

FINANCIAL
STATEMENTS

THE HONG KONG SOCIETY
FOR REHABILITATION

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR

ENDED

31ST MARCH, 2009

潘永祥會計師事務所

Poon & Co.

CERTIFIED PUBLIC ACCOUNTANTS
CHARTERED SECRETARIES

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HONG KONG

THE HONG KONG SOCIETY FOR REHABILITATION

REPORT OF THE EXECUTIVE COMMITTEE

The members of the executive committee submit herewith this report together with the audited financial statements of The Hong Kong Society for Rehabilitation (the "Society") and its subsidiaries (hereinafter referred as the "Group") for the year ended 31st March, 2009.

PRINCIPAL ACTIVITIES

The Society is a not for profit organisation. Its objectives are:

- (a) To restore to health and economic self-sufficiency the citizens of Hong Kong suffering from any physical disability, whether arising from illness or injury; and
- (b) To take any other action deemed necessary for the furtherance of the aims of the Society, including without prejudice to the generality of the foregoing:-
 - (i) Undertaking any research or survey into rehabilitation problems in Hong Kong;
 - (ii) Building, equipping and managing any institution for the rehabilitation of the sick or injured, and providing appropriate treatment therein; and
 - (iii) Issuing publicity material for the education of the public in matters concerning the work of the Society.

The principal activities and other particulars of the subsidiaries are set out in note 9 to the financial statements. There were no significant changes in the activities of the Group during the year.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31st March, 2009 are set out in the consolidated income statement on page 6.

The state of affairs of the Group and of the Society as at 31st March, 2009 are set out in the balance sheets on pages 7 and 8 respectively.

The cash flows of the Group are set out in the consolidated cash flow statement on pages 9 and 10.

LAND USE RIGHT AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in land use right and property, plant and equipment of the Group and of the Society during the year are set out in notes 7 and 8 to the financial statements respectively.

RESERVES

The movements in reserves of the Group and of the Society during the year are set out in the consolidated statement of changes in equity on page 11 and note 16 to the financial statements respectively.

THE HONG KONG SOCIETY FOR REHABILITATION

REPORT OF THE EXECUTIVE COMMITTEE (CONT'D)

EXECUTIVE COMMITTEE MEMBERS

The executive committee members in office during the financial year and up to the date of this report were:-

Mr. M. B. LEE	Chairman
Dr. David FANG	President
Prof. Cecilia L.W. CHAN	Vice-Chairman
Mr. Benny W. L. CHEUNG	Vice-Chairman
Ms. Sarah Catherine LEGG	Honorary Treasurer
Prof. Jonathan S. T. SHAM	Honorary Secretary
Prof. Chetwyn CHAN	
Dr. Eric Ping CHIEN	
Dr. Daniel Tak Sang FANG	
Dr. Edith Ngan Hing KWAN	
Dr. Joseph K. F. KWOK	
Dr. POON Tak Lun	
Mr. David Po Wing YAU	

In accordance with the Society's Articles of Association, at any annual general meeting, there may be elected a President of the Society who shall hold office until the next annual general meeting when he shall retire from office but shall be eligible for re-election. The Honorary Treasurer of the Society shall be elected by the members at the annual general meeting and concurrently be a member of the executive committee. The members of the executive committee of the Society shall hold office until the next annual general meeting when they shall retire, but shall be eligible for re-election from year to year.

EXECUTIVE COMMITTEE MEMBERS' INTERESTS IN CONTRACTS

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

At no time during the year was the Society or any of its subsidiaries a party to any arrangements to enable the members of the executive committee to acquire benefits by means of acquisition of shares in, or debentures of, the Society or any other body corporate.

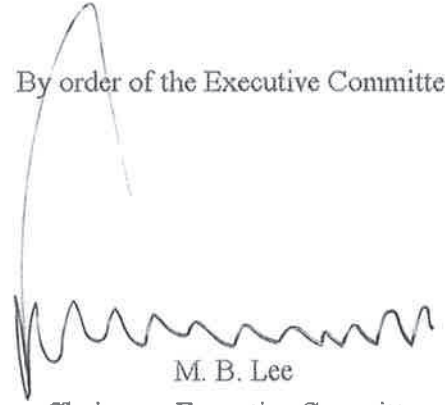
THE HONG KONG SOCIETY FOR REHABILITATION

REPORT OF THE EXECUTIVE COMMITTEE (CONTD)

AUDITORS

The auditors, Messrs. Poon & Co. retire and, being eligible, offer themselves for re-appointment.

By order of the Executive Committee

A handwritten signature in dark ink, consisting of a large, sweeping initial 'M' followed by a series of connected, wavy loops that form the rest of the name.

M. B. Lee

Chairman, Executive Committee

Hong Kong, 7th October, 2009

Our Ref. No.

A/T/77

Your Ref. No.

TEL 電話 : 2528-6370-3 (4 Lines)

2527-7133 (Mr. Poon)

FAX 傳真 : (852) 2865-0367

E-MAIL 電郵 : poonandco@yahoo.com

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE HONG KONG SOCIETY FOR REHABILITATION
(Incorporated in Hong Kong with limited liability by guarantee)

We have audited the consolidated financial statements set out on pages 6 to 45, which comprise the consolidated and company balance sheets as at 31st March, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

EXECUTIVE COMMITTEE MEMBERS'
RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The executive committee members are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive committee members, as well as evaluating the overall presentation of the financial statements.

AUDITOR'S RESPONSIBILITY (CONT'D)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Society and of the Group as at 31st March, 2009 and of the Group's deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

A handwritten signature in black ink, appearing to be 'Poon & Co.', is written above the printed name.

Poon & Co.

Certified Public Accountants

HONG KONG, 7th October, 2009

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2009

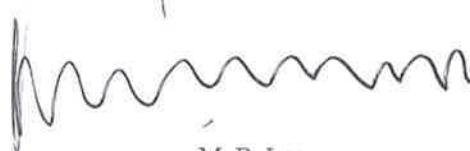
	<u>Note</u>	<u>2009</u>	<u>2008</u>
		HK\$	HK\$
Government subventions and other donations	3	76,581,408	63,167,019
Sales and service income	3	50,174,792	47,721,973
Other revenues	3	2,136,998	2,207,852
Cost of sales and services		(8,473,071)	(8,219,927)
Staff costs	4	(85,378,888)	(74,205,183)
Depreciation and written off of property, plant and equipment and amortisation of land use right		(3,638,992)	(3,104,576)
Other operating expenses		(35,575,667)	(36,454,272)
Deficit before taxation	5	(4,173,420)	(8,887,114)
Taxation	6	-	30,000
Deficit for the year		<u>(4,173,420)</u>	<u>(8,857,114)</u>

