

財政報告

Statement of Accounts

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	(Appointed on 29.11.2005)
Mr. Chan Siu Yuen, Stephen	(Appointed on 29.11.2005)
Ms. Chang Sau Han Maria, Joyce	(Appointed on 29.11.2005)
Ms. Chan Siu King, Dora	(Appointed on 29.11.2005)
Mr. Chan Tat Man	(Appointed on 29.11.2005)
Mr. Chow Wai Lam	(Appointed on 29.11.2005)
Ms. Dunn Lai Wah, Eva	(Appointed on 29.11.2005)
Mr. Kam John Kaihong	(Appointed on 29.11.2005)
Mr. Lam Chun Man, Anthony	(Appointed on 29.11.2005)
Mr. Li Pak Ho	(Appointed on 29.11.2005)
Mr. Lewis Lloyd, John	(Appointed on 29.11.2005)
Ms. Lo Man Chun	(Appointed on 29.11.2005)

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 accounts for the year ended 31st March, 2006.

PRINCIPAL ACTIVITIES

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

ACCOUNTS

The movements in the accumulated and other funds are as shown in note 8 and notes 15 to 22 to the accounts. The cash flows of the Society for the year ended 31st March, 2006 are set out on page 8 in the financial statements.

FIXED ASSETS

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

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	(Appointed on 29.11.2005)
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Mr. Lewis Lloyd, John	(Appointed on 29.11.2005)
Ms. Lo Man Chun	(Appointed on 29.11.2005)

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 accounts 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, 25th July, 2006



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

Managing Director: Ivan T. M. Tse (謝德明)
MBA, FCCA, ACMA, FCPA (Practising)

Directors
: Kenneth K.W. Lo (盧凱榮)
FCPA (Practising)
: K. F. Mak (麥江帆)
FCCA, CPA (Practising)

AUDITORS' REPORT TO THE MEMBERS OF FU HONG SOCIETY

(Incorporated in Hong Kong with limited liability by guarantee)

We have audited the accounts on pages 5 to 30 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the governing council and auditors

The Companies Ordinance requires the Council Members to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

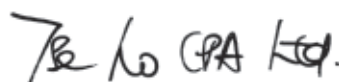
Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Council Members in the preparation of the accounts, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of the Society's affairs as at 31st March, 2006 and of its results and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.



Tse Lo CPA Limited
Certified Public Accountants (Practising)
Hong Kong
Date: 25th July, 2006

Mak Kong Fan
Practising Certificate Number: P03120



FU HONG SOCIETY

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

	NOTES	2006 \$	2005 \$ (Restated)
GOVERNMENT SUBVENTED ACTIVITIES			
Income	4a	244,264,051	245,987,464
Less: Expenditure	4b	(222,616,047)	(237,017,279)
Surplus		21,648,004	8,970,185
NON-SUBVENTED ACTIVITIES			
Income	5a	6,812,509	5,541,346
Less: Expenditure	5b	(3,127,386)	(2,618,280)
Surplus		3,685,123	2,923,066
SURPLUS FOR THE YEAR		25,333,127	11,893,251
LESS: SURPLUS TRANSFER TO LUMP SUM GRANT RESERVE	20	(16,891,561)	(4,731,126)
SURPLUS TRANSFER TO OTHER SUBVENTION RESERVES	21	(2,825,281)	(2,541,562)
NET SURPLUS		5,616,285	4,620,563
TRANSFERRED TO			
ACCUMULATED FUNDS	8	(575,584)	(1,435,373)
PROGRAMME FUNDS	15	(590,872)	(721,077)
FOUNDATION FUND	16	(305,000)	-
NON-SUBVENTED SERVICE FUND	17	(4,133,237)	(2,464,113)
EXCHANGE PROGRAMME FUND	18	(11,592)	-
		(5,616,285)	(4,620,563)
		-	-

The annexed notes form an integral part of these accounts.



