a defined contribution Mandatory Provident Fund retirement benefits scheme under Mandatory Provident Fund Schemes Ordinance for all its eligible employees. The assets of the scheme are held separately from those of the Party in independently administrated funds. Contributions to the scheme are charged to the Statement of Comprehensive Income as they become payable.

i.) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i.) INCOME TAX (CONTINUED)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

j.) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Party 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 expenditures expected to settle the obligation.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

k.) PROVISIONS AND CONTINGENT LIABILITIES (CONTINUED)

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 probability 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 liabilities unless the probability of outflow of economic benefits is remote.

l.) REVENUE RECOGNITION

Revenue is recognised in the Statement of Comprehensive Income when it is probable that the economic benefits will flow to the Party and when the revenue can be measured reliably, on the following bases:

1. Donation income is recognised on a cash receipt basis; and
2. Receipts and sponsorship are recognised on a cash receipt basis.

m.) RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, committee member and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Party where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Party or of any entity that is a related party of the Party.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Party's management makes assumptions, estimates and judgements in the process of applying the Party's accounting policies that affect the assets, liabilities, income and expenses in the Financial Statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

The key assumptions and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial statements or are set out as follows:

(i) Useful lives of property, plant and equipment

The Party's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or written down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Trade and other receivables

The Party's management determines the provision for impairment of trade and other receivable based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Management reassesses the provision at the end of each reporting period.

(iv) Income taxes and deferred income tax

The Party is subject to income taxes in Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates have been changed.

4. FINANCIAL RISK MANAGEMENT

The Party is exposed to various kinds of risks in its operation and financial instruments. The Party's risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks on the Party by closely monitoring the individual exposure as follows:

a.) Currency risk

For the year ended 31st December 2010, the Party did not subject to any significant exposure to foreign exchange risk. Hence, no financial instrument for hedging was employed.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b.) Liquidity risk

The Party manages its fund conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

c.) Credit risk

The Party has no significant concentrations of credit risk.

d.) Cash flow interest rate risks

The Party has no significant concentrations of cash flow interest rate risks.

5. REVENUE

Revenue represents donations received from the Liberal Party Trust Fund and members of the Party during the year.

6. OTHER INCOME

	<u>2010</u> HK\$	<u>2009</u> HK\$
Project Income	421,523.40	433,729
Reversal for long services payment	170,580.58	111,979
Sundry income	576,622.00	558,245
	<u>1,168,725.98</u>	<u>1,103,953</u>

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

7. (DEFICIT)/SURPLUS BEFORE TAX

	<u>2010</u> HK\$	<u>2009</u> HK\$
The (deficit)/surplus before tax has been arrived at after charging:		
Auditors' remuneration	30,000.00	30,000
Depreciation	583,008.19	921,751
Provision for employee benefits	59,404.17	45,377
Operating lease payment in respect of land and buildings	622,014.05	2,600,077
Staff costs (including executive committee members' remuneration, salary and MPF contribution)	7,715,116.11	7,769,533
Loss on disposal of property, plant and equipment	<u>-</u>	<u>94,027</u>
after crediting:-		
Reversal for long services payment	<u>170,580.58</u>	<u>111,979</u>

8. EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

Executive Committee Members' remuneration disclosed pursuant to Section 161 of the Companies Ordinance is as follows:

	<u>2010</u> HK\$	<u>2009</u> HK\$
Fees	-	-
Other emoluments	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been provided in the Financial Statements as the Executive Committee is of the opinion that the Party did not have income chargeable to profits tax under the Hong Kong Inland Revenue Ordinance during the year.

LIBERAL PARTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u> HK\$	<u>Furniture and equipment</u> HK\$	<u>Motor vehicle</u> HK\$	<u>Total</u> HK\$
<u>Cost</u>				
At 1.1.2009	927,726.20	2,084,999.80	155,753.00	3,168,479.00
Additions	724,358.00	28,639.00	243,666.00	996,663.00
Disposal	<u>(927,726.20)</u>	-	<u>(155,753.00)</u>	<u>(1,083,479.20)</u>
At 31.12.2009	724,358.00	2,113,638.80	243,666.00	3,081,662.80
Additions	-	25,892.00	-	25,892.00
At 31.12.2010	<u>724,358.00</u>	<u>2,139,530.80</u>	<u>243,666.00</u>	<u>3,107,554.80</u>
<u>Accumulated depreciation</u>				
At 1.1.2009	640,111.20	1,579,596.54	31,150.60	2,250,858.34
Charge for the year	645,191.02	212,251.08	64,308.50	921,750.60
Written back on disposals	<u>(927,726.20)</u>	-	<u>(46,725.90)</u>	<u>(974,452.10)</u>
At 31.12.2009	357,576.02	1,791,847.62	48,733.20	2,198,156.84
Charge for the year	361,563.51	172,711.48	48,733.20	583,008.19
At 31.12.2010	<u>719,139.53</u>	<u>1,964,559.10</u>	<u>97,466.40</u>	<u>2,781,165.03</u>
<u>Net book value</u>				
At 31.12.2010	<u>5,218.47</u>	<u>174,971.70</u>	<u>146,199.60</u>	<u>326,389.77</u>
At 31.12.2009	<u>366,781.98</u>	<u>321,791.18</u>	<u>194,932.80</u>	<u>883,505.96</u>

11. ADVANCES FROM THE LIBERAL PARTY TRUST FUND

The advances from The Liberal Party Trust Fund are unsecured, interest free and have no fixed terms of repayment.

The Executive Committee considers that the carrying amount of the advances from The Liberal Party Trust Fund approximates its fair value.

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12. COMMITMENTS

Operating lease commitments

The Party as lessee:

At 31st December, 2010, the Party had the following commitments payable within the following year under non-cancellable operating leases for office premises:

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
Operating leases which expire:		
Within 1 year	475,769.92	869,479
After 1 year but within 5 years	180,600.00	232,170
	<u>656,369.92</u>	<u>1,101,649</u>

13. RELATED PARTY TRANSACTIONS

During the year, the Party has entered into the following transactions in which the Executive Committee Members have interests in:

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
Donations received from members	<u>-</u>	<u>143,121</u>

The Executive Committee is of the opinion that the above transactions were entered into in the normal course of business.

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14. ACTING AS TRUSTEE

Liberal Party Caring Foundation was formed under a Trust Deed on 12th April, 2005 initiated by the Party for the purpose of appealing to the Hong Kong public to raise funds for helping the poor in Hong Kong. As at 31st December, 2010, the balance held by the Party was HK\$5,635,712.90 (2009: HK\$6,182,962). The fund, being approved charitable institution, is exempted from tax under Section 88 of Inland Revenue Ordinance.

Liberal Party Relief Fund for The Sichuan Earthquake was formed under a Trust Deed on 13rd May, 2008 initiated by the Party for the purpose of appealing to the Hong Kong public to raise funds for helping victims of Sichuan Earthquake. As at 31st December, 2010, there is no balance held by the Party (2009: HK\$327,008). The Trust informed Inland Revenue Department its progress to dissolution and was accordingly removed from the list of charitable institutions and trust of public character with effect from 7th October, 2010.

The Party is responsible for looking after the charity activities carried out by the above funds. The assets and liabilities of the funds have not been included in the Party's financial position.