

FINANCIAL
STATEMENTS

THE HONG KONG SOCIETY
FOR REHABILITATION

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR

ENDED

31ST MARCH, 2010

潘永祥會計師事務所

Poon & Co.

CERTIFIED PUBLIC ACCOUNTANTS
CHARTERED SECRETARIES

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, 2010.

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 8 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, 2010 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, 2010 are set out in the statements of financial positions on pages 7 and 8 respectively.

The cash flows of the Group are set out in the consolidated cash flow statement on pages 10 and 11.

LAND USE RIGHTS 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 6 and 7 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 12 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
Mr. David Po Wing YAU	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	

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 black ink, consisting of a series of connected loops and a final flourish.

M. B. Lee

Chairman, Executive Committee

Hong Kong, 28th October, 2010

潘永祥會計師事務所
香港皇后大道東四十三
至五十九號東美中心六樓

Poon & Co.
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43-59 QUEEN'S ROAD EAST
HONG KONG

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

Our Ref. No. A/T/77

Your Ref. No. _____

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 49, which comprise the consolidated and company statements of financial positions as at 31st March, 2010, and the consolidated income statement, the consolidated comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, 2010 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.', written in a cursive style.

Poon & Co.
Certified Public Accountants

HONG KONG, 28th October, 2010

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2010

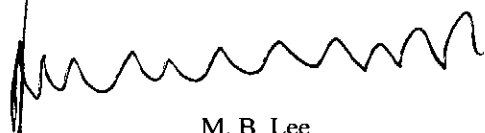
	<u>Note</u>	<u>2010</u>	<u>2009</u>
		HK\$	(As restated) HK\$
Government grants and other donations	3	80,676,344	78,638,318
Sales and service income	3	52,751,205	50,174,792
Other revenues	3	1,870,166	2,136,998
Cost of sales and services		(19,751,838)	(18,933,316)
Operating expenses		(120,151,895)	(111,743,233)
(Deficit)/surplus for the year - General fund	4	(4,606,018)	273,559
Deficit for the year - Designated funds		(4,407,442)	(1,553,999)
Deficit for the year		<u>(9,013,460)</u>	<u>(1,280,440)</u>

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2010

	Note	At 31/3/2010	At 31/3/2009 (As restated)	At 1/4/2008 (As restated)
		HK\$	HK\$	HK\$
NON-CURRENT ASSETS				
Land use rights	6	5,529,056	5,373,833	5,284,700
Property, plant and equipment	7	19,678,165	16,318,203	12,504,597
Held-to-maturity securities	9	5,076,080	5,101,440	5,126,800
Available-for-sale investments	10	17,002,616	9,760,302	17,714,142
		<u>47,285,917</u>	<u>36,553,778</u>	<u>40,630,239</u>
CURRENT ASSETS				
Investments at fair value through profit or loss	11	5,629,379	4,554,985	6,375,596
Inventories		647,858	302,783	263,289
Trade debtors		1,947,364	977,190	1,053,740
Sundry debtors, deposits and prepayments		9,394,144	4,628,525	6,340,012
Tax recoverable		-	-	108,558
Short-term deposits with original maturities of more than three months		-	145,404	2,531,256
Cash and bank balances (Including time deposits - \$4,681,239 2009 - \$10,800,682)		<u>23,199,460</u>	<u>30,101,319</u>	<u>27,168,968</u>
		<u>40,818,205</u>	<u>40,710,206</u>	<u>43,841,419</u>
LESS: CURRENT LIABILITIES				
Bank overdraft (secured)		514,557	773,653	437,578
Bank loan (secured)	12	-	615,296	602,866
Trade creditors		448,697	108,013	358,961
Sundry creditors and accruals		5,285,643	5,454,730	5,695,017
Surplus repayable to the Hong Kong Jockey Club Charities Trust		-	613,866	-
Deferred income		11,504,276	1,218,876	611,220
Loan from Chairman of the Executive Committee	13	3,000,000	-	-
Provisions	14	1,835,392	2,214,752	1,139,841
		<u>22,588,565</u>	<u>10,999,186</u>	<u>8,845,483</u>
NET CURRENT ASSETS		<u>18,229,640</u>	<u>29,711,020</u>	<u>34,995,936</u>
NET ASSETS		<u>65,515,557</u>	<u>66,264,798</u>	<u>75,626,175</u>
REPRESENTING:				
RESERVES		<u>65,515,557</u>	<u>66,264,798</u>	<u>75,626,175</u>

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



M. B. Lee
Chairman, Executive Committee



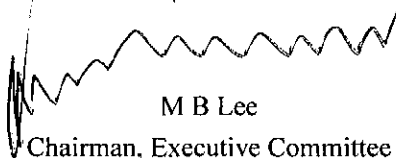
Benny W. L. Cheung
Vice-chairman, Executive Committee

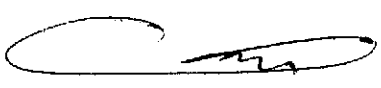
THE HONG KONG SOCIETY FOR REHABILITATION

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2010

	<u>Note</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	7	6,242,530	1,457,450
Interests in subsidiaries	8	91,995,764	88,006,249
Held-to-maturity securities	9	5,076,080	5,101,440
Available-for-sale investments	10	17,002,616	9,760,302
		<u>120,316,990</u>	<u>104,325,441</u>
CURRENT ASSETS			
Investments at fair value through profit or loss	11	5,629,379	4,554,985
Inventories		94,611	87,438
Sundry debtors, deposits and prepayments		7,885,931	2,689,799
Short-term deposits with original maturities of more than three months		-	145,404
Cash and bank balances (Including time deposits - \$4,681,239 2009 - \$10,694,591)		20,990,773	27,780,981
		<u>34,600,694</u>	<u>35,258,607</u>
LESS: CURRENT LIABILITIES			
Bank overdraft (secured)		288,461	773,653
Bank loan (secured)	12	-	615,296
Loan from Chairman of the Executive Committee	13	3,000,000	-
Amount due to subsidiaries		1,856,843	624,837
Sundry creditors and accruals		3,914,238	3,708,102
Surplus repayable to the Hong Kong Jockey Club Charities Trust		-	613,866
Deferred income		11,017,007	936,142
Provisions		1,301,471	1,452,542
		<u>21,378,020</u>	<u>8,724,438</u>
NET CURRENT ASSETS		<u>13,222,674</u>	<u>26,534,169</u>
NET ASSETS		<u>133,539,664</u>	<u>130,859,610</u>
REPRESENTING:			
RESERVES	16	<u>133,539,664</u>	<u>130,859,610</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 STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2010