FU HONG SOCIETY
BALANCE SHEET AT 31ST MARCH, 2006

(Expressed in Hong Kong Dollars)

	NOTES	2006 \$	2005 \$(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	3	3
Held-to-maturity investment	10	17,731,051	17,731,051
Available-for-sale investment	10	19,074,026	19,120,159
		<u>36,805,080</u>	<u>36,851,213</u>
CURRENT ASSETS			
Deposits and prepayments		900,341	2,198,293
Loans and receivables	11	1,069,711	1,754,292
Cash and bank balances		106,982,074	89,046,561
		<u>108,952,126</u>	<u>92,999,146</u>
TOTAL ASSETS		<u>145,757,206</u>	<u>129,850,359</u>
DEDUCT: CURRENT LIABILITIES			
Government Subvention Surplus	7	(48)	(118)
Loans and payables	12	(4,129,529)	(14,258,637)
Receipts in advance		(2,924,127)	(2,532,397)
Provision for unutilized Paid Leave and Long Service Payment	13	(4,289,979)	(4,282,043)
F&E Replenishment and Minor Works Block Grant	14	(599,878)	(478,230)
		<u>(11,943,561)</u>	<u>(21,551,425)</u>
TOTAL NET ASSETS		<u>133,813,645</u>	<u>108,298,934</u>
ACCUMULATED FUNDS			
CAPITAL EXPENDITURE FUNDS	8	5,792,281	9,465,646
PROGRAMME FUNDS		1	1
FOUNDATION FUND	15	10,381,616	9,204,318
NON-SUBVENTED SERVICE FUND	16	10,360,935	10,055,935
EXCHANGE PROGRAMME FUND	17	18,331,698	14,231,555
LUMP SUM GRANT RESERVES	18	221,338	273,940
OTHER SUBVENTION RESERVES	20	77,139,780	55,966,176
INVESTMENT REVALUATION RESERVE	21	12,511,970	9,981,204
	22	(925,974)	(879,841)
TOTAL FUNDS EMPLOYED		<u>133,813,645</u>	<u>108,298,934</u>

Approved by the Council of the Society on 25th July, 2006


 President


 Chairman


 Council Member

The annexed notes form an integral part of these accounts.



**FU HONG SOCIETY
(LIMITED BY GUARANTEE)
REPORTS AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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 \$ (Restated)
Balance as at 1.4.2004	7,441,353	1	8,048,600	9,801,315	273,940	11,235,268	59,164,783	-	-	95,065,260
- As originally stated	-	-	-	-	-	-	-	-	-	-
- Effect of change for the adoption of HKAS39	-	-	-	-	-	-	(7,929,733)	7,929,733	(223,030)	(223,030)
- Reallocation for presentation	-	-	-	-	-	-	-	-	-	-
- As restated	7,441,353	1	8,048,600	9,801,315	273,940	11,235,268	51,235,050	7,929,733	(223,030)	95,742,230
Surplus for the year transferred to funds	1,435,373	-	721,077	-	-	2,464,113	4,731,126	2,541,562	-	11,893,251
Donation and interest received	-	-	-	254,620	-	534,276	-	-	-	788,896
Refund of rent and rates	-	-	-	-	-	-	-	(490,091)	-	(490,091)
Fee received	-	-	1,021,459	-	-	-	-	-	-	1,021,459
Transfer between funds	588,920	-	(586,818)	-	-	(2,102)	-	-	-	-
Release of investment revaluation reserve on disposal	-	-	-	-	-	-	-	-	223,030	223,030
Decrease in fair value of Available-for-sale investment	-	-	-	-	-	-	-	-	(879,841)	(879,841)
Balance as at 31.3.2005	9,465,646	1	9,204,318	10,055,935	273,940	14,231,555	55,966,176	9,981,204	(879,841)	108,398,934
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	5,702,281	1	10,381,616	10,360,935	221,318	18,331,698	77,139,780	12,511,970	(925,924)	133,813,645



FU HONG SOCIETY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2006

(Expressed in Hong Kong Dollars)

