

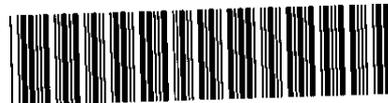
**FU HONG SOCIETY
(INCORPORATED IN HONG KONG WITH LIMITED
LIABILITY BY GUARANTEE)**

REPORTS

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021



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TSE LO CPA LIMITED

Certified Public Accountants (Practising)
Hong Kong

FU HONG SOCIETY

**REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2021**

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FU HONG SOCIETY
SOCIETY INFORMATION

MEMBERS OF THE COUNCIL

Mr. SZE Kyran
Ms. LAM Siu Ling
Ms. CHAN Suet Mei, Jane
Mr. CHIEN Kwok Keung, Kenny
Mr. LI Pak Ho
Mr. LAM Chun Man, Anthony
Mr. CHAN Siu Yuen, Stephen
Dr. LO Man Chun
Mr. CHAN Tat Man
Prof. SIN Kuen Fung
Mr. LEE Chun Lam
Dr. KWOK Kin Fun
Mr. WU Kwan Chung
Mr. LO Hung Yip
Mr. CHAN Hiu Fung, Nicholas
Ms. CHOI Wai Kam
Mr. WONG Kwong Lui
Dr. CHUI Mo Ching, Eileena (Appointed on 21st October, 2020)
Fr. FAVATA Fabio (Appointed on 21st October, 2020)
Dr. KAN Chui Kwan (Appointed on 21st October, 2020)
Fr. CAGNIN Fernando (Retired on 21st October, 2020)
Dr. WONG Ming Cheuk, Michael (Retired on 21st October, 2020)
Dr. FAN Tak Wing (Retired on 21st October, 2020)

SECRETARY

Ms. CHAN Suet Mei, Jane

SPIRITUAL ADVISOR

Fr. BONZI Giosue Giovanni

REGISTERED OFFICE

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

AUDITOR

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

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FU HONG SOCIETY

BUSINESS REVIEW

Review of the Society's Business

Service Overview

1. Embracing the vision and mission, the Society has carried on to uphold its service spirit 'Take the Lead, Meet the Need with Love' and to devote serving persons with various types of disabilities, including intellectual, psychiatric, physical disabilities, autism spectrum disorders, and developmental disabilities. Since 1977, the Society has actively provided appropriate and multi-faceted rehabilitation services for persons with disabilities and has become one of the main rehabilitation organizations in Hong Kong.
2. During the year, the Society continued providing the following services:
 - Government-subsidized operations
 - Residential care services
 - Day training services
 - Vocational rehabilitation and development services
 - Community mental health services and
 - Community support services
 - Self-financed operations
 - Social enterprises
 - Family Care Homes
 - Training for children with autism spectrum disorders and special needs
 - Family support services and
 - Best Buddies Hong Kong Movement

Financial Performance and Position

3. The Society continued to maintain a healthy financial position this year. Subvention from the Social Welfare Department of HKSAR Government has remained the main source of income, representing 91% of the Society's consolidated income. The rest of the incomes came from fees and charges collected, interest earned and donations received. The consolidated expenditure was mainly for staff cost (over 80%) and the rest are for other operating costs. As a result, there was a consolidated surplus of HK\$5.69 million for the year.
4. The summary of financial performance is as follows: -

	2020/21	2019/20	Changes	
	HK\$ million	HK\$ million	HK\$ million	%
Consolidated Income	492.06	465.97	26.09	5.60
Consolidated Expenditure	486.37	479.73	6.64	1.38
Surplus / (Deficit)	5.69	(13.76)		

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FU HONG SOCIETY
BUSINESS REVIEW (CONTINUED)

5. The consolidated surplus of HK\$5.69 million for the year 2020/21 (representing 2.99% increase in total funds held on 1st April 2020) was mainly attributable to the increase of HK\$0.16 million in the Social Welfare Department Lump Sum Grant Reserve, HK\$3.22 million in Provident Fund Reserves, HK\$2.31 million in the Society's various Funds. As a result, the total funds held on 31st March, 2021 has reached HK\$195.94 million.
6. A summary of the consolidated financial position is as follows: -

	2020/21	2019/20	Changes	
	HK\$ million	HK\$ million	HK\$ million	%
Non-Current Assets	20.98	30.45	(9.47)	-31.10
Net Current Assets	177.97	172.67	5.30	3.07
Non-Current Liabilities	3.01	12.87	(9.86)	-76.61
Total Net Assets	195.94	190.25	5.69	2.99

7. Detailed information is given in the "Financial Report" from pages 14 to 61.

Statutory Compliance

8. During the year under review, the Society continued complying with all applicable laws and regulations. Appropriate policies and manuals are in place to ensure that all responsible staff would follow the respective legal obligations.
9. The Society has also met the performance requirements as stipulated in the Lotteries Fund Manual, Lump Sum Grant Manual, Best Practice Manual as well as the Funding and Service Agreement set out by the Social Welfare Department.

Environmental Policies and Performance

10. To pursue the vision of promoting sustainable development effectively, the Society has adopted the green protection policy and guidelines, and is committed to fulfilling its corporate responsibility of protecting the environment and engaging its staff to practise green living together. In last year, the Society was invited to join the Jockey Club SolarCare Programme and a solar system was installed at the roof top of our Rehabilitation Centre in Aberdeen. A monthly rebate of over HK\$12,000 was received from HK Electric starting from December 2020.

Relationships with Staff Members and Stakeholders

11. The Society held six All-Staff Meetings, three Staff Consultative Meetings and seven Focus Group's Meetings in the reporting year. The staff of different ranks were able to directly engage in-depth dialogues with the Chief Executive Officer and Senior Management, and therefore had opportunities to provide opinions in assisting the Society to make review and improvements.

FU HONG SOCIETY
BUSINESS REVIEW (CONTINUED)

12. To enhance transparency and as a part of the Society communication strategy, the Society has regularly updated the official website, published newsletters and other publications on services, developments and achievements. These have helped stakeholders and the general public better understand and appreciate the services and changes of the Society. Regular reports have also been submitted to funders, such as Government departments, the HK Jockey Club Charities Trust, etc. regarding progress of operations and projects under their financial supports.
13. In pursuance of the service rationale, the Society has always placed importance and valued the close contacts with family members of service users as their support and opinions are instrumental to the improvement of services offered to service users. As Fu Hong Parents' Association (FHPA) is one of the key and important stakeholders, the Society continues supporting FHPA's activities and encouraging family members of service users to become FHPA members. Parents and service users can elect representatives to participate in the Regional Sub-committees in which they can maintain effective communication with the Management. Chairmen and vice-chairmen of four Regional Sub-committees represent their respective regions to attend the Society's regular Services Monitoring Committee meetings for the purpose of offering their opinions to improve operations and services. Through this channel, it has helped to deepen mutual understanding and exchange expectations among different parties.

Risks and Uncertainties

Ageing

14. Last year, additional effort was continually put in to address uncertainties and potential risks to services posed by the ageing of service users. Among 3,938 service users served by the Society during the year, 1,425 service users (36%) had been receiving the Society's services for over ten years, and more than 2,502 service users (64%) were aged 40 or above at the end of March 2021. The various health issues and quality of life problems related to ageing among people with intellectual disability have become a growing concern of the rehabilitation sector. The Society had introduced a series of actions to address the challenges by introducing new measures and allocating additional resources to strengthen the relevant services for the ageing service users.
15. To cope with the ageing of service users, the Society has formulated the Active Aging Service Model in health management, injury prevention, doing exercise, social connection, healthy diets and extended to various activities. During the year, the Society has produced newsletters in promoting "Active Aging", continued procuring the external consultation services of nutritionists and organized cooking competitions in arousing staff awareness of the needs of special diets for service users. In addition, by making good use of grants from the Innovation and Technology Fund for Application in Elderly and Rehabilitation Care, the Society purchased various products and equipment for service units, for example, the installation of ceiling hoists which helps to ensure that service users are positioned and moved in a comfortable manner, and reduces the risk of accident or work injury.

FU HONG SOCIETY
BUSINESS REVIEW (CONTINUED)

The COVID-19

16. During the year, facing the challenges and impact of the novel coronavirus (COVID-19) on our services, the Society has continually reviewed the preventive guidelines and measures and make operational adjustments, in line with the Government's announcement. The Society has taken, but not limited to the following measures, to reduce the risk of COVID-19 transmission in the community:
- day and community support services centers delivered their services by making use of IT and online devices, such as virtual training and online parent-child activities;
 - hostels arranged service users to meet their parents or relatives through video chats and provided special visit zone during the temporary suspension of family visit;
 - an online teaching platform was set up for children with special needs and developmental disabilities for them to have the continuous learning at home;
 - arranging part of the staff to work from home; and
 - adopting video conference technologies in meetings to maintain social distancing, which saved the travelling time of Council/Committee/Advisory Panel's members and staff and enhance their participation.

