

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**



**PHILIP POON  
& PARTNERS**  
CPA LIMITED  
潘展聰會計師行有限公司

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(EXPRESSED IN THE NEAREST HONG KONG DOLLARS)

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED MARCH 31, 2010**

The directors submit their annual report together with the audited financial statements for the year ended March 31, 2010.

**PRINCIPAL ACTIVITIES**

The principal activities of Haven of Hope Christian Service (“the Organisation”) are the provision of health and social services to the public including medical, educational and social care activities in a Christian environment.

**FINANCIAL RESULTS**

The results of the Organisation for the year ended March 31, 2010 are set out in the statement of comprehensive income on page 6.

The state of affairs of the Organisation as at March 31, 2010 is set out in the statement of financial position on pages 7 and 8. The cash flows of the Organisation are set out in the statement of cash flows on page 11.

**RESERVES**

Movement in the reserves of the Organisation during the year is set out in the statement of comprehensive income and statement of changes in funds and reserves.

**FIXED ASSETS**

Details of the movement in fixed assets are set out in note 10 to the financial statements.

**DIRECTORS**

The directors during the financial year were:

Dr	Cheng Hon-kwan, Honorary Chairman	(as Honorary Chairman since November 27, 2009)
Mr	Chiu Chung-ye, Charles, Chairman	(as Chairman since November 27, 2009)

...../To be continued

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED MARCH 31, 2010**

...../Continued

DIRECTORS (Continued)

- Mrs Wong Lee Yuk-ping, Agnes, Vice-chairman (as Vice-chairman since November 27, 2009)
- Mr Wong Kai-man, Honorary Treasurer
- Mrs Chan Hui Dor-lam, Doreen
- Mr Chan Kar-lok, Walter (resigned on November 26, 2009)
- Dr Chan Sze-tong, Thomas
- Mr Chau Kwok-woon, Albert
- Mr Chen Seng-tek, Stuart
- Mrs Cheung Wong Ting-yin, Shirley
- Mr Chien Yik-bong, Philip
- Ms Chong Ming-wah, Clara
- Rev Chu Leung-kee, Lawrence
- Dr Fong Chi-hung, Robert
- Dr Ho Wai-ip
- Dr Kwan Kai-cho, Joseph
- Ms Lam Yee-wah, Evelyn
- Dr Lo Tak-lam, William
- Mr Lour Tsang-tsay, Lawrence
- Mrs Ng Chu Lai-fong
- Dr Nip Kam-fan
- Mr Tam Pui-suen, Edwin
- Mr Wong Chun-kow, Peter
- Dr Yeung Che-keung, Joseph

In accordance with articles 31, 32 and 33 of the Organisation's Articles of Association, the following directors retired from the board by rotation and were eligible for re-election and they were re-elected accordingly:

- Mr Chau Kwok-woon, Albert
- Rev Chu Leung-kee, Lawrence
- Dr Kwan Kai-cho, Joseph
- Ms Lam Yee-wah, Evelyn
- Dr Lo Tak-lam, William
- Mrs Ng Chu Lai-fong
- Mr Wong Chun-kow, Peter
- Mr Wong Kai-man
- Mrs Wong Lee Yuk-ping, Agnes

...../To be continued

HAVEN OF HOPE CHRISTIAN SERVICE

(LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED MARCH 31, 2010

...../Continued

DIRECTORS' INTERESTS IN CONTRACTS

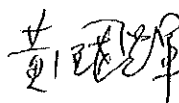
No contracts of significance in relation to the Organisation's business to which the Organisation was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Organisation a party to any arrangements to enable the directors of the Organisation to acquire benefits by means of acquisition of shares in, or debentures of, the Organisation or any other body corporate.

AUDITORS

Philip Poon & Partners CPA Limited are the Organisation's retiring auditors who, being eligible, offer themselves for re-appointment.

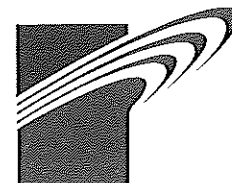
FOR AND ON BEHALF OF THE BOARD



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Wong Kwok-fai  
Secretary

Hong Kong  
September 18, 2010



**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF**

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(Incorporated in Hong Kong and limited by guarantee)**

We have audited the financial statements of Haven of Hope Christian Service set out on pages 6 to 38, which comprise the statement of financial position as at March 31, 2010, and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the financial statements**

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

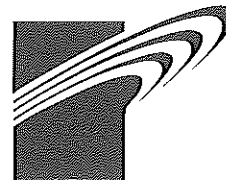
**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and report our opinion 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 responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