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2009

	<u>Note</u>	<u>2009</u> HK\$	<u>2008</u> HK\$
NON-CURRENT ASSETS			
Land use right	7	15,790,507	16,029,673
Property, plant and equipment	8	65,793,833	63,623,291
Held-to-maturity securities	10	5,101,440	5,126,800
Available-for-sale investments	11	9,760,302	17,714,142
		<u>96,446,082</u>	<u>102,493,906</u>
CURRENT ASSETS			
Investments at fair value through profit or loss	12	4,554,985	6,375,596
Inventories		302,783	263,289
Trade debtors		977,190	1,053,740
Sundry debtors, deposits and prepayments		4,628,525	6,340,012
Tax recoverable		-	108,558
Short-term deposits		145,404	2,531,256
Cash and bank balances			
(Including time deposits - \$10,800,682			
2008 - \$13,942,406)		30,101,319	27,168,968
		<u>40,710,206</u>	<u>43,841,419</u>
LESS: CURRENT LIABILITIES			
Bank overdraft (secured)		773,653	437,578
Bank loan (secured)	13	615,296	602,866
Trade creditors		108,013	358,961
Sundry creditors and accruals		5,454,730	5,695,017
Surplus repayable to the Hong Kong Jockey Club Charities Trust		613,866	-
Deferred income		1,218,876	611,220
Provisions	14	2,214,752	1,139,841
		<u>10,999,186</u>	<u>8,845,483</u>
NET CURRENT ASSETS		<u>29,711,020</u>	<u>34,995,936</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>126,157,102</u>	<u>137,489,842</u>
LESS: NON-CURRENT LIABILITIES			
Deferred taxation	15	-	-
NET ASSETS		<u>126,157,102</u>	<u>137,489,842</u>
REPRESENTING:			
RESERVES		<u>126,157,102</u>	<u>137,489,842</u>

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



M. B. Lee
Chairman, Executive Committee



Benny W. L. Cheung
Vice-chairman, Executive Committee

THE HONG KONG SOCIETY FOR REHABILITATION

BALANCE SHEET

AS AT 31ST MARCH, 2009

	Note	2009 HK\$	2008 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,457,450	1,197,410
Interests in subsidiaries	9	88,006,249	83,768,193
Held-to-maturity securities	10	5,101,440	5,126,800
Available-for-sale investments	11	9,760,302	17,714,142
		<u>104,325,441</u>	<u>107,806,545</u>
CURRENT ASSETS			
Investments at fair value through profit or loss	12	4,554,985	6,375,596
Inventories		87,438	90,586
Sundry debtors, deposits and prepayments		2,689,799	4,347,191
Short-term deposits		145,404	2,531,256
Cash and bank balances			
(including time deposits - \$10,694,591)			
2008 - \$13,835,819)		27,780,981	24,134,680
		<u>35,258,607</u>	<u>37,479,309</u>
LESS: CURRENT LIABILITIES			
Bank overdraft (secured)		773,653	437,578
Bank loan (secured)	13	615,296	602,866
Amount due to subsidiaries		624,837	553,796
Sundry creditors and accruals		3,708,102	3,727,284
Surplus repayable to the Hong Kong Jockey Club Charities Trust		613,866	-
Deferred income		936,142	558,550
Provisions		1,452,542	869,093
		<u>8,724,438</u>	<u>6,749,167</u>
NET CURRENT ASSETS		<u>26,534,169</u>	<u>30,730,142</u>
NET ASSETS		<u>130,859,610</u>	<u>138,536,687</u>
REPRESENTING:			
RESERVES	16	<u>130,859,610</u>	<u>138,536,687</u>

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


M B Lee
Chairman, Executive Committee


Benny W L Cheung
Vice-chairman, Executive Committee

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2009

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit before taxation	(4,173,420)	(8,887,114)
Adjustments for:		
Depreciation and written off of property, plant and equipment and amortisation of land use right	3,638,992	3,104,576
Bank interest income	(259,809)	(542,042)
Exchange loss	606,249	285,975
Operating deficit before working capital changes	(187,988)	(6,038,605)
(Increase)/decrease in inventories	(39,494)	42,435
Decrease in trade debtors	76,550	693,676
Decrease in sundry debtors, deposits and prepayments	1,681,919	56,108
(Decrease)/increase in trade creditors	(250,948)	228,935
(Decrease)/increase in sundry creditors and accruals	(240,287)	1,526,485
(Decrease)/increase in deferred income	607,656	(154,988)
Increase in provisions	1,074,911	253,758
Cash generated from/(used in) operations	2,722,319	(3,392,196)
Purchase of investments at fair value through profit or loss	(7,007,995)	(11,046,567)
Proceeds from sale of investments at fair value through profit or loss	8,781,730	11,794,660
Hong Kong profits tax paid	-	(162,519)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<u>4,496,054</u>	<u>(2,806,622)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	289,377	515,632
Purchase of property, plant and equipment	(4,876,383)	(1,334,321)
Purchase of available-for-sale investments	(2,826,715)	(12,673,595)
Proceeds from sale of available-for-sale investments	951,720	13,078,321
Decrease/(increase) in short-term deposits	2,385,852	(88,255)
Purchase of held-to-maturity securities	-	(5,126,800)
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,076,149)</u>	<u>(5,629,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in designated funds	2,163,941	5,179,389
Bank loan obtained	12,430	66,260
NET CASH FROM FINANCING ACTIVITIES	<u>2,176,371</u>	<u>5,245,649</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,596,276	(3,189,991)
CASH AND CASH EQUIVALENTS AT 1ST APRIL, 2008	26,731,390	29,921,381
CASH AND CASH EQUIVALENTS AT 31ST MARCH, 2009	<u>29,327,666</u>	<u>26,731,390</u>

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2009 (CONT'D)

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	30,101,319	27,168,968
Bank overdraft (secured)	(773,653)	(437,578)
	<u>29,327,666</u>	<u>26,731,390</u>

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2009

	Exchange translation reserve	Investment revaluation reserve - Designated funds (Note 17)	Accumulated surplus/(deficit) - Designated funds (Note 18)	Accumulated surplus/(deficit) - General fund	Total reserves
	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1st April, 2007	5,310,285	4,778,480	123,733,228	(875,388)	132,946,605
Net surplus/(deficit) for the year	-	-	5,993,985	(8,857,114)	(2,863,129)
Deficit transferred to designated funds	-	-	(2,927,862)	2,927,862	-
Realisation of reserve on sale of available-for-sale investments	-	(315,037)	-	-	(315,037)
Gain from change in fair value of available-for-sale investments	-	57,420	-	-	57,420
Exchange difference on translation of foreign subsidiary	7,663,983	-	-	-	7,663,983
As at 31st March, 2008	12,974,268	4,520,863	126,799,351	(6,804,640)	137,489,842
Net surplus/(deficit) for the year	-	-	939,926	(4,173,420)	(3,233,494)
Surplus transferred to designated funds	-	-	428,225	(428,225)	-
Surplus repayable to the Hong Kong Jockey Club Charities Trust	-	-	-	(613,866)	(613,866)
Realisation of reserve on sale of available-for-sale investments	-	(73,030)	-	-	(73,030)
Loss from change in fair value of available-for-sale investments	-	(8,713,074)	-	-	(8,713,074)
Exchange difference on translation of foreign subsidiary	1,300,724	-	-	-	1,300,724
As at 31st March, 2009	14,274,992	(4,265,241)	128,167,502	(12,020,151)	126,157,102

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Society is a not for profit organisation, limited by guarantee, domiciled and incorporated in Hong Kong. Pursuant to the provisions of the Society's memorandum of association, every member shall, in the event of the Society's being wound up, contribute such amount as may be required to meet the Society's liabilities but not exceeding \$10 each. It has its registered office at 7 Sha Wan Drive, Pokfulam, Hong Kong. Its principal activities are shown on page 1 and those of the subsidiaries are set out in note 9 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investments at fair value through profit or loss and available-for-sale investments which are carried at fair value.

