

財政報告

Statement of Accounts

**FU HONG SOCIETY
(LIMITED BY GUARANTEE)**
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

TSE LO CPA LIMITED

Certified Public Accountants (Practising)
Hong Kong



**FU HONG SOCIETY
(LIMITED BY GUARANTEE)
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007**

CONTENTS

	Pages
Society Information	1
Report of the Members of Council	2 – 3
Independent Auditor's Report.....	4 – 5
Income and Expenditure Account.....	6
Balance Sheet.....	7
Statement of Changes in Funds	8
Cash Flow Statement	9
Notes to the Financial Statements.....	10 – 30



**FU HONG SOCIETY
(LIMITED BY GUARANTEE)**
SOCIETY INFORMATION

ORDINARY MEMBERS OF THE COUNCIL

Mrs. Lam Yue Pui Hing, Eleanor
Fr. Bonzi, Giosue Giovanni
Ms. Chik Pik Yuk
Mr. Garcia Arthur
Ms. Li Ping Ying
Mr. Salaroli Giuseppe
Mr. Yu Pak Chuen
Fr. Cagnin Fernando
Mr. Chan Siu Yuen, Stephen
Ms. Chang Sau Han Maria, Joyce
Ms. Chan Siu King, Dora
Mr. Chan Tat Man
Mr. Chow Wai Lam (Resigned on 26.09.2006)
Ms. Dunn Lai Wah, Eva
Mr. Kam John Kaihong
Mr. Lam Chun Man, Anthony
Mr. Li Pak Ho
Mr. Lewis Lloyd, John
Ms. Lo Man Chun
Ms. Yeung Yee Lai (Appointed on 26.09.2006)

SECRETARY

Ms. Chik Pik Yuk

REGISTERED OFFICE

G/F., No. 2A Po On Road,
Cronin Garden,
Shamshuipo, Kowloon.

AUDITORS

Tse Lo CPA Limited
Certified Public Accountants (Practising)
Room 104, 1/F.,
Hing Yip Commercial Centre,
272 - 284 Des Voeux Road Central,
Hong Kong.



**FU HONG SOCIETY
(LIMITED BY GUARANTEE)**

REPORT OF THE MEMBERS OF COUNCIL

The Council presents herewith its annual report and the financial statements for the year ended 31st March, 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Society is to provide services to persons with mental and physical handicap and other disabilities.

FINANCIAL STATEMENTS

The movements in the accumulated and other funds are as shown in note 8 and notes 15 to 21 to the financial statements. The cash flows of the Society for the year ended 31st March, 2007 are set out on page 9 in the financial statements.

FIXED ASSETS

Movements of fixed assets during the year are set out in note 9 to the financial statements.

COUNCIL OF THE SOCIETY

The Ordinary Members of Council of the Society during the year and up to the date of this report were:-

Mrs. Lam Yue Pui Hing, Eleanor	
Fr. Bonzi, Giosue Giovanni	
Ms. Chik Pik Yuk	
Mr. Garcia Arthur	
Ms. Li Ping Ying	
Mr. Salaroli Giuseppe	
Mr. Yu Pak Chuen	
Fr. Cagnin Fernando	
Mr. Chan Siu Yuen, Stephen	
Ms. Chang Sau Han Maria, Joyce	
Ms. Chan Siu King, Dora	
Mr. Chan Tat Man	
Mr. Chow Wai Lam	(Resigned on 26.09.2006)
Ms. Dunn Lai Wah, Eva	
Mr. Kam John Kaihong	
Mr. Lam Chun Man, Anthony	
Mr. Li Pak Ho	
Mr. Lewis Lloyd, John	
Ms. Lo Man Chun	
Mrs. Yeung Yee Lai	(Appointed on 26.09.2006)

In accordance with Article 29 of the Articles of Association, the Members of Council shall hold office until the next Annual General Meeting when they shall retire, but shall be eligible for re-election from year to year.



**FU HONG SOCIETY
(LIMITED BY GUARANTEE)**
REPORT OF THE MEMBERS OF COUNCIL (CONTINUED)

COUNCIL MEMBERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Society was a party, and in which a Member of Council had a material interest, subsisted at the end of the year or at any time during the year.

AUDITORS

The financial statements for the year have been audited by Tse Lo CPA Limited, Certified Public Accountants (Practising), which will retire at the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Council


Chairman

Hong Kong, 31st July, 2007



謝盧會計師事務所有限公司

TSE LO CPA LIMITED *Certified Public Accountants (Practising)*

Room 104, 1/F., Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, Hong Kong.
香港德輔道中 272-284 號興業商業中心一樓 104 室
Tel: (852) 2541 3502 / (852) 2545 8899 Fax: (852) 2854 1087 E-mail: tselocpa@tselocpa.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FU HONG SOCIETY

(incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of **Fu Hong Society** set out on pages 6 to 30, which comprise the balance sheet as at 31st March, 2007 and the income and expenditure account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The governing council's responsibility for the financial statements

The Council 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 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.

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 governing council, 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.



謝盧會計師事務所有限公司

TSE LO CPA LIMITED *Certified Public Accountants (Practising)*

Room 104, 1/F, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, Hong Kong.

香港德輔道中 272-284 號興業商業中心一樓 104 室

Tel : (852) 2541 3502 / (852) 2545 8899 Fax: (852) 2854 1087 E-mail: tselocpa@tselocpa.com

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF

FU HONG SOCIETY

(Incorporated in Hong Kong with limited liability by guarantee)

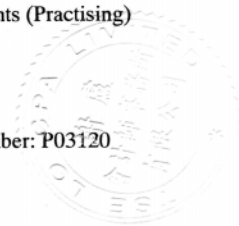
Opinion

In our opinion, the financial statements give a true and fair view of the state of the Society's affairs as at 31st March, 2007 and of its surplus 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.

Tse Lo CPA Ltd.

