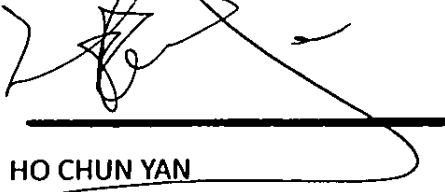


**THE DEMOCRATIC PARTY**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**


**核證無誤及為真確副本**



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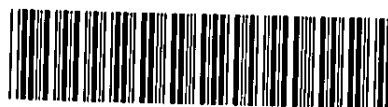
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**THE DEMOCRATIC PARTY**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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<b>Contents</b>	<b>Pages</b>
Report of Central Committee	1 - 2
Independent auditor's report	3
Income and expenditure statement	4 - 5
Balance sheet	6
Statement of changes in funds	7
Cash flow statement	8
Notes to the financial statements	9 - 17

REPORT OF CENTRAL COMMITTEE

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The Central Committee have pleasure in presenting their report together with the audited financial statements of the Party for the year ended 31 March 2009.

**FINANCIAL STATEMENTS**

The results for the year are set out in the income and expenditure statement on page 4 - 5.

The state of affairs of the Party at 31 March 2009 is set out in the balance sheet on page 6.

The cash flows of the Party for the year are set out in the cash flow statement on page 8.

**PRINCIPAL ACTIVITIES**

The Party has been established as a Political Party in Hong Kong.

There have been no significant changes in the nature of these activities during the year.

**PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment during the year are set out in note 6 to the financial statements.

**CENTRAL COMMITTEE MEMBERS**

The central committee members during the year and up to the date of the annual general meeting were:

Chan Shu Ying, Josephine	
Chai Man Hon	(retired on 14 December 2008)
Cheng Kar Foo, Andrew	(elected on 14 December 2008)
Cheung Yin Tung	
Cheung Yuet Lan	
Chiu Chung Lam	
Chui Pak Tai	(elected on 14 December 2008)
Chow Kam Siu, Joseph	
Fung Wai Kwong	
Ho Chun Yan	
Kwong Chun Yu	(retired on 14 December 2008)
Lam Chung Hoi	(elected on 14 December 2008)
Lam Tsz Kin, Howard	
Lam Wing Yin	(retired on 14 December 2008)
Lau Wai Hing Emily	(elected on 14 December 2008)
Law Chi Kwong	
Law Chun Ngai	(retired on 14 December 2008)
Lee Wing Tat	
Leung Suk Ching	
Li Kin Yin	
Li Wah Ming	(elected on 14 December 2008)
Li Wing Shing	(elected on 14 December 2008)
Mok Siu Lun	
Ng Kim Sing	(retired on 14 December 2008)
Ng Wing Fai, Stanley	
Or Yiu Lam, Ricky	(elected on 14 December 2008)
Sin Chung Kai	
Szeto Wah	(retired on 14 December 2008)
Tik Chi Yuen	
To Kun Sun, James	
Tsoi Yu Lung	(elected on 14 December 2008)
Tsui Hon Kwong	
Wong Kin Sing	(retired on 14 December 2008)
Wong Sing Chi	

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**CENTRAL COMMITTEE MEMBERS (CONT'D)**

Wong Suet Ying	(retired on 14 December 2008)
Wu Chi Wai	
Yam Kai Bong	(elected on 14 December 2008)
Yeung Sum	
Yuen Bun Keung	(retired on 14 December 2008)


**CENTRAL COMMITTEE MEMBERS' INTERESTS IN CONTRACTS**

No central committee member has material interest in any contract with the Party during or at the end of the year.

**AUDITORS**

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

By order of the Central Committee



Central Committee Member

05 NOV 2009

Certified Public Accountants

蒲錦文會計師事務所

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
THE DEMOCRATIC PARTY  
(Incorporated in Hong Kong and limited by guarantee)**

We have audited the financial statements of The Democratic Party set out on pages 4 to 17, which comprise the balance sheet as at 31 March 2009, and the income and expenditure statement, statement of changes in funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Central committee members' responsibility for the financial statements**

Central committee members are 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 Hong Kong Companies Ordinance. This responsibility includes 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 statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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.