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
DEFICIT FOR THE YEAR	(9,013,460)	(1,280,440)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		
Surplus repayable to the Hong Kong Jockey Club Charities Trust	-	(613,866)
Surplus clawed back by Social Welfare Department	(9,208)	-
Realisation of reserve on sale of available-for-sale investments	788,402	(73,030)
Gain/(loss) from change in fair value of available-for-sale investments	6,410,236	(8,713,074)
Exchange difference on translation of foreign subsidiary	1,074,789	1,319,033
Income tax relating to other comprehensive income	-	-
	<u>8,264,219</u>	<u>(8,080,937)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(749,241)</u>	<u>(9,361,377)</u>

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2010

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/surplus for the year - General Fund	(4,606,018)	273,559
Adjustments for:		
Depreciation and written off of property, plant and equipment	1,048,612	822,697
Property, plant and equipment written-off	548,579	357,398
Amortization of land use right	69,198	68,828
Bank interest income	(209,985)	(259,809)
Exchange realignment	(646,178)	623,907
	<u>(3,795,792)</u>	<u>1,886,580</u>
Deficit for the year - Designated Funds	(4,407,442)	(1,553,999)
Adjustment for: investment income		
(Gain)/loss on change in fair value of investments at		
fair value through profit and loss	(810,920)	262,972
Loss/(gain) on disposals of available-for-sale investments	56,216	(103,555)
Gain on disposals of investments at fair value through profit and loss	(148,144)	(216,097)
Impairment loss on available-for-sale investments	-	1,146,285
	<u>(5,310,290)</u>	<u>(464,394)</u>
Operating (deficit)/surplus before working capital changes	(9,106,082)	1,422,186
Increase in inventories	(345,075)	(39,494)
(Increase)/decrease in trade debtors	(970,174)	76,550
(Increase)/decrease in sundry debtors, deposits and prepayments	(4,766,750)	1,681,920
Increase/(decrease) in trade creditors	340,684	(250,948)
Decrease in sundry creditors and accruals	(169,087)	(240,287)
Decrease in surplus repayable to		
the Hong Kong Jockey Club Charities Trust	(613,866)	-
Increase in deferred income	10,285,400	607,656
(Decrease)/increase in provisions	(379,360)	1,074,911
Cash (used in)/generated from operations	(5,724,310)	4,332,494
Purchases of investments at fair value through profit or loss	(3,264,747)	(7,007,995)
Proceeds from sale of investments at fair value		
through profit or loss	3,149,417	8,781,730
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	<u>(5,839,640)</u>	<u>6,106,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	211,116	289,376
Purchases of property, plant and equipment	(3,444,454)	(4,322,616)
Purchases of available-for-sale investments	(1,509,933)	(2,826,715)
Proceeds from sale of available-for-sale investments	1,410,040	951,720
Decrease in short-term deposits with		
original maturities of more than three months	145,404	2,385,852
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,187,827)</u>	<u>(3,522,383)</u>

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2010 (CONTD)

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan repaid	(615,296)	-
Loan from Chairman of the Executive Committee	3,000,000	-
Bank loan obtained	-	12,430
NET CASH FROM FINANCING ACTIVITIES	<u>2,384,704</u>	<u>12,430</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,642,763)	2,596,276
CASH AND CASH EQUIVALENTS AT 1ST APRIL, 2009	29,327,666	26,731,390
CASH AND CASH EQUIVALENTS AT 31ST MARCH, 2010	<u>22,684,903</u>	<u>29,327,666</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	23,199,460	30,101,319
Bank overdraft (secured)	(514,557)	(773,653)
	<u>22,684,903</u>	<u>29,327,666</u>

THE HONG KONG SOCIETY FOR REHABILITATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2010

	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, 2008 (As restated)	13,506,276	4,520,863	55,957,080	1,641,956	75,626,175
(Deficit)/surplus for the year (As restated)	-	-	(1,553,999)	273,559	(1,280,440)
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 (As restated)	1,319,033	-	-	-	1,319,033
Other comprehensive income/(loss) for the year (As restated)	1,319,033	(8,786,104)	-	(613,866)	(8,080,937)
Total comprehensive income/(loss) for the year (As restated)	1,319,033	(8,786,104)	(1,553,999)	(340,307)	(9,361,377)
Surpluses transferred to designated funds	-	-	428,225	(428,225)	-
As at 31st March, 2009 (As restated)	14,825,309	(4,265,241)	54,831,306	873,424	66,264,798
Deficit for the year	-	-	(4,407,442)	(4,606,018)	(9,013,460)
Surplus clawed back by Social Welfare Department	-	-	-	(9,208)	(9,208)
Realisation of reserve on sale of available-for-sale investments	-	788,402	-	-	788,402
Gain from change in fair value of available-for-sale investments	-	6,410,236	-	-	6,410,236
Exchange difference on translation of foreign subsidiary	1,074,789	-	-	-	1,074,789
Other comprehensive income/(loss) for the year	1,074,789	7,198,638	-	(9,208)	8,264,219
Total comprehensive income/(loss) for the year	1,074,789	7,198,638	(4,407,442)	(4,615,226)	(749,241)
Surpluses transferred from designated funds	-	-	(3,079,898)	3,079,898	-
Deficits transferred to designated funds	-	-	(3,301,967)	3,301,967	-
	-	-	(6,381,865)	6,381,865	-
As at 31st March, 2010	15,900,098	2,933,397	44,041,999	2,640,063	65,515,557
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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 8 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.

In the current year, the Group has adopted the following revised standards which are effective for annual reporting periods beginning on or after 1st January, 2009.

HKAS 1 (Revised) Presentation of Financial Statements

Under the revised standard, the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows". All income and expenses arising from transactions with non-owners (i.e. the non-owner movements of equity) are presented under the "Income Statement" and "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Equity", while the owner changes in equity are presented in the "Statement of Changes in Equity". Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation of the financial statements, there is no impact on reported profit or loss and net assets for any period presented.

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by a three level fair value hierarchy for all financial instruments carried at fair value. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. As the change in accounting policy only results additional disclosures, there is no impact on reported profit or loss and net assets for any period presented.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Change in accounting policy and presentation

For donations received from the Hong Kong Jockey Club Charities Trust for the Home for the Elderly project, the Group re-assessed and decided to account for such donations based on the nature of the donations, whether the approved claims related to income or purchase of assets as opposed to recorded all of such donations in Accumulated surplus/(deficit) - designated funds in the consolidated financial statements in prior years. The Group considered such policy better reflects the substance of the donations even though the former policy was generally acceptable given the donations were not government grants.