Tse Lo CPA Limited
Certified Public Accountants (Practising)
Hong Kong
Date: 31st July, 2007

Mak Kong Fan
Practising Certificate Number: P03120



FU HONG SOCIETY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

	NOTES	2007 \$	2006 \$
GOVERNMENT SUBVENTED ACTIVITIES			
Income	4a	254,977,784	244,264,051
Less: Expenditure	4b	(241,360,589)	(222,616,047)
Surplus		13,617,195	21,648,004
NON-SUBVENTED ACTIVITIES			
Income	5a	5,542,010	6,812,509
Less: Expenditure	5b	(4,029,856)	(3,127,386)
Surplus		1,512,154	3,685,123
SURPLUS FOR THE YEAR		15,129,349	25,333,127
LESS: SURPLUS TRANSFER TO			
LUMP SUM GRANT RESERVE	19	(7,587,004)	(16,891,561)
SURPLUS TRANSFER TO OTHER			
SUBVENTION RESERVES	20	(2,957,391)	(2,825,281)
NET SURPLUS		4,584,954	5,616,285
TRANSFERRED TO			
ACCUMULATED FUNDS	8	(1,666,277)	(575,584)
PROGRAMME FUNDS	15	(729,284)	(590,872)
FOUNDATION FUND	16	(305,000)	(305,000)
NON-SUBVENTED SERVICE FUND	17	(1,884,393)	(4,133,237)
EXCHANGE PROGRAMME FUND	18	-	(11,592)
		(4,584,954)	(5,616,285)
		-	-

The annexed notes form an integral part of these financial statements.




FU HONG SOCIETY
BALANCE SHEET AT 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

	NOTES	2007 \$	2006 \$
NON-CURRENT ASSETS			
Property, plant and equipment	9	577,185	3
Held-to-maturity investment	10	17,731,051	17,731,051
Available-for-sale investment	10	19,554,100	19,074,026
		<u>37,862,336</u>	<u>36,805,080</u>
CURRENT ASSETS			
Deposits and prepayments		2,295,833	900,341
Loans and receivables	11	1,557,410	1,069,711
Cash and bank balances		119,422,987	106,982,074
		<u>123,276,230</u>	<u>108,952,126</u>
TOTAL ASSETS		<u>161,138,566</u>	<u>145,757,206</u>
DEDUCT: CURRENT LIABILITIES			
Government Subvention Surplus	7	-	(48)
Loans and payables	12	(4,861,872)	(4,129,529)
Receipts in advance		(3,455,500)	(2,924,127)
Provision for unutilized Paid Leave and Long Service Payment	13	(3,646,289)	(4,289,979)
F&E Replenishment and Minor Works Block Grant	14	(18,027)	(599,878)
		<u>(11,981,688)</u>	<u>(11,943,561)</u>
TOTAL NET ASSETS		<u>149,156,878</u>	<u>133,813,645</u>
ACCUMULATED FUNDS			
CAPITAL EXPENDITURE FUNDS	8	7,237,759	5,792,281
PROGRAMME FUNDS		1	1
FOUNDATION FUND	15	11,426,579	10,381,616
NON-SUBVENTED SERVICE FUND	16	10,665,935	10,360,935
EXCHANGE PROGRAMME FUND	17	20,216,091	18,331,698
LUMP SUM GRANT RESERVES	18	221,338	221,338
OTHER SUBVENTION RESERVES	19	84,797,583	77,139,780
INVESTMENT REVALUATION RESERVE	20	15,037,492	12,511,970
	21	(445,900)	(925,974)
TOTAL FUNDS EMPLOYED		<u>149,156,878</u>	<u>133,813,645</u>

Approved by the Council of the Society on 31st July, 2007


 President


 Chairman


 Council Member

The annexed notes form an integral part of these financial statements.



FU HONG SOCIETY

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

	Accumulated Funds \$	Capital Expenditure Funds \$	Programme Funds \$	Foundation Fund \$	Exchange Programme Fund \$	Non- Subvented Service Fund \$	Lump Sum Grant Reserves \$	Other Subvention Reserve \$	Investment Revaluation Reserve \$	Total \$
Balance as at 1.4.2005	9,465,646	1	9,204,318	10,055,935	273,940	14,231,555	55,966,176	9,981,204	(879,841)	108,298,934
Surplus for the year										
transferred to funds	575,584	-	590,872	305,000	11,592	4,133,237	16,891,561	2,825,281	-	25,333,127
Expenditure	-	-	(10,000)	-	(64,194)	-	-	-	-	(74,194)
Refund of rent and rates	-	-	-	-	-	-	-	(294,515)	-	(294,515)
Fee received	-	-	596,426	-	-	-	-	-	-	596,426
Reallocation of provision for unutilized paid leave and long service payments from lump sum Grant Reserve to										
Accumulated Funds	(4,282,043)	-	-	-	-	-	4,282,043	-	-	-
Transfer between funds	33,094	-	-	-	-	(33,094)	-	-	-	-
Decrease in fair value of Available-for-sale investment	-	-	-	-	-	-	-	-	(46,133)	(46,133)
Balance as at 31.3.2006	5,792,281	1	10,381,616	10,360,935	221,338	18,331,098	77,139,780	12,511,970	(925,974)	133,813,645
Adjustment for the opening balance of LSG Reserve										
- Accumulated Funds	(220,799)	-	-	-	-	-	220,799	-	-	-
- Block Grant	-	-	-	-	-	-	(150,000)	-	-	(150,000)
	(220,799)	-	-	-	-	-	70,799	-	-	(150,000)
Surplus for the year										
transferred to funds	1,666,277	-	729,284	305,000	-	1,884,393	7,587,004	2,957,391	-	15,129,349
Refund of rent and rates	-	-	-	-	-	-	-	(405,799)	-	(405,799)
Refund of PA time-limited	-	-	-	-	-	-	-	(26,070)	-	(26,070)
Fee received	-	-	315,679	-	-	-	-	-	-	315,679
Increase in fair value of Available-for-sale investment	-	-	-	-	-	-	-	-	480,074	480,074
Balance as at 31.3.2007	7,237,759	1	11,426,579	10,665,935	221,338	20,216,091	84,797,583	15,037,492	(445,900)	149,156,878