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.

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 judgment, 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 central committee members, 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.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Party's affairs as at 31 March 2009 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.

  
**WILLIAM PO & CO.**

Certified Public Accountants

Hong Kong, 05 NOV 2009

**INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	2009 HK\$	2008 HK\$
<b>Income</b>		
Donations from non-members	4,383,114	5,368,150
Donations from members	3,163,357	3,774,068
Membership fee received	115,140	224,900
Dinner income	678,536	1,401
Income on sale of raffle tickets	877,978	1,297,628
Sundry income	100,331	39,894
Project and activity income	636,363	509,411
Provision for long service payments reversed	-	54,035
Interest income	75,090	259,796
Monthly donation scheme income	94,440	159,240
Bad debts recovered	-	15,000
	<u>10,124,349</u>	<u>11,703,523</u>
<b>Less: Expenditure (details on page 5)</b>	<b>(11,900,663)</b>	<b>(10,406,147)</b>
	<u>(1,776,314)</u>	<u>1,297,376</u>
<b>(Deficit)/surplus for the year</b>	<b>(1,776,314)</b>	<b>1,297,376</b>

The notes on pages 9 to 17 form an integral part of these financial statements.

INCOME AND EXPENDITURE STATEMENT - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009

	2009	2008
	HK\$	HK\$
<b>Details of expenditure</b>		
Advertising fee	1,500	12,000
Audit fees	75,000	70,000
Bank charges	11,863	13,401
Business registration fee	2,700	5,292
Consumables and minor purchases	26,665	24,869
Computer supplies	11,500	30,832
Depreciation	19,329	7,576
Dinner expenses	261,234	150
Electricity	32,320	34,165
Expenditure on sale of raffle tickets	46,439	116,839
Insurance	42,731	35,699
Internet charges	41,302	30,033
Legal and professional fees	-	5,000
Provision for legal claims	-	1,200,000
Provision for long service payments charged	95,351	-
Mandatory provident fund	145,832	128,826
Medical expenses	-	4,432
Motor vehicle running expenses	82,293	90,871
Newspapers and magazines	8,623	9,303
Other receivables and deposits written off	-	5,588
Photocopying and film	26,054	47,413
Postage	6,726	6,721
Printing, stationery and typing	35,376	53,232
Project and activity expenses	5,977,993	4,218,023
Rent and rates	339,963	362,555
Repairs and maintenance	24,355	42,050
Recruitment fee	2,520	1,325
Salaries and related costs	3,620,529	3,070,236
Staff benefits	-	8,910
Subsidy to councillor offices	243,664	213,988
Subsidy for district development	322,354	438,319
Sundry expenses	48,316	30,054
Telephone and fax fee	96,807	56,353
Travelling and transportation expense - Local	28,221	32,092
Under provision for legal claims	223,103	-
<b>Total expenditure</b>	<b>11,900,663</b>	<b>10,406,147</b>

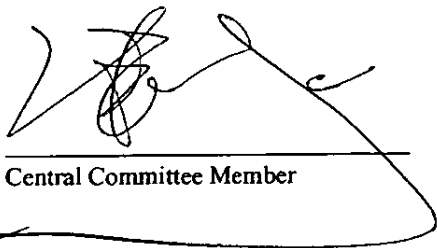
The notes on pages 9 to 17 form an integral part of these financial statements.

