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Watchdog Limited

Annual Financial Report
31 March 2026

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Independent auditor's assurance report to the Executive Committee of Watchdog Limited ("the Company")

We have audited the financial statements of the Company for the year ended 31 March 2026 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unmodified auditor's report thereon dated 30 October 2026.

Pursuant to the Lump Sum Grant ("LSG") Manual issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD"), we have been requested to issue this assurance report in connection with the Annual Financial Report ("AFR") of the Company for the year ended 31 March 2026.

Responsibilities of the Executive Committee Members

In relation to this report, the Executive Committee Members are responsible for ensuring the AFR of the Company for the year ended 31 March 2026 is properly prepared in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD; and the use of the funds from the LSG by the Company has complied with the purposes as specified in the LSG Manual and other instructions issued by the SWD.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to form a conclusion, based on our engagement, and to report our conclusion to you.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 851 (Revised), *Reporting on the Annual Financial Reports of Non-governmental Organisations* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving conclusion 1 and obtain limited assurance for giving conclusion 2 below.

The work undertaken in connection with this engagement is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independent auditor's assurance report to the Executive Committee of Watchdog Limited ("the Company") (continued)

In relation to our conclusion 1 below, we have planned and performed such procedures as we considered necessary with reference to the procedures recommended in PN 851 (Revised), to satisfy ourselves that the AFR has been properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.

In relation to our conclusion 2 below, we have obtained an understanding in respect of the purposes of the use of the funds as specified in the LSG Manual and other instructions issued by the SWD and obtaining an understanding of the control procedures. We are not required to perform any procedures to search for instances of the use of funds from the LSG by the Company being non-complied with the specified purposes. Our work was limited to reporting non-compliances identified as a result of the procedures performed in relation to conclusion 2 and during the normal course of our work relating to conclusion 1. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusions

(1) In our opinion, the AFR of the Company for the year ended 31 March 2026 is properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.

(2) Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the use of the funds from the LSG by the Company has not complied, in all material respects, with the purposes as specified in the LSG Manual and other instructions issued by the SWD.

Intended Users and Purpose

This report is intended solely for submission by the Company to the SWD and is not intended to be, and should not be, used for any other purpose. We agree that a copy of this report may be provided to the SWD without further comment from us.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 OCT 2026

Income and expenditure account for the year ended 31 March 2026

(Expressed in Hong Kong dollars)

	Note	2026 $	2025 $
Income			
Lump Sum Grant			
- Lump Sum Grant (excluding Provident Fund)	1(b)	23,261,990	23,246,769
- Provident Fund	1(c)	1,640,016	1,638,395
Fee income	2	2,972,876	3,274,259
Central items	3(a)	795,269	1,329,972
Rent and rates	4	924,118	916,788
Other income	5	1,221,989	1,293,100
Interest received		9,766	34,027
Total income		30,826,024	31,733,310
Expenditure			
Personal emoluments	6	26,667,651	27,414,614
- Salaries		25,599,779	25,578,193
- Provident Fund	1(c)	1,014,292	1,782,841
- Allowances		53,580	53,580
Other charges	7	1,254,482	1,275,862
Central items	3(b)	1,332,291	935,538
Rent and rates	4	860,650	984,273
Total expenditure		30,115,074	30,610,287
Surplus for the year	8	710,950	1,123,023

The Annual Financial Report from pages 3 to 10 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

Chairperson
Date: 30 OCT 2026

Chief executive
Date: 30 OCT 2026

The notes on pages 4 to 11 form part of the annual financial report.

Notes on the annual financial report

(Expressed in Hong Kong dollars)

1 Lump Sum Grant ("LSG")

(a) Basis of preparation

The Annual Financial Report ("AFR") is prepared in respect of all services defined in Funding and Service Agreement ("FSA") activities (including support services to FSA activities) funded by the Social Welfare Department ("SWD") under the Lump Sum Grant Subvention System and also FSA services/FSA-related activities funded by Other Funds or Donations for Designated Purposes. AFR is prepared on cash basis, that is, income is recognised upon receipt of cash and expenditure is recognised when expenses are paid. Non-cash items such as depreciation, provisions and accruals have not been included in the AFR.