FU HONG SOCIETY**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

	<u>NOTES</u>	2007 \$	2006 \$
Cash flows from operating activities			
Surplus from subvented and non-subvented activities		15,129,349	25,333,127
Surplus from operating activities of Programme funds		315,679	586,426
Deficit from operating activities of Exchange Programme Fund		-	(64,194)
Deficit from operating activities of Other Subvention Reserve		(431,869)	(294,515)
Adjustments for:			
Depreciation		288,592	-
Motor vehicle written off		1	-
Interest income received under subvented operation		(6,050,070)	(3,960,146)
Interest income received under Lotteries Fund Block Grant		(18,715)	(7,234)
(Reversal of)/Provision for long service payment and unutilized annual leave		(643,690)	7,936
Operating surplus before working capital changes		8,589,277	21,601,400
(Increase)/Decrease in deposits and prepayments		(1,395,492)	1,297,952
(Increase)/Decrease in loans and receivables		(487,699)	684,581
Increase/(Decrease) in creditors and accruals		732,343	(10,129,108)
Increase in receipts in advance		531,373	391,730
Refund of rent and rates surplus to government		(48)	(70)
(Decrease)/Increase in F&E Replenishment and Minor Works Block Grant		(731,851)	121,648
Net cash generated from operating activities		7,237,903	13,968,133
Cash flows from investing activities			
Purchase of Property, plant and equipment	22	(865,775)	-
Interest income received under subvented operation		6,050,070	3,960,146
Interest income received under Lotteries Fund Block Grant		18,715	7,234
Net cash generated from investing activities		5,203,010	3,967,380
Net increase in cash and cash equivalents		12,440,913	17,935,513
Cash and cash equivalents at beginning of year		106,982,074	89,046,561
Cash and cash equivalents at end of year	23	119,422,987	106,982,074

The annexed notes form an integral part of these financial statements.



FU HONG SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

1. INCORPORATION

The Society is incorporated in Hong Kong under the Companies Ordinance and is limited by guarantee. Pursuant to Clause 8 of the Society's Memorandum and Articles of Association, every member undertakes to contribute to the assets of the Society, in the event of its being wound up, to the extent not exceeding \$50. The address of its registered office is G/F., No. 2A Po On Road, Cronin Garden, Shamshuipo, Kowloon.

The principal activity of the Society is to provide services to persons with mental and physical handicap and other disabilities.

These financial statements are presented in units of HK dollars, unless otherwise stated. These financial statements have been approved for issue by the Council of the Society on 31st July, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The financial statements of the Society have been prepared in accordance with the "Guide to Social Welfare Subventions" and "Lump Sum Grant Manual" as well as Hong Kong Financial Reporting Standards (HKFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through income and expenditure account, if any.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(n).

The adoption of new and revised Hong Kong Financial Reporting Standard

In the current year, the Society has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.



FU HONG SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Recently issued Accounting Standards**

Recently, the Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for annual periods beginning on or after the year end.

HKAS 1 (Amendment)	Capital Disclosures	(effective on 1/1/2007)
HKFRS 7	Financial Instruments: Disclosures	(effective on 1/1/2007)
HK(IFRIC) - Int 8	Scope of HKFRS 2	(effective on 1/5/2006)
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives	(effective on 1/6/2006)
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment	(effective on 1/11/2006)
HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions	(effective on 1/3/2007)
HK(IFRIC) - Int 12	Service Concession Arrangements	(effective on 1/1/2008)

The Society has not early adopted these new and revised HKFRSs in the financial statements for the year ended 31st March, 2007. The Society has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on the results of operations and financial position.

b. Property, plant and equipment

Property, plant and equipment, are stated at cost less grants received from Government or its agencies or similar bodies related to assets, accumulated depreciation, amortization and accumulated impairment losses.

Last year, the Society had taken the advantage of the transitional provisions provided by paragraph 80B of Hong Kong Accounting Standard 16 "Property, Plant and Equipment" issued by the HKICPA to deem the carrying amount of an item of property, plant and equipment immediately before applying this Standard on its effective date as the cost of that item. Accordingly, the cost of property, plant and equipment purchased before 1st April, 2005 are stated on the balance sheet at \$3. Depreciation on the deemed cost of an item of property, plant and equipment commences from the financial year beginning at 1st April, 2005, the time at which this Standard is first applied.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation is charged to income and expenditure account in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed asset, the expenditure is capitalized as an additional cost of the fixed asset. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the income and expenditure account.

Depreciation of property, plant and equipment is calculated to write off their cost less grants received over their estimated useful lives using straight-line method.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**c. Impairment**

At each balance sheet date, the Society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

d. Revenue recognition

Grants and funds from government for subvented activities as well as donations from various charities are recognized on accrual basis and recognized in the income and expenditure account over the period necessary to match them with the costs they are intended to compensate. Care fee received from clients and sub-contract incomes from sheltered workshop are recognized when the services are rendered. Interest income is recognized on accrual basis.

e. Financial instruments**i) Financial Asset**

The Society classified its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to realized within 12 months of the balance sheet date.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**e. Financial instruments (Continued)****i) Financial Asset (Continued)****(2) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Society provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Society's management has the positive intention and ability to hold to maturity.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivates that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date – the date on which the Society commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through income and expenditure account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realized and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income and expenditure account in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for sale are recognized in investment revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income and expenditure account as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Society establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the Society's specific circumstances.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**e. Financial instruments (Continued)**

The Society assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income and expenditure account – is removed from investment revaluation reserves and recognized in the income and expenditure account. Impairment losses recognized in the income and expenditure account on equity instruments are not reversed through the income and expenditure account.

ii) Financial liabilities

Financial liabilities issued by the Society are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Society's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income and expenditure account in the period in which they arise.