	NOTES	2006 \$	2005 \$
Cash flows from operating activities			
Surplus from subvented and non-subvented activities		25,333,127	11,893,251
Surplus from operating activities of Programme funds		586,426	1,021,459
(Deficit)/Surplus from operating activities of Exchange Programme Fund		(64,194)	-
(Deficit)/Surplus from operating activities of Other Subvention Reserve		(294,515)	(490,091)
Adjustments for:			
Interest income received under subvented operation		(3,960,146)	(981,207)
Interest income received under Lotteries Fund Block Grant		(7,234)	(23)
Provision for/(Reversal of) long service payment		7,936	(746,325)
Reversal of unutilized annual leave		-	(6,512)
Operating surplus before working capital changes		21,601,400	10,690,552
Decrease in deposits and prepayments		1,297,952	409,033
Decrease/(Increase) in accounts receivable		684,581	(1,093,140)
(Decrease)/Increase in creditors and accruals		(10,129,108)	11,769,020
Increase in receipts in advance		391,730	538,648
Refund of rent and rates surplus to government		(70)	(226,514)
Decrease in On the Job Training Programme Fund		-	(412,707)
Increase in F&E Replenishment and Minor Works Block Grant		121,648	119,300
Net cash generated from operating activities		13,968,133	21,794,192
Cash flows from investing activities			
Purchase of Held to maturity investment		-	(2,534,025)
Purchase of other investment		-	(20,000,000)
Sales of Other investment		-	10,015,000
Interest income received under subvented operation		3,960,146	981,207
Interest income received under Lotteries Fund Block Grant		7,234	23
Interest and donation directly received under non-subvented service fund		-	534,276
Interest directly received under foundation fund		-	254,620
Interest on subvention surplus		-	48
Net cash generated from/(used in) investing activities		3,967,381	(10,748,851)
Net increase in cash and cash equivalents		17,935,513	11,045,341
Cash and cash equivalents at beginning of year		89,046,561	78,001,220
Cash and cash equivalents at end of year	23	106,982,074	89,046,561

The annexed notes form an integral part of this financial statement.



FU HONG SOCIETY

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH, 2006

(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 25th July, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2006, the Society adopted the new/revised Standards of HKFRS's below, which are relevant to its operation. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**a. Basis of preparation (Continued)****The adoption of new and revised Hong Kong Financial Reporting Standard
(Continued)**

HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS - Int 15	Operating Leases - Incentives

The adoption of new / revised HKASs 1, 8, 10, 16, 17, 18, 19, 20, 21, 24, 36, 37, and HKAS-Int 15 did not result in substantial changes to the Society's accounting policies. In summary:

- HKAS 1 has affected other disclosures.
- HKASs 8, 10, 16, 17, 18, 19, 20, 21, 36, 37 and HKAS-Ints 15 had no material effect on the Society's policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

HKAS 7 Cash Flow Statements

Upon the adoption of HKAS7, the exemption from preparing a cash flow statement for Charitable entities is removed. This change in accounting policy has had no effect on the income and expenditure account and other funds. A cash flow statement for current year with last year comparative figures has been prepared.

**HKAS 32 Financial Instruments: Disclosure and Presentation and
HKAS 39 Financial Instruments: Recognition and Measurement**

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through income and expenditure account and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.



FU HONG SOCIETY

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of preparation (Continued)

Summary of the changes in accounting policies

(i) Effect on the balance sheet

	HKAS 32 & 39 Change in accounting policy in the treatment of available-for-sale investment \$	Total \$
<u>At 1st January, 2005</u>		
Available-for-sale investment	(879,841)	(879,841)
Investment revaluation reserve	879,841	879,841
	-	-
<u>At 31st December, 2005</u>		
Available-for-sale investment	(46,133)	(46,133)
Investment revaluation reserve	46,133	46,133
	-	-

(ii) Effect on the income and expenditure account

The change of accounting policy had no effect on the current and last year income and expenditure account.

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 1st January, 2006.

HKAS 1 (Amendment) Capital Disclosures
HKAS 19 (Amendment) Actuarial Gains and Losses, Group Plants and Disclosures
HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment) The Fair Value Option
HKAS 39 and HKFRS 4 Financial Guarantee Contracts(Amendment)



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**a. Basis of preparation (Continued)****Recently issued Accounting Standards (Continued)**

HKFRS 6	Exploration for Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommission, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Apply the Restatement Approach under HKAS 29 Financial reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The Society anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Society.