(b) LSG (excluding Provident Fund)

This represents LSG (excluding Provident Fund) received for the year.

(c) Provident Fund

This is Provident Fund received and contributed during the year. Snapshot staff are defined as those staff occupying recognised or holding against subvented posts as at 1 April 2000. 6.8% posts represent those staff that are employed after 1 April 2000. The Provident Fund received and contributed for staff under the Central items have been shown under note 3.

Details are analysed below:

Provident Fund Contribution	*Snapshot staff* $	*6.8% posts* $	*Total* $
Subvention received	168,395	1,471,621	1,640,016
Provident Fund Contribution paid during the year	(168,395)	(845,807)	(1,014,202)
Interest received	-	1,528	1,528
Surplus for the year	-	627,252	627,252
Surplus brought forward	-	1,157,222	1,157,222
Surplus carried forward	-	1,784,474	1,784,474

2 Fee income

This represents social welfare fee income received for the year in respect of the fees and charges recognised for the purpose of subvention as set out in the LSG Subvention Manual.

3 Central items

These are subvented service activities which are not included in LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with the Non-governmental Organisations ("NGOs"). Any surplus, which is not allowed to be offset by any deficit of another item, is subject to claw-back by SWD according to the terms and conditions of individual central items. The Provident Fund received and contributed for staff under the Central items have been separately included as part of the income and expenditure of the relevant items (paragraph 5.5.4(c) of the LSG Subvention Manual). The income and expenditure of each of the Central items are as follows:

	2026	*2025*
	$	$
(a) Income		
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	455,269	629,972
Training scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	-	30,000
Training sponsorship scheme for Master in Occupational Therapy and Physiotherapy Programmes	340,000	670,000
	795,269	1,329,972
(b) Expenditure		
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	492,291	575,538
Training scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	-	30,000
Training sponsorship scheme for Master in Occupational Therapy and Physiotherapy Programmes	840,000	330,000
	1,332,291	935,538

4 Rent and rates

These represent the amount paid by SWD in respect of premises recognised by SWD. Expenditures on rent and rates in respect of premises not recognised by SWD have not been included in AFR.

5 Other income

This represents income other than recognised social welfare fee income received during the year. Non-SWD subventions and donations received have not been included as other income in AFR.

5 Other income (continued)

The breakdown on other income is as follows:

	2026 $	*2025* $
Donations from The Community Chest	1,145,210	1,041,100
Membership and application fees	2,100	2,000
Actuarial Service for Enhancement of Financial Planning	-	250,000
Reimbursement of Maternity Leave Pay Scheme reimbursement received	74,679	-
Total	1,221,989	1,293,100

6 Personal emoluments

Personal emoluments include salary, provident fund and salary-related allowances.

The analysis on number of posts with annual Personal Emoluments over $1,000,000 each paid under LSG during the year ended 31 March 2026 is appended below:

Analysis of Personal Emoluments paid under LSG	*No of Posts*	$
HK$1,000,001 - HK$1,100,000 p.a.	3	3,027,720
HK$1,100,001 - HK$1,200,000 p.a.	-	-
HK$1,200,001 - HK$1,300,000 p.a.	-	-
HK$1,300,001 - HK$1,400,000 p.a.	1	1,346,535
HK$1,400,001 - HK$1,500,000 p.a.	-	-
>HK$1,500,000 p.a.	-	-

7 Other charges

The breakdown on other charges is as follows:

	2026 $	*2025* $
Utilities	129,927	138,923
Food	33,024	26,754
Administrative expenses	134,472	132,272
Stores and equipment	235,097	271,288
Repairs and maintenance	176,597	220,282
Transportation and travelling	23,208	24,914
Motor Vehicle for MTC expenses	32,780	41,087
Insurance	273,942	206,392
Training materials	19,902	33,611
IT expense	76,026	50,623
Miscellaneous	119,507	129,716
Total	1,254,482	1,275,862