...../To be continued



...../Continued

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**HAVEN OF HOPE CHRISTIAN SERVICE**  
**(Incorporated in Hong Kong and limited by guarantee)**

**Auditor's responsibility (continued)**

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 financial statements give a true and fair view of the state of the Organisation's affairs as at March 31, 2010 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants  
Hong Kong  
September 18, 2010

Philip Poon & Partners CPA Limited  
Mr. Poon Chin Chung, Philip  
Practising Certificate No.: P01748

HAVEN OF HOPE CHRISTIAN SERVICE

(LIMITED BY GUARANTEE)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2010

	<u>NOTE</u>	<u>2010</u> \$	<u>2009</u> \$
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>			
Income	4	353,104,917	319,454,931
Expenditure	5	(333,429,612)	(316,962,671)
Net gains/(losses) from financial investments	8	3,845,679	(19,296,103)
Net surplus of Government subvention payable to Government		--	(52,865)
		<u>23,520,984</u>	<u>(16,856,708)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Available-for-sale financial assets			
Fair value gain/(losses)		14,317,384	(23,425,028)
Reclassification adjustments for amounts transferred to surplus or deficit			
- on disposal		(50,627)	(61,147)
- impairment losses		--	12,916,791
		<u>14,266,757</u>	<u>(10,569,384)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<u><u>37,787,741</u></u>	<u><u>(27,426,092)</u></u>
Total comprehensive income/(loss) is attributed to:			
General Funds		868,837	(9,458,478)
Designated Funds		14,092,716	(4,541,968)
HOHCS Teh Chi Khun Elderly Grace Charitable Fund		2,817,451	(5,353,374)
Lotteries Fund Block Grant Reserve		1,374,154	428,788
Government Subvention Reserve		5,646,033	2,488,973
Investment Fair Value Reserve		14,266,757	(10,569,384)
Capital Assets Reserve		(1,278,207)	(420,649)
		<u><u>37,787,741</u></u>	<u><u>(27,426,092)</u></u>

The notes on pages 12 to 38 form part of these financial statements.

HAVEN OF HOPE CHRISTIAN SERVICE

(LIMITED BY GUARANTEE)

STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2010

	<u>NOTE</u>	<u>2010</u> \$	(Restated) <u>2009</u> \$
<b>NON-CURRENT ASSETS</b>			
Fixed assets	10	742,130,721	756,932,155
Non-current financial assets	11	98,757,990	66,928,634
		<u>840,888,711</u>	<u>823,860,789</u>
<b>CURRENT ASSETS</b>			
Inventories	12	360,542	495,946
Accounts receivable		4,719,821	3,143,921
Utility deposits		684,286	681,706
Time deposits, bank balances and cash		151,744,166	145,291,635
		<u>157,508,815</u>	<u>149,613,208</u>
<b>CURRENT LIABILITIES</b>			
Accounts and other payable		13,927,101	10,727,257
		<u>13,927,101</u>	<u>10,727,257</u>
<b>NET CURRENT ASSETS</b>			
		<u>143,581,714</u>	<u>138,885,951</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>984,470,425</u>	<u>962,746,740</u>
<b>NON-CURRENT LIABILITIES</b>			
Capital projects payable	13	(1,281,081)	(1,663,837)
Non-recurrent grants received in advance		(2,775,948)	(4,444,342)
Non-recurrent grants deferred income		(3,765,928)	(1,770,685)
Deferred capital funds		(726,813,095)	(739,248,327)
		<u>(734,636,052)</u>	<u>(747,127,191)</u>
<b>NET ASSETS</b>			
		<u>249,834,373</u>	<u>215,619,549</u>

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HAVEN OF HOPE CHRISTIAN SERVICE


(LIMITED BY GUARANTEE)

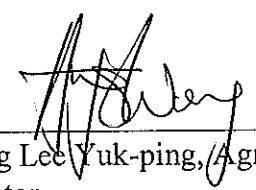
STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2010

...../Continued

	<u>NOTE</u>	<u>2010</u>	(Restated) <u>2009</u>
		<u>\$</u>	<u>\$</u>
FINANCED BY			
General Funds		39,740,559	11,798,440
Designated Funds		112,982,588	128,350,291
HOHCS Teh Chi Khun Elderly Grace Charitable Fund		48,956,479	50,722,287
Lotteries Fund Block Grant Reserve	15	755,760	271,918
Government Subvention Reserve		36,894,632	31,248,599
Investment Fair Value Reserve		6,315,639	(7,951,118)
Capital Assets Reserve		4,188,716	1,179,132
		<u>249,834,373</u>	<u>215,619,549</u>

Approved and authorised for issue by the board of directors on September 18, 2010

  
\_\_\_\_\_  
Wong Kai-man  
Honorary Treasurer

  
\_\_\_\_\_  
Wong Lee Yuk-ping, Agnes  
Director

The notes on pages 12 to 38 form part of these financial statements.