The Group has not early adopted any of the new standards or interpretations that have been issued but are not yet effective. The executive committee members anticipate that the adoption of such standards or interpretations will not have a material impact on the Group's financial statements based on their initial assessment.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Society and all its subsidiaries for the year ended 31st March, 2009.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiary

A subsidiary is an entity controlled by the Society. Control exists when the Society has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Subsidiary (Cont'd)

In the Society's balance sheet, interests in subsidiaries are stated at cost less impairment losses. The results of subsidiaries are accounted for by the Society to the extent of dividends received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the property plant and equipment's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

Government grants relating to purchases of property, plant and equipment are deducted from the acquisition cost of the assets in arriving at the carrying values.

Depreciation is provided at rates sufficient to write down the cost of property, plant and equipment less accumulated impairment losses to their estimated realisable value over their estimated useful lives on a straight line basis at the following annual rates:

Land use right and leasehold buildings	Over the terms of the lease
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Computer software	20%
Motor vehicles	20%

(e) Land use right

Land use right is an up-front payment to acquire long-term interests in lessee-occupied properties. The payment is stated at cost less accumulated impairment losses and is amortised over the period of the lease on a straight-line basis in the income statement.

(f) Financial assets and liabilities

The Group classifies its financial assets and liabilities in the following categories. The classification depends on the purpose for which the assets or liabilities were acquired or incurred. Management determines the classification at initial recognition.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets and liabilities (Cont'd)

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity securities are initially recognised at fair value plus transaction costs. Subsequently, they are stated at amortised cost less impairment losses. The discount or premium is amortised over the period to maturity and included in the income statement. Held-to-maturity securities are included in non-current assets, except for those with maturities less than twelve months from the balance sheet date, which are classified as current assets.

Available-for-sale investments

Investments other than those held for trading and held-to-maturity are designated as available-for-sale investments and initially recognised at fair value plus transaction costs. For interest-bearing investments, interest calculated is recognised in the accumulated surplus/(deficit) - designated funds account. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised directly in the investment revaluation reserve - designated funds, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses are recognised directly in the accumulated surplus/(deficit) - designated funds. Assets in this category are included in non-current assets except for investments that management intends to dispose or debt securities to be matured, within twelve months of the balance sheet date.

Investments at fair value through profit or loss

Investments with embedded derivatives and forward contract are classified as investments at fair value through profit or loss and are initially stated at fair value with transaction costs recognised as expenses in the accumulated surplus/(deficit) - designated funds account. Fair value is remeasured at each balance sheet date with any resultant gain or loss being recognised in the accumulated surplus/(deficit) - designated funds account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade debtors and sundry debtors, and deposits, short-term deposits and cash and bank balances) are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables have no fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment for bad and doubtful debts.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets and liabilities(cont'd)

Other financial liabilities

Other financial liabilities (including bank overdraft, bank loan, trade creditors, amount due to subsidiaries, sundry creditors and accruals, surplus repayable to the Hong Kong Jockey Club Charities Trust) are initially recognised at fair value and thereafter stated at amortised cost except where the payables have no fixed repayment terms or the effect of discounting would be immaterial. In such cases, they are stated at cost.

Recognition and derecognition

Loans and receivables arise when the Group provides money, goods or services directly to a debtor.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the assets.

Financial liabilities are incurred if the Group has a contractual obligation to settle when they receive money, goods or services directly from a creditor.

Financial assets are derecognised when the 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 assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised directly in investment revaluation reserve is recognised in the income statement or accumulated surplus/(deficit) - designated funds account where applicable.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

Fair value measurement

Fair values of quoted investments are based on bid prices. For unlisted investments without an active market, the fair value is established by using appropriate valuation techniques.

(g) Inventories

Inventories are stated of the lower of cost and net realised value. Cost is calculated on the first-in-first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(j) Impairment

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, objective evidence for impairment could include:

- a significant or prolonged decline in the fair value of that investment below its cost; or
- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

If an available-for-sale investment is impaired, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the accumulated surplus/(deficit) - designated funds account, is removed from investment revaluation reserve - designated funds and recognised in the accumulated surplus/(deficit) - designated funds account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment

Impairment of financial assets (Cont'd)

For other financial assets, an impairment loss is recognised in the income statement or accumulated surplus/(deficit) - designated funds account where applicable when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses on available-for-sale equity investments will not be reversed in the accumulated surplus/(deficit) - designated funds account in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in investment revaluation reserve - designated funds.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For other financial assets, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the income statement or accumulated surplus/(deficit) - designated funds account to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment loss of other assets

At each balance sheet date, the Group and the Society review the carrying amounts of its land use right, property, plant and equipment and interests in subsidiaries to determine whether there is any indication that these 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 loss is recognised as an expense in the income statement 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Leases

As lessee:

Leases are classified as finance leases whenever the risks and rewards of ownership are substantially transferred to the lessee. All other leases are classified as operating leases.

Operating lease charges with respect of land and buildings are expensed in the income statement on a straight-line basis over the lease term.

Payments made on acquiring land held under an operating lease are recognised in the balance sheet as land use right.

Assets held under finance leases are recognised in the balance sheet at the lower of the fair value of the leased assets or the present value of the minimum lease payments, each determined at the inception of the lease.

Buildings held under finance leases are classified under property, plant and equipment.

(l) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Society's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the year are translated into the functional currency at the exchange rates ruling at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity investments classified as investments at fair value through profit or loss and available-for-sale investments are dealt with in the accumulated surplus/(deficit) - designated funds account and the investment revaluation reserve - designated funds respectively.

Group companies

The accounts of subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in exchange translation reserve.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Taxation

Income tax comprises current and deferred tax.

Current tax is based on taxable profit for the year, using tax rate that has been enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences and the carry-forward unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rate that is expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement.

(n) Revenue recognition

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants relating to income are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred.

Subventions and donations from other funding bodies are accounted for on an accrual basis.

Funds raised on flag day, other donations received and miscellaneous income are accounted for on a receipt basis.

Bank interest income is recognised on a time-apportioned basis on the principal outstanding and at the rates applicable.

Bus fares, medical service fees and other service fee income are recognised when services are rendered.

Revenue from sale of goods is recognised when the goods are delivered and the related risks and rewards of ownership have passed. Sales represent the invoiced value of goods sold less discounts and returns.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Related party transactions

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under control, joint control or significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage, long service payments 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.

The Group operates two defined contribution retirement schemes for its eligible employees, the schemes of which are recognised as exempted Mandatory Provident Fund Schemes under the Mandatory Provident Fund Scheme Ordinance. The assets of the retirement schemes are held separately from the assets of the Group. The Group's contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

For those Hong Kong employees who are not qualified for the above retirement schemes, they are required to participate in a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance. Contributions to the Mandatory Provident Funds are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Subsidiary operating elsewhere is required to participate in defined contribution retirement scheme organised by relevant government authority.