In the consolidated financial statements, the new accounting policy resulted reversal of depreciation for specific property, plant and equipment funded by the aforesaid donations and recognition of donations in the income statement for support of operating losses incurred by the Society for Rehabilitation Yee Hong (SZ) Company Limited, a subsidiary which operated such project notwithstanding that the Society and the subsidiary are separate legal entities.

In accordance with HKAS 1 (Revised) Presentation of Financial Statements, the presentation of an additional statement of financial position and related notes as at 1st April, 2008 is required because the Group has applied the above accounting policy retrospectively.

The retrospective restatements and effects of the change in accounting policy and presentation for donations received for the Home for the Elderly Project are presented as follows:

	At 31/3/2009 (As reported)	Change in accounting policy and presentation	At 31/3/2009 (As restated)
	HK\$	HK\$	HK\$
Restatements of prior year balances			
<u>For the year ended 31st March, 2009</u>			
(Increase)/decrease in deficit and <u>total comprehensive loss for the year</u>			
<u>Group</u>			
Government grants and other donations	76,581,408	2,056,910	78,638,318
Depreciation and written off of property, plant and equipment and amortisation of land use rights	(3,638,992)	2,390,069	(1,248,923)
Exchange difference on translation of foreign subsidiary	1,300,724	18,309	1,319,033
(Deficit)/surplus for the year			
- General fund	(4,173,420)	4,446,979	273,559
Surplus/(deficit) for the year			
- Designated funds	939,926	(2,493,925)	(1,553,999)
Deficit for the year	(3,233,494)	1,953,054	(1,280,440)
Other comprehensive loss for the year	(8,099,246)	18,309	(8,080,937)
Total comprehensive loss for the year	<u>(11,332,740)</u>	<u>1,971,363</u>	<u>(9,361,377)</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

	At 31/3/2009 (As reported)	Change in accounting policy and presentation	At 31/3/2009 (As restated)
	HK\$	HK\$	HK\$
<u>Group</u>			
Restatements of prior year balances <u>As at 31st March, 2009</u>			
<u>Increase/(decrease) in net assets</u>			
Land use rights	15,790,507	(10,416,674)	5,373,833
Property, plant and equipment	65,793,833	(49,475,630)	16,318,203
Exchange translation reserve	14,274,992	550,317	14,825,309
Accumulated surplus/(deficit)			
- Designated funds	128,167,502	(73,336,196)	54,831,306
Accumulated surplus/(deficit)			
- General fund	(12,020,151)	12,893,575	873,424
	<u>96,446,082</u>	<u>(59,892,304)</u>	<u>36,553,778</u>
Non-current assets			
Net assets	<u>126,157,102</u>	<u>(59,892,304)</u>	<u>66,264,798</u>
	At 1/4/2008 (As reported)	Change in accounting policy and presentation	At 1/4/2008 (As restated)
	HK\$	HK\$	HK\$
<u>Group</u>			
Restatements of prior year balances <u>As at 1st April, 2008</u>			
<u>Increase/(decrease) in net assets</u>			
Land use rights	16,029,673	(10,744,973)	5,284,700
Property, plant and equipment	63,623,291	(51,118,694)	12,504,597
Exchange translation reserve	12,974,268	532,008	13,506,276
Accumulated surplus/(deficit)			
- Designated funds	126,799,351	(70,842,271)	55,957,080
Accumulated surplus/(deficit)			
- General fund	(6,804,640)	8,446,596	1,641,956
	<u>102,493,906</u>	<u>(61,863,667)</u>	<u>40,630,239</u>
Non-current assets			
Net assets	<u>137,489,842</u>	<u>(61,863,667)</u>	<u>75,626,175</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

HK\$

Effects of the change in accounting policy and presentation

For the year ended 31st March, 2010

(Increase)/decrease in deficit and
total comprehensive loss for the year

Group

Government grants and other donations	2,791,017
Depreciation and written off of property, plant and equipment and amortisation of land use right	3,950,503
Deficit for the year - General fund	6,741,520
Deficit for the year - Designated funds	(5,478,515)
Deficit for the year	1,263,005
Total comprehensive loss for the year	1,263,005

Effects of the change in accounting policy and presentation

As at 31st March, 2010

Increase/(decrease) in net assets

Group

Land use rights	(10,072,597)
Property, plant and equipment	(48,497,858)
Exchange translation reserve	609,161
Accumulated surplus/(deficit) - Designated funds	(78,814,711)
Accumulated surplus/(deficit) - General fund	12,893,575
Non-current assets	(58,570,455)
Net assets	(65,311,975)

The Group has not early adopted any of the new standards or interpretations that have been issued but are not yet effective. The directors 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, 2010.

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

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

In the Society's statement of financial position, 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 and other donations relating to purchases of property, plant and equipment are recorded as funds utilised and 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 funds utilised and 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 rights 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 rights

Land use rights are up-front payments to acquire long-term interests in lessee-occupied properties. The payments are stated at cost less accumulated impairment losses and are 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 end of the reporting period, 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 the end of each reporting period, 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 end of the reporting period.

Investments at fair value through profit or loss

Investments held for trading, investments with embedded derivatives, forward contracts 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 the end of each reporting period 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 with original maturities of more than three months 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.

Other financial liabilities

Other financial liabilities (including bank overdraft (secured), bank loan (secured), trade creditors, amount due to subsidiaries, sundry creditors and accruals, surplus repayable to the Hong Kong Jockey Club Charities Trust and loan from Chairman of the Executive Committee) 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.

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)

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 values

Fair values of investments traded on active markets are based on quoted market prices.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair values of unlisted investments are based on fair value reported by brokers.

For unlisted investments reported by brokers without an active market, fair values are established by using valuation techniques and making maximum use of market inputs while relying as little as possible on entity-specific inputs.

(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 the end of each reporting period. 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.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

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 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 the end of each reporting period, the Group and the Society review the carrying amounts of its land use rights, 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 statement of financial position as land use rights.

Assets held under finance leases are recognised in the statements of financial positions 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 end of the reporting period 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 end of the reporting period, 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 end of the reporting period 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 the end of each reporting period 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 and other donations are recognised in the statements of financial positions 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.

Government grants and other donations 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.