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.

The Society has 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. Depreciation on the deemed cost of an item of property, plant and equipment commences from 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 accounts 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 ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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 be realized within 12 months of the balance sheet date.



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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-derivatives 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 ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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.

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.

i) 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.

ii) 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.



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

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 ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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 ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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
- vi) 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 ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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, 2006 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

	2006 \$	2005 \$
a. Income		
S.W.D. subvention	201,277,438	204,455,816
Mortgage interest subsidy	5,021	7,260
Donation received	682,699	1,812,856
Subscription	10,050	-
Lotteries Fund Grant	2,883,718	3,800,211
Lotteries Fund Block Grant	1,355,586	1,503,723
Fee received	27,563,464	26,752,028
Sub-contract incomes	4,920,682	5,459,918
Interest	3,960,146	981,207
Others	1,605,247	1,214,445
	<u>244,264,051</u>	<u>245,987,464</u>



FU HONG SOCIETY

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006

(Expressed in Hong Kong Dollars)

4. GOVERNMENT SUBVENTED ACTIVITIES (CONTINUED)

	2006 \$	2005 \$
b. Expenditure		
Salaries	153,848,136	157,156,608
Staff provident fund	11,285,050	10,893,926
Staff post contract out	239,289	-
Central items	5,706,641	6,239,352
Mortgage interest subsidy	5,021	7,260
Provision for unutilized paid leave and long service payment (Note 13)	7,936	(746,325)
Audit fee	64,450	72,000
Postage	48,704	91,920
Telephone	377,566	391,485
Advertisement	112,464	119,948
Medical check up for staff	29,760	25,295
Bank charges	14,250	21,272
Electricity	5,221,190	5,094,039
Gas and fuel	995,199	939,801
Water and sewage charges	500,869	579,799
Cleaning charges and materials	1,044,464	1,477,037
Printing and stationery	904,726	794,636
Newspaper and periodicals	62,771	54,034
Repairs and maintenance	5,208,859	15,041,683
Lotteries Fund expenses (Note 4a)	2,883,718	3,800,211
Lotteries Fund Block Grant expenses (Note 4a)	1,355,586	1,503,723
Other capital expenditure	100,280	120,008
Minor purchases	358,946	503,274
Food	9,495,295	9,324,988
Programme expenses	3,178,295	3,940,962
Incentive allowance	1,906,694	1,884,547
Transport and travelling expenses	1,566,868	1,557,879
Other travelling expenses	227,550	234,847
Insurance	1,171,180	986,223
Medical	588,684	699,484
Staff development	349,328	302,682
Sundries	56,834	104,200
Sub-contract payment	4,742,552	4,902,520
Rent	7,804,429	7,756,916
Rates	1,152,463	1,141,045
	<u>222,616,047</u>	<u>237,017,279</u>



FU HONG SOCIETY
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006

(Expressed in Hong Kong Dollars)