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

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. TURNOVER AND OTHER REVENUES

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
<u>Government subventions and other donations</u>		
Government subventions	63,049,468	53,080,277
Funds raised on flag day	732,767	1,010,773
Allocation from the Community Chest of Hong Kong	2,478,866	2,385,360
Donations from the Hong Kong Jockey Club Charities Trust	439,032	1,539,000
Other donations received	9,881,275	5,151,609
	<u>76,581,408</u>	<u>63,167,019</u>
<u>Sales and service income</u>		
Bus fares, medical service fees and other service fee income	47,969,799	44,727,483
Sale of goods	2,204,993	2,994,490
	<u>50,174,792</u>	<u>47,721,973</u>
Turnover	<u>126,756,200</u>	<u>110,888,992</u>
<u>Other revenues</u>		
Bank interest income	259,809	542,042
Miscellaneous income	1,877,189	1,665,810
	<u>2,136,998</u>	<u>2,207,852</u>

4. STAFF COSTS

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Salaries and other benefits	79,709,933	69,310,824
Contributions to defined contribution retirement schemes	5,647,752	4,894,359
Other benefits	21,203	-
	<u>85,378,888</u>	<u>74,205,183</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. DEFICIT BEFORE TAXATION - GROUP

Deficit before taxation is arrived at after charging/(crediting) the following items:

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Staff costs (Note 4)	85,378,888	74,205,183
Auditors' remuneration		
- Audit services	249,446	177,017
- Other services	94,500	122,000
Operating lease charges in respect of land and buildings	1,274,418	1,220,341
Amortisation of land use right	379,469	352,295
Depreciation on property, plant and equipment	2,902,125	2,531,728
Property, plant and equipment written-off	357,398	220,553
Net exchange losses	1,226	10,003
Bank interest income	(259,809)	(542,042)

6. TAXATION

Current tax

The Society is exempt from Hong Kong profits tax under the provision of section 88 of the Inland Revenue Ordinance.

Hong Kong profits tax is provided at the rate of 16.5% (2008 - 17.5%) on the estimated assessable profit of the Society's subsidiaries for the year.

Taxation on overseas profits is calculated on the estimated assessable profit for the year at the rate of taxation prevailing in which the group operates.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. TAXATION (CONT'D)

The amount of taxation (credited)/charged to the income statement represents:

Group

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Current taxation	-	-
Deferred taxation	-	(30,000)
Taxation charge	-	(30,000)
Deficit before taxation	(4,173,420)	(8,887,114)
Calculated at a taxation rate of 16.5% (2008 - 17.5%)	(688,613)	(1,555,245)
Income not subject to taxation	(190,470)	(131,542)
Expenses not deductible for taxation purposes	665,289	1,345,379
Tax losses not recognised	250,431	264,832
Effect of different tax rate in other jurisdictions	(36,637)	76,576
Deferred taxation	-	(30,000)
Taxation charge	-	(30,000)

7. LAND USE RIGHT

Group

	Outside Hong Kong <u>Medium term lease</u> HK\$
<u>Net book value</u>	
At 31st March, 2009	15,790,507
At 31st March, 2008	16,029,673

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings and fittings (Notes (i) & (ii))	Leasehold improvement	Furniture, fixtures and other equipment (Notes (ii))	Computer software	Motor vehicles (Notes (ii))	Capital expenditure in progress	Total
Cost	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1st April, 2007	130,355,690	342,948	16,794,651	472,864	6,224,554	-	154,190,707
Additions	370,823	38,100	1,059,476	21,146	-	363,310	1,852,855
Exchange adjustment	5,729,659	-	270,086	-	44,989	-	6,044,734
Written off	(26,600)	-	(7,671)	-	-	-	(34,271)
As at 31st March, 2008	136,429,572	381,048	18,116,542	494,010	6,269,543	363,310	162,054,025
Additions	3,364,082	237,867	1,272,441	150,558	10,506,240	117,500	15,648,688
Exchange adjustment	525,824	-	25,352	-	4,165	-	555,341
Written off	-	(137,478)	(92,097)	-	-	-	(229,575)
As at 31st March, 2009	140,319,478	481,437	19,322,238	644,568	16,779,948	480,810	178,028,479
Accumulated depreciation							
As at 1st April, 2007	1,614,287	242,295	1,318,119	281,491	165,824	-	3,622,016
Charge for the year	1,353,698	42,636	1,009,846	42,958	82,590	-	2,531,728
Exchange adjustment	82,173	-	71,950	-	22,014	-	176,137
As at 31st March, 2008	3,050,158	284,931	2,399,915	324,449	270,428	-	6,329,881
Charge for the year	1,538,197	71,503	1,118,689	62,713	111,023	-	2,902,125
Exchange adjustment	(6,764)	-	6,022	-	1,911	-	1,169
Written off	-	(137,478)	(8,578)	-	-	-	(146,056)
As at 31st March, 2009	4,581,591	218,956	3,516,048	387,162	383,362	-	9,087,119
Funds utilised							
As at 1st April, 2007	73,607,978	-	11,949,831	55,535	5,782,693	-	91,396,037
Amount utilised	10,500	-	365,277	-	-	363,310	739,087
Written off	(26,600)	-	(7,671)	-	-	-	(34,271)
As at 31st March, 2008	73,591,878	-	12,307,437	55,535	5,782,693	363,310	92,100,853
Amount utilised	-	151,267	420,894	44,500	10,395,540	117,500	11,129,701
Written off	-	-	(83,027)	-	-	-	(83,027)
As at 31st March, 2009	73,591,878	151,267	12,645,304	100,035	16,178,233	480,810	103,147,527
Net book value							
As at 31st March, 2009	62,146,009	111,214	3,160,886	157,371	218,353	-	65,793,833
As at 31st March, 2008	59,787,536	96,117	3,409,190	114,026	216,422	-	63,623,291
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THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Society	Land and buildings and fittings (Notes (i) & (ii))	Machinery and workshop equipment (Notes (ii))	Furniture, fixtures and office equipment (Notes (ii))	Motor vehicles (Notes (ii))	Computer software HK\$	Capital expenditure in progress HK\$	Total HK\$
<u>Cost</u>	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1st April, 2007	73,858,075	6,793,533	6,471,181	5,782,693	118,571	-	93,024,053
Additions	10,500	378,247	317,388	-	11,104	363,310	1,080,549
Written off	(26,600)	-	(7,671)	-	-	-	(34,271)
As at 31st March, 2008	73,841,975	7,171,780	6,780,898	5,782,693	129,675	363,310	94,070,331
Additions	25,340	160,492	708,725	10,506,240	144,859	117,500	11,663,156
Written off	-	-	(83,027)	-	-	-	(83,027)
As at 31st March, 2009	73,867,315	7,332,272	7,406,596	16,288,933	274,534	480,810	105,650,460
<u>Accumulated depreciation</u>							
As at 1st April, 2007	53,580	126,618	211,761	-	23,521	-	415,480
Charge for the year	50,019	149,813	178,452	-	19,015	-	397,299
As at 31st March, 2008	103,599	276,431	390,213	-	42,536	-	812,779
Charge for the year	55,151	174,195	242,026	22,140	39,168	-	532,680
As at 31st March, 2009	158,750	450,626	632,239	22,140	81,704	-	1,345,459
<u>Funds utilised</u>							
As at 1st April, 2007	73,607,978	6,256,487	5,673,793	5,782,693	34,375	-	91,355,326
Amount utilised	10,500	167,214	198,063	-	-	363,310	739,087
Written off	(26,600)	-	(7,671)	-	-	-	(34,271)
As at 31st March, 2008	73,591,878	6,423,701	5,864,185	5,782,693	34,375	363,310	92,060,142
Amount utilised	-	36,746	276,150	10,395,540	44,500	117,500	10,870,436
Written off	-	-	(83,027)	-	-	-	(83,027)
As at 31st March, 2009	73,591,878	6,460,447	6,057,308	16,178,233	78,875	480,810	102,847,551
<u>Net book value</u>							
As at 31st March, 2009	116,687	421,199	717,049	88,560	113,955	-	1,457,450
As at 31st March, 2008	146,498	471,648	526,500	-	52,764	-	1,197,410

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Notes:

- (i) The Society's land and buildings include MacLehose Medical Rehabilitation Centre situated at I.L.8530, 7 Sha Wan Drive, Hong Kong and Margaret Trench Medical Rehabilitation Centre situated at K.T.I.L. 710, Kwun Tong, Kowloon, Hong Kong.