(2) Other financial liabilities

Other financial liabilities including trade payables and accruals, receipt in advance and temporary receipts are subsequently measured at amortised cost, using the effective interest rate method.

f. Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, demand deposits and also short-term, highly liquid investments that are readily convertible to 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.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**g. Leases****i) Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income and expenditure account on a straight-line basis over the period of the lease.

ii) Finance lease

Leases of assets where the Society has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognized in the income and expenditure account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

h. Employee benefits

i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Society of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Society. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognized as an expense in the Income and expenditure account as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognized as an expense.

iii) Termination benefits are recognized when, and only when, the Society demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**i. Translation of foreign currency**

Foreign currency transactions during the year are translated into Hong Kong Dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong Dollars at the exchange rates ruling at the balance sheet date. Exchange differences are dealt with in the income and expenditure account.

j. Taxation

The Society is an approved charitable institution and, as such, is exempted from payment of tax by virtue of section 88 of the Inland Revenue Ordinance.

k. Contingent liabilities

A contingent liability is a possible obligation that arisen from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

l. Government grants

Government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that the Society will comply with the conditions attaching to them; and the grants will be received. Government grants shall be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Society with no future related costs shall be recognized as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset, as detailed in 2(b).



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**m. Related party**

A party is considered to be related to the Society if:

- i) the party, directly or indirectly through one or more intermediaries:
 - (1) controls, is controlled by, or is under common control with, the Society (this includes parents, subsidiaries and fellow subsidiaries);
 - (2) has an interest in the Society that gives it significant influence over the Society; or
 - (3) has joint control over the Society;
- ii) the party is an associate of the Society;
- iii) the party is a joint venture in which the Society is a venturer;
- iv) the party is a member of the key management personnel of the Society or its parent;
- v) the party is a close member of the family of any individual referred to in (i) or (iv); or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v).

n. Critical accounting estimates and assumptions

The Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, in the opinion of the Council of the Society, there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Society's principal financial instruments comprise equity investments, financial instruments, accounts receivables, and accounts payables. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies applied by the Society to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Society has investment of HK\$2,484,589 in a bond denominated in US dollars and therefore it exposes to foreign currency risk. However, as HK dollars is pegged to US dollars, there is no significant exposure expected on US dollars.



FU HONG SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

3. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Credit risk

The Society's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31st March, 2007 in relation to each class of recognized financial assets is the carrying amounts of those assets as stated in the balance sheet. The Society's credit risk is primarily attributable to its loans and receivable. In order to minimize credit risk, the management of the Society reviews the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognized for irrecoverable debts. In this regard, management considers that the Society's credit risk is significantly reduced.

The credit risk on the Society's investment on a bond and certificate deposits is limited because the revised investment guidelines issued by the SWD only allow the Society to invest fixed deposits to bank with license under the Banking Ordinance (Chapter 155) or to invest in bonds or certificate of deposits in the counterparties with high credit-ratings assigned by international credit-rating agencies.

Fair value interest rate risk

The Society's exposure on fair value interest rate risk mainly arise from its investments in certificate deposits and bond and fixed deposits with banks, which are classified as held-to-maturity investments, available-for-sale financial assets, and cash and cash equivalents.

Since the fixed deposits with banks usually mature within three months, the exposure is considered not significant. Regarding the investment in the certificate of deposits and bonds, the Society closely monitors the fair value fluctuation of the investments and disposes of them if significant increase in interest rate is anticipated.

4. GOVERNMENT SUBVENTED ACTIVITIES

	2007 \$	2006 \$
a. Income		
S.W.D. subvention	211,227,853	201,277,438
Mortgage interest subsidy	678	5,021
Donation received		
- Total income	1,087,053	682,699
- Less: income received for the acquisition of fixed assets	(351,900)	-
	735,153	682,699
Lotteries Fund Grant		
- Total income	1,252,100	2,883,718
- Less: income received for the acquisition of fixed assets	(1,008,499)	-
	243,601	2,883,718
Lotteries Fund Block Grant		
- Total income	2,468,567	1,355,586
- Less: income received for the acquisition of fixed assets	(1,985,056)	-
	483,511	1,355,586
Fee received	28,362,540	27,563,464
Subscription	1,868	10,050
Sub-contract incomes	5,248,303	4,920,682
Interest	6,050,070	3,960,146
Reversal of provision for unutilized paid leave and long service payment	643,690	-
Others	1,980,517	1,605,247
	<u>254,977,784</u>	<u>244,264,051</u>



FU HONG SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

4. GOVERNMENT SUBVENTED ACTIVITIES (CONTINUED)

	2007 \$	2006 \$
b. Expenditure		
Salaries	157,236,758	153,848,136
Staff provident fund	12,074,286	11,285,050
Staff post contract out	207,520	239,289
Voluntary retirement scheme (Note 26)	15,425,657	-
Central items	5,695,481	5,706,641
Mortgage interest subsidy	678	5,021
Provision for unutilized paid leave and long service payment (Note 13)	-	7,936
Audit fee	67,000	64,450
Postage	80,898	48,704
Telephone	587,206	377,566
Advertisement	185,829	112,464
Medical check up for staff	37,690	29,760
Bank charges	17,142	14,250
Electricity	5,219,418	5,221,190
Gas and fuel	987,514	995,199
Water and sewage charges	523,218	500,869
Cleaning charges and materials	1,097,835	1,044,464
Printing and stationery	958,948	904,726
Newspaper and periodicals	48,237	62,771
Repairs and maintenance	3,225,051	3,068,900
Lotteries Fund expenses (Note 4a)		
- Total expenses	1,252,100	2,883,718
- Less: expenditure for the acquisition of fixed assets	(1,008,499)	-
	243,601	2,883,718
Lotteries Fund Block Grant expenses (Note 4a)		
- Total expenses	2,468,567	1,355,586
- Less: expenditure for the acquisition of fixed assets	(1,985,056)	-
	483,511	1,355,586
Other expenditure under donation		
- Total expenses	783,531	100,280
- Less: expenditure for the acquisition of fixed assets	(351,900)	-
	431,631	100,280
Minor purchases	1,922,035	2,139,959
Minor stores	205,914	358,946
Depreciation for leasehold improvement	288,592	-
Food	9,843,319	9,495,295
Programme expenses	4,264,440	3,178,295
Incentive allowance	1,869,310	1,906,694
Transport and travelling expenses	1,633,871	1,566,868
Other travelling expenses	232,385	227,550
Insurance	1,047,149	1,171,180
Medical	584,019	588,684
Staff development	355,099	349,328
Sundries	102,542	56,834
Sub-contract payment	5,125,497	4,742,552
Rent	7,823,362	7,804,429
Rates	1,227,946	1,152,463
	<u>241,360,589</u>	<u>222,616,047</u>