5. NON-SUBVENTED ACTIVITIES

	Autism Centre \$	Best Buddies \$	Case- Families \$	Day Care Services \$	Extended Care Service \$	Fund Raising \$	Holiday Family Respite \$	2006 Total \$	2005 Total \$
a. Income									
Donation received	-	20,500	9,090	-	-	3,796,668	-	3,826,198	2,624,654
Fee income	-	74,694	739,209	97,145	169,825	2,128	63,447	1,146,439	1,099,010
SWD Community-based Support	-	-	-	402,333	359,667	-	261,600	1,023,600	864,000
The Hong Kong Jockey Club Charities Trust	-	-	613,800	-	-	-	-	613,800	925,088
Others	-	4,637	-	-	4,937	192,718	180	202,472	32,634
	-	99,831	1,362,099	499,478	534,429	3,991,454	325,227	6,812,509	5,541,346
b. Expenditure									
Salaries	-	-	644,342	305,090	423,585	-	277,539	1,650,556	1,615,389
Staff provident fund	-	-	32,217	14,501	28,134	-	21,121	95,973	80,397
Provision for unutilized paid leave and long service payment (Note 13)	-	-	-	-	-	-	-	-	(6,512)
Postage	-	4,280	-	-	-	35,379	-	39,659	2,201
Telephone	-	-	16,558	-	-	100	-	16,658	16,718
Advertisement	-	400	595	-	-	7,150	860	9,005	7,000
Audit fee	-	-	-	1,090	1,000	-	-	2,090	-
Medical – staff check up	-	-	555	-	370	-	1,110	2,035	376
Bank charges	-	-	-	-	-	2,865	-	2,865	-
Electricity	-	-	41,605	-	-	-	-	41,605	37,340
Gas & fuel	-	-	41,223	-	-	-	-	41,223	32,620
Water & sewage charges	-	-	8,289	-	-	-	-	8,289	8,457
Cleaning charges & materials	-	540	17,280	-	-	-	-	17,820	17,633
Printing & stationery	-	11,972	3,078	-	40	150,511	550	166,151	88,623
Newspaper & periodical	1,085	15	2,582	-	-	-	372	4,054	3,288
Repairs & maintenance	-	300	66,806	-	3,456	-	-	70,562	52,187
Minor purchases	-	-	2,501	-	-	9,125	-	11,626	37,615
Food	-	295	190,822	7,865	26,434	-	12,390	237,716	248,926
Programme expenses	-	207,166	127,632	-	8,733	186,220	-	529,751	201,303
Vehicle expenses	-	980	3,125	-	-	4,500	-	8,605	13,124
Other traveling expenses	-	73	6,614	-	1,578	-	-	8,265	7,838
Insurance	-	89	9,531	-	-	3,765	-	13,385	8,042
Medical	-	-	1,918	-	-	207	140	2,285	2,928
Sundries	-	1,062	2,194	-	-	-	-	3,256	2,717
Rent	-	-	121,545	-	-	-	-	121,545	118,695
Rates	-	-	22,497	-	-	-	-	22,497	21,381
	1,085	227,172	1,363,529	328,456	495,330	399,822	313,992	3,127,386	2,618,280



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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. The details are 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

	2006	2005
	\$	\$
Balance brought forward	118	226,584
Subvention surplus refund	(70)	(226,514)
Interest on subvention surplus	-	48
Balance carried forward	<u>48</u>	<u>118</u>

8. ACCUMULATED FUNDS

	2006	2005
	\$	\$
Balance brought forward	9,465,646	7,441,353
Surplus for the year	575,584	1,435,373
Transfer from Programme Funds (Note 15)	-	586,818
Transfer from Non-Subvented Service Funds (Note 17)	33,094	2,102
Reallocation of provision for unutilized paid leave and long service payment from lump sum grant reserves (Note 20)	(4,282,043)	-
Balance carried forward	<u>5,792,281</u>	<u>9,465,646</u>



FU HONG SOCIETY

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006

(Expressed in Hong Kong Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Properties \$	Motor Vehicles \$	Renovation Works \$	Furniture and Equipment \$	Total \$
At Cost					
Balance as at 1.4.2004	1	5	-	-	6
Additions	-	278,766	4,637,207	507,969	5,423,942
Disposal	-	(3)	-	-	(3)
	<u>1</u>	<u>278,768</u>	<u>4,637,207</u>	<u>507,969</u>	<u>5,423,945</u>
Less: Grants related to assets					
F&E Replenishment and					
Minor Works Block Grant	-	(278,766)	(1,117,207)	(107,750)	(1,503,723)
Lotteries Fund Major Grant	-	-	(3,520,000)	(280,211)	(3,800,211)
Other Capital Grants	-	-	-	(120,008)	(120,008)
Carrying value					
Balance as at 31.03.2005	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>3</u>
	Properties \$	Motor Vehicles \$	Renovation Works \$	Furniture and Equipment \$	Total \$
At Cost					
Balance as at 1.4.2005	1	2	-	-	3
Additions	-	338,140	3,259,082	742,363	4,339,585
Disposal	-	-	-	-	-
	<u>1</u>	<u>338,142</u>	<u>3,259,082</u>	<u>742,363</u>	<u>4,339,588</u>
Less: Grants 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)
Carrying value					
Balance as at 31.03.2006	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>3</u>