Strengthen Risk Management System

17. With the implementation of the risk management system, risk awareness at both management and service unit levels have improved in the past years. In order to monitor risk management more effectively, the corporate risk register has undergone an important update this year. The risk items related to service operation were transferred to the service unit risk register, and service units will focus on the review at the operational level. Under such, it will provide greater flexibility and shorten the response time to meet the needs of different regions and service units, and strengthen the management of risk items related to service operations.

Important Events

Service Aspects

Commencement of Operation of New Service Centres

18. The two new service units "Kai Yuet Adult Training Centre" and "Kai Hong Home" at Kwun Tong Kai Nang Integrated Rehabilitation Centre have commenced operation starting from mid-June 2020, which provided a total capacity of one hundred for residential and fifty for day services. Although the epidemic was severe last year, the intake of service users has never been slack. Both service units were able to provide services while safeguarding the health of service users with the necessary preventive measures.

SCMP Award for COVID-19

19. The new coronavirus has spread globally and its severity has brought challenges to our service provision. Even there were staff, service user and family member infected, with the concerted efforts of the management, professionals and front-line staff, we were not only able to maintain the high-quality services, but also to build good team morale. The SCMP has presented the Grand Winner of "COVID-19 Special Award for NGO" (which under the "Classified Post HR Appreciation Awards") to the Society to appreciate our effort in anti-epidemic.

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FU HONG SOCIETY
BUSINESS REVIEW (CONTINUED)

Setting up the Social Inclusive Housing Project - Joyful Place

20. “Joyful Place” is the first social inclusive housing project in Hong Kong to promote families with the disabled, which provides a reasonable rental living environment for single persons with disabilities and the general public so as to improve their quality of life. It is located in the former Pricilla’s Home at Lee Ga Building, Sai Wan Ho, Hong Kong, and provides a total of fourteen independent accommodations. The first lot of tenants have moved in June 2021. There will also be a platform and regular activities to promote communication between tenants.

Corporate Affairs

Amendment of the Memorandum & Articles of Association (M&A) by EGM

21. The Society strictly abides by statutory requirements and other relevant regulatory requirements. To ensure that the M&A in compliance with the Companies Ordinance (Chapter 622) and consistent with the future service needs of the Society, the M&A was amended and approved in the Extraordinary General Meeting held on 21st October 2020. The relevant amendments have also been submitted to the Companies Registry and the Inland Revenue Department.

Announcement of the new Vision and Mission

22. In response to the service needs, the Society has revamped the existing vision and mission which becomes effective in January 2021. The new vision specifically states that the Society is committed to building an inclusive and loving society for all with mutual respect and recognition of individual difference. The new mission clearly states the Society’s objective is upholding the spirit of “Take the Lead, Meet the Need with Love”, to enable persons with disabilities to explore and develop their potentials and enjoy the quality of life at home and in the community.

Implement of the Internal Audit Functions

23. In order to strengthen corporate governance, an internal auditor is appointed to regularly analyze and independently evaluate the Society’s risk management and internal control systems. The internal audit plan for 2020/21, which focused on the “Human Resources Management”, “Procurement, payment and stock management” have been completed. The audit findings and recommendations have been reviewed by the Audit Committee and Management has implemented the audit recommendations and formulated the corresponding improvement plans to further strengthen FHS’s risk management framework and internal control system

Future Development

Enhancing Family Support Services

24. With the experience and achievements of launching the “Love and Walk Together” Family Support Pilot Project, the Society has successfully applied for funding of HK\$14.52 million from the Hong Kong Jockey Club Charities Trust Fund for a three-year carer support project. The objective is to strengthen the resilience and wellness of families in supporting persons with disabilities from school to community rehabilitation, including improving their mental health, and self and mutual support among family members.

Adoption of the 'International Classification of Functioning, Disability and Health' (ICF) in Case Management System (CMS)

25. The Society adopted the "people-oriented" approach of ICF in the optimized CMS to comprehensively assess and prioritize the needs of service users, to improve the efficiency and effectiveness of service planning, implementation, monitoring and evaluation, and to enable the collaborative work of inter-disciplinary professionals in providing timely interventional therapies. At corporate level, the application of ICF to CMS allows the management to better understand the overall service needs and helps in service planning and resources allocation.

Developing Social Enterprise Businesses

26. The social enterprise (Hong Yung Services Limited) under the Society has established the air disinfection and pests control team since 2003 to provide professional air disinfection spray services. The Hong Kong University of Science and Technology approved to set up a GERMAGIC coatings professional service team last year. The service team is composed of both abled and disabled persons, that creating job opportunities for persons with disabilities. In addition, the social enterprise has received funding from the "Partnership for Self-Reliance Program" for service expansion, and the opening of a physical store to sell epidemic prevention and disinfection supplies is in progress. At the same time, an online platform supported by the "Distance Business Programme" will be set up for selling service users' hand-made products so as to show their ability.

FU HONG SOCIETY
REPORT OF THE MEMBERS OF COUNCIL

The Members of Council of Fu Hong Society ("the Society") have pleasure in submitting their annual report and the audited consolidated financial statements of the Society and its subsidiaries (collectively, "the Group") for the year ended 31st March, 2021.

PRINCIPAL ACTIVITY

The principal activity of the Group is serving persons with various types of disabilities, including intellectual, psychiatric, physical disabilities, autism spectrum disorders, and development disabilities.

RESULTS AND STATE OF AFFAIRS

The results of the Group for the year ended 31st March, 2021 and the state of affairs of the Group as at 31st March, 2021 are set out in the audited consolidated financial statements on pages 14 to 61.

MEMBERS OF COUNCIL

a.) Council Members of the Society

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

Mr. SZE Kyran	
Ms. LAM Siu Ling	
Ms. CHAN Suet Mei, Jane	
Mr. CHIEN Kwok Keung, Kenny	
Mr. LI Pak Ho	
Mr. LAM Chun Man, Anthony	
Mr. CHAN Siu Yuen, Stephen	
Dr. LO Man Chun	
Mr. CHAN Tat Man	
Prof. SIN Kuen Fung	
Mr. LEE Chun Lam	
Dr. KWOK Kin Fun	
Mr. WU Kwan Chung	
Mr. LO Hung Yip	
Mr. CHAN Hiu Fung, Nicholas	
Ms. CHOI Wai Kam	
Mr. WONG Kwong Lui	
Dr. CHUI Mo Ching, Eileena	(Appointed on 21st October, 2020)
Fr. FAVATA Fabio	(Appointed on 21st October, 2020)
Dr. KAN Chui Kwan	(Appointed on 21st October, 2020)
Fr. CAGNIN Fernando	(Retired on 21st October, 2020)
Dr. WONG Ming Cheuk, Michael	(Retired on 21st October, 2020)
Dr. FAN Tak Wing	(Retired on 21st October, 2020)

In accordance with Article 30 of the Society's 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.

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FU HONG SOCIETY

REPORT OF THE MEMBERS OF COUNCIL (CONTINUED)

MEMBERS OF COUNCIL (CONTINUED)

b.) Council Members of the Society's subsidiaries

During the year and up to the date of this report, Dr. KWOK Kin Fun, and Mr. WONG Kwong Lui were also Council Members in the subsidiary, Agape Society Limited. Mr. LEE Chun Lam and Mr. LI Pak Ho retired to act as a Council Member in the subsidiary on 22nd October, 2020.

During the year and up to the date of this report, Mr. CHIEN Kwok Keung, Kenny, Mr. LI Pak Ho and Mr. SZE Kyran were also Council Members in the subsidiary, Hong Yung Services Limited. On 22nd October, 2020, Mr. WONG Kwong Lui was appointed to act as a Council Member and Mr. LEE Chun Lam retired to act as a Council Member in the subsidiary.

All Members of the Council of the Group act in an entirely honorary capacity and have not received any emolument in the year under review.

MATERIAL INTEREST OF MEMBERS OF COUNCIL IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Society or its subsidiaries was a party, and in which a Member of Council had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

BUSINESS REVIEW

Business Review is separately shown on pages 2 to 7.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Report of the Members of Council, there was or is, any permitted indemnity provisions, being in force for the benefit of any of the Members of Council of the Society and its subsidiaries, whether made by the Society or otherwise, or any of its subsidiaries, if made by the Society.