During the year ended 31st March, 2002, Society for Rehabilitation Yee Hong (SZ) Company Limited, a subsidiary of the Society, acquired leasehold land under medium term lease at the cost of \$15,836,113 for the development of the elderly home and care center located at Shenzhen, The People's Republic of China (the "PRC"). Interest in leasehold land is classified as land use right in note 7;

- (ii) During the year under review, the Society acquired furniture, fixtures and other equipment of HK\$85,690 (2008 - \$64,563) and motor vehicles of HK\$10,395,540 (2008 - Nil) which were funded by the Lotteries Fund and the Hong Kong Jockey Club Charities Trust respectively.

The net book value of land and buildings comprises:

	<u>Group</u>		<u>Society</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	HK\$	HK\$	HK\$	HK\$
<u>In Hong Kong</u>				
Leasehold land and buildings				
Long term lease	1	1	1	1
Medium term lease	1	1	1	1
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>Outside Hong Kong</u>				
Leasehold building				
Medium term lease	62,029,322	59,641,038	-	-
	<u>62,029,324</u>	<u>59,641,040</u>	<u>2</u>	<u>2</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INTERESTS IN SUBSIDIARIES

As at 31st March, 2009, the Society had the following subsidiaries:

<u>Name of company</u>	<u>Place of incorporation/ establishment</u>	<u>Principal activities</u>	<u>Equity interests</u>
Elite Business Services Limited	Hong Kong	Printing and publication	100% (direct)
Wah Hong Convenience Store Limited	Hong Kong	Convenience stores	100% (direct)
Society for Rehabilitation Yee Hong (SZ) Company Limited (Note (ii))	PRC	Provision of elderly home and caring services	100% (direct)
Easy-Access Transport Services Limited	Hong Kong	Provision of transport services to the elderly	100% (direct)
Easy-Access Travel Limited (Note (iii))	Hong Kong	Provision of travel services	100% (direct)

	<u>2009</u>	<u>2008</u>
	<u>HK\$</u>	<u>HK\$</u>
Unlisted shares, at cost	40,510,102	40,510,102
Amounts due from subsidiaries (Note (i))	47,496,147	43,258,091
	<u>88,006,249</u>	<u>83,768,193</u>

Note:

- (i) The amounts due by subsidiaries are unsecured, interest-free and have no fixed repayment terms.
- (ii) The registered capital of Society for Rehabilitation Yee Hong (SZ) Company Limited was funded by the Home for the Elderly Project Funds which is donated by the Hong Kong Jockey Club Charities Trust and the Hong Kong Rehabilitation Trust Fund for the purpose of constructing an elderly home in the PRC for provision of elderly home and caring services.

For the year ended 31st March, 2009, the Hong Kong Jockey Club Charities Trust donated HK\$2,610,194 (2008 - Nil) to the Home for the Elderly Project Fund as detailed in note 18.

- (iii) Easy-Access Travel Limited was funded by the payment of grants from the government of the Hong Kong Special Administrative Region for launching the Project - Enhancing Employment of People with Disabilities through Small Enterprises.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONTD)

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
10. <u>HELD-TO-MATURITY SECURITIES</u>		
<u>Group and Society</u>		
Debt securities, at amortised cost		
Listed in Hong Kong	2,101,440	2,126,800
Unlisted in Hong Kong	3,000,000	3,000,000
	<u>5,101,440</u>	<u>5,126,800</u>
Market value of listed securities	<u>5,141,600</u>	<u>2,126,800</u>
11. <u>AVAILABLE-FOR-SALE INVESTMENTS</u>		
<u>Group and Society</u>		
Equity securities, at fair value		
Listed in Hong Kong	5,002,125	9,836,800
Listed outside Hong Kong	1,398,079	2,560,920
Unlisted outside Hong Kong	384,960	564,291
	<u>6,785,164</u>	<u>12,962,011</u>
Investment funds, at fair value		
Listed in Hong Kong	1,573,200	2,639,100
Unlisted outside Hong Kong	1,080,473	1,801,950
	<u>2,653,673</u>	<u>4,441,050</u>
Debt securities, at fair value		
Unlisted outside Hong Kong	<u>321,465</u>	<u>311,081</u>
	<u>9,760,302</u>	<u>17,714,142</u>
Market value of listed securities	<u>7,973,404</u>	<u>15,036,820</u>
12. <u>INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</u>		
<u>Group and Society</u>		
Investments with embedded derivatives, at fair value		
Unlisted outside Hong Kong	4,174,783	6,375,596
Forward contract, at fair value		
Unlisted outside Hong Kong	380,202	-
	<u>4,554,985</u>	<u>6,375,596</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. BANK LOAN (SECURED)

As at 31st March, 2009 and 2008, the Group had bank loan denominated in Japanese yen for hedging its foreign exchange risk relating to investments denominated in the same currency. The borrowing is secured by fixed deposits and other investments placed with the bank.

14. PROVISIONS

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Employee benefits	1,948,577	943,358
Others	266,175	196,483
	<u>2,214,752</u>	<u>1,139,841</u>

Provision for employee benefits represents accrued long service payments.

15. DEFERRED TAXATION

Group

The following are the major deferred tax liabilities recognised and movements thereon during the year.

	<u>Accelerated tax depreciation</u>
	HK\$
At 1st April, 2007	30,000
Credited to income statement for the year	(30,000)
At 31st March, 2008 and 31st March, 2009	<u>-</u>

As at 31st March, 2009, deferred tax assets of HK\$1,674,203 (2008 - \$1,742,673) have not been recognised in respect of the following items:

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Tax losses	14,821,289	11,255,713
Deductible temporary differences	105,683	56,594
Taxable temporary differences	(313,057)	(252,273)
	<u>14,613,915</u>	<u>11,060,034</u>

No deferred tax assets have been recognised in respect of the above remaining balances due to unpredictability of future profit streams. Tax losses of HK\$9,761,154 (2008 - \$7,713,344) may be carried forward for five years. Other tax losses can be carried forward indefinitely.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. RESERVES

<u>Society</u>	<u>Investment</u> <u>revaluation reserve -</u> <u>Designated funds</u> <u>(Note 17)</u> HK\$	<u>Accumulated</u> <u>surplus/(deficit) -</u> <u>Designated funds</u> <u>(Note 18)</u> HK\$	<u>Accumulated</u> <u>surplus/(deficit) -</u> <u>General fund</u> HK\$	<u>Total</u> <u>reserves</u> HK\$
As at 1st April, 2007	4,778,480	123,733,228	7,641,775	136,153,483
Net surplus/(deficit) for the year	-	5,993,985	(3,353,164)	2,640,821
Deficit transferred to designated funds	-	(2,927,862)	2,927,862	-
Realisation of reserve on sale of available-for-sale investments	(315,037)	-	-	(315,037)
Gain from change in fair value of available-for-sale investments	57,420	-	-	57,420
As at 31st March, 2008	4,520,863	126,799,351	7,216,473	138,536,687
Net surplus/(deficit) for the year	-	939,926	782,967	1,722,893
Surplus transferred to designated funds	-	428,225	(428,225)	-
Surplus repayable to the Hong Kong Jockey Club Charities Trust	-	-	(613,866)	(613,866)
Realisation of reserve on sale of available-for-sale investments	(73,030)	-	-	(73,030)
Loss from change in fair value of available-for-sale investments	(8,713,074)	-	-	(8,713,074)
As at 31st March, 2009	(4,265,241)	128,167,502	6,957,349	130,859,610