Funds raised on flag day 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.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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>2010</u>	<u>2009</u>
		(As restated)
	HK\$	HK\$
<u>Government grants and other donations</u>		
Government grants	69,399,327	63,049,468
Funds raised on flag day	569,384	732,767
Allocation from the Community Chest of Hong Kong	2,621,685	2,478,866
Donations from the Hong Kong Jockey Club		
Charities Trust	2,791,017	2,495,942
Other donations received	5,294,931	9,881,275
	<u>80,676,344</u>	<u>78,638,318</u>
<u>Sales and service income</u>		
Bus fares, medical service fees and		
other service fee income	45,953,821	47,969,799
Sale of goods	6,797,384	2,204,993
	<u>52,751,205</u>	<u>50,174,792</u>
Turnover	<u>133,427,549</u>	<u>128,813,110</u>
<u>Other revenues</u>		
Bank interest income	209,986	259,809
Miscellaneous income	1,660,180	1,877,189
	<u>1,870,166</u>	<u>2,136,998</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. DEFICIT FOR THE YEAR - GENERAL FUND

Deficit for the year - General fund is arrived at after charging/(crediting) the following items:

	<u>2010</u>	<u>2009</u> (As restated)
	HK\$	HK\$
Staff costs (Cost of services)		
- Salaries and other benefits	7,384,663	7,301,567
- Contributions to defined contribution retirement schemes	352,488	352,793
	<u>7,737,151</u>	<u>7,654,360</u>
Staff costs (Operating expenses)		
- Salaries and other benefits	76,604,435	72,408,366
- Contributions to defined contribution retirement schemes	5,815,321	5,294,959
- Other benefits	813,608	21,203
	<u>83,233,364</u>	<u>77,724,528</u>
	<u>90,970,515</u>	<u>85,378,888</u>
Auditors' remuneration		
- Audit services	269,294	249,446
- Other services	88,800	94,500
Operating lease charges in respect of land and buildings	1,822,376	1,274,418
Operating lease charges in respect of equipment	92,894	-
Amortisation of land use rights	69,198	68,828
Depreciation on property, plant and equipment	1,049,109	822,697
Property, plant and equipment written-off	548,579	357,398
Bank interest income	<u>(209,985)</u>	<u>(259,809)</u>

5. TAXATION

Current tax

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

No Hong Kong and overseas profits tax is provided in view of accumulated tax losses or the Society's subsidiaries incurred a loss for the year.

6. LAND USE RIGHTS

Group

	Outside Hong Kong Medium term lease HK\$
<u>Net carrying amount</u>	
At 31st March, 2010	5,529,056
At 31st March, 2009 (As restated)	<u>5,373,833</u>

THE HONG KONG SOCIETY FOR REHABILITATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Land and buildings and fittings (Notes (i) & (ii))</u>	<u>Leasehold improvement</u>	<u>Furniture, fixtures and other equipment (Notes (ii))</u>	<u>Computer software</u>	<u>Motor vehicles (Notes (ii))</u>	<u>Capital expenditure in progress</u>	<u>Total</u>
<u>Cost</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
As at 1st April, 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
Additions	3,659,070	144,931	1,298,623	53,646	189,545	10,252,762	15,598,577
Reclassifications	(6,436,134)	-	6,316,961	-	119,173	-	-
Exchange adjustment	1,497,206	-	40,237	-	6,224	-	1,543,667
Written off	-	-	(35,032)	-	-	-	(35,032)
As at 31st March, 2010	139,039,620	626,368	26,943,027	698,214	17,094,890	10,733,572	195,135,691
<u>Accumulated depreciation</u>							
As at 1st April, 2008 (As restated)	176,389	284,931	1,422,076	324,449	3,002	-	2,210,847
Charge for the year (As restated)	79,736	71,503	585,605	62,713	23,140	-	822,697
Exchange adjustment (As restated)	518	-	-	-	-	-	518
Written off	-	(137,478)	(8,578)	-	-	-	(146,056)
As at 31st March, 2009	256,643	218,956	1,999,103	387,162	26,142	-	2,888,006
Charge for the year	225,021	75,055	661,544	64,349	23,140	-	1,049,109
Exchange adjustment	(11,721)	-	22,674	-	4,405	-	15,358
Written off	-	-	(18,233)	-	-	-	(18,233)
As at 31st March, 2010	469,943	294,011	2,665,088	451,511	53,687	-	3,934,240
<u>Funds utilised</u>							
As at 1st April, 2008 (As restated)	126,390,128	-	14,339,792	55,535	6,189,816	363,310	147,338,581
Amount utilised (As restated)	-	151,267	857,909	44,500	10,395,540	117,500	11,566,716
Written off	-	-	(83,027)	-	-	-	(83,027)
As at 31st March, 2009	126,390,128	151,267	15,114,674	100,035	16,585,356	480,810	158,822,270
Reclassifications	(5,339,834)	-	5,240,992	-	98,842	-	-
Amount utilised	5,866,472	114,743	1,092,448	19,152	189,546	5,446,871	12,729,232
Written off	-	-	(28,216)	-	-	-	(28,216)
As at 31st March, 2010	126,916,766	266,010	21,419,898	119,187	16,873,744	5,927,681	171,523,286
<u>Net carrying amount</u>							
As at 31st March, 2010	11,652,911	66,347	2,858,041	127,516	167,459	4,805,891	19,678,165
As at 31st March, 2009 (As restated)	13,672,707	111,214	2,208,461	157,371	168,450	-	16,318,203
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THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

<u>Society</u>	<u>Land and buildings and fittings</u> (Notes (i) & (ii))	<u>Machinery and workshop equipment</u> (Notes (ii))	<u>Furniture, fixtures and office equipment</u> (Notes (ii))	<u>Motor vehicles</u> (Notes (ii))	<u>Computer software</u>	<u>Capital expenditure in progress</u>	<u>Total</u>
<u>Cost</u>	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1st April, 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
Additions	3,659,070	663,748	437,449	189,545	24,140	10,252,762	15,226,714
Written off	-	-	-	-	-	-	-
As at 31st March, 2010	77,526,385	7,996,020	7,844,045	16,478,478	298,674	10,733,572	120,877,174
<u>Accumulated depreciation</u>							
As at 1st April, 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
Charge for the year	157,755	185,901	292,568	22,140	40,066	-	698,430
As at 31st March, 2010	316,505	636,527	924,807	44,280	121,770	-	2,043,889
<u>Funds utilised</u>							
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
Amount utilised	3,150,757	617,912	318,967	189,545	19,152	5,446,871	9,743,204
Written off	-	-	-	-	-	-	-
As at 31st March, 2010	76,742,635	7,078,359	6,376,275	16,367,778	98,027	5,927,681	112,590,755
<u>Net carrying amount</u>							
As at 31st March, 2010	467,245	281,134	542,963	66,420	78,877	4,805,891	6,242,530
As at 31st March, 2009	116,687	421,199	717,049	88,560	113,955	-	1,457,450

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. 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 rights in note 6;

- (ii) During the year under review, the Society received fundings from the Lotteries Fund and the Hong Kong Jockey Club Charities Trust for the purchases of property, plant and equipment of HK\$133,494 (2009 - \$85,690) and HK\$2,687,498 (2009 - \$10,832,555) respectively.