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FU HONG SOCIETY

REPORT OF THE MEMBERS OF COUNCIL (CONTINUED)

AUDITOR

The consolidated 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



Mr. SZE Kyran

Chairman

Hong Kong, 23rd September, 2021

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.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FU HONG SOCIETY**
(incorporated in Hong Kong with limited liability by guarantee)

Opinion

We have audited the consolidated financial statements of Fu Hong Society ("the Society") and its subsidiaries ("the Group") set out on pages 14 to 61, which comprise the consolidated statement of financial position as at 31st March, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in funds and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st March, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Members of Council are responsible for the other information. The other information comprises the information included in the Report of the Members of Council, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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謝盧會計師事務所有限公司

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FU HONG SOCIETY (incorporated in Hong Kong with limited liability by guarantee)

The Responsibilities of Members of Council and Those Charged with Governance for the Consolidated Financial Statements

The Members of Council are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Members of Council determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Members of Council are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of Council either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

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謝盧會計師事務所有限公司

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF FU HONG SOCIETY
(incorporated in Hong Kong with limited liability by guarantee)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members of Council.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Members of Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Tse Lo CPA Limited
Certified Public Accountants (Practising)
Hong Kong
Date: 23rd September, 2021
Mak Kong Fan
Practising Certificate Number: P03120

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FU HONG SOCIETY**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

	<u>NOTES</u>	2021	2020
		\$	\$
INCOME	3	492,061,850	465,967,225
EXPENDITURE	4	(486,374,883)	(479,729,132)
SURPLUS / (DEFICIT) FOR THE YEAR		5,686,967	(13,761,907)
OTHER COMPREHENSIVE INCOME FOR FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME / (EXPENDITURE) FOR THE YEAR		5,686,967	(13,761,907)

The notes on pages 19 to 61 form an integral part of these consolidated financial statements.

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FU HONG SOCIETY**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

	<u>NOTES</u>	2021 \$	2020 \$
NON-CURRENT ASSETS			
Property, plant and equipment	7	10,434,072	10,615,814
Right-of-use assets	8(a)	10,545,272	19,835,857
Interest in subsidiaries	9	-	-
		<u>20,979,344</u>	<u>30,451,671</u>
CURRENT ASSETS			
Inventories		22,168	56,355
Deposits and prepayments		2,937,504	2,455,790
Accounts and other receivable		20,154,528	17,497,362
Cash and bank balances	20(a)	224,488,245	223,179,820
		<u>247,602,445</u>	<u>243,189,327</u>
CURRENT LIABILITIES			
Accounts and other payable		(18,006,939)	(26,214,123)
Received in advance		(19,161,187)	(13,394,199)
Lease liabilities	8(b)	(10,652,028)	(10,049,827)
Social Welfare Development Fund	28	(4,977,282)	(5,994,521)
Provision for unutilized paid annual leave	10	(6,200,000)	(5,580,000)
F&E Replenishment and Minor Works Block Grant	29	(10,633,640)	(9,287,576)
		<u>(69,631,076)</u>	<u>(70,520,246)</u>
NET CURRENT ASSETS		<u>177,971,369</u>	<u>172,669,081</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>198,950,713</u>	<u>203,120,752</u>
NON-CURRENT LIABILITIES			
Lease liabilities	8(b)	(332,282)	(10,097,288)
Provision for long service payments	10	(2,678,000)	(2,770,000)
		<u>(3,010,282)</u>	<u>(12,867,288)</u>
TOTAL NET ASSETS		<u>195,940,431</u>	<u>190,253,464</u>

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FU HONG SOCIETY**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)****AS AT 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

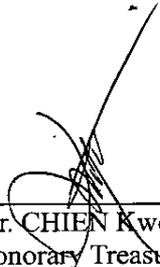
	<u>NOTES</u>	2021	2020
		\$	\$
ACCUMULATED FUNDS	11	14,463,753	12,521,183
EXCHANGE PROGRAMME FUND	12	221,338	221,338
FOUNDATION FUND	13	17,357,050	17,676,255
LEARNING SUPPORT FOR CHILDREN WITH SPECIAL NEEDS FUND	14	170,105	170,105
LUMP SUM GRANT RESERVE	15	84,815,039	84,635,082
OTHER SUBVENTION RESERVES	16	32,102,976	28,880,492
PROGRAMME FUND	17	11,726,031	12,547,592
SELF-FINANCED SERVICES FUND	18	35,084,139	33,601,417
TOTAL FUNDS EMPLOYED		<u>195,940,431</u>	<u>190,253,464</u>

The notes on pages 19 to 61 form an integral part of these consolidated financial statements.

The audited consolidated financial statements on pages 14 to 61 were approved and authorized for issue by the Council of the Society on 23rd September, 2021 and were signed on its behalf by:



Mr. SZE Kyran
Chairman



Mr. CHIEN Kwok Keung, Kenny
Honorary Treasurer

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FU HONG SOCIETY

**CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

	Accumulated Funds \$	Exchange Programme Fund \$	Foundation Fund \$	Learning Support For Children With Special Needs Fund \$	Lump Sum Grant Reserve \$	Other Subvention Reserves \$	Programme Fund \$	Self- financed Services Fund \$	Total \$
At 1st April, 2019 (originally stated)	13,007,558	221,338	17,902,668	170,105	94,663,180	30,207,758	12,760,760	35,112,409	204,045,776
Effect on adoption of HKFRS 16	(30,405)	-	-	-	-	-	-	-	(30,405)
At 1st April, 2019 (restated)	12,977,153	221,338	17,902,668	170,105	94,663,180	30,207,758	12,760,760	35,112,409	204,015,371
Deficit for the year	(455,970)	-	(226,413)	-	(10,028,098)	(1,327,266)	(213,168)	(1,510,992)	(13,761,907)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive expenditure for the year	(455,970)	-	(226,413)	-	(10,028,098)	(1,327,266)	(213,168)	(1,510,992)	(13,761,907)
At 31st March, 2020	12,521,183	221,338	17,676,255	170,105	84,635,082	28,880,492	12,547,592	33,601,417	190,253,464
Surplus / (Deficit) for the year	1,964,979	-	(319,205)	-	157,548	3,222,484	(821,561)	1,482,722	5,686,967
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income / (expenditure) for the year	1,964,979	-	(319,205)	-	157,548	3,222,484	(821,561)	1,482,722	5,686,967
Transfer from Accumulated Funds to Lump Sum Grant Reserve according to the advice of SWD	(22,409)	-	-	-	22,409	-	-	-	-
At 31st March, 2021	14,463,753	221,338	17,357,050	170,105	84,815,039	32,102,976	11,726,031	35,084,139	195,940,431

FU HONG SOCIETY
**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2021**
(Expressed in Hong Kong Dollars)

	NOTES	2021 \$	2020 \$
Cash flows from operating activities			
Surplus / (Deficit) for the year		5,686,967	(13,761,907)
Adjustments for:			
Decrease in provision for long service payments		(92,000)	(43,000)
Depreciation			
- Property, plant and equipment		486,374	589,123
- Right-of-use assets		10,308,258	10,574,469
Increase in provision for unutilized paid annual leave		620,000	240,000
Interest expenses on lease liabilities		463,158	751,233
Interest income		(1,595,009)	(4,470,184)
		15,877,748	(6,120,266)
Decrease in inventories		34,187	11,266
(Increase) / Decrease in deposits and prepayments		(481,714)	530,334
Decrease / (Increase) in accounts and other receivable		866,967	(2,286,820)
(Decrease) / Increase in accounts and other payable		(8,207,184)	5,544,443
Increase in received in advance		5,766,988	4,028,563
(Decrease) / Increase in Social Welfare Development Fund		(1,017,239)	2,813,225
Increase in F&E Replenishment and Minor Works Block Grant		1,346,064	742,367
Net cash generated from operating activities		14,185,817	5,263,112
Cash flows from investing activities			
Decrease in fixed bank deposits		32,905,649	122,917,204
Interest income received		2,263,639	5,104,321
Purchase of property, plant and equipment	19	(23,409,500)	(68,246,264)
Net cash generated from investing activities		11,759,788	59,775,261
Cash flows from financing activities			
Grant received for acquisition of property, plant and equipment		18,912,105	68,314,809
Payment for lease liabilities		(10,643,636)	(11,044,850)
Net cash generated from financing activities	20(b)	8,268,469	57,269,959
Net increase in cash and cash equivalents		34,214,074	122,308,332
Cash and cash equivalents at the beginning of the year		189,663,285	67,354,953
Cash and cash equivalents at the end of the year	20(a)	223,877,359	189,663,285

The notes on pages 19 to 61 form an integral part of these consolidated financial statements.

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FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

1. INCORPORATION

Fu Hong Society ("the Society") is a company limited by guarantee and incorporated in Hong Kong under the Companies Ordinance. Pursuant to Clause 8 of the Society's Memorandum 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 registered office of the Society is at G/F., No. 2A Po On Road, Cronin Garden, Shamshuipo, Kowloon.

The principal activity of the Society and its subsidiaries ("the Group") is serving persons with various types of disabilities, including intellectual, psychiatric, physical disabilities, autism spectrum disorders, and development disabilities.

These consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group. The consolidated financial statements on pages 14 to 61 were approved for issue by the Council of the Society on 23rd September, 2021.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. The consolidated 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 profit or loss, if any.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. 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.