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

10. INVESTMENT

	2006 \$	2005 \$
Held to maturity debt securities		
Bonds investments, at amortized cost	17,731,051	17,731,051
Available-for-sale investment		(Restated)
Certificates of deposits, at fair value	19,074,026	19,120,159

As mentioned in note 2, from 1st April, 2005 onwards, investment in certificate of deposits issued by a bank, which was classified as other investment and stated at cost previously, have been reclassified to available-for-sale investments and is stated at fair value in accordance with the requirement of HKAS39. The carrying value of certificate of deposits at 31st March, 2005 of \$20,000,000 was restated and a decrease in carrying value of \$879,841 is found and has been debited to the investment revaluation reserve as at 31st March, 2005 accordingly.

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, 2005 and 31st March, 2006 were \$16,987,356 and \$16,814,876 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 decrease of the fair value of the certificate of deposits in the amount of \$46,133 was directly credited to investment revaluation reserve and not through the income and expenditure account or the funds account.

11. LOANS AND RECEIVABLES

	2006 \$	2005 \$
Cash due from trainee	2,987	5,010
Fee receivables	515,202	212,965
Grants receivables	-	260,892
Sub-contracting fee receivable	-	590,033
Bond interest receivable	431,442	397,900
Others	120,080	287,492
	1,069,711	1,754,292

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



FU HONG SOCIETY

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

12. LOANS AND PAYABLES

	2006	2005
	\$	\$
Accounts payable	3,272,209	13,467,519
Incentives allowance payable	169,120	154,370
Accruals	685,151	576,700
Others	3,048	60,048
	<u>4,129,528</u>	<u>14,258,637</u>

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

13. PROVISION FOR UNUTILIZED PAID LEAVE AND LONG SERVICE PAYMENT

	2006	2005
	\$	\$
Unutilized annual leaves	2,172,904	2,112,528
Long services payments	2,117,075	2,169,515
	<u>4,289,979</u>	<u>4,282,043</u>

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

	2006	2005
	\$	\$
Balance brought forward	478,230	358,930
Add: Block Grant received during the year	1,470,000	1,623,000
Interest income received	7,235	23
	<u>1,955,465</u>	<u>1,981,953</u>
Less: Expenditure during the year		
Minor Works Projects	(648,550)	(1,117,207)
Vehicle overhauls	(338,140)	(278,766)
Furniture and equipment	(368,897)	(107,750)
	<u>(1,355,587)</u>	<u>(1,503,723)</u>
Balance carried forward	<u>599,878</u>	<u>478,230</u>



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

15. PROGRAMME FUNDS

	2006 \$	2005 \$
Balance brought forward	9,204,318	8,048,600
Donation received	590,872	721,077
Fees	596,426	1,021,459
	10,391,616	9,791,136
Less:		
Transfer to Accumulated Fund (Note 8)	-	(586,818)
Expenses	(10,000)	-
	(10,000)	(586,818)
Balance carried forward	10,381,616	9,204,318

16. FOUNDATION FUND

	2006 \$	2005 \$
Balances brought forward	10,055,935	9,801,315
Interest received	305,000	254,620
Balances carried forward	10,360,935	10,055,935

17. NON-SUBVENTED SERVICE FUNDS

	2006 \$	2005 \$
Balance brought forward	14,231,555	11,235,268
Bank interest received	1,144,069	479,331
Net donations received from		
- Flag day	1,756,964	1,827,447
- Walkaton	285,661	555,596
- Others	946,543	136,015
	4,133,237	2,998,389
Transfer to Accumulated Fund (Note 8)	(33,094)	(2,102)
Balance carried forward	18,331,698	14,231,555



FU HONG SOCIETY

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

18. EXCHANGE PROGRAMME FUND

	2006	2005
	\$	\$
Balance brought forward	273,940	273,940
Transfer from fund raising	11,592	-
Less: Expense	(64,194)	-
Balance carried forward	<u>221,338</u>	<u>273,940</u>