The net book value of land and buildings comprises:

	<u>Group</u>		<u>Society</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
		(As restated)		
	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	11,185,666	13,556,020	-	-
	<u>11,185,668</u>	<u>13,556,022</u>	<u>2</u>	<u>2</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INTERESTS IN SUBSIDIARIES

As at 31st March, 2010, 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 (Note (ii))	Hong Kong	Convenience stores, rehabilitation product shops and gift shop	100% (direct)
Society for Rehabilitation Yee Hong (SZ) Company Limited (Note (iii))	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>2010</u>	<u>2009</u>
	<u>HK\$</u>	<u>HK\$</u>
Unlisted shares, at cost	40,510,102	40,510,102
Amounts due from subsidiaries (Note (i))	51,485,662	47,496,147
	<u>91,995,764</u>	<u>88,006,249</u>

Note:

- (i) The amounts due by subsidiaries are unsecured, interest-free and have no fixed repayment terms.
- (ii) Wah Hong Convenience store Limited and Easy-Access Travel Limited were funded by the payments of grants from the government of the Hong Kong Special Administrative Region in relation to "Enhancing Employment of People with Disabilities through Small Enterprises Project".
- (iii) 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, 2010, the Hong Kong Jockey Club Charities Trust donated HK\$4,900,031 (2009 - \$2,610,194) to the Home for the Elderly Project Fund as detailed in note 18.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
9. <u>HELD-TO-MATURITY SECURITIES</u>		
<u>Group and Society</u>		
Debt securities, at amortised cost		
Listed in Hong Kong	2,076,080	2,101,440
Unlisted in Hong Kong	3,000,000	3,000,000
	<u>5,076,080</u>	<u>5,101,440</u>
Market value of listed securities	<u>5,152,000</u>	<u>5,141,600</u>
10. <u>AVAILABLE-FOR-SALE INVESTMENTS</u>		
<u>Group and Society</u>		
Equity securities, at fair value		
Listed in Hong Kong	10,049,334	5,002,125
Listed outside Hong Kong	1,984,428	1,398,079
Unlisted outside Hong Kong	590,823	384,960
	<u>12,624,585</u>	<u>6,785,164</u>
Investment funds, at fair value		
Listed in Hong Kong	2,445,300	1,573,200
Unlisted outside Hong Kong	1,592,963	1,080,473
	<u>4,038,263</u>	<u>2,653,673</u>
Debt securities, at fair value		
Unlisted outside Hong Kong	<u>339,768</u>	<u>321,465</u>
	<u>17,002,616</u>	<u>9,760,302</u>
Market value of listed securities	<u>14,479,062</u>	<u>7,973,404</u>
11. <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	4,882,621	4,174,783
Forward contracts, at fair value		
Unlisted outside Hong Kong	402,089	380,202
Equity securities, at fair value		
Listed in Hong Kong	344,669	-
	<u>5,629,379</u>	<u>4,554,985</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. BANK LOAN (SECURED)

As at 31st March, 2009, 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.

13. LOAN FROM CHAIRMAN OF THE EXECUTIVE COMMITTEE

Loan from Chairman of the Executive Committee is secured, interest free and repayable on demand.

14. PROVISIONS

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
Employee benefits	1,508,780	1,948,577
Others	326,612	266,175
	<u>1,835,392</u>	<u>2,214,752</u>

Provision for employee benefits represents accrued long service payments.

15. DEFERRED TAXATION

Group

As at 31st March, 2010, deferred tax assets of HK\$5,206,461 (2009 - \$1,674,203) have not been recognised in respect of the following items due to unpredictability of future profit streams.:

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
Tax losses	22,991,238	14,821,289
Deductible temporary differences	163,184	105,683
Taxable temporary differences	(176,639)	(313,057)
	<u>22,977,783</u>	<u>14,613,915</u>

Tax losses of HK\$16,648,550 (2009 - \$9,761,154) 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 revaluation reserve - Designated funds</u> (Note 17)	<u>Accumulated surplus/(deficit) - Designated funds</u> (Note 18)	<u>Accumulated surplus/(deficit) - General fund</u>	<u>Total reserves</u>
	HK\$	HK\$	HK\$	HK\$
As at 1st April, 2008	4,520,863	126,799,351	7,216,473	138,536,687
Surplus for the year	-	939,926	782,967	1,722,893
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)
Other comprehensive loss for the year	(8,786,104)	-	(613,866)	(9,399,970)
Total comprehensive (loss)/income for the year	(8,786,104)	939,926	169,101	(7,677,077)
Surpluses transferred to designated funds	-	428,225	(428,225)	-
As at 31st March, 2009	(4,265,241)	128,167,502	6,957,349	130,859,610
Surplus/(deficit) for the year	-	1,071,074	(5,580,450)	(4,509,376)
Surplus clawed back by Social Welfare Department	-	-	(9,208)	(9,208)
Realisation of reserve on sale of available-for-sale investments	788,402	-	-	788,402
Gain from change in fair value of available-for-sale investments	6,410,236	-	-	6,410,236
Other comprehensive income/(loss) for the year	7,198,638	-	(9,208)	7,189,430
Total comprehensive income/(loss) for the year	7,198,638	1,071,074	(5,589,658)	2,680,054
Surpluses transferred to designated funds	-	(3,079,898)	3,079,898	-
Deficits transferred from designated funds	-	(3,301,967)	3,301,967	-
	-	(6,381,865)	6,381,865	-
As at 31st March, 2010	2,933,397	122,856,711	7,749,556	133,539,664