The adoption of new and revised HKFRSs

In the current year, the Group has adopted the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA which are first effective for the Group's consolidated financial statements for the annual period beginning on or after 1st April, 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**a.) Basis of preparation (continued)****The adoption of new and revised HKFRSs (continued)**

The adoption of the Amendments to Reference to the Conceptual Framework in HKFRS Standards and above amendments to HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Recently issued HKFRSs

Recently, the HKICPA has issued a number of new and amendments to HKFRSs and a new interpretation, which are effective for annual periods beginning on or after the dates below.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)	(effective on or after 1/1/2023)
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	(effective on or after 1/1/2022)
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	(effective on or after 1/1/2022)
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020	(effective on or after 1/1/2022)
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	(effective on or after 1/1/2021)
Amendments to HKFRS 3	Reference to the Conceptual Framework	(effective on or after 1/1/2022)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(effective for annual periods beginning on or after a date to be determined)
Amendments to HKFRS 16	COVID - 19 – Related Rent Concessions	(effective on or after 1/6/2020)
HKFRS 17	Insurance Contracts and the Related Amendments	(effective on or after 1/1/2023)

The Members of Council are in the process of assessing the potential impact of the new and amended HKFRSs but are not yet in a position to determine whether the new and amended HKFRSs will have a significant impact on how the Group's results of operations and financial position are prepared and presented. The new and amended HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

b.) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Society and entities controlled by the Society. Control is achieved when the Society:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Surplus or deficit and each component of the other comprehensive income are attributed to the Society and to the non-controlling interests. Total comprehensive income and expense of subsidiaries is attributed to the Society and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c.) 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 property, plant and equipment, accumulated depreciation, amortization, and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing it to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation is charged to the consolidated statement of comprehensive income in the year 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 property, plant and equipment in excess of the originally assessed standard of performance of it, the expenditure is capitalized as an additional cost of the property, plant and equipment.

When an item of property, plant and equipment is sold or retired, its cost and accumulated depreciation are eliminated from the consolidated statements of financial position and any gain or loss resulting from the disposal is included in the consolidated statement of comprehensive income in the year in which it is incurred.

Depreciation of property, plant and equipment is calculated to write off their cost less grants received less their estimated residual value, if any, over their estimated useful lives using straight-line method as follows:-

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FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

c.) Property, plant and equipment (continued)

Leasehold land and building	- over the unexpired lease term
Motor vehicles	- 20% per annum
Furniture and equipment	- 33% per annum
IT system	- 33% per annum
Renovation works	- 33% per annum

The residual value and the useful life of an item of property, plant and equipment are reviewed at least at each financial year end.

d.) Impairment

At the end of the reporting period, the Group 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.

e.) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and are assigned by using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

f.) Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the financial instruments. Financial assets and financial liabilities are initially measured at fair value. A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f.) Financial instruments (continued)

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost, fair value through other comprehensive income (“FVTOCI”) or FVTPL, depending on the classification of the financial assets.

(i) Classification and measurement

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at FVTPL on initial recognition):

- the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that are other than those categorised as amortised cost and FVTOCI above, are categorised as measured at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is recognized in profit or loss and is included in other income.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f.) Financial instruments (continued)

Financial assets (continued)

(ii) Impairment of financial assets

Expected credit losses (“ECLs”) are the weighted average of credit losses with the respective risks of a default occurring as the weights. The Group recognises loss allowance for ECLs on financial assets measured at amortised cost. An impairment gain or loss, the amount of ECLs (or reversal) that is required to adjust the loss allowance at reporting date is recognized in profit or loss.

The Group measures loss allowances at an amount equal to lifetime ECLs. For trade receivables, the Group applies the simplified approach to providing for ECLs prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f.) Financial instruments (continued)

Financial assets (continued)

(ii) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2021
(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f.) Financial instruments (continued)

Financial assets (continued)

(ii) Impairment of financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner, unless the Group has reasonable and supportable information to demonstrate a later period is more appropriate. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses over the expected life of the financial assets. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows that are due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At the end of each reporting period, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired included observable data of the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f.) Financial instruments (continued)

Financial assets (continued)

(ii) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation, or the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset, except for a financial asset that is classified as FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

(i) Classification and measurement

The Group's financial liabilities are generally classified into (1) financial liabilities at FVTPL and (2) other financial liabilities subsequently measured at amortised cost. The accounting policies adopted in respect of financial liabilities are set out below.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL, representing those as held-for-trading, comprise derivatives that are not designated and effective as hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f.) Financial instruments (continued)

Financial liabilities (continued)

(i) Classification and measurement (continued)

- (2) Other financial liabilities subsequently measured at amortised cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

Interest expense is recognized using effective interest method for financial liabilities, other than those financial liabilities at FVTPL.

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in finance costs.

(ii) Derecognition of financial liabilities

Financial liabilities are derecognized when the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

g.) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances, demand deposits and also short-term, highly liquid investments that are readily convertible into 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h.) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Group. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the Group and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognized as follows:-

- i.) Grants and subventions, donations for general purposes and Lotteries Fund grants are recognized as income when the right to receive payment is established and as disclosed in Note 2(n) to the consolidated financial statements.
- ii.) Grants and subventions relating to the purchase of property, plant and equipment are recognized as disclosed in Notes 2(c) & 2(n) to the consolidated financial statements.
- iii.) Fee received from residential services, day services and other services provided are recognized as income when the related services are rendered.
- iv.) Service users' work incomes income from workshop are recognized when the services are rendered.
- v.) Surpluses from fund raising functions are recognized when the functions are held.
- vi.) Members' admission and subscription fees are recognized on accrual basis.
- vii.) Interest income is recognized on accrual basis.

i.) Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i.) Leasing (continued)

The Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of assets (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to lease of office equipment that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimated costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i.) Leasing (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed lease payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- change in the lease term or change in the assessment of exercise of a purchase option to purchase the underlying asset, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- change in lease payments arising from change in an index or rate or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

j.) Employee benefits

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

ii.) The Group ("the Employer") has provided two retirement schemes for its employees. They are qualified retirement scheme under the Occupational Retirement Schemes 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.

Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the retirement scheme under the ORSO are recognized as an expense in the year incurred.

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

k.) 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 end of the reporting period. Exchange differences are dealt with in the consolidated statement of comprehensive income.

l.) Taxation

All the members in the Group are an approved charitable institution and, as such, are exempted from payment of Hong Kong profits tax by virtue of section 88 of the Hong Kong Inland Revenue Ordinance.

m.) Contingent liabilities

A contingent liability is a possible obligation which has arisen from past events and its 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 Group. 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 consolidated 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. 0083

FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

n.) Government and other grants

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

Government and other grants related to assets, including non-monetary grants at fair value, are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, as detailed in Note 7.

o.) Related party

- I.) A person, or a close member of that person's family, is related to the Group if that person:
- i) has control or joint control over the Group;
 - ii) has significant influence over the Group; or
 - iii) is a member of the key management personnel of the Group or of a parent of the Group.
- II.) An entity is related to the Group if any of the following conditions applies:-
- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii) Both entities are joint ventures of the same third party;
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party;
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the Society or an entity related to the Group;
 - vi) The entity is controlled or jointly controlled by a person identified in (I); and
 - vii) A person identified in (I)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

3. INCOME

	Consolidated		Society	
	2021	2020	2021	2020
	\$	\$	\$	\$
Subvention received from				
Social Welfare Department	438,515,819	408,020,628	438,515,819	408,020,628
Fee received	25,976,277	27,683,399	25,924,380	27,459,345
Donation received	2,999,251	3,819,015	2,999,249	3,813,248
Interest income	1,595,009	4,470,184	1,591,689	4,461,861
Exchange gain on foreign				
currency deposits	1,482,722	-	1,482,722	-
Service users' work income	1,354,720	2,873,828	1,357,729	2,899,828
Sales	3,409,548	6,823,045	-	-
Services fee income	2,703,758	2,397,954	-	-
Grants received from:				
- The Hong Kong Jockey				
Club Charities Trust	3,864,523	3,205,340	3,864,523	3,205,340
- Community Care Fund	330,120	372,960	330,120	372,960
- Other government grants	3,199,986	372,150	1,471,740	-
- Queen Elizabeth Foundation				
for the Mentally				
Handicapped	212,661	25,839	212,661	25,839
Lotteries Fund - Block Grant	1,333,063	1,704,899	1,333,063	1,704,899
Lotteries Fund Grant	4,493,133	1,533,572	4,493,133	1,533,572
Others	591,260	2,664,412	451,180	2,635,689
	492,061,850	465,967,225	484,028,008	456,133,209

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

4. EXPENDITURE

	Consolidated		Society	
	2021	2020	2021	2020
	\$	\$	\$	\$
Staff cost				
- Salaries	363,099,256	346,988,046	357,622,519	339,707,319
- Provident fund	29,786,869	33,370,408	29,535,141	33,037,174
- Long service payments / (Reversal) of long service payments	24,253	(21,460)	116,253	21,540
- Unutilized paid annual leave	620,000	240,000	620,000	240,000
Administrative expenses	4,079,555	3,790,027	4,030,851	3,659,335
Audit fee	174,200	163,400	134,000	131,600
Cost of goods sold	1,464,191	1,952,502	-	-
Depreciation				
- Property, plant and equipment	486,374	589,123	486,374	460,988
- Right-of-use assets	10,308,258	10,574,469	10,047,552	10,070,177
Exchange loss on foreign currency deposit	-	1,550,615	-	1,550,615
Insurance	7,782,186	6,606,472	7,250,529	6,221,342
Interest expense on lease liabilities	463,158	751,233	445,270	739,652
Lotteries Fund - Block Grant expenditure	1,333,063	1,704,899	1,333,063	1,704,899
Lotteries Fund expenditure	4,493,133	1,533,572	4,493,133	1,533,572
Other expenditure under donation	356,690	65,200	356,690	65,200
Other operating expenses	48,827,735	54,303,252	50,898,082	55,232,665
Rent and rates	3,231,343	3,560,317	3,168,669	3,532,347
Service users' work payment	1,157,689	2,536,674	1,157,689	2,536,674
Utilities	8,686,930	9,470,383	8,396,059	8,967,787
	486,374,883	479,729,132	480,091,874	469,412,886

5. REMUNERATION TO THE MEMBERS OF COUNCIL

No remuneration to the Society's Members of Council, as required to be disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, had been paid by the Group for the current and prior years.