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENT REVALUATION RESERVE - DESIGNATED FUNDS

Group and Society	Balance as at 1/4/2008	Realisation of reserve on sale of available-for-sale investments	Gain from change in fair value of available-for-sale investments	Balance as at 31/3/2009
	HK\$	HK\$	HK\$	HK\$
Fund available to service units of the Society				
Adult Education Fund	-	-	-	-
Community Based Rehabilitation Development Fund	796,050	(12,222)	(1,457,884)	(674,056)
Community Rehabilitation Network Reserve Fund	-	-	-	-
Easy-Access Transport Services Fund	-	-	-	-
Easy-Access Transport Services for Overseas Visitors with Disabilities Fund	-	-	-	-
Employaid Fund	170,561	(1,191)	(142,043)	27,327
IRM Development Fund	359,463	(5,096)	(608,042)	(253,675)
Motor Vehicle Development Fund	10,760	(866)	(103,322)	(93,428)
MTRC Building and Operation Account	432,314	(4,255)	(507,619)	(79,560)
Rehab. Volunteer Fund	26,744	(940)	(112,187)	(86,383)
Supported Employment Reserve Fund	-	-	-	-
Vocational Rehabilitation Development Fund	546,153	(9,536)	(1,137,757)	(601,140)
Wellness Development Fund	86,955	(4,962)	(592,011)	(510,018)
WHO (UCBR) Project Fund	170,108	34	4,114	174,256
	<u>2,599,108</u>	<u>(39,034)</u>	<u>(4,656,751)</u>	<u>(2,096,677)</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENT REVALUATION RESERVE - DESIGNATED FUNDS (CONT'D)

<u>Group and Society</u>	Balance as at 1/4/2008 HK\$	Realisation of reserve on sale of available-for-sale investments HK\$	Gain from change in fair value of available-for-sale investments HK\$	Balance as at 31/3/2009 HK\$
Funds available for subsidiaries of the Society	-	-	-	-
Home for The Elderly Project Fund				
Funds for the Hong Kong Joint Council for People with Disabilities and Rehabilitation International only				
Golden Jubilee Fund	214,031	(2,931)	(349,726)	(138,626)
International Disabled Day Fund	63,334	(902)	(107,606)	(45,174)
R.I. CBR Project Fund	32,589	(464)	(55,332)	(23,207)
R.I. Hong Kong Indian Foundation Fund	101,633	(1,387)	(165,466)	(65,220)
R.I. Secretariat Fund	48,948	(361)	(43,039)	5,548
	<u>460,535</u>	<u>(6,045)</u>	<u>(721,169)</u>	<u>(266,679)</u>
Funds for capital projects only				
Geriatric & Rejuvenation Centre Fund	325,082	(4,625)	(551,830)	(231,373)
HKSR Building Fund	279,533	(3,846)	(458,900)	(183,213)
HKSR Equipment Fund	194,530	(2,764)	(329,760)	(137,994)
MMRC Day Centre Fund	(4,917)	(2,378)	(283,771)	(291,066)
MMRC Elderly Home Fund	(10,691)	(5,677)	(677,279)	(693,647)
	<u>783,537</u>	<u>(19,290)</u>	<u>(2,301,540)</u>	<u>(1,537,293)</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENT REVALUATION RESERVE - DESIGNATED FUNDS (CONT'D)

Group and Society	Balance as at 1/4/2008 HK\$	Realisation of reserve on sale of available-for-sale investments HK\$	Gain from change in fair value of available-for-sale investments HK\$	Balance as at 31/3/2009 HK\$
Funds for other specific purposes				
Anderson Training Fund	71,237	(1,013)	(120,896)	(50,672)
BMCPC Fund	-	-	-	-
3rd Cardiology Conference Fund	-	-	-	-
DRCC Fund	-	-	-	-
Easy-Access Development Fund	-	-	-	-
EMB OSFO Fund 2000/2001	4,467	(63)	(7,500)	(3,096)
HKSR Staff Welfare Fund	204,616	(2,095)	(249,989)	(47,468)
IT Awareness Program Fund	-	-	-	-
IT Thematic Training Program Fund	3,262	(113)	(13,534)	(10,385)
Mark Pollard Fund	14,204	(202)	(24,128)	(10,126)
MTMRC Back Fitness Program Fund	163,465	(2,327)	(277,661)	(116,523)
Rehabilitation Development & Research Fund	15,477	(220)	(26,290)	(11,033)
Shum Lee Po Lun Independent Living Fund	200,955	(2,794)	(333,348)	(135,187)
TRANSED 2010 Fund	-	607	72,361	72,968
School Building in Shanxi Province Fund	-	(9)	(1,124)	(1,133)
Sichuan Earthquake Relief Fund	-	(432)	(51,505)	(51,937)
	677,683	(8,661)	(1,033,614)	(364,592)
	4,520,863	(73,030)	(8,713,074)	(4,265,241)
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THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. ACCUMULATED SURPLUS/(DEFICIT) - DESIGNATED FUNDS

<u>Group and Society</u>	<u>Balance as at 1/4/2008</u>	<u>Donation received</u>	<u>Operation and investment income</u>	<u>Operating expenditure</u>	<u>Balance as at 31/3/2009</u>
	HK\$	HK\$	HK\$	HK\$	HK\$
Fund available to service units of the Society					
Adult Education Fund	102,065	-	163,105	(181,515)	83,655
Community Based Rehabilitation Development Fund	7,097,546	-	(42,225)	(179,451)	6,875,870
Community Rehabilitation Network Reserve Fund	4,748,549	2,680,800	26,688,050	(29,555,942)	4,561,457
Easy-Access Transport Services Fund	-	-	-	-	-
Easy-Access Transport Services for Oversea Visitors with Disabilities Fund	38,785	-	-	-	38,785
Employaid Fund	921,124	-	(4,114)	(476,692)	440,318
IRM Development Fund	2,917,904	-	591,241	(599,135)	2,910,010
Motor Vehicle Development Fund	528,103	54,596	(2,993)	(117,500)	462,206
MTRC Building and Operation Account	3,693,781	-	2,221,681	(4,743,862)	1,171,600
Rehab. Volunteer Fund	442,484	161,959	371,719	(343,366)	632,796
Supported Employment Reserve Fund	1,469,861	21,925	2,508,209	(2,087,894)	1,912,101
Vocational Rehabilitation Development Fund	4,712,969	475,497	3,879,887	(2,876,241)	6,192,112
Wellness Development Fund	2,479,999	8,841	3,997,574	(3,292,153)	3,194,261
WHO (UCBR) Project Fund	(391,544)	5,693,744	442,244	(5,392,331)	352,113
	<u>28,761,626</u>	<u>9,097,362</u>	<u>40,814,378</u>	<u>(49,846,082)</u>	<u>28,827,284</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. ACCUMULATED SURPLUS/(DEFICIT) - DESIGNATED FUNDS (CONT'D)