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. INVESTMENT REVALUATION RESERVE - DESIGNATED FUNDS

<u>Group and Society</u>	<u>Balance as at 1/4/2009</u>	<u>Realisation of reserve on sale of available-for-sale investments</u>	<u>Gain from change in fair value of available-for-sale investments</u>	<u>Transfer in/(out)</u>	<u>Balance as at 31/3/2010</u>
	HK\$	HK\$	HK\$	HK\$	HK\$
Fund available to service units of the Society					
Adult Education Fund	-	-	-	-	-
Community Based Rehabilitation Development Fund	(674,056)	141,874	1,153,533	-	621,351
Community Rehabilitation Network Reserve Fund	-	-	-	-	-
Easy-Access Transport Services for					
Overseas Visitors with Disabilities Fund	-	-	-	-	-
Employaid Fund	27,327	10,476	85,177	-	122,980
IRM Development Fund	(253,675)	60,728	493,759	-	300,812
Lee Quo Wei Day Rehabilitation and Care Centre Fund (Formerly MMRC Day Centre Fund)	-	-	-	(174,575)	(174,575)
Motor Vehicle Development Fund	(93,428)	9,777	79,491	-	(4,160)
MTRC Building and Operation Account	(79,560)	-	-	-	(79,560)
Rehab. Volunteer Fund	(86,383)	14,704	119,553	-	47,874
Supported Employment Reserve Fund	-	-	-	-	-
Vocational Rehabilitation Development Fund	(601,140)	117,771	957,559	-	474,190
Wellness Development Fund	(510,018)	65,820	535,164	-	90,966
WHO (UCBR) Project Fund	174,256	-	-	-	174,256
	<u>(2,096,677)</u>	<u>421,150</u>	<u>3,424,236</u>	<u>(174,575)</u>	<u>1,574,134</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>	<u>Balance as at 1/4/2009</u>	<u>Realisation of reserve on sale of available-for-sale investments</u>	<u>Gain from change in fair value of available-for-sale investments</u>	<u>Transfer in/(out)</u>	<u>Balance as at 31/3/2010</u>
	HK\$	HK\$	HK\$	HK\$	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	(138,626)	34,951	284,178	-	180,503
International Disabled Day Fund	(45,174)	10,835	88,094	-	53,755
R.I. CBR Project Fund	(23,207)	4,745	38,584	-	20,122
R.I. Hong Kong Indian Foundation Fund	(65,220)	16,643	135,320	-	86,743
R.I. Secretariat Fund	5,548	2,384	19,383	-	27,315
	(266,679)	69,558	565,559	-	368,438
Funds for capital projects only					
Geriatric & Rejuvenation Centre Fund	(231,373)	55,564	451,770	-	275,961
HKSR Building Fund	(183,213)	45,476	369,748	-	232,011
HKSR Equipment Fund	(137,994)	33,203	269,967	-	165,176
Lee Quo Wei Day Rehabilitation and Care Centre Fund (Formerly MMRC Day Centre Fund)	(291,066)	12,758	103,733	174,575	-
Tsang Shiu Tim Elderly Home Fund (Formerly MMRC Elderly Home Fund)	(693,647)	33,827	275,035	-	(384,785)
	(1,537,293)	180,828	1,470,253	174,575	288,363

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>	<u>Balance as at 1/4/2009</u>	<u>Realisation of reserve on sale of available-for-sale investments</u>	<u>Gain from change in fair value of available-for-sale investments</u>	<u>Transfer in/(out)</u>	<u>Balance as at 31/3/2010</u>
	HK\$	HK\$	HK\$	HK\$	HK\$
Funds for other specific purposes					
Anderson Training Fund	(50,672)	12,173	98,974	-	60,475
DRCC Fund	-	-	-	-	-
Easy-Access Development Fund	-	-	-	-	-
EMB OSHO Fund 2000/2001	(3,096)	755	6,140	-	3,799
Harry Fang Memorial Fund	-	6,089	49,500	-	55,589
HKSR Staff Welfare Fund	(47,468)	21,926	178,274	-	152,732
IT Thematic Training Program Fund	(10,385)	1,363	11,080	-	2,058
Mark Pollard Fund	(10,126)	2,429	19,753	-	12,056
MTMRC Back Fitness Program Fund	(116,523)	27,958	227,314	-	138,749
Rehabilitation Development & Research Fund	(11,033)	-	-	-	(11,033)
School Building in Shannxi Province Fund	(1,133)	227	1,846	-	940
Shum Lee Po Lun Independent Living Fund	(135,187)	33,542	272,719	-	171,074
Sichuan Earthquake Relief Fund	(51,937)	10,404	84,588	-	43,055
TRANSED 2010 Fund	72,968	-	-	-	72,968
Yantian Project Fund	-	-	-	-	-
	<u>(364,592)</u>	<u>116,866</u>	<u>950,188</u>	<u>-</u>	<u>702,462</u>
	<u>(4,265,241)</u>	<u>788,402</u>	<u>6,410,236</u>	<u>-</u>	<u>2,933,397</u>

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONTD)