FU HONG SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

5. NON-SUBVENTED ACTIVITIES

	Autism Centre \$	Best Buddies \$	Casa- Famiglia \$	Day Care Services \$	Extended Care Service \$	Fund Raising \$	Holiday Family Respite \$	2007 Total \$	2006 Total \$
a. Income									
Donation received									
- Total income	1,303,922	362,000	-	-	-	1,215,594	-	2,881,516	3,826,198
- Less: income received for the acquisition of fixed assets	(459,944)	-	-	-	-	-	-	(459,944)	-
Fee income	843,978	362,000	-	-	-	1,215,594	-	2,421,572	3,826,198
SWD Community- based Support	132,568	8,685	737,317	115,598	-	-	297,380	1,291,548	1,146,439
The Hong Kong Jockey Club Charities Trust	-	-	-	588,000	-	-	523,200	1,111,200	1,023,600
- Total income	343,504	-	613,800	-	-	-	-	957,304	613,800
- Less: income received for the acquisition of fixed assets	(343,504)	-	-	-	-	-	-	(343,504)	-
Others	51,530	7,510	613,800	-	-	41,460	1,190	613,800	613,800
	103,890		2,200	-	-			103,890	202,472
	1,028,076	378,195	1,353,317	703,598	-	1,257,054	821,770	5,542,010	6,812,509



FU HONG SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

5. NON-SUBVENTED ACTIVITIES (CONTINUED)

	Autism Centre \$	Best Buddies \$	Casa- Familia \$	Day Care Services \$	Extended Care Service \$	Fund Raising \$	Holiday Family Respite \$	2007 Total \$	2006 Total \$
b. Expenditure									
Salaries	549,850	-	646,695	309,511	220,500	-	677,891	2,404,447	1,650,556
Staff provident fund	27,493	-	31,620	15,386	11,506	-	48,921	134,926	95,973
Postage	1,134	164	-	-	-	5,511	140	6,949	39,659
Telephone	22,646	-	17,367	-	-	-	-	40,013	16,058
Advertisement	2,406	-	106	-	-	-	274	2,786	9,005
Audit fee	-	-	-	-	-	-	-	-	2,000
Medical – staff check up	925	-	555	-	-	-	185	1,665	2,035
Bank charges	-	-	-	-	-	1,224	-	1,224	2,865
Electricity	25,330	-	38,005	-	-	-	-	63,335	41,605
Gas & fuel	-	-	39,448	-	-	-	-	39,448	41,223
Water & sewage charges	-	-	7,733	-	-	-	-	7,733	8,289
Cleaning charges & materials	5,442	-	18,783	-	-	-	-	24,225	17,820
Printing & stationery	22,113	4,740	3,757	-	-	64,264	818	95,692	166,151
Newspaper & periodical	114	-	2,100	-	-	-	-	2,214	4,054
Repairs & maintenance	1,550	-	48,314	-	-	-	-	49,864	70,562
Minor purchases	16,659	-	13,989	-	-	-	-	30,648	11,626
Other expenditure under donation									
- Total expenses	1,032,223	-	-	-	-	-	-	1,032,223	-
- Less: expenditure for the acquisition of fixed assets	(803,448)	-	-	-	-	-	-	(803,448)	-
	228,775	-	-	-	-	-	-	228,775	-
Food	9,213	-	182,675	24,542	-	-	40,624	257,054	237,716
Programme expenses	34,311	92,523	148,030	-	-	22,643	10,187	307,694	529,751
Vehicle expenses	25,172	150	2,450	-	-	100	-	27,872	8,605
Other traveling expenses	6,768	112	5,361	-	-	-	855	13,096	8,265
Insurance	-	78	10,777	-	-	-	-	10,855	13,385
Medical	1,142	-	1,904	-	-	-	1,480	4,526	2,285
Staff post contract out	114,666	-	-	-	-	-	-	114,666	-
Sundries	2,950	527	12,119	-	-	-	52	15,648	3,256
Rent	-	-	132,862	-	-	-	-	132,862	121,545
Rates	-	-	11,639	-	-	-	-	11,639	22,497
	1,098,659	98,294	1,376,289	349,439	232,006	93,742	781,427	4,029,856	3,127,386



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

6. EMPLOYEE BENEFIT

The Society ("the Employer") has two retirement schemes for its staff. They are qualified retirement scheme under Occupational Recognized Scheme Ordinance ("ORSO") and Mandatory Provident Fund Scheme ("MPF") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The employees had been given the choice to choose either one of them to join in when the Mandatory Provident Fund Schemes Ordinance became effective in 2000. Both MPF and ORSO schemes are the defined contribution retirement scheme administrated by independent trustees.

Under the ORSO scheme, the employees are required to make contribution at 5% of their basic monthly salary, while the Society is required to make contribution according to the year of services of the employee rendered to the Society. The year of service is counted from 3 months after the date of employment of the employee or the date the Society joined the scheme and is as follows:-

Year of services of employee	Employer's contribution expressed as a percentage of the staff's salary
Less than 10	5.0%
10 but less than 15	10.0%
15 or more	15.0%

Under the MPF scheme, the Society is required to make contributions to the scheme at 5% of the employees' relevant income without any cap, and the employees are required to make contributions to the scheme at 5% of their relevant income, subject to a cap of monthly relevant income of HK\$20,000 or any extra contribution from them voluntarily. Mandatory contributions to the scheme vest immediately.