4408

BALANCE SHEET  
AS AT 31 MARCH 2009

	Notes	2009 HK\$	2008 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	6	71,439	27,083
Loan receivables	7	2,478,274	921,665
		<u>2,549,713</u>	<u>948,748</u>
<b>Current assets</b>			
Other receivables, deposits and prepayments		756,060	380,316
Cash and cash equivalents	8	3,422,648	8,179,634
		<u>4,178,708</u>	<u>8,559,950</u>
<b>Current liabilities</b>			
Account payables and accruals		837,495	656,458
Other payables		273,753	258,753
Provision for legal claims		-	1,200,000
		<u>1,111,248</u>	<u>2,115,211</u>
<b>Net current assets</b>		<u>3,067,460</u>	<u>6,444,739</u>
<b>Net assets</b>		<u>5,617,173</u>	<u>7,393,487</u>
<b>General fund</b>		<u>5,617,173</u>	<u>7,393,487</u>

Approved by:



Central Committee Member



Central Committee Member



STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31 MARCH 2009

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	2009 HK\$	2008 HK\$
General fund brought forward	7,393,487	6,096,111
(Deficit)/surplus for the year	(1,776,314)	1,297,376
General fund carried forward	<u>5,617,173</u>	<u>7,393,487</u>

The notes on pages 9 to 17 form an integral part of these financial statements.

8710

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 HK\$	2008 HK\$
<b>Operating activities</b>			
Cash (used in)/generated from operations	11	(3,345,288)	1,045,805
Legal claims paid		(1,423,103)	-
<b>Cash (used in)/generated from operating activities</b>		<b>(4,768,391)</b>	<b>1,045,805</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(63,685)	(21,779)
Interest received		75,090	259,796
<b>Cash generated from investing activities</b>		<b>11,405</b>	<b>238,017</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(4,756,986)</b>	<b>1,283,822</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8,179,634</b>	<b>6,895,812</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>3,422,648</b>	<b>8,179,634</b>

The notes on pages 9 to 17 form an integral part of these financial statements.

4768

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**1 GENERAL**

The Democratic Party has been incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee without share capital. The Party's registered office is located at 4th Floor, Hanley House, 776 - 778 Nathan Road, Kowloon, Hong Kong. Under the provision of its Memorandum and Articles of Association, every member shall, in the event of the Party being wound up, contribute such amount as may be required to meet the liabilities of the Party but not exceeding the sum of HK\$10 each.

**2 PRINCIPAL ACCOUNTING POLICIES****(a) Basis of preparation**

These financial statements have been prepared under the historical cost convention in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs" which term collectively include all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) 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.

The HKICPA has issued certain new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Party. There have been no significant changes to the accounting policies applied in these financial statements as a result of these developments.

The Party has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of the financial statements of the Party in conformity with HKFRS requires the central committee members to make judgment, estimates and assumptions which are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and associated assumptions are reviewed on an on going basis. Revisions thereto 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.

**(b) Property, plant and equipment**

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the income and expenditure statement in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

Where assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation on property, plant and equipment is provided using the straight line method at consistent rates calculated to write off the cost of the assets over their expected useful lives. The principal annual rates used for this purpose are:

Office equipment	20%
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Fully depreciated assets are retained in the accounts until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009**2 PRINCIPAL ACCOUNTING POLICIES (cont'd)****(c) Impairment of assets**

Assets are reviewed for impairment whenever there is an indication that the carrying amount of an asset exceeds its recoverable amount. If any such indication exists, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment loss is recognised as an expense immediately. The recoverable amount is the higher of an asset's net selling price and value in use.

Reversal of impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer existed or has decreased. The reversal is recognised as income immediately.

**(d) Operating leases**

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

**(e) Recognition of revenue**

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

- \* donations are recognised when the right to receive payment is established.
- \* membership fee is recognized when the right to receive the fee is established.
- \* on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs that would be incurred under the transaction.
- \* interest on a time proportion basis that takes into account the effective yield on the asset.

**(f) Employee benefits**

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Party of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Party. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The Party operates a Mandatory Provident Fund scheme ("MPF Scheme") for the employees. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable. The assets of the MPF Scheme are held in an independently administered fund. The Party's contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009**2 PRINCIPAL ACCOUNTING POLICIES (cont'd)****(g) Provision and contingent liabilities**

Provisions are recognized 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 expenditure expected 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 probability of an outflow is remote. Possible obligations, whose expenditure 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.