19. ON THE JOB TRAINING PROGRAMME FUND

	2006	2005
	\$	\$
Balance brought forward	-	412,707
Add: Grants received:-		
Administrative fee	-	60,625
	-	60,625
Less: Expenditure:-		
Administrative fee	-	(59,616)
Wages subsidy	-	(7,450)
	-	(67,066)
Less: Refund to SWD	-	(406,266)
Balance carried forward	<u>-</u>	<u>-</u>

20. LUMP SUM GRANT RESERVES

	2006	2005
	\$	\$
Balance brought forward	55,966,176	(Restated) 51,235,050
Add : Transfer from Income and Expenditure Account	16,891,561	4,731,126
Reallocation of provision for unutilized paid leave		
and long service payment to accumulated funds		
(Note 8)	4,282,043	-
	21,173,604	4,731,126
Balance carried forward	<u>77,139,780</u>	<u>55,966,176</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 NGO's operating expenditure for the year. However, Social Welfare Department has formally approved to withhold the clawback of LSG reserve above the 25% cap for three years for the financial years from 2004-05 to 2006-07.



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

21. OTHER SUBVENTION RESERVES

	Provident Fund (Existing staff) \$	Provident Fund (6.8% and other posts) \$	Rent and Rates \$	Central Items \$	Total \$
Balance as at 01.04.2004	3,216,826	913,520	784,606	3,014,781	7,929,733
Add: Transfer from Income and Expenditure Account	904,396	809,304	348,722	479,140	2,541,562
Less: Refund to S.W.D.	-	-	(490,091)	-	(490,091)
Balance as at 31.03.2005	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

In previous years, the balances of the Provident Fund, Central Items and Rent and Rates were grouped and presented in the Lump Sum Grant Reserves. Starting from current year, they have been reclassified separately to Other Subvention Reserves. Comparative amounts have been revised to conform with current year presentation but the reclassification has no effect to the Income and Expenditure Account of the Society.

22. INVESTMENT REVALUATION RESERVE

	2006 \$	2005 \$ (Restated)
Balance brought forward - deficit	(879,841)	(223,030)
Release on disposal	-	223,030
Revaluation deficit	(46,133)	(879,841)
Balance carried forward - deficit	(925,974)	(879,841)

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:

	2006 \$	2005 \$
Cash in hand	196,000	189,500
Bank balances	21,536,113	15,623,781
Short term fixed bank deposits	85,249,961	73,233,281
	106,982,074	89,046,562



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(Expressed in Hong Kong Dollars)

24. COMMITMENTS

As at 31st March, 2006, the Society had the following commitments:-

	2006 \$	2005 \$
a) Other capital commitments		
Contracted but not provided for	2,937,570	729,900
Authorised but not contracted for	-	-
	<u>2,937,570</u>	<u>729,900</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	6,861,618
- between 2nd to 5th years inclusive	-	6,571,260
	<u>6,571,260</u>	<u>13,432,878</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, 2007.

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 \$560,369 (2005: \$964,648) 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 \$107,774 (2005: nil) 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 \$3,525 (2005: nil) and a trade payable in the amount of \$93,841 (2005: \$272,943) receivable and payable to Hong Yung Services Limited.



FU HONG SOCIETY**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2006**

(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:

	2006	2005
	\$	\$
Short-term benefits	4,288,657	5,926,004
Post-employment benefits	-	-
Other long-term benefits	418,449	505,568
Share-based payments	-	-

26. SUBSEQUENT EVENTS

During the year, the Task Force of the Society has suggested to detach the activities of Casa Famiglia from the Society. Up to the date of this report, the work of detachment is still in progress.

Moreover, a Special One-off Grant ('SOG') proposal with the total sum of \$31,868,000 was approved by SWD during the year and will be implemented in the coming year. The grant includes three parts, a Voluntary Retirement ('VR') Scheme for Snapshot staff with the application of a grant in the amount of \$11 million, a grant in the amount of \$14,168,000 to meet the contractual commitments with the Snapshot staff and a grant in the amount of \$6,700,000 to improve the remuneration package for contract staff delinked from Master Pay Scale and Model Scale, these grants will be allocated to the Society in the year of 2006-07 and 2007-08 in the amount of \$24,368,000 and \$7,500,000 respectively.