6. TAXATION

No provision for taxation has been made because all the members in the Group are exempted from profits tax under the provisions of section 88 of the Hong Kong Inland Revenue Ordinance. 0086

FU HONG SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	Properties	Motor Vehicles	Renovation Works	Sub-total
	\$	\$	\$	\$
<u>At cost</u>				
At 1st April, 2019	12,641,611	866,534	6,394,923	19,903,068
Additions	-	-	66,632,939	66,632,939
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	-	-	(2,786,325)	(2,786,325)
Lotteries Fund Major Grant	-	-	(56,333,598)	(56,333,598)
Other Capital Grants	-	-	(7,513,016)	(7,513,016)
Social Welfare Development Fund (SWDF) Phase 3	-	-	-	-
	-	-	(66,632,939)	(66,632,939)
At 31st March, 2020	12,641,611	866,534	6,394,923	19,903,068
Additions	-	1,707,490	18,004,684	19,712,174
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	-	-	(2,404,944)	(2,404,944)
Lotteries Fund Major Grant	-	(1,707,490)	(13,840,133)	(15,547,623)
Other Capital Grants	-	-	(1,454,975)	(1,454,975)
Social Welfare Development Fund (SWDF) Phase 3	-	-	-	-
	-	(1,707,490)	(17,700,052)	(19,407,542)
At 31st March, 2021	12,641,611	866,534	6,699,555	20,207,700
<u>Accumulated depreciation</u>				
At 1st April, 2019	1,915,399	515,944	6,283,355	8,714,698
Charge for the year	383,079	77,909	111,568	572,556
At 31st March, 2020	2,298,478	593,853	6,394,923	9,287,254
Charge for the year	383,079	77,909	25,386	486,374
At 31st March, 2021	2,681,557	671,762	6,420,309	9,773,628
<u>Net carrying amount</u>				
At 31st March, 2021	9,960,054	194,772	279,246	10,434,072
At 31st March, 2020	10,343,133	272,681	-	10,615,814

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FU HONG SOCIETY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	GROUP			Total
	Sub-total	Furniture and Equipment	IT System	
	\$	\$	\$	\$
<u>At cost</u>				
At 1st April, 2019	19,903,068	49,700	293,000	20,245,768
Additions	66,632,939	1,517,325	96,000	68,246,264
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	(2,786,325)	(620,675)	-	(3,407,000)
Lotteries Fund Major Grant	(56,333,598)	(248,200)	-	(56,581,798)
Other Capital Grants	(7,513,016)	(648,450)	-	(8,161,466)
Social Welfare Development Fund (SWDF) Phase 3	-	-	(96,000)	(96,000)
	(66,632,939)	(1,517,325)	(96,000)	(68,246,264)
At 31st March, 2020	19,903,068	49,700	293,000	20,245,768
Additions	19,712,174	2,774,319	923,007	23,409,500
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	(2,404,944)	(1,038,905)	-	(3,443,849)
Lotteries Fund Major Grant	(15,547,623)	(1,191,976)	-	(16,739,599)
Other Capital Grants	(1,454,975)	(543,438)	-	(1,998,413)
Social Welfare Development Fund (SWDF) Phase 3	-	-	(923,007)	(923,007)
	(19,407,542)	(2,774,319)	(923,007)	(23,104,868)
At 31st March, 2021	20,207,700	49,700	293,000	20,550,400
<u>Accumulated depreciation</u>				
At 1st April, 2019	8,714,698	33,133	293,000	9,040,831
Charge for the year	572,556	16,567	-	589,123
At 31st March, 2020	9,287,254	49,700	293,000	9,629,954
Charge for the year	486,374	-	-	486,374
At 31st March, 2021	9,773,628	49,700	293,000	10,116,328
<u>Net carrying amount</u>				
At 31st March, 2021	10,434,072	-	-	10,434,072
At 31st March, 2020	10,615,814	-	-	10,615,814

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FU HONG SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	SOCIETY			
	Properties	Motor Vehicles	Renovation Works	Sub-total
	\$	\$	\$	\$
<u>At cost</u>				
At 1st April, 2019	12,641,611	866,534	5,957,777	19,465,922
Additions	-	-	66,632,939	66,632,939
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	-	-	(2,786,325)	(2,786,325)
Lotteries Fund Major Grant	-	-	(56,333,598)	(56,333,598)
Other Capital Grants	-	-	(7,513,016)	(7,513,016)
Social Welfare Development Fund (SWDF) Phase 3	-	-	-	-
	-	-	(66,632,939)	(66,632,939)
At 31st March, 2020	12,641,611	866,534	5,957,777	19,465,922
Additions	-	1,707,490	18,004,684	19,712,174
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	-	-	(2,404,944)	(2,404,944)
Lotteries Fund Major Grant	-	(1,707,490)	(13,840,133)	(15,547,623)
Other Capital Grants	-	-	(1,454,975)	(1,454,975)
Social Welfare Development Fund (SWDF) Phase 3	-	-	-	-
	-	(1,707,490)	(17,700,052)	(19,407,542)
At 31st March, 2021	<u>12,641,611</u>	<u>866,534</u>	<u>6,262,409</u>	<u>19,770,554</u>
<u>Accumulated depreciation</u>				
At 1st April, 2019	1,915,399	515,944	5,957,777	8,389,120
Charge for the year	383,079	77,909	-	460,988
At 31st March, 2020	2,298,478	593,853	5,957,777	8,850,108
Charge for the year	383,079	77,909	25,386	486,374
At 31st March, 2021	<u>2,681,557</u>	<u>671,762</u>	<u>5,983,163</u>	<u>9,336,482</u>
<u>Net carrying amount</u>				
At 31st March, 2021	<u>9,960,054</u>	<u>194,772</u>	<u>279,246</u>	<u>10,434,072</u>
At 31st March, 2020	<u>10,343,133</u>	<u>272,681</u>	<u>-</u>	<u>10,615,814</u>

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FU HONG SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	SOCIETY			Total
	Sub-total	Furniture and Equipment	IT System	
	\$	\$	\$	\$
<u>At cost</u>				
At 1st April, 2019	19,465,922	-	293,000	19,758,922
Additions	66,632,939	1,517,325	96,000	68,246,264
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	(2,786,325)	(620,675)	-	(3,407,000)
Lotteries Fund Major Grant	(56,333,598)	(248,200)	-	(56,581,798)
Other Capital Grants	(7,513,016)	(648,450)	-	(8,161,466)
Social Welfare Development Fund (SWDF) Phase 3	-	-	(96,000)	(96,000)
	(66,632,939)	(1,517,325)	(96,000)	(68,246,264)
At 31st March, 2020	19,465,922	-	293,000	19,758,922
Additions	19,712,174	2,774,319	923,007	23,409,500
Less: Grant related to property, plant and equipment				
F&E Replenishment and Minor Works Block Grant	(2,404,944)	(1,038,905)	-	(3,443,849)
Lotteries Fund Major Grant	(15,547,623)	(1,191,976)	-	(16,739,599)
Other Capital Grants	(1,454,975)	(543,438)	-	(1,998,413)
Social Welfare Development Fund (SWDF) Phase 3	-	-	(923,007)	(923,007)
	(19,407,542)	(2,774,319)	(923,007)	(23,104,868)
At 31st March, 2021	<u>19,770,554</u>	<u>-</u>	<u>293,000</u>	<u>20,063,554</u>
<u>Accumulated depreciation</u>				
At 1st April, 2019	8,389,120	-	293,000	8,682,120
Charge for the year	460,988	-	-	460,988
At 31st March, 2020	8,850,108	-	293,000	9,143,108
Charge for the year	486,374	-	-	486,374
At 31st March, 2021	<u>9,336,482</u>	<u>-</u>	<u>293,000</u>	<u>9,629,482</u>
<u>Net carrying amount</u>				
At 31st March, 2021	<u>10,434,072</u>	<u>-</u>	<u>-</u>	<u>10,434,072</u>
At 31st March, 2020	<u>10,615,814</u>	<u>-</u>	<u>-</u>	<u>10,615,814</u>