HAVEN OF HOPE CHRISTIAN SERVICE

(LIMITED BY GUARANTEE)

STATEMENT OF CHANGES IN FUNDS AND RESERVES (RESTATE)

FOR THE YEAR ENDED MARCH 31, 2010

	HOHCS							
	General	Designated	Teh Chi Khun	Lotteries	Government	Investment	Capital	Total
	Funds	Funds	Elderly Grace Fund	Block	Subvention	Fair Value	Assets	
	\$	\$	Charitable	Grant	Reserve	Reserve	Reserve	\$
			Fund	Reserve	\$	\$	\$	\$
Balance at April 1, 2008	14,480,058	137,085,029	59,133,770	226,984	28,759,626	2,618,266	1,015,274	243,319,007
Virement repaid to Government	(273,366)	--	--	--	--	--	--	(273,366)
Transfer of specific allocation approved by Board from designated funds for non-subservent services and administrative support	7,050,226	(3,992,117)	(3,058,109)	--	--	--	--	--
Transfer to Capital Assets Reserve	--	(200,653)	--	(383,854)	--	--	584,507	--
Total comprehensive income/(loss) for the year	(9,458,478)	(4,541,968)	(5,353,374)	428,788	2,488,973	(10,569,384)	(420,649)	(27,426,092)
Balance at March 31, 2009	<u>11,798,440</u>	<u>128,350,291</u>	<u>50,722,287</u>	<u>271,918</u>	<u>31,248,599</u>	<u>(7,951,118)</u>	<u>1,179,132</u>	<u>215,619,549</u>

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HAVEN OF HOPE CHRISTIAN SERVICE

(LIMITED BY GUARANTEE)

STATEMENT OF CHANGES IN FUNDS AND RESERVES (RESTATED)

FOR THE YEAR ENDED MARCH 31, 2010

	General Funds	Designated Funds	HOHCS Teh Chi Khun Elderly Grace Fund Charitable	Lotteries Block Grant	Government Subvention Reserve	Investment Fair Value Reserve	Capital Assets Reserve	Total
	\$	\$	Fund \$	Reserve \$	Reserve \$	Reserve \$	Reserve \$	\$
Balance at April 1, 2009	11,798,440	128,350,291	50,722,287	271,918	31,248,599	(7,951,118)	1,179,132	215,619,549
Reallocation of Funds	--	(633,713)	633,713	--	--	--	--	--
Virement repaid to Government	(72,917)	--	--	--	--	--	--	(72,917)
Transfer of specific allocation approved by Board from Designated Funds for non-subservent services, capital projects and administrative support	10,307,091	(8,590,119)	(5,216,972)	--	--	--	--	(3,500,000)
Transfer of specific allocation approved by Board from Designated Funds	16,839,108	(16,839,108)	--	--	--	--	--	--
Transfer to Capital Assets Reserve	--	(3,397,479)	--	(890,312)	--	--	4,287,791	--
Total comprehensive income/(loss) for the year	868,837	14,092,716	2,817,451	1,374,154	5,646,033	14,266,757	(1,278,207)	37,787,741
Balance at March 31, 2010	<u>39,740,559</u>	<u>112,982,588</u>	<u>48,956,479</u>	<u>755,760</u>	<u>36,894,632</u>	<u>6,315,639</u>	<u>4,188,716</u>	<u>249,834,373</u>

The notes on pages 12 to 38 form part of these financial statements.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2010**

	<u>NOTE</u>	<u>2010</u> \$	<u>2009</u> \$
NET CASH FROM OPERATING ACTIVITIES	17	29,370,711	9,114,727
<hr/>			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(9,201,260)	(3,730,348)
Proceeds from sale of financial instruments		15,884,158	38,358,046
Purchase of financial instruments		(29,601,078)	(18,409,280)
Net cash (used in)/from investing activities		(22,918,180)	16,218,418
<hr/>			
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,452,531	25,333,145
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		145,291,635	119,958,490
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CASH AND CASH EQUIVALENTS AT END OF YEAR		151,744,166	145,291,635
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ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits, bank balances and cash		151,744,166	145,291,635
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The notes on pages 12 to 38 form part of these financial statements.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**1. GENERAL INFORMATION**

Haven of Hope Christian Service (“the Organisation”) is a company incorporated in Hong Kong under Companies Ordinance with liabilities limited by guarantee. The address of its registered office is 7 Haven of Hope Road, Tseung Kwan O, Hong Kong.

