Best Practice Manual 1- The Use of Lump Sum Grant Reserve

Policy and Procedures on the Use of Lump Sum Grant Reserve

Remark:

1 Policy

1.1 The purpose of the policy is to ensure that the Lump Sum Grant Reserve (hereinafter referred to as the LSG Reserve) is used fairly, reasonably, properly and effectively. This Fund will be used to fulfill the contractual promises to the organization's employees. We aim to build a team of high quality workforce to provide high quality community services.

1.2 Establish internal communication and monitoring regulations to manage the LSG Reserve.

1.3 Strive to maintain a good financial stand and to monitor the cumulative reserve fund limit. This limit should not exceed the reserve limit set by the Social Welfare Department (SWD). In case that the cumulative reserve limit does exceed, the relevant exceed amount should be returned to the treasury according to (**The Lump Sum Grant Handbook 2.33**). A 22% to 25% of the yearly operating expenses are considered a stable and appropriate reserve level of LSG Reserves, of which 16% could be used for emergency salaries; and the remaining 6% to 9% of the LSG Reserve can be considered for other purposes as described in the next paragraph.

1.4 When planning for the usage of LSG Reserve, the following "other purposes" could be considered:

1.4.1 Strengthen and improve services

1.4.2 Improve employee's benefits to retain personnel; therefore, the service development of the organization can grow sustainably. .

1.4.3 Increase professional development opportunities for employees to strengthen their knowledge and skills by constructing a learning platform for to be ready for this ever-changing society.

1.5 The appropriate use of the LSG Reserve must be discussed at the Management Committee Meeting at least once a year, and the content of the meeting must be recorded.

1.6 The management of LSG Reserve must comply with the usage regulations specified in the Lump Sum Grant Handbook, Lump Sum Grant Notice, relevant letters/notices, prepared financial reports, financial plans and other documents.

1.7 All updated and approved policy and procedures related to the management and monitoring of LSG Reserves will be released by the Management Committee to the staff members of the organization.

2 Procedures

2.1 In general, before the end of each fiscal year, the Management Committee must have discussed and approved the LSG Reserves budget available for next fiscal year.

2.2 Under normal circumstances, the Chief Executive will report to the Management Committee the financial stand and LSG Reserve status of each service unit in a timely manner. If the organization's LSG Reserve is going to be used for development of new projects, such plan must first be first discussed by the Management Committee then approved by the Board of Directors before execution.

2.3 The content of the annual financial report must be reviewed by an independent accountant to prove that the organization can properly use the LSG Reserve and comply with the Lump Sum Grant Handbook, Lump Sum Grant Notice, and other related letters for communicative purpose.

2.4 In order for the updated policy and procedures related to the management and monitoring of LSG Reserves to be effective, they must be approved and released after discussion by the Management Committee to be effective.

2.5 Employees can check the documents and related information of these policy and procedures on the intranet.

2.6 If the usage plan of the LSG Reserve is improve the employment conditions or benefits, the Head Office must provide relevant information to the Management Committee for analysis and discussion. The plan must be approved before its implementation.

<table>
<tr><td>Publication：</td><td colspan="2">1. This document is included in the "Administrative Information Guide" of this organization. All current or newly recruited employees of relevant departments must read this document and act in accordance with the relevant policy.</td></tr>
<tr><td>Revision：</td><td colspan="2">1. This policy and procedures may be reviewed and updated as necessary.
2. Department Heads are welcomed to give feedback on the matter. The Chief Executive or appointees by the Management Committee are responsible to review this policy and its procedures.</td></tr>
<tr><td>Signature：</td><td>(Chief Executive)</td><td>Updated Date： October 12, 2015</td></tr>
</table>