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

8. RIGHT-OF- USE ASSETS AND LEASE LIABILITIES

The Group leases assets are properties. Most of the leases of properties are negotiated for term for three years. Information about leases for which Group and Society is a lessee is presented below:-

a) Right-of-use assets

	<u>GROUP</u>	<u>SOCIETY</u>
	Properties	Properties
	\$	\$
<u>At cost</u>		
At 1st April, 2019 (originally stated)	-	-
Effect on adoption of HKFRS 16	3,039,122	1,154,826
At 1st April, 2019 (restated)	3,039,122	1,154,826
Additions	29,350,534	29,350,534
Modification	(555,156)	(311,207)
At 31st March, 2020	31,834,500	30,194,153
Additions	1,133,367	438,984
Modification	(115,694)	(109,127)
Written off on expiry of lease	(1,633,780)	-
At 31st March, 2021	<u>31,218,393</u>	<u>30,524,010</u>
<u>Accumulated depreciation</u>		
At 1st April, 2019 (originally stated)	-	-
Effect on adoption of HKFRS 16	1,424,174	352,864
At 1st April, 2019 (restated)	1,424,174	352,864
Charge for the year	10,574,469	10,070,177
At 31st March, 2020	11,998,643	10,423,041
Charge for the year	10,308,258	10,047,552
Elimination upon written off on expiry of lease	(1,633,780)	-
At 31st March, 2021	<u>20,673,121</u>	<u>20,470,593</u>
<u>Net carrying amount</u>		
At 31st March, 2021	<u>10,545,272</u>	<u>10,053,417</u>
At 31st March, 2020	<u>19,835,857</u>	<u>19,771,112</u>

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

9. INTEREST IN SUBSIDIARIES

	SOCIETY	
	2021	2020
	\$	\$
<u>Non-current assets</u>		
Unlisted investment	-	-

a.) Particulars of the subsidiaries are as follows:-

<u>Name of subsidiary</u>	<u>Form of business structure</u>	<u>Place of incorporation</u>	<u>Percentage of direct ownership interests</u>	<u>Place of operation and principal activities</u>
Agape Society Limited	Company limited by guarantee	Hong Kong	Note 9 b.)	Provision of services to persons with mental and physical handicap and other disabilities. Service planning is in-progress.
Hong Yung Services Limited	Company limited by guarantee	Hong Kong	Note 9 b.)	Provision of opportunities to persons with disabilities, to develop all their abilities so as to ensure that they could achieve the greatest independence possible within their circumstances, as fully integrated members of the community.

b.) They are classified as wholly-owned subsidiary because the Society has the power to govern their financial and operating policies.

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

10. PROVISION FOR UNUTILIZED PAID ANNUAL LEAVE AND LONG SERVICE PAYMENTS

	GROUP	
	2021	2020
	\$	\$
<u>Current liability</u>		
Unutilized paid annual leave	<u>6,200,000</u>	<u>5,580,000</u>
<u>Non-current liability</u>		
Long service payments	<u>2,678,000</u>	<u>2,770,000</u>
	SOCIETY	
	2021	2020
	\$	\$
<u>Current liability</u>		
Unutilized paid annual leave	<u>6,200,000</u>	<u>5,580,000</u>
<u>Non-current liability</u>		
Long service payments	<u>2,540,000</u>	<u>2,540,000</u>

Provisions for unutilized paid annual leave and long service payments on all staff of the Group are initially accounted for under the self-financed services activities because the SWD does not allow the provision as a deductible expense. Relevant payments will be charged to Lump Sum Grant when the actual payments for subvented services activities are made.

Long service payments will be charged to Lump Sum Grant when actual payment is made to staff of subvented centres upon termination of their employment contracts according to the Hong Kong Employment Ordinance and / or the employment contract.

11. ACCUMULATED FUNDS

Accumulated Funds of the subsidiaries and the Society represent the accumulated operating results of the subsidiaries and the cumulative annual operating results of services and activities of the Society which are not subvented by Lump Sum Grant and other government funds but financed by the Society's own funds.

	GROUP	
	2021	2020
	\$	\$
Balance at 1st April (originally stated)	12,521,183	13,007,558
Effect on adoption of HKFRS 16	-	(30,405)
Balance at 1st April (restated)	<u>12,521,183</u>	<u>12,977,153</u>
Add / Less: Surplus / (Deficit) for the year	1,964,979	(455,970)
Less: Transferred to Lump Sum Grant Reserve	(22,409)	-
Balance at 31st March	<u>14,463,753</u>	<u>12,521,183</u>

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

11. ACCUMULATED FUNDS (CONTINUED)

	SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April (originally stated)	10,942,337	10,927,024
Effect on adoption of HKFRS 16	-	(10,947)
Balance at 1st April (restated)	10,942,337	10,916,077
Add: Surplus for the year	214,146	26,260
Less: Transferred to Lump Sum Grant Reserve	(22,409)	-
Balance at 31st March	11,134,074	10,942,337

12. EXCHANGE PROGRAMME FUND

The Exchange Programme Fund is used to support staff members to conduct exchange programmes with the counterparts of developing countries.

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balances at 1st April and 31st March	221,338	221,338

13. FOUNDATION FUND

Foundation Fund is used to finance capital cost of service centres of the Society.

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April	17,676,255	17,902,668
Less: Deficit for the year	(319,205)	(226,413)
Balance at 31st March	17,357,050	17,676,255

14. LEARNING SUPPORT FOR CHILDREN WITH SPECIAL NEEDS FUND

The Learning Support For Children With Special Needs Fund is used to support children with special needs to attend courses in the Society's self-financed services.

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April and 31st March	170,105	170,105 0095

FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

15. LUMP SUM GRANT RESERVE

The Lump Sum Grant Reserve represents the cumulated amount of unspent Lump Sum Grant received from the SWD over the approved expenditure.

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April	84,635,082	94,663,180
Add / Less: Surplus / (Deficit) for the year	157,548	(10,028,098)
Add: Transferred from Accumulated Funds	22,409	-
Balance at 31st March	<u>84,815,039</u>	<u>84,635,082</u>

16. OTHER SUBVENTION RESERVES

Other Subvention Reserves are the cumulated surplus or deficit of various grants received from the SWD for designated purposes including the payment of provident fund, Rent and Rates and Central Items.

	GROUP AND SOCIETY		
	Provident Fund (6.8% and other posts) \$	Central Items \$	Total \$
At 1st April, 2019	30,054,634	153,124	30,207,758
Less: Deficit for the year	(1,327,266)	-	(1,327,266)
At 31st March, 2020	<u>28,727,368</u>	<u>153,124</u>	<u>28,880,492</u>
Add: Surplus for the year	3,222,484	-	3,222,484
At 31st March, 2021	<u>31,949,852</u>	<u>153,124</u>	<u>32,102,976</u>

17. PROGRAMME FUND

Programme Fund represents the accumulation of funds received for use of specific service unit or designated purpose.

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April	12,547,592	12,760,760
Less: Deficit for the year	(821,561)	(213,168)
Balance at 31st March	<u>11,726,031</u>	<u>12,547,592</u>

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

18. SELF-FINANCED SERVICES FUND

It represents general donations income received by the Group without designation to any purpose or unit. The fund is used to support services, projects or items that are not supported by other funding sources.

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April	33,601,417	35,112,409
Add / Less: Surplus / (Deficit) for the year	1,482,722	(1,510,992)
Balance at 31st March	<u>35,084,139</u>	<u>33,601,417</u>

19. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$23,409,500 (2020: \$68,246,264) of which \$23,104,868 (2020: \$68,246,264) was financed by various grants and donations and \$304,632 (2020: Nil) was financed by the Group's funds. At the end of the reporting period, the grants and donations received were \$18,912,105 (2020: \$68,314,809).

FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

20. CASH AND BANK BALANCES

- a.) Included in cash and bank balances in the consolidated statement of financial position, it consists of cash in hand, bank balances, short term fixed bank deposits and fixed bank deposits of over three months to maturity at acquisition. The fixed bank deposits of over three months to maturity at acquisition are not included as part of the cash and cash equivalents for the purpose of the consolidated statement of cash flows.

	GROUP	
	2021	2020
	\$	\$
Cash in hand	314,500	322,500
Bank balances	37,431,857	24,109,386
Short term fixed bank deposits	186,131,002	165,231,399
Cash and cash equivalents in the consolidated statement of cash flows	223,877,359	189,663,285
Fixed bank deposits – maturity over three months at acquisition	610,886	33,516,535
Cash and bank balances in the consolidated statement of financial position	224,488,245	223,179,820

- b.) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flow was, or future cash flow will be, classified as cash flows from financing activities in the Group's consolidated statement of cash flows.