Up to the date of this report, the Society has already received the applications of the VR Scheme from Snapshot staff and the estimated compensation that will be paid to the retired staff is around \$22 million. All the compensation will be fully financed by SOG accordingly.

27. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new HKFRSs during current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirement. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.



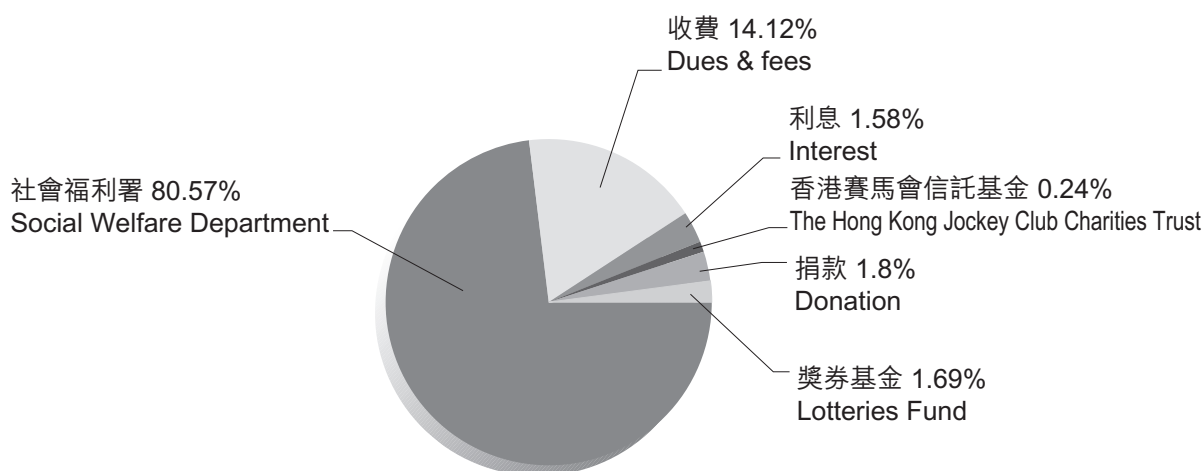
收入及支出 二零零五至二零零六

Income & Expenditure 2005-2006

收入分析 Income Analysis

全年收入約為港幣二億五千一百零七萬七千元

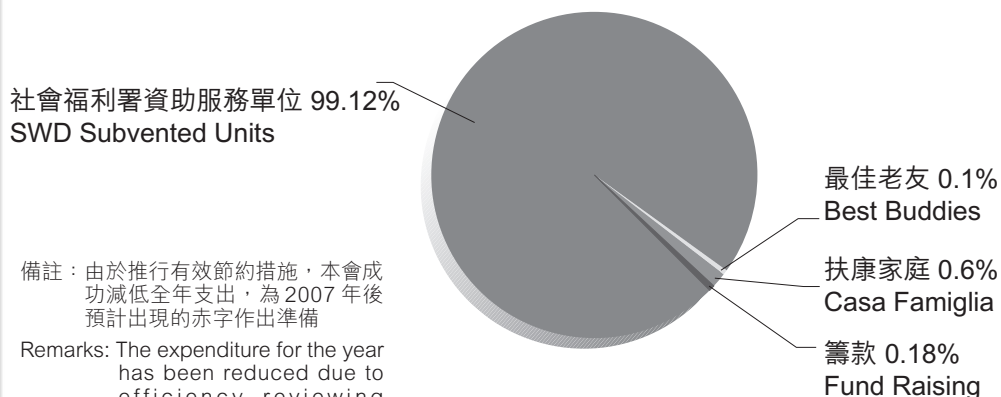
Total income about HK\$251,077,000



支出分析 Expenditure Analysis

全年支出約為港幣二億二千五百七十四萬三千元

Total expenditure about HK\$225,743,000



備註：由於推行有效節約措施，本會成功減低全年支出，為2007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 2007