<u>Group and Society</u>	Balance as at 1/4/2008 HK\$	Donation received HK\$	Operation and investment income HK\$	Operating expenditure HK\$	Balance as at 31/3/2009 HK\$
Funds available for subsidiaries of the Society					
Home for The Elderly Project Fund (Note)	69,009,027	2,610,194	117,983	(989,851)	70,747,353
Funds for the Hong Kong Joint Council for People with Disabilities and Rehabilitation International only					
Golden Jubilee Fund	1,692,996	-	(10,129)	(23,844)	1,659,023
International Disabled Day Fund	517,245	-	(3,117)	-	514,128
R.I. CBR Project Fund	265,972	-	(1,603)	-	264,369
R.I. Hong Kong Indian Foundation Fund	796,206	-	(4,517)	(1,950)	789,739
R.I. Secretariat Fund	248,531	-	(1,247)	(83,301)	163,983
	<u>3,520,950</u>	<u>-</u>	<u>(20,613)</u>	<u>(109,095)</u>	<u>3,391,242</u>
Funds for capital projects only					
Geriatric & Rejuvenation Centre Fund	2,652,557	-	(15,983)	-	2,636,574
HKSR Building Fund	2,221,093	-	(13,291)	(30,470)	2,177,332
HKSR Equipment Fund	1,585,104	-	(9,551)	-	1,575,553
MMRC Day Centre Fund	1,509,065	-	(8,219)	(290,050)	1,210,796
MMRC Elderly Home Fund	3,281,266	-	(19,616)	(51,390)	3,210,260
	<u>11,249,085</u>	<u>-</u>	<u>(66,660)</u>	<u>(371,910)</u>	<u>10,810,515</u>

Note The majority of the outstanding balance of Home for The Elderly Project Fund was used to finance the acquisitions of land use right and property, plant and equipment of Society for Rehabilitation Yee Hong (SZ) Company Limited.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. ACCUMULATED SURPLUS/(DEFICIT) - DESIGNATED FUNDS (CONT'D)

<u>Group and Society</u>	<u>Balance as at 1/4/2008</u>	<u>Donation received</u>	<u>Operation and investment income</u>	<u>Operating expenditure</u>	<u>Balance as at 31/3/2009</u>
	HK\$	HK\$	HK\$	HK\$	HK\$
Funds for other specific purposes					
Anderson Training Fund	581,125	-	(3,499)	-	577,626
BMCPC Fund	-	-	-	-	-
3rd Cardiology Conference Fund	-	-	-	-	-
DRCC Fund	32,723	-	-	-	32,723
Easy-Access Development Fund	9,347,300	-	3,200	(20,354)	9,330,146
EMB OSHO Fund 2000/2001	36,051	-	(217)	-	35,834
HKSR Staff Welfare Fund	1,293,472	-	123,656	(314,534)	1,102,594
IT Awareness Program Fund	-	-	-	-	-
IT Thematic Training Program Fund	65,056	-	(392)	-	64,664
Mark Pollard Fund	115,978	-	(699)	-	115,279
MTMRC Back Fitness Program Fund	1,334,671	-	(8,042)	-	1,326,629
Rehabilitation Development & Research Fund	126,370	-	(762)	-	125,608
Shum Lee Po Lun Independent Living Fund	1,602,353	-	(9,655)	-	1,592,698
TRANSED 2010 Fund	(276,436)	-	2,096	(142,787)	(417,127)
School Building in Shaanxi Province Fund	-	350,000	(33)	(339,195)	10,772
Sichuan Earthquake Relief Fund	-	495,154	(1,492)	-	493,662
	<u>14,258,663</u>	<u>845,154</u>	<u>104,161</u>	<u>(816,870)</u>	<u>14,391,108</u>
	<u>126,799,351</u>	<u>12,552,710</u>	<u>40,949,249</u>	<u>(52,133,808)</u>	<u>128,167,502</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

Executive committee members' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Fees	-	-
Other emoluments	-	-
	<u>-</u>	<u>-</u>

20. COMMITMENTS

Capital commitments

As at 31st March, 2009, the Group had the following capital commitments in respect of additions to property, plant and equipment which were not provided for in the financial statements:

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Contracted but not provided for	1,866,055	962,090

Operating lease commitments

The Group leases properties under lease agreements which are non-cancellable and the leases expire on various dates until 31st March, 2010. Future aggregate minimum lease payments under non-cancellable operating leases are as follows:-

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Not later than one year	785,430	1,129,406
Later than one year but not later than five years	105,565	1,309,085
	<u>890,995</u>	<u>2,438,491</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. RELATED PARTY TRANSACTIONS

Details of significant related party transactions in addition to those disclosed elsewhere in the financial statements are as follows:-

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
Transactions with subsidiaries		
Programme expenses paid to subsidiaries	9,048,000	8,524,080
Fee income received from subsidiaries	1,393,165	1,457,001

The transactions and balances with subsidiaries are eliminated on consolidation.

In the opinion of the executive committee members, the above transactions were entered into in the ordinary course of business based on normal commercial terms.

22. CAPITAL MANAGEMENT

The capital structure of the Group consists of total reserves. Capital of the Group at 31st March, 2009 was HK\$126,157,102 (2008 - \$137,489,842). The increase in capital during the year was attributable to the increases in exchange translation reserve and accumulated surplus/(deficit) - designated funds less the decreases in accumulated surplus/(deficit) - general funds and investment revaluation reserve - designated funds.

Its objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide benefits for stakeholders; and
- to support the Group's stability and growth.

The Group is not subject to externally imposed capital requirements.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions.

There were no changes in the Group's approach to capital management from the previous year.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. CATEGORIES OF FINANCIAL INSTRUMENTS

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
<u>Group</u>		
<u>Financial assets</u>		
Held-to-maturity securities	5,101,440	5,126,800
Available-for-sale investments	9,760,302	17,714,142
Loans and receivables		
(Including cash and bank balances)	35,337,023	36,811,563
Investments at fair value through profit or loss	6,375,596	6,375,596
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	7,565,558	7,094,422
<u>Society</u>		
<u>Financial assets</u>		
Held-to-maturity securities	5,101,440	5,126,800
Available-for-sale investments	9,760,302	17,714,142
Loans and receivables		
(Including cash and bank balances)	30,415,327	30,863,952
Investments at fair value through profit or loss	4,554,985	6,375,596
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	6,335,754	5,321,524

24. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk).

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group's maximum exposure to credit risk is arising from the carrying value of the respective financial assets.

Management considers that the credit risk on cash and bank balances, short-term deposits and investments placed with financial institutions and Hong Kong Securities Clearing Company Limited to be limited because the counterparties are reputable entities located in Hong Kong and overseas.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

Other than concentration of credit risk on cash and bank balances, short-term deposits and investments placed with financial institutions and Hong Kong Securities Clearing Company Limited, the Group had no significant credit exposure to a single counterparty as at 31st March, 2009 and 2008.

The following ageing analysis for trade and sundry debtors that are past due but not impaired is presented according to their periods outstanding:

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
<u>Group</u>		
Not more than 3 months	481,416	703,501
Over 3 months but within 6 months	83,456	56,476
Over 6 months but within 1 year	68,060	42,550
Over 1 year	2,426	5,770
	<u>635,358</u>	<u>808,297</u>
<u>Society</u>		
Not more than 3 months	332,506	606,934
Over 3 months but within 6 months	11,768	9,789
Over 6 months but within 1 year	15,892	19,378
Over 1 year	976	-
	<u>361,142</u>	<u>636,101</u>

Based on past track record and experience, management believes that no impairment allowance is necessary in respect of receivables that were past due but not impaired as there has been no significant change in credit quality and the balances are still considered fully recoverable.