18. ACCUMULATED SURPLUS/(DEFICIT) - DESIGNATED FUNDS

<u>Group and Society</u>	<u>Balance as at 1/4/2009</u>	<u>Donations</u>	<u>Operation and investment income</u>	<u>Operating expenditure</u>	<u>Transfer in/(out)</u>	<u>Balance as at 31/3/2010</u>
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Fund available to service units of the Society						
Adult Education Fund	83,655	-	166,740	(176,801)	-	73,594
Community Based Rehabilitation Development Fund	6,875,870	40,545	321,924	(328,008)	-	6,910,331
Community Rehabilitation Network Reserve Fund	4,561,457	1,073,337	28,777,590	(30,995,419)	-	3,416,965
Easy-Access Transport Services for Overseas Visitors with Disabilities Fund	38,785	-	-	-	-	38,785
Employment Fund	440,318	-	23,771	(196,559)	-	267,530
IRM Development Fund	2,910,010	4,000	865,963	(788,931)	-	2,991,042
Lee Quo Wai Day Centre Fund (Formerly MMRC Day Centre Fund)	-	-	235,139	(263,470)	28,950	619
Motor Vehicle Development Fund	462,206	18,177	22,184	(14,755)	-	487,812
MTRC Building and Operation Account	1,171,600	-	1,919,750	(4,673,035)	-	(1,581,685)
Rehab. Volunteer Fund	632,796	54,170	396,034	(286,980)	-	796,020
Supported Employment Reserve Fund	1,912,101	86,918	2,230,378	(2,300,292)	-	1,929,105
Vocational Rehabilitation Development Fund	6,192,112	234,662	4,690,669	(3,085,596)	(2,779,898)	5,251,949
Wellness Development Fund	3,194,261	2,612	4,737,358	(4,732,594)	-	3,201,637
WHO (UCBR) Project Fund	352,113	3,559,211	1,852,478	(6,275,576)	-	(511,774)
	<u>28,827,284</u>	<u>5,073,632</u>	<u>46,239,978</u>	<u>(54,118,016)</u>	<u>(2,750,948)</u>	<u>23,271,930</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>	<u>Balance as at 1/4/2009</u> HK\$	<u>Donations</u> HK\$	<u>Operation and investment income</u> HK\$	<u>Operating expenditure</u> HK\$	<u>Transfer in/(out)</u> HK\$	<u>Balance as at 31/3/2010</u> HK\$
Funds available for subsidiaries of the Society						
Home for the Elderly Project Fund (Note 2)	70,747,353	4,900,031	-	(730,445)	-	74,916,939
Funds for the Hong Kong Joint Council for People with Disabilities and Rehabilitation International only						
Golden Jubilee Fund	1,659,023	-	79,308	(1,060)	-	1,737,271
International Disabled Day Fund	514,128	-	24,585	-	-	538,713
R.I. CBR Project Fund	264,369	-	10,768	(78,385)	-	196,752
R.I. Hong Kong Indian Foundation Fund	789,739	-	37,765	-	-	827,504
R.I. Secretariat Fund	163,983	-	5,409	(101,725)	-	67,667
	<u>3,391,242</u>	<u>-</u>	<u>157,835</u>	<u>(181,170)</u>	<u>-</u>	<u>3,367,907</u>
Funds for capital projects only						
Geriatric & Rejuvenation Centre Fund	2,636,574	-	126,078	-	-	2,762,652
HKSR Building Fund	2,177,332	300,000	103,188	(338,893)	-	2,241,627
HKSR Equipment Fund	1,575,553	30,000	75,341	(30,000)	-	1,650,894
Lee Quo Wei Day Rehabilitation and Care Centre Fund (Formerly MMRC Day Centre Fund)	1,210,796	1,684,435	28,950	(2,895,231)	(28,950)	-
Tsang Shiu Tim Elderly Home Fund (Formerly MMRC Elderly Home Fund)	3,210,260	2,400,000	76,756	(5,610,260)	-	76,756
	<u>10,810,515</u>	<u>4,414,435</u>	<u>410,313</u>	<u>(8,874,384)</u>	<u>(28,950)</u>	<u>6,731,929</u>
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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 1/4/2009</u>	<u>Donations</u>	<u>Operation and investment income</u>	<u>Operating expenditure</u>	<u>Transfer in/(out)</u>	<u>Balance as at 31/3/2010</u>
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Funds for other specific purposes						
Anderson Training Fund	577,626	-	27,622	-	-	605,248
DRCC Fund	32,723	-	-	-	-	32,723
Easy-Access Development Fund	9,330,146	-	-	-	(300,000)	9,030,146
EMB OSHO Fund 2000/2001	35,834	-	1,714	-	-	37,548
Harry Fang Memorial Fund	-	577,813	13,815	-	-	591,628
HKSR Staff Welfare Fund	1,102,594	-	267,894	(342,494)	-	1,027,994
IT Thematic Training Program Fund	64,664	-	3,092	-	-	67,756
Mark Pollard Fund	115,279	-	5,513	-	-	120,792
MTMRC Back Fitness Program Fund	1,326,629	-	63,438	-	-	1,390,067
Rehabilitation Development & Research Fund	125,608	-	-	(367,367)	-	(241,759)
School Building in Shaanxi Province Fund	10,772	-	515	-	-	11,287
Shum Lee Po Lun Independent Living Fund	1,592,698	-	76,109	(2,166)	-	1,666,641
Sichuan Earthquake Relief Fund	493,662	-	23,606	-	-	517,268
TRANSED 2010 Fund	(417,127)	-	1,385,545	(968,418)	-	-
Yantian Project Fund	-	-	80,261	(369,594)	-	(289,333)
Total for Society (Note 1)	14,391,108	577,813	1,949,124	(2,050,039)	(300,000)	14,568,006
Donations received related to purchases of assets (Note 2)	128,167,502	14,965,911	48,757,250	(65,954,054)	(3,079,898)	122,856,711
Donations received related to income (Note 2)	(68,626,196)	(2,687,498)	-	-	-	(71,313,694)
	(4,710,000)	(2,791,018)	-	-	-	(7,501,018)
Total for Group	54,831,306	9,487,395	48,757,250	(65,954,054)	(3,079,898)	44,041,999

Notes

1. Net transfer from designated funds to general fund of HK\$3,079,898 was made in anticipation of future increase of capital for the Society's loss making subsidiaries operated with capital deficiency.
2. The donations received from the Hong Kong Jockey Club Charities Trust and recorded in the Home for the Elderly Project Fund were utilised to support the capital and operating expenditure of Home for the Elderly in Shenzhen, PRC. The funds utilised to finance the costs of the capital expenditure are deducted from the carrying values of land use rights and property, plant and equipment in note 6 and 7 respectively. The donations received in support for operating expenditure are recognised in the consolidated income statement as other donations.

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>2010</u>	<u>2009</u>
	HK\$	HK\$
Fees	-	-
Other emoluments	-	-
	<u>-</u>	<u>-</u>

20. COMMITMENTS

Capital commitments

As at 31st March, 2010, 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>2010</u>	<u>2009</u>
	HK\$	HK\$
Contracted but not provided for	4,376,836	1,866,055

Operating lease commitments

The Group leases properties under lease agreements which are non-cancellable and the leases expire on various dates until 31st March, 2013. Future aggregate minimum lease payments under non-cancellable operating leases are as follows:-

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
Not later than one year	1,035,365	1,115,630
Later than one year but not later than five years	892,980	355,565
	<u>1,928,345</u>	<u>1,471,195</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>2010</u>	<u>2009</u>
	HK\$	HK\$
Transactions with subsidiaries		
Programme expenses paid to subsidiaries	9,048,000	9,048,000
Fee income received from subsidiaries	2,854,020	1,393,165

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, 2010 was HK\$65,515,557 (2009 - \$66,264,798). The decrease in capital during the year was attributable to decrease in accumulated surplus/(deficit) - designated funds and accumulated surplus/(deficit) - general funds less the increases in exchange translation reserve 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>2010</u>	<u>2009</u>
	HK\$	HK\$
<u>Group</u>		
<u>Financial assets</u>		
Held-to-maturity securities	5,076,080	5,101,440
Available-for-sale investments	17,002,616	9,760,302
Loans and receivables		
(Including cash and bank balances)	33,536,891	35,337,023
Investments at fair value through profit or loss	5,629,379	4,554,985
	<u> </u>	<u> </u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	9,248,897	7,565,558
	<u> </u>	<u> </u>
<u>Society</u>		
<u>Financial assets</u>		
Held-to-maturity securities	5,076,080	5,101,440
Available-for-sale investments	17,002,616	9,760,302
Loans and receivables		
(Including cash and bank balances)	28,253,851	30,415,327
Investments at fair value through profit or loss	5,629,379	4,554,985
	<u> </u>	<u> </u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	9,059,542	6,335,754
	<u> </u>	<u> </u>

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 with original maturities of more than three months 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, 2010 and 2009.