7. GOVERNMENT SUBVENTION SURPLUS

	2007	2006
	\$	\$
Balance brought forward	48	118
Subvention surplus refund	(48)	(70)
Interest on subvention surplus	-	-
Balance carried forward	-	48

8. ACCUMULATED FUNDS

	2007	2006
	\$	\$
Balance brought forward	5,792,281	9,465,646
Surplus for the year	1,666,277	575,584
Transfer from Non-Subvented Service Funds (Note 17)	-	33,094
Reallocation to Lump Sum Grant reserves	(220,799)	-
Reallocation of provision for unutilized paid leave and long service payment from lump sum grant reserves (Note 13)	-	(4,282,043)
Balance carried forward	7,237,759	5,792,281



FU HONG SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Properties	Motor Vehicles	Renovation Works	Furniture and Equipment	Total
	\$	\$	\$	\$	\$
<u>At cost</u>					
Balance at 01.04.2005	1	2	-	-	3
Additions	-	338,140	3,259,082	742,363	4,339,585
Less: Grant related to assets					
F&E Replenishment and					
Minor Works Block Grant	-	(338,140)	(648,550)	(368,897)	(1,355,587)
Lotteries Fund Major Grant	-	-	(2,610,532)	(273,186)	(2,883,718)
Other Capital Grants	-	-	-	(100,280)	(100,280)
	-	(338,140)	(3,259,082)	(742,363)	(4,339,585)
Balance at 31.03.2006	1	2	-	-	3
Additions	-	178,491	4,069,994	766,193	5,014,678
Disposal	-	(1)	-	-	(1)
Less: Grant related to assets					
F&E Replenishment and					
Minor Works Block Grant	-	(178,491)	(1,060,372)	(746,193)	(1,985,056)
Lotteries Fund Major Grant	-	-	(1,008,499)	-	(1,008,499)
Other Capital Grants	-	-	(1,135,348)	(20,000)	(1,155,348)
	-	(178,491)	(3,204,219)	(766,193)	(4,148,903)
Balance at 31.03.2007	1	1	865,775	-	865,777
<u>Aggregate depreciation</u>					
Balance at 01.04.2005	-	-	-	-	-
Charge for the year	-	-	-	-	-
Balance at 31.03.2006	-	-	-	-	-
Charge for the year	-	-	288,592	-	288,592
Balance at 31.03.2007	-	-	288,592	-	288,592
<u>Net book value</u>					
Balance at 31.03.2007	1	1	577,183	-	577,185
Balance at 31.03.2006	1	2	-	-	3



FU HONG SOCIETY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

10. INVESTMENT

	2007	2006
	\$	\$
Held to maturity debt securities		
Bonds investments, at amortized cost	17,731,051	17,731,051
Available-for-sale investment		
Certificates of deposits, at fair value	19,554,100	19,074,026

The Society has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

The investments included above represent investments that offer the Society the opportunity for return through interest and fair value gains. The fair values of bond investments as at 31st March, 2006 and 31st March, 2007 were \$16,814,876 and \$17,154,885 respectively. The fair values of the investment were based on quoted market prices near to the balance sheet date.

Bond investments will mature at May, 2007 to Jan, 2014 with a fixed annual coupon rate of 2.75% to 6.25%. Certificates of deposits will mature at May, 2008 and Feb, 2009 with a fixed annual interest rate of 2% to 3.05%.

The amortized interest income from bond investment and interest received from certificate of deposits were credited to the income and expenditure account and various funds according to the sources of funds accordingly. The increase of the fair value of the certificate of deposits in the amount of \$480,074 was directly credited to investment revaluation reserve and not through the income and expenditure account or the funds account.

11. LOANS AND RECEIVABLES

	2007	2006
	\$	\$
Cash due from trainee	15,187	2,987
Fee receivables	570,605	515,202
Bond interest receivable	667,275	431,442
Others	304,343	120,080
	1,557,410	1,069,711

The Council considers that the carrying amount of loans and receivables approximates their fair value. No interest is charged on loan and receivables.

12. LOANS AND PAYABLES

	2007	2006
	\$	\$
Accounts payable	3,878,236	3,272,209
Incentives allowance payable	164,530	169,120
Accruals	751,540	685,151
Others	67,566	3,048
	4,861,872	4,129,528

The Council considers that the carrying amount of loans and payables approximates their fair value. No interest is payable under loan and payables.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

13. PROVISION FOR UNUTILIZED PAID LEAVE AND LONG SERVICE PAYMENT

	2007	2006
	\$	\$
Unutilized annual leaves	1,941,157	2,172,904
Long services payments	1,705,132	2,117,075
	<u>3,646,289</u>	<u>4,289,979</u>

14. THE F&E REPLENISHMENT AND MINOR WORKS BLOCK GRANT RESERVE

	2007	2006
	\$	\$
Balance brought forward	599,878	478,230
Add: Transferred from Lump Sum Grant		
- Last year renovation not chargeable to Block Grant	150,000	-
	749,878	478,230
Block Grant received during the year	1,718,000	1,470,000
Interest income received	18,715	7,235
	<u>2,486,593</u>	<u>1,955,465</u>
Less: Expenditure during the year		
Minor Works Projects		
- Fixed assets (Note a)	(1,060,372)	
- Other expenses (Note b)	(43,720)	
	(1,104,092)	(648,550)
Vehicle overhauls		
- Fixed assets (Note a)	(178,491)	
- Other expenses (Note b)	(149,379)	
	(327,870)	(338,140)
Furniture and equipment		
- Fixed assets (Note a)	(746,193)	
- Other expenses (Note b)	(290,411)	
	(1,036,604)	(368,897)
Balance carried forward	<u>18,207</u>	<u>599,878</u>

- a) The total grants used for the acquisition of assets capitalized by the Society were \$1,985,056 (2006: \$1,355,587).
- b) The total grants used for the acquisition of assets but had not been capitalized as fixed assets under the Society's accounting policy were \$483,510 (2006: Nil).