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

20. CASH AND BANK BALANCES (CONTINUED)

b.) Reconciliation of liabilities arising from financing activities: (continued)

	Lease liabilities \$	Grant for acquisition of property, plant and equipment included in accounts and other receivable \$	Total \$
At 1st April, 2019 (originally stated)	-	-	-
Effect on adoption of HKFRS 16	1,645,354	-	1,645,354
At 1st April, 2019 (restated)	1,645,354	-	1,645,354
Changes from cash flows:			
Financing cash flows	(11,044,850)	68,314,809	57,269,959
Non-cash changes:			
Grants / Donations income for the year	-	(68,246,264)	(68,246,264)
Included in accounts and other receivable	-	(68,545)	(68,545)
New leases	29,350,534	-	29,350,534
Modification	(555,156)	-	(555,156)
Interest expenses on lease liabilities	751,233	-	751,233
	29,546,611	(68,314,809)	(38,768,198)
At 31st March, 2020	20,147,115	-	20,147,115
Changes from cash flows:			
Financing cash flows	(10,643,636)	18,912,105	8,268,469
Non-cash changes:			
Grants / Donations income for the year	-	(23,104,868)	(23,104,868)
Included in accounts and other receivable	-	4,192,763	4,192,763
New leases	1,133,367	-	1,133,367
Modification	(115,694)	-	(115,694)
Interest expenses on lease liabilities	463,158	-	463,158
	1,480,831	(18,912,105)	(17,431,274)
At 31st March, 2021	10,984,310	-	10,984,310

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

22. STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE SOCIETY

a.) Statement of comprehensive income of the Society

	<u>NOTES</u>	2021	2020
		\$	\$
INCOME	3	484,028,008	456,133,209
EXPENDITURE	4	(480,091,874)	(469,412,886)
SURPLUS / (DEFICIT) AND TOTAL COMPREHENSIVE INCOME / (EXPENDITURE) FOR THE YEAR		<u>3,936,134</u>	<u>(13,279,677)</u>

FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

22. STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE SOCIETY (CONTINUED)

b.) Statement of Financial Position of the Society

	<u>NOTES</u>	2021 \$	2020 \$
NON-CURRENT ASSETS			
Property, plant and equipment	7	10,434,072	10,615,814
Right-of-use assets	8(a)	10,053,417	19,771,112
Interest in subsidiaries	9	-	-
		<u>20,487,489</u>	<u>30,386,926</u>
CURRENT ASSETS			
Inventories		-	14,886
Deposits and prepayments		2,734,338	1,942,558
Accounts and other receivable		19,724,940	17,277,757
Cash and bank balances		221,465,967	221,840,574
		<u>243,925,245</u>	<u>241,075,775</u>
CURRENT LIABILITIES			
Accounts and other payable		(18,026,214)	(26,025,128)
Received in advance		(19,058,929)	(13,282,819)
Lease liabilities	8(b)	(10,365,917)	(9,980,751)
Social Welfare Development Fund	28	(4,977,282)	(5,994,521)
Provision for unutilized paid annual leave	10	(6,200,000)	(5,580,000)
F&E Replenishment and Minor Works Block Grant	29	(10,633,640)	(9,287,576)
		<u>(69,261,982)</u>	<u>(70,150,795)</u>
NET CURRENT ASSETS		<u>174,663,263</u>	<u>170,924,980</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		195,150,752	201,311,906
NON-CURRENT LIABILITIES			
Lease liabilities	8(b)	-	(10,097,288)
Provision for long service payments	10	(2,540,000)	(2,540,000)
		<u>(2,540,000)</u>	<u>(12,637,288)</u>
TOTAL NET ASSETS		<u>192,610,752</u>	<u>188,674,618</u>

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

22. STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE SOCIETY (CONTINUED)

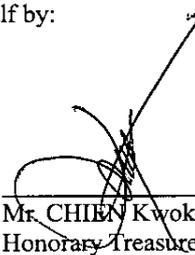
b.) Statement of Financial Position of the Society (continued)

	<u>NOTES</u>	2021	2020
		\$	\$
ACCUMULATED FUND	11	11,134,074	10,942,337
EXCHANGE PROGRAMME FUND	12	221,338	221,338
FOUNDATION FUND	13	17,357,050	17,676,255
LEARNING SUPPORT FOR CHILDREN WITH SPECIAL NEEDS FUND	14	170,105	170,105
LUMP SUM GRANT RESERVE	15	84,815,039	84,635,082
OTHER SUBVENTION RESERVES	16	32,102,976	28,880,492
PROGRAMME FUND	17	11,726,031	12,547,592
SELF-FINANCED SERVICES FUND	18	35,084,139	33,601,417
TOTAL FUNDS EMPLOYED		<u>192,610,752</u>	<u>188,674,618</u>

The statement of financial position of the Society was approved and authorized for issue by the Council of the Society on 23rd September, 2021 and were signed on its behalf by:



Mr. SZE Kyran
Chairman



Mr. CHIEN Kwok Keung, Kenny
Honorary Treasurer

FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

22. STATEMENT OF COMPREHENSIVE INCOME, STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE SOCIETY (CONTINUED)

c.) The changes in the reserves of the Society during the years ended 31st March, 2021 and 31st March, 2020 are as follows:-

	Accumulated Fund	Exchange Programme Fund	Foundation Fund	Learning Support For Children With Special Needs Fund	Lump Sum Grant Reserve	Other Subvention Reserves	Programme Fund	Self-financed Services Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1st April, 2019 (originally stated)	10,927,024	221,338	17,902,668	170,105	94,663,180	30,207,758	12,760,760	35,112,409	201,965,242
Effect on adoption of HKFRS 16	(10,947)	-	-	-	-	-	-	-	(10,947)
At 1st April, 2019 (restated)	10,916,077	221,338	17,902,668	170,105	94,663,180	30,207,758	12,760,760	35,112,409	201,954,295
Surplus / (Deficit) for the year	26,260	-	(226,413)	-	(10,028,098)	(1,327,266)	(213,168)	(1,510,992)	(13,279,677)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income / (expenditure) for the year	26,260	-	(226,413)	-	(10,028,098)	(1,327,266)	(213,168)	(1,510,992)	(13,279,677)
At 31st March, 2020	10,942,337	221,338	17,676,255	170,105	84,635,082	28,880,492	12,547,592	33,601,417	188,674,618
Surplus / (Deficit) for the year	214,146	-	(319,205)	-	157,548	3,222,484	(821,561)	1,482,722	3,936,134
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income / (expenditure) for the year	214,146	-	(319,205)	-	157,548	3,222,484	(821,561)	1,482,722	3,936,134
Transfer from Accumulated Fund to Lump Sum Grant Reserve according to the advice of SWD	(22,409)	-	-	-	22,409	-	-	-	-
At 31st March, 2021	11,134,074	221,338	17,357,050	170,105	84,815,039	32,102,976	11,726,031	35,084,139	192,610,752

FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

23. FUNDS MANAGEMENT

The capital of the Group comprises the total funds stated at the end of the reporting period. Being a non-profit organization, the Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to deploy various grants or subsidies obtained either from the Government of the Hong Kong Special Administrative Region of the People's Republic of China or other institutions to provide services to persons with mental and physical and other disabilities.

The Group manages the capital funds prudently by keeping expenditure within the limits of grants, subsidies and donations received, mainly comprising the Social Welfare Department Lump Sum Grant.

The application of the Lump Sum Grant is mainly governed by the Lump Sum Grant Manual and the Funding and Services Agreement.

24. FINANCIAL INSTRUMENTS

a.) The Group has classified its financial assets in the following category:-

	2021	2020
	\$	\$
<u>Financial assets at amortised cost</u>		
Deposits and prepayments	1,430,724	1,613,425
Accounts and other receivable	20,154,528	17,497,362
Cash and bank balances	224,488,245	223,179,820
	<u>246,073,497</u>	<u>242,290,607</u>

b.) The Group has classified its financial liability in the following category:-

<u>Financial liabilities at amortized cost</u>		
Accounts and other payable	18,006,939	26,214,123
Lease liabilities	10,984,310	20,147,115
	<u>28,991,249</u>	<u>46,361,238</u>

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25. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's financial instruments are disclosed in note 24 and the respective notes. The risk associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. The Management of the Group monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Market risk**a.) Foreign currency risk**

The Group is exposed to currency risk of loss due to adverse movements in foreign exchange rates relating to investment in fixed deposit in Renminbi. The Finance and Investment Committee of the Society ("FIC") is responsible for closely monitoring the currency risk of these investments and will take immediate action when appropriate.

Summary quantitative data

	RMB denominated HK\$	Total HK\$
<u>2021</u>		
Bank balances	<u>12,692,727</u>	<u>12,692,727</u>
<u>2020</u>		
Bank balances	<u>22,757,238</u>	<u>22,757,238</u>

Sensitivity analysis

At the end of the reporting period, if the HK dollar weakened by 10% against Renminbi with all other variables held constant, the Group's surplus for the year have been \$1,269,273 higher (2020: the Group's deficit for the year of \$2,275,724 lower). Conversely, if the HK dollar strengthened by 10% against the Renminbi with all other variables held constant, the Group's surplus for the year would have been \$1,269,273 lower (2020: the Group's deficit for the year of \$2,275,724 higher).