The principal activities of the Organisation are the provision of health and social services to the public including medical, educational and social care activities in a Christian environment.

The financial statements are presented to the nearest Hong Kong dollars, which is the Organisation’s functional and presentation currency.

**2. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties, financial assets and financial liabilities as disclosed in the accounting policies below.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Adoption of new and revised HKFRS**

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting year of the Organisation. The adoption of these new and revised standards and interpretations has resulted in changes to the Organisation’s accounting policies in the following areas that have affected the amounts reported for the current or prior periods:

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Adoption of new and revised HKFRS (continued)

(i) Estimate effect on changes in accounting policies

As a result of the adoption of HKAS 1 (revised 2007), details of changes in funds and reserves during the year arising from transactions with fund holders in their capacity as such have been presented separately from all other income and expenses in a statement of changes in funds and reserves. All other items of income and expense are presented in the statement of comprehensive income. The new format for the statement of comprehensive income and the statement of changes in funds and reserves has been adopted in this financial report. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 20(d) about the fair value measurement of the Organisation's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Organisation has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Adoption of new and revised HKFRS (continued)

(ii) Standards and interpretations not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the current accounting year of the Organisation and have not been adopted in these financial statements.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Organisation's financial assets.

The directors anticipate that the adoption of these amendments, new standards and interpretations in future periods is unlikely to have a significant impact on the Organisation's results of operations and financial position.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of fixed assets, less their estimated residual value, if any, using the straight line method at the following rates per annum:

Leasehold land and buildings	2%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Leasehold improvement	20%

Most leasehold land used by the Organisation is granted by Hong Kong Government and deemed as nil value to the Organisation. For the carrying costs of other leasehold land and building, as the amount involved is insignificant, the entire lease is classified as finance lease and accounted for under HKAS 16 – Property, Plant and Equipment. According to HKAS 16, the assets are stated at costs less accumulated depreciation and impairment losses.

(c) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental applicable to such operating leases are charged or credited to the statement of comprehensive income on the straight-line basis over the period of the lease.

**HAVEN OF HOPE CHRISTIAN SERVICE**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d) Impairment

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

(e) Investments

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

Assets in this category are recognised initially at fair value. At each reporting date, the fair value is remeasured. Any gains or losses arising from changes in fair value are recognised in the statement of comprehensive income for the period.

The fair values of quoted investments are based on current bid prices. The fair values of other financial instruments that are not traded in an active market are determined by using valuation techniques.

**HAVEN OF HOPE CHRISTIAN SERVICE**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(e) Investments (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are measured at subsequent reporting dates at fair value. Any gains and losses arising from changes in fair value are recognised directly in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in reserves is included in the statement of comprehensive income for the period. Impairment losses recognised in the statement of comprehensive income for equity investments classified as available-for-sale are not subsequently reversed through the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income for debt instruments classified as available-for-sale are subsequently reversed through the statement of comprehensive income if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The fair values of quoted investments are based on current bid prices. The fair values of other financial instruments that are not traded in an active market are determined by using valuation techniques.

At each reporting date, an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits at banks, net of short-term bank loans and bank overdrafts which are repayable on demand.

(i) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in such cases, they are stated at cost.

(j) Provisions

Provisions are recognised when the Organisation 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 obligations, and a reliable estimate of the amount can be made. Where the Organisation expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) Revenue recognition

- (i) Subvention from the Government, Community Chest and the Hong Kong Jockey Club Charities Trust are recognised when they are granted.
- (ii) General donations are recognised as income upon receipt except for grants received for capital projects.
- (iii) Non-recurrent grants are funding received on one-off basis for procurement of furniture and equipment, leasehold improvements and other programmes sponsorship.

Non-recurrent grants relating to the purchase of fixed assets are included in non-current liabilities and are credited to the statement of comprehensive income on a straight line basis over the same periods in which the related assets are depreciated.

Non-recurrent grants relating to the operating expenditure are recognised as income over the periods necessary to match the grants with the related costs which they are intended to compensate, on a systemic basis.

- (iv) Operation income is recognised when services are rendered including fee income of clinics, hospital and residential homes.
  - (v) Donations, grants and subvention for capital projects are recognised as income to match depreciation on the related fixed assets.
  - (vi) Interests income are recognised on a time proportion basis by referring to the principal amounts outstanding and the interest rates applicable.
- (l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(m) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the statement of comprehensive income.

(n) Foreign currency translations

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the statement of comprehensive income, any exchange component of that gain or loss shall be recognised in the statement of comprehensive income.