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

15. PROGRAMME FUNDS

	2007 \$	2006 \$
Balance brought forward	10,381,616	9,204,318
Transferred from income and expenditure account		
- Donation received	729,284	590,872
Fees	315,679	596,426
	11,426,579	10,391,616
Less:		
Expenses	-	(10,000)
	-	(10,000)
Balance carried forward	11,426,579	10,381,616

16. FOUNDATION FUND

	2007 \$	2006 \$
Balances brought forward	10,360,935	10,055,935
Transferred from income and expenditure account		
- Interest received	305,000	305,000
Balances carried forward	10,665,935	10,360,935

17. NON-SUBVENTED SERVICE FUNDS

	2007 \$	2006 \$
Balance brought forward	18,331,698	14,231,555
Transferred from income and expenditure account		
- Bank interest received	1,450,365	1,144,069
- Net donations received from		
- Flag day	-	1,756,964
- Walkaton	-	285,661
- Others	434,028	946,543
	1,884,393	4,133,237
Transfer to Accumulated Fund (Note 8)	-	(33,094)
Balance carried forward	20,216,091	18,331,698



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

18. EXCHANGE PROGRAMME FUND

	2007	2006
	\$	\$
Balance brought forward	221,338	273,940
Transferred from income and expenditure account		
- Fund raising income	-	11,592
Less: Expense	-	(64,194)
Balance carried forward	<u>221,338</u>	<u>221,338</u>

19. LUMP SUM GRANT RESERVES

	2007	2006
	\$	\$
Balance brought forward	77,139,780	55,966,176
Add : Transfer from Income and Expenditure Account	7,587,004	16,891,561
Transfer from Accumulated Funds	220,799	-
Transfer to F&E replenishment and minor works block grant reserve	(150,000)	-
Reallocation of provision for unutilized paid leave and long service payment to accumulated funds (Note 8)	-	4,282,043
	<u>7,657,803</u>	<u>21,173,604</u>
Balance carried forward	<u>84,797,583</u>	<u>77,139,780</u>

According to Paragraph 2.33 on Lump Sum Grant ("LSG") Manual, the level of accumulated reserves at the financial year end will be capped at 25% of the operating expenditure of non-profit generating organization's ("NGO") for the year. However, Social Welfare Department ("SWD") has formally approved to withhold the claw back of LSG reserve above the 25% cap for three years for the financial years from 2004-05 to 2006-07.

The level of cumulative reserves as counting from 01.04.2006 will be capped 25% of the NGO's operating expenditure for that year. The Society's level of cumulative reserves was 5.61% so that the Society had not any liability in respect of the refund of the cumulative reserves to SWD.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31ST MARCH, 2007

(Expressed in Hong Kong Dollars)

20. OTHER SUBVENTION RESERVES

	Provident Fund (Existing staff) \$	Provident Fund (6.8% and other posts) \$	Rent and Rates \$	Central Items \$	Total \$
Balance as at 01.04.2005	4,121,222	1,722,824	643,237	3,493,921	9,981,204
Add: Transfer from Income and Expenditure Account	844,907	967,413	57,027	955,934	2,825,281
Less: Refund to S.W.D	-	-	(294,515)	-	(294,515)
Balance as at 31.03.2006	4,966,129	2,690,237	405,749	4,449,855	12,511,970
Add: Transfer from Income and Expenditure Account	927,889	892,892	27,434	1,109,176	2,957,391
Less: Refund to S.W.D.	-	-	(405,799)	(26,070)	(431,869)
Balance as at 31.03.2007	5,894,018	3,583,129	27,384	5,532,961	15,037,492

21. INVESTMENT REVALUATION RESERVE

	2007 \$	2006 \$
Balance brought forward - deficit	(925,974)	(879,841)
Revaluation surplus/(deficit)	480,074	(46,133)
Balance carried forward - deficit	(445,900)	(925,974)

22. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Society acquired property, plant and equipment with an aggregate cost of \$865,775 (2006: Nil) by its own funds. All of them were purchased by cash.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and short term fixed bank deposits. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:

	2007 \$	2006 \$
Cash in hand	197,600	196,000
Bank balances	8,815,807	21,536,113
Short term fixed bank deposits	110,409,580	85,249,961
	119,422,987	106,982,074



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

24. COMMITMENTS

As at 31st March, 2007, the Society had the following commitments:-

	2007 \$	2006 \$
a) Other capital commitments		
Contracted but not provided for	340,537	2,937,570
Authorised but not contracted for	-	-
	<u>340,537</u>	<u>2,937,570</u>
b) The outstanding commitments of total future minimum lease payments under non-cancelable operating leases, which fall due as follows:-		
	\$	\$
- within one year	6,571,260	6,571,260
- between 2nd to 5th years inclusive	13,142,520	-
	<u>19,713,780</u>	<u>6,571,260</u>

The Society leases a number of properties under operating lease arrangements with leases negotiated for terms for three years, all the lease contracts will be expired at 31st March, 2010.

25. RELATED PARTY TRANSACTIONS

During the year, the Society had the following transactions with its related companies:-

a) Trading transactions

(i) The Society paid expenses totally amounted to \$400,597 (2006: \$560,369) to a related company, Hong Yung Services Limited. The Council members of the Society, Mr. Salaroli Giuseppe and Mr. Garcia Arthur are also the Council members of the related company. The Council member Mr. Yu Pak Chuen is the ordinary member of the related company.

(ii) The Society also received sub-contract income in the amount of \$273,979 (2006: \$107,774) from Hong Yung Services Limited.

b) Amounts due from/to related companies

At the balance sheet date, the Society also had a trade receivable in the amount of \$300 (2006: \$3,525) and a trade payable in the amount of \$74,445 (2006: \$93,841) receivable and payable to Hong Yung Services Limited.