The sensitivity analysis has been prepared with the assumption that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The changes in foreign exchange rates represent Management's assessment of a reasonably possible change in foreign exchange rates at that date over the period until the next annual reporting period.

The analysis for 2020 is prepared on the same basis.

b.) Interest rate risk

The Group's exposure on fair value interest rate risk mainly arises from its fixed bank deposits with bank. It also has exposure on cash flow interest rate risk on its deposits with banks.

FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

25. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**b.) Interest rate risk (continued)**

As a matter of prudence, the Group invests in fixed bank deposits with maturity not more than 12 months and therefore the exposure of risk is considered not significant. Since they are fixed rate investments, the exposure on fair value interest rate risk is also not material. Moreover, the FIC of the Society closely monitors the fair value fluctuation of these investments and will dispose of them if significant change in interest rate is anticipated.

Summary quantitative data

	2021	2020
	\$	\$
<u>Floating-rate financial assets</u>		
Fixed bank deposits	186,741,888	198,747,934
Cash and bank balances	37,746,357	24,431,886
	<u>224,488,245</u>	<u>223,179,820</u>
Less: Current accounts	(13,267,585)	(12,542,475)
Cash in hand	(314,500)	(322,500)
	<u>210,906,160</u>	<u>210,314,845</u>
Total interest-bearing assets		

Sensitivity analysis

At the end of the reporting period, if the interest rates at that date had been 100 basis points higher with all other variables held constant, the Group's surplus for the year would have been \$2,109,062 higher (2020: the Group's deficit for the year of \$2,103,148 lower). Conversely, if the interest rates at that date had been 100 basis points lower with all other variables held constant, the Group's surplus for the year would have been \$2,109,062 lower (2020: the Group's deficit for the year of \$2,103,148 higher).

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent Management's assessment of a reasonably possible change in interest rate at that date over the period until the next annual reporting period.

The analysis for 2020 is prepared on the same basis.

Credit Risk

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

FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

25. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**Credit Risk (continued)**

The credit risk of the Group's investment is limited because the revised investment guidelines issued by the SWD only allow the Society to invest the Lump Sum Grant reserve in fixed deposits in banks with license under the Banking Ordinance (Chapter 155) or in bond or certificates of deposits in counterparties with high credit-ratings assigned by international credit-rating agencies.

At the end of the reporting period, the Group had concentration of credit risk on fixed bank deposits but it was considered not significant.

Summary quantitative data

	2021	2020
	\$	\$
Deposits and prepayments	1,430,724	1,613,425
Accounts and other receivable	20,154,528	17,497,362
Bank balances	224,173,745	222,857,320
	<u>245,758,997</u>	<u>241,968,107</u>

No material accounts and other receivable were past due at the reporting period.

Liquidity Risk

The Group is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. Therefore, the liquidity risk is not significant.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date on which the Group can be required to pay.

	Weighted average contractual interest rate	Within one year \$	More than one year \$	Total contractual undiscounted cash flow \$	Total carrying amount \$
<u>2021</u>					
Non-derivative financial liabilities					
<u>Non-interest bearing</u>					
Accounts and other payable	-	18,006,939	-	18,006,939	18,006,939
<u>Interest bearing</u>					
Lease liabilities	3%	10,652,028	332,282	10,984,310	10,984,310
		<u>28,658,967</u>	<u>332,282</u>	<u>28,991,249</u>	<u>28,991,249</u>

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH, 2021
(Expressed in Hong Kong Dollars)****25. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)****Liquidity Risk (continued)**

	Weighted average contractual interest rate	Within one year \$	More than one year \$	Total contractual undiscounted cash flow \$	Total carrying amount \$
<u>2020</u>					
Non-derivative financial liabilities					
<u>Non-interest bearing</u>					
Accounts and other payable	-	26,214,123	-	26,214,123	26,214,123
<u>Interest bearing</u>					
Lease liabilities	3%	10,049,827	10,097,288	20,147,115	20,147,115
		<u>36,263,950</u>	<u>10,097,288</u>	<u>46,361,238</u>	<u>46,361,238</u>

Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at 31st March, 2021 and 2020.

26. MATERIAL INTEREST OF MEMBERS OF COUNCIL IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Society or its subsidiaries was a party and in which a Member of Council had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

27. RELATED PARTY TRANSACTIONS

Balances and transactions between the Society and its subsidiaries, which are related parties of the Society, have been eliminated on consolidation and are not disclosed in this note.

a.) Except for the transactions detailed elsewhere in the consolidated financial statements, the Group had not any other material transactions with related companies during the year.

b.) Compensation of key management personnel

All members of the Council and Committees of the Group have received no emoluments in the current and prior years. The remuneration of key management of the Group is as follow:-

	2021 \$	2020 \$
Short-term benefits	<u>14,375,805</u>	<u>15,500,302</u>

FU HONG SOCIETY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2021

(Expressed in Hong Kong Dollars)

28. SOCIAL WELFARE DEVELOPMENT FUND

USE OF THE SOCIAL WELFARE DEVELOPMENT FUND (SWDF) PHASE 3 FUNDED BY LOTTERIES FUND

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April	5,994,521	3,181,296
Income		
- One-off subsidy received	405,552	3,899,991
- Interest received	32,098	78,676
	437,650	3,978,667
Expenditure under SWDF during the year:		
- Expenditure for projects under Scope A	(393,216)	(1,000,652)
- Expenditure for projects under Scope B	(923,007)	(96,000)
- Expenditure for projects under Scope C	(138,666)	-
Administrative support	-	(68,790)
Balance at 31st March	4,977,282	5,994,521

29. F&E REPLENISHMENT AND MINOR WORKS BLOCK GRANT

	GROUP AND SOCIETY	
	2021	2020
	\$	\$
Balance at 1st April	9,287,576	8,545,209
Add: Block Grant received during the year	6,033,000	5,666,000
Interest income received	89,976	188,266
	15,410,552	14,399,475
Less: Expenditure during the year		
Minor Works Projects		
- Fixed assets (Note 29 a.))	(2,404,944)	(2,786,325)
- Other expenses (Note 29 b.))	(46,100)	(49,018)
	(2,451,044)	(2,835,343)
Vehicle overhauls		
- Fixed assets (Note 29 a.))	-	-
- Other expenses (Note 29 b.))	(310,909)	(396,494)
	(310,909)	(396,494)
Furniture and equipment		
- Fixed assets (Note 29 a.))	(1,038,905)	(620,675)
- Other expenses (Note 29 b.))	(976,054)	(1,259,387)
	(2,014,959)	(1,880,062)
Balance at 31st March	10,633,640	9,287,576

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

29. F&E REPLENISHMENT AND MINOR WORKS BLOCK GRANT (CONTINUED)

a.) The total grants used for the acquisition of assets and capitalized by the Group were \$3,443,849 (2020: \$3,407,000).

b.) The total grants used for the acquisition of minor assets but recognized as expenses under the Group's accounting policy were \$1,333,063 (2020: \$1,704,899).

c.) Capital Commitments

At the end of the reporting period, no outstanding commitments in respect of F&E Replenishment and Minor Works Block Grant.

30. PILOT PROJECT ON PROVISION OF WI-FI SERVICE FOR ELIGIBLE WELFARE SERVICE UNITS OPERATED BY ORGANISATIONS RECEIVING SUBVENTIONS / SUBSIDIES FROM THE SOCIAL WELFARE DEPARTMENT

	2021	2020
	\$	\$
Income		
Lotteries Fund Grant received in advance	237,600	633,800
Interest income	6	-
	<u>237,606</u>	<u>633,800</u>
Expenditure		
Technical set-up and installation cost	(164,034)	-
Operating expenses	(13,259)	-
	<u>(177,293)</u>	<u>-</u>
Surplus for the year	<u>60,313</u>	633,800
Add: Cumulated Income brought forward	633,800	-
Less: Cumulated Expenditure brought forward	-	-
Cumulated surplus carried forward	<u><u>694,113</u></u>	<u><u>633,800</u></u>

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FU HONG SOCIETY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST MARCH, 2021**

(Expressed in Hong Kong Dollars)

31. FUND RAISING ACTIVITY

Public Subscription Permit No. : 2019/020/1

Purpose: To raise funds for persons with disabilities services

	2021	2020
	\$	\$
Income	-	22,987
Less: Expenditure	-	-
Net proceeds deposited to the Society's bank account	<u>-</u>	<u>22,987</u>

32. TRAINING SUBSIDY PROGRAMME FOR CHILDREN ON THE WAITING LIST OF SUBVENTED PRE-SCHOOL REHABILITATION SERVICES

	2021	2020
	\$	\$
Income	1,041,181	1,200,783
Less: Expenditure	(1,041,181)	(1,200,783)
	<u>-</u>	<u>-</u>

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