**(h) Related parties**

Two 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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

**(i) Receivables**

Receivables are initially recognised at fair value and thereafter measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

**(j) Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and cash on hand and are subject to insignificant risk of changes in value.

**(k) Payables**

Payables are initially recognised at fair value and thereafter measured at amortised cost, using the effective interest rate method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009

**3 EMPLOYEE BENEFIT EXPENSE**

The Party has employee benefit expense included in project and activity expenses. Details are as follows:

	2009 HK\$	2008 HK\$
Salaries and allowances	496,049	183,270
Mandatory provident fund contribution	7,025	-
	<u>503,074</u>	<u>183,270</u>

Analysis of the total employee benefit expenses is as follows:

	2009 HK\$	2008 HK\$
Salaries and allowances	4,116,579	3,253,506
Mandatory provident fund contribution	152,857	128,826
Provision for long service payments charged/(reversed)	95,351	(54,035)
Staff benefits	-	8,910
	<u>4,364,787</u>	<u>3,337,207</u>

**4 CENTRAL COMMITTEE MEMBERS' EMOLUMENTS**

During the years ended 31 March 2009 and 31 March 2008, no amounts have been paid in respect of Central Committee Members' emoluments, Central Committee Members' or past Central Committee Members' pensions or for any compensation to Central Committee Members or past Central Committee Members in respect of loss of office.

**5 TAXATION**

No provision for Hong Kong profits tax is made in the financial statements as the Central Committee consider that the Party has no assessable profits for the year.

Deferred taxation has not been provided in the financial statements as the Party has no Hong Kong profits tax liability.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009

6 PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$
<b>Cost:</b>	
At 1 April 2007	16,100
Additions	21,779
	<hr/>
At 31 March 2008 and 1 April 2008	37,879
Additions	63,685
	<hr/>
At 31 March 2009	101,564
	<hr/>
<b>Accumulated depreciation:</b>	
At 1 April 2007	3,220
Charge for the year	7,576
	<hr/>
At 31 March 2008 and 1 April 2008	10,796
Charge for the year	19,329
	<hr/>
At 31 March 2009	30,125
	<hr/>
<b>Net book value:</b>	
At 31 March 2009	71,439
	<hr/> <hr/>
At 31 March 2008	27,083
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009

## 7 LOAN RECEIVABLES

The balance represents loans to election candidates and are repayable by monthly installments. No interest is charged and no security is provided. Included in loan receivables are loans to central committee members of HK\$1,862,000. Details of loans to central committee members disclosed pursuant to Section 161B of the Companies Ordinance are set out below:

Name of borrower:	Cheng Kar Foo, Andrew	Cheung Yin Tung	Ho Chun Yan	Lee Wing Tat
Terms of the loan				
Duration and repayment terms:	On demand	On demand	On demand	On demand
Interest rate:	Free	Free	Free	Free
Security for the loan:	Unsecured	Unsecured	Unsecured	Unsecured
Balance of the loan				
At 1 April 2008:	HK\$ Nil	HK\$ Nil	HK\$ Nil	HK\$ Nil
At 31 March 2009:	HK\$ Nil	HK\$ 95,000	HK\$ Nil	HK\$ 200,000
Maximum debit balance outstanding during the year:	HK\$ 400,000	HK\$ 760,000	HK\$ 400,000	HK\$ 400,000
Name of borrower:	Li Wah Ming	Ng Wing Fai, Stanley	Tik Chi Yuen	To Kun Sun, James
Terms of the loan				
Duration and repayment terms:	On demand	On demand	On demand	On demand
Interest rate:	Free	Free	Free	Free
Security for the loan:	Unsecured	Unsecured	Unsecured	Unsecured
Balance of the loan				
At 1 April 2008:	HK\$ Nil	HK\$ Nil	HK\$ Nil	HK\$ Nil
At 31 March 2009:	HK\$ 400,000	HK\$ Nil	HK\$ 85,000	HK\$ 500,000
Maximum debit balance outstanding during the year:	HK\$ 400,000	HK\$ 100,000	HK\$ 284,000	HK\$ 500,000
Name of borrower:	Wong Sing Chi	Wu Chi Wai		
Terms of the loan				
Duration and repayment terms:	On demand	On demand		
Interest rate:	Free	Free		
Security for the loan:	Unsecured	Unsecured		
Balance of the loan				
At 1 April 2008:	HK\$ Nil	HK\$ Nil		
At 31 March 2009:	HK\$ 532,000	HK\$ 50,000		
Maximum debit balance outstanding during the year:	HK\$ 864,000	HK\$ 500,000		



NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009**8 CASH AND CASH EQUIVALENTS**

	2009 HK\$	2008 HK\$
Fixed deposits	100,376	6,218,466
Cash at bank	3,320,023	1,956,027
Cash on hand	2,249	5,141
	<u>3,422,648</u>	<u>8,179,634</u>

**9 OPERATING LEASE COMMITMENTS**

At the balance sheet date, the total future minimum lease payments of the Party under non-cancellable operating leases are payable as follows:

	2009 HK\$	2008 HK\$
Within one year	87,000	290,439
In the second to fifth years, inclusive	45,806	22,000
	<u>132,806</u>	<u>312,439</u>

**10 RELATED PARTY TRANSACTIONS**

During the year, the Party had the following transactions with related parties:

	2009 HK\$	2008 HK\$
Rental expenses paid to entity with joint control	<u>240,000</u>	<u>240,000</u>

**11 CASH (USED IN)/GENERATED FROM OPERATIONS**

Reconciliation of (deficit)/surplus to cash (used in)/generated from operations:

	2009 HK\$	2008 HK\$
(Deficit)/surplus for the year	(1,776,314)	1,297,376
Adjustment for:		
Interest income	(75,090)	(259,796)
Depreciation	19,329	7,576
Provision for irrecoverable loans to members	-	(34,250)
Under provision/provision for legal claims	223,103	1,200,000
	<hr/>	<hr/>
Operating (deficits)/surplus before changes in working capital	(1,608,972)	2,210,906
Increase in loan receivables	(1,556,609)	(604,797)
Increase in other receivables, deposits and prepayments	(375,744)	(171,319)
Increase/(decrease) in account payables and accruals	181,037	(118,037)
Increase/(decrease) in other payables	15,000	(270,948)
	<hr/>	<hr/>
Cash (used in)/generated from operations	<u>(3,345,288)</u>	<u>1,045,805</u>

**12 FINANCIAL RISKS AND MANAGEMENT**

The Party's activities expose it to various kinds of financial risks: foreign currency risk, credit risk, interest rate risk and liquidity risk. 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:

## \* Foreign currency risk

The Party is not exposed to any significant foreign currency risk as its revenue and expenses are predominately in Hong Kong dollars.

## \* Credit risk

The Party's credit risk is primarily attributable to loan receivables. The balance represents loans to election candidates and are repayable by monthly installments. The central committee reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts.

## \* Interest rate risk

As the Party has no significant interest bearing assets and liabilities, the Party's income and operating cash flows are substantially independent of changes in market interest rates.

## \* Liquidity risk

The Party's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Party's remaining contractual maturity for its financial liabilities are within 3 months or on demand.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 MARCH 2009

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**13 CAPITAL MANAGEMENT**

Capital comprises general fund stated on the balance sheet. The Party's objective when managing capital is to safeguard its ability to continue as a going concern.

The Party manages capital by regularly monitoring its current and expected liquidity requirements.

**14 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

**15 APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Party's Central Committee Members on 05 NOV 2009