8 Analysis of Lump Sum Grant Reserve and Balances of Other SWD Subventions

	Analysis of reserve fund			
	LSG	*Rent and rates*	*Central items*	*Total*
	$	$	$	$
Income				
LSG	24,902,006	-	-	24,902,006
Fee income	2,972,876	-	-	2,972,876
Other income	1,221,989	-	-	1,221,989
Interest received	9,766	-	-	9,766
Rent and rates	-	924,118	-	924,118
Central items	-	-	795,269	795,269
Total income	29,106,637	924,118	795,269	30,826,024
Expenditure				
Personal emoluments	26,667,651	-	-	26,667,651
Other charges	1,254,482	-	-	1,254,482
Rent and rates	-	860,650	-	860,650
Central items	-	-	1,332,291	1,332,291
Total expenditure	27,922,133	860,650	1,332,291	30,115,074
Surplus/(deficit) for the year	1,184,504	63,468	(537,022)	710,950
Less: Surplus of Provident Fund	(627,252)	-	-	(627,252)
	557,252	63,468	(537,022)	83,698
Surplus/(deficit) brought forward (Note (1))	6,241,348	(79,777)	679,454	6,841,025
	6,798,600	(16,309)	142,432	6,924,723
Add: Refund from Government	-	10,575	-	10,575
Less: Return to Government	-	(72,552)	-	(72,552)
Surplus/(deficit) carried forward	6,798,600	(78,286)	142,432	6,862,746

Note:

(1) Accumulated balance Lump Sum Grant Surplus brought forward from previous years (including holding account) and all interest received in previous years should be included in the surplus brought forward under LSG.

9 Analysis of income and expenditure by programme area and funding and service agreements (including support services)

	Income							Expenditure					
	LSG	Fee income	Central items	Rent and rates	Other income	Interest received	Total income (1)	Personal emoluments	Other charges	Central items	Rent and rates	Total expenditure (2)	Surplus (1) - (2)
Programme area 4	$	$	$	$	$	$	$	$	$	$	$	$	$
Service units 3786, 5725, 6587, 6613 and AC 52	24,902,006	2,972,876	795,269	924,118	1,221,989	9,766	30,826,024	26,667,651	1,254,482	1,332,291	860,650	30,115,074	710,950

Analysis of subvention and expenditure - schedule for rent and rates for the year ended 31 March 2026

Unit code and name	*Subvented element*	*Subvention released* (note 1) $	*Actual expenditure* $	*Surplus/(deficit)* (note 2) $
Unit 5725 - Early Education & Training Centre	Rates	22,800	20,500	2,300
Unit 3786 - On-site Pre-school Rehabilitation Services (OPRS) - LCK & Jordan Centre	Private Renal	716,220	590,345	125,875
	Other Rental Items	146,358	206,361	(60,003)
	Rates	21,100	27,296	(6,196)
	Government Rent	17,640	16,148	1,492
	Total	924,118	860,650	63,468

Notes:

(1) The figures are extracted from the paylist for March plus subvention released in late March of the financial year.

(2) Surplus/(deficit) for each element represents the difference between subvention released and actual expenditure and adjustments for expenses paid in previous year.

Analysis of subvention and expenditure - schedule for central items for the year ended 31 March 2026

Unit code and name	*Subvented element*	*Subvention released* (note 1) $	*Reimbersement of Maternity Lease Pay (RMLP) Scheme reimbersement received* $	*Actual expenditure* (note 2) $	*Actual Expenditure incurred under RMLP Scheme* $	*Deficit for the year* *Deficit* $	*Deficit Transferred to Lump Sum Grant (LSG)* $	*Adjusted Deficit* (note 3) $
Unit 6613 - Early Education & Training Centre	Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	455,269	-	492,291	-	(37,022)	-	(37,022)
Unit 6587 - Training Sponsorship Scheme	Master in Occupational Therapy and Physiotherapy programmes	340,000	-	840,000	-	(500,000)	-	(500,000)
	Total	795,269	-	1,332,291	-	(537,022)	-	(537,022)

Analysis of subvention and expenditure - schedule for central items for the year ended 31 March 2026 (continued)

Notes:

(1) The figures are extracted from the paylist for March plus subvention released in late March of the financial year.

(2) Actual expenditure represents the total expenditure incurred including provident fund.

(3) Surplus/(deficit) for each element represents the difference between subvention released and actual expenditure.

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