The Group does not hold any collateral over amounts past due.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Management manages liquidity risk by monitoring the Group's forecast cash flow needs and maintaining sufficient cash and cash equivalents to meet their obligations and liquidity requirements. The Group had net current assets of HK\$29,711,022 and HK\$34,995,936 and net assets of HK\$126,157,102 and HK\$137,489,842 as at 31st March, 2009 and 2008 respectively. In the opinion of the executive committee members, the Group's exposure to liquidity risk is limited.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (Cont'd)

The following tables detail the remaining contractual maturities of financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities on the earliest date that the Group and Society can be required to pay.

	Carrying value	Total contractual cash flows	Repayable on demand	Less than 3 months
	HK\$	HK\$	HK\$	HK\$
<u>Group</u>				
<u>At 31st March, 2009</u>				
Bank overdraft (secured)	773,653	773,653	773,653	-
Bank loan (secured)	615,296	615,296	-	615,296
Trade creditors	108,013	108,013	-	108,013
Sundry creditors and accruals	5,454,730	5,454,730	348,118	5,106,612
Surplus repayable to the Hong Kong Jockey Club Charities Trust	613,866	613,866	613,866	-
	<u>7,565,558</u>	<u>7,565,558</u>	<u>1,735,637</u>	<u>5,829,921</u>
<u>At 31st March, 2008</u>				
Bank overdraft (secured)	437,578	437,578	437,578	-
Bank loan (secured)	602,866	602,866	-	602,866
Trade creditors	358,961	358,961	-	358,961
Sundry creditors and accruals	5,695,017	5,695,017	368,781	5,326,236
	<u>7,094,422</u>	<u>7,094,422</u>	<u>806,359</u>	<u>6,288,063</u>
<u>Society</u>				
<u>At 31st March, 2009</u>				
Bank overdraft (secured)	773,653	773,653	773,653	-
Bank loan (secured)	615,296	615,296	-	615,296
Amount due to subsidiaries	624,837	624,837	624,837	-
Sundry creditors and accruals	3,708,102	3,708,102	348,118	3,359,984
Surplus repayable to the Hong Kong Jockey Club Charities Trust	613,866	613,866	613,866	-
	<u>6,335,754</u>	<u>6,335,754</u>	<u>2,360,474</u>	<u>3,975,280</u>
<u>At 31st March, 2008</u>				
Bank overdraft (secured)	437,578	437,578	437,578	-
Bank loan (secured)	602,866	602,866	-	602,866
Amount due to subsidiaries	553,796	553,796	553,796	-
Sundry creditors and accruals	3,727,284	3,727,284	368,781	3,358,503
	<u>5,321,524</u>	<u>5,321,524</u>	<u>1,360,155</u>	<u>3,961,369</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial instruments that are denominated in a different currency to the entity's functional currency and being of a monetary nature. Non-monetary assets including equity investments denominated in foreign currencies are not exposed to currency risk as defined by HKFRS 7 Financial Instruments: Disclosures. Differences resulting from the translation of financial statements to the Society's presentation currency are also not taken into consideration.

As at 31st March, 2009 and 2008, the Group and Society had the following monetary financial assets and liabilities denominated in foreign currencies:-

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
<u>Group</u>		
<u>Financial assets/(liabilities)</u>		
Available-for-sale debt investments (USD)	321,466	311,081
Cash and bank balances (USD)	4,133,378	4,124,914
Net exposure (USD)	<u>4,454,844</u>	<u>4,435,995</u>
<u>Society</u>		
<u>Financial assets/(liabilities)</u>		
Available-for-sale debt investments (USD)	321,466	311,081
Cash and bank balances (USD)	4,124,344	4,133,958
Net exposure (USD)	<u>4,445,810</u>	<u>4,445,039</u>

As U.S. dollar is pegged, the Group does not expect significant movements in the exchange rates. A reasonably possible change in exchange rates is assessed to result in immaterial change in the Group's deficit for the year and accumulated surplus/(deficit) - designated funds. Changes in exchange rates have no impact on the Group's other components of reserves.

Currency risk arising from transactions from different currencies are managed by the use of foreign exchange forward contracts.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on the Group's and the Society's interest-bearing financial instruments. Financial assets at fixed rates expose the Group and Society to fair value interest rate risk. The carrying values of these financial assets are set out below:-

	<u>2009</u>	<u>2008</u>
	HK\$	HK\$
<u>Group</u>		
<u>At fixed rates</u>		
Held-to-maturity securities	5,101,440	5,126,800
Available-for-sale investments	321,466	311,089
Investments at fair value through profit or loss	3,918,899	4,386,254
Short-term deposits	145,404	2,531,256
Cash and bank balances - Time deposits	13,942,406	13,942,406
	<u>23,429,615</u>	<u>26,297,805</u>
<u>Society</u>		
<u>At fixed rates</u>		
Held-to-maturity securities	5,101,440	5,126,800
Available-for-sale investments	321,466	311,089
Investments at fair value through profit or loss	3,918,899	4,386,254
Short-term deposits	145,404	2,531,256
Cash and bank balances - Time deposits	10,694,591	13,835,819
	<u>20,181,800</u>	<u>26,191,218</u>

The Group does not account for its fixed rate financial assets at fair value through profit or loss except for certain investments with embedded derivatives. A change in interest rates would not affect profit or loss except for its interest rate exposure resulted from these investments with embedded derivatives.

Investments with embedded derivatives are debt instruments that differ from standard fixed-income debt securities in which the investments' interest and final payout depends on whether interest rates or the underlying share price of a basket of stocks or stock exceed a pre-determined level. Accordingly, the fair value of these instruments are subject to both fair value interest rate risk and other price risk. The preparation of sensitivity analysis on fair value interest rate risk and other price risk in relation to these investments with embedded derivatives involves complicated valuation techniques and management considers the cost outweighs benefit provided. Accordingly, no sensitivity analysis in relation to these investments is presented.

24. FINANCIAL RISK MANAGEMENT (CONT'D)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is exposed to price risk through its available-for-sale investments and investments at fair value through profit or loss. The Group is not exposed to commodity price risk.

Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

For the reasons stated above, the sensitivity to price risk in regard to investments with embedded derivatives is therefore not presented below.

The sensitivity analysis below has been determined based on the exposure to price risk for available-for-sale investments as at the balance sheet date. The analysis is prepared assuming such financial instruments outstanding at the balance sheet date were outstanding for the whole year. A change in 36% (2008 - 12.50%) represents management's assessment of the reasonably possible changes in the fair value of its available-for-sale investments at the balance sheet date over the period until the next annual balance sheet date given the volatility observed on a historical basis.

As at 31st March, 2009, if the fair value of the Group's portfolio of available-for-sale investments had been 36% higher (2008 - 12.50%) while all other variables were held constant, deficit for the year and accumulated surplus/(deficit) - designated funds would have not been affected and investment revaluation reserve would have been HK\$3,514,000 higher (2008 - \$2,162,000).

As at 31st March, 2009, if the fair value of the Group's portfolio of available-for-sale investments had been 36% lower (2008 - 12.5%) while all other variables were held constant, deficit for the year would have not been affected (2008 - Nil), accumulated surplus/(deficit) - designated funds would have been HK\$7,779,000 lower (2008 - Nil) and investment revaluation reserve would have been HK\$4,265,000 higher (2008 - \$2,162,000 lower). The analysis is performed on the same basis for 2008.

Limitations of market risk sensitivity analyses

The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. FAIR VALUE

The executive committee members consider that the carrying values of financial assets and liabilities approximate their fair values.

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the executive committee on 7th October, 2009.