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

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
<u>Group</u>		
Not more than 3 months	843,037	481,416
Over 3 months but within 6 months	152,257	83,456
Over 6 months but within 1 year	239,553	68,060
Over 1 year	13,102	2,426
	<u>1,247,949</u>	<u>635,358</u>
<u>Society</u>		
Not more than 3 months	205,638	332,506
Over 3 months but within 6 months	26,953	11,768
Over 6 months but within 1 year	104,062	15,892
Over 1 year	5,102	976
	<u>341,755</u>	<u>361,142</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\$18,229,640 and HK\$29,711,022 and net assets of HK\$65,515,557 and HK\$66,264,798 as at 31st March, 2010 and 2009 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, 2010</u>				
Bank overdraft (secured)	514,557	514,557	514,557	-
Trade creditors	448,697	448,697	-	448,697
Loan from Chairman of the Executive Committee	3,000,000	3,000,000	3,000,000	-
Sundry creditors and accruals	5,285,643	5,285,643	348,937	4,936,706
	<u>9,248,897</u>	<u>9,248,897</u>	<u>3,863,494</u>	<u>5,385,403</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>Society</u>				
<u>At 31st March, 2010</u>				
Bank overdraft (secured)	288,461	288,461	288,461	-
Amount due to subsidiaries	1,856,843	1,856,743	1,856,843	-
Loan from Chairman of the Executive Committee	3,000,000	3,000,000	3,000,000	-
Sundry creditors and accruals	3,914,238	3,914,238	348,937	3,565,301
	<u>9,059,542</u>	<u>9,059,442</u>	<u>5,494,241</u>	<u>3,565,301</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>

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, 2010 and 2009, the Group and Society had the following monetary financial assets and liabilities denominated in foreign currencies:-

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
<u>Group</u>		
<u>Financial assets/(liabilities)</u>		
Available-for-sale debt investments (USD)	339,768	321,466
Cash and bank balances (USD)	749,962	4,133,378
Net exposure (USD)	<u>1,089,730</u>	<u>4,454,844</u>
<u>Society</u>		
<u>Financial assets/(liabilities)</u>		
Available-for-sale debt investments (USD)	339,768	321,466
Cash and bank balances (USD)	740,929	4,124,344
Net exposure (USD)	<u>1,080,697</u>	<u>4,445,810</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>2010</u>	<u>2009</u>
	HK\$	HK\$
<u>Group</u>		
<u>At fixed rates</u>		
Held-to-maturity securities	5,076,080	5,101,440
Available-for-sale investments	339,768	321,466
Investments at fair value through profit or loss	4,882,621	3,918,899
Short-term deposits with original maturities of more than three months	-	145,404
Cash and bank balances - Time deposits	4,681,239	10,800,682
	<u>14,979,708</u>	<u>20,287,891</u>
<u>Society</u>		
<u>At fixed rates</u>		
Held-to-maturity securities	5,076,080	5,101,440
Available-for-sale investments	339,768	321,466
Investments at fair value through profit or loss	4,882,621	3,918,899
Short-term deposits with original maturities of more than three months	-	145,404
Cash and bank balances - Time deposits	4,681,239	10,694,591
	<u>14,979,708</u>	<u>20,181,800</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.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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.

Management considers other price risk exposures from its other investments at fair value through profit or loss to be insignificant.

The sensitivity analysis below has been determined based on the exposure to price risk for available-for-sale investments as at the end of the reporting period. The analysis is prepared assuming such financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A change in 51% (2009 - 36%) represents management's assessment of the reasonably possible changes in the fair value of its available-for-sale investments at the end of the reporting period over the period until the end of the next annual reporting period given the volatility observed on a historical basis.

As at 31st March, 2010, if the fair value of the Group's portfolio of available-for-sale investments had been 51% higher (2009 - 36%) 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\$8,612,000 higher (2009 - \$3,514,000).

As at 31st March, 2010, if the fair value of the Group's portfolio of available-for-sale investments had been 51% lower (2009 - 36%) while all other variables were held constant, deficit for the year and accumulated surplus/(deficit) - designated funds would have been HK\$5,679,000 lower (2009 - \$7,779,000) and investment revaluation reserve would have been HK\$2,933,000 lower (2009 - \$4,265,000 higher). The analysis is performed on the same basis for 2009.

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 (CONTD)

25. FAIR VALUE

The executive committee members consider the carrying values of financial assets and liabilities are not materially different from their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31st March, 2010:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from significant inputs other than quoted prices included within Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HK\$	HK\$	HK\$	HK\$
<u>Investments at fair value through profit or loss</u>				
Listed equity securities	344,669	-	-	344,669
Unlisted investments with embedded derivatives	-	4,882,621	-	4,882,621
Unlisted forward contracts	-	402,089	-	402,089
	<u>344,669</u>	<u>5,284,710</u>	<u>-</u>	<u>5,629,379</u>
<u>Available-for-sale investments</u>				
Listed equity securities	12,033,762	-	-	12,033,762
Unlisted equity securities	-	590,823	-	590,823
Listed investment funds	2,445,300	-	-	2,445,300
Unlisted investment funds	-	1,592,963	-	1,592,963
Unlisted debt securities	-	339,768	-	339,768
	<u>14,479,062</u>	<u>2,523,554</u>	<u>-</u>	<u>17,002,616</u>
	<u>14,823,731</u>	<u>7,808,264</u>	<u>-</u>	<u>22,631,995</u>

There were no transfers between Levels 1 and 2 and transfers into and out of Level 3 in the current year.

THE HONG KONG SOCIETY FOR REHABILITATION

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. CONTINGENT LIABILITIES

As a result of the Employment (Amendment) Ordinance 2007 on 13th July, 2007, the Group determined an estimated outlay of about HK\$1.8 million mainly related to differences in leave pay for potential claims up to 6 years commenced from 1st January, 2003. Since the estimate was finalised after the end of the year and the amount is expected to be recouped from the Transport Department for the Group's subvented Rehabus service, no related provision is made in the statements of financial positions as at 31st March, 2010.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the executive committee on 28th October, 2010.