FU HONG SOCIETY**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2007**

(Expressed in Hong Kong Dollars)

25. RELATED PARTY TRANSACTIONS (CONTINUED)**c) Compensation of key management personnel**

The Council members had not been paid any remuneration during the year and last year. The remuneration of key management during the year was as follows:

	2007	2006
	\$	\$
Short-term benefits	4,258,095	4,288,657
Post-employment benefits	-	-
Other long-term benefits	398,955	418,449
Share-based payments	-	-

26. SPECIAL ONE-OFF GRANT

Last year, the Society had applied the special one-off grant ("SOG") from the SWD for implementation of various human resources plans. Among the various plans, the Society carried out the Voluntary Retirement Scheme ("VRS") to encourage specific staff to retire voluntarily with a compensation payment. Under the plan, the Society would receive SOG in the total amount of \$31,868,000, of which \$24,368,000 was received and recognized as income in current year and the remaining \$7,500,000 will be recognized as income in the next year ended 31st March, 2008.

Under the Voluntary Retirement Scheme, a total payment including the compensation for earlier retirement of staff of \$15,425,657 was paid during the year and approximately \$6,800,000 will be paid in the next year. The whole scheme will be completed on around August, 2007.

27. SUBSEQUENT EVENT

Last year, the Task Force of the Society had suggested to detach the activities of Casa Famiglia from the Society by establishing a new company to facilitate the proposal. During the year, such proposal was changed and the new proposal is to contract out the service of Casa Famiglia to another party. Up to the date of this report, the proposal is still under discussion and has not been finalized yet.



收入及支出

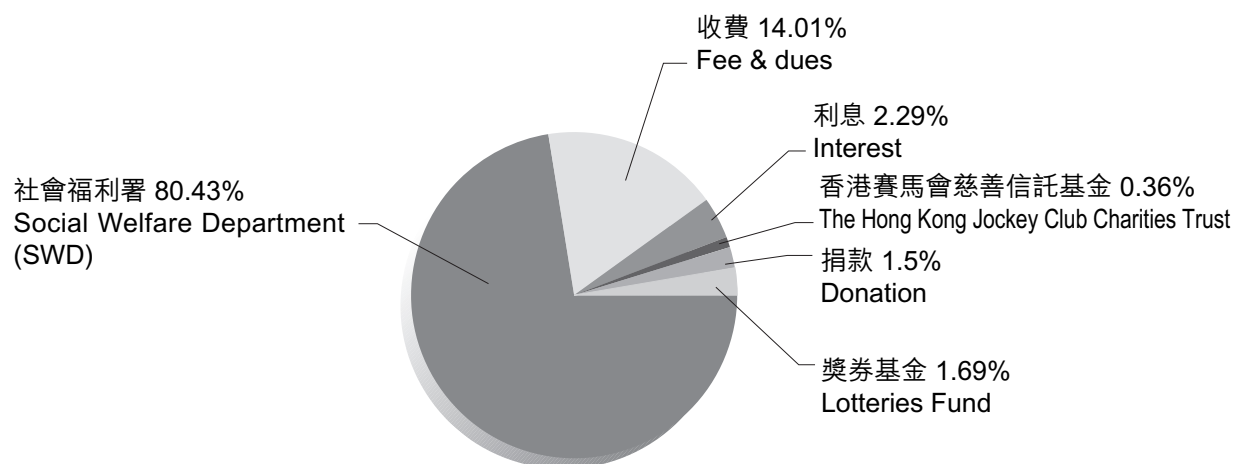
二零零六至二零零七

Income & Expenditure 2006-2007

收入分析 Income Analysis

全年收入約為港幣二億六千四百零二萬五千元

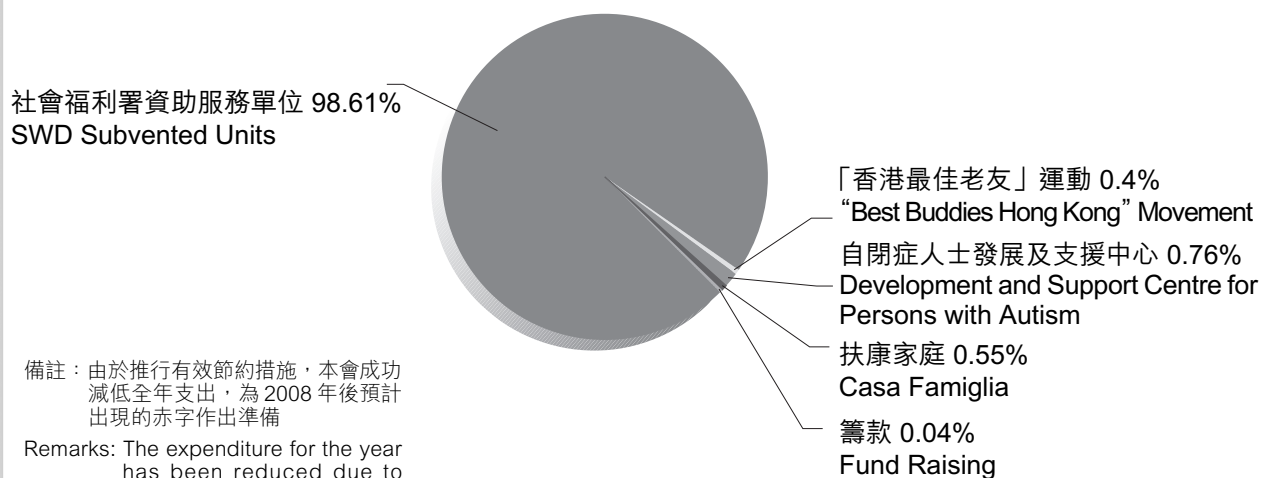
Total income about HK\$264,025,000



支出分析 Expenditure Analysis

全年支出約為港幣二億四千八百八十九萬五千元

Total expenditure about HK\$248,895,000



備註：由於推行有效節約措施，本會成功減低全年支出，為2008年後預計出現的赤字作出準備

Remarks: The expenditure for the year has been reduced due to efficiency reviewing measures to meet the projected deficit after 2008