(o) Designated funds

The designated funds are held to account for funds and related income raised for designated purposes.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(p) HOHCS Teh Chi Khun Elderly Grace Charitable Fund

This charitable fund was set up within the accounts of the Organisation. The purpose of the fund is to provide financial assistance to the elderly in need. The capital of the fund is invested, but should not be utilised without the consent of the donors.

(q) Deferred capital funds

The deferred capital funds represent the unamortised balances of funds with respect to those depreciable land and buildings as well as capital projects, which are still in progress.

(r) Lotteries Fund block grant reserve

Surpluses arising from activities covered by the Lotteries Fund block grant are transferred to this reserve. This block grant must be used on activities under the Lotteries Fund Manual from the Social Welfare Department.

(s) Government subvention reserve

Surpluses arising from activities covered by the Lump Sum Grant Subvention from the Social Welfare Department are transferred to this reserve. The reserve must be used on activities in relation to the Funding Service Agreement and the related support services.

(t) Investment fair value reserve

As stated in note 2(e), except for impairment loss, any gains and losses arising from changes in fair value with respect to those available-for-sale financial assets are recognised in this reserve.

(u) Capital assets reserve

The capital assets reserve represents the unamortised balances of funds with respect to those depreciable assets acquired by the Organisation's designated funds.

HAVEN OF HOPE CHRISTIAN SERVICE

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

4. INCOME

	<u>2010</u>	<u>2009</u>
	\$	\$
Subvention and grant from:		
Government	162,699,398	147,326,264
Community Chest	1,672,929	1,132,215
The Hong Kong Jockey Club Charities Trust	858,200	858,560
Lotteries Fund block grant	1,773,917	908,000
Non-recurrent grant income	11,130,101	7,179,808
Fundraising	870,988	1,305,059
Other grants and donation	12,875,056	9,112,974
Operation income	133,700,991	124,951,712
Investment income	2,966,461	4,108,889
Miscellaneous income	3,530,314	2,275,170
Transfer from deferred capital funds	19,434,303	19,421,521
Transfer from non-recurrent grant deferred income	1,592,259	874,759
	<u>353,104,917</u>	<u>319,454,931</u>

**HAVEN OF HOPE CHRISTIAN SERVICE**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**5. EXPENDITURE**

	<u>2010</u>	<u>2009</u>
	\$	\$
Personal emoluments	224,483,562	214,973,857
Operation expenses	66,487,773	65,430,110
Contract out service	393,750	276,956
Operating lease payment – property rental	6,490,510	6,261,868
Non-recurrent grant expenses	11,130,101	7,179,808
Auditors' remuneration	91,000	85,000
Block Grant expenses	399,763	479,212
Depreciation		
- land and buildings	18,396,930	18,386,691
- motor vehicles	774,124	286,610
- furniture, fixtures and equipment	4,152,750	3,602,559
- leasehold improvement	629,349	--
	<u>333,429,612</u>	<u>316,962,671</u>

**6. DIRECTORS' REMUNERATION**

Remuneration of the directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

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

**HAVEN OF HOPE CHRISTIAN SERVICE**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**7. STAFF COSTS**

	<u>2010</u>	<u>2009</u>
	\$	\$
Personal emoluments	224,483,562	214,973,857
Staff costs included in non-recurrent grant expenses	7,454,040	4,245,286
	<u>231,937,602</u>	<u>219,219,143</u>

**8. NET GAINS/(LOSSES) FROM FINANCIAL INVESTMENTS**

	<u>2010</u>	<u>2009</u>
	\$	\$
Gain/(Loss) on disposal of available-for-sale financial assets	(2,693,028)	(3,658,640)
Impairment of available-for-sale financial assets	--	(12,916,791)
Reverse in impairment of available-for-sale financial assets upon disposal	3,111,652	--
Change in fair value of financial assets through profit or loss	3,427,055	(2,720,672)
	<u>3,845,679</u>	<u>(19,296,103)</u>

**9. TAXATION**

No provision for Hong Kong Profits Tax is made in the financial statements as the Organisation is exempted from taxation under section 88 of the Inland Revenue Ordinance.

**HAVEN OF HOPE CHRISTIAN SERVICE**  
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**10. FIXED ASSETS**

	<u>Land and buildings</u>	<u>Furniture, fixtures and equipment</u>	<u>Motor vehicle</u>	<u>Leasehold improvement</u>	<u>Total</u>
	\$	\$	\$	\$	\$
<u>Cost:</u>					
At April 1, 2008	937,374,197	54,283,720	7,793,393	--	999,451,310
Additions	1,027,087	2,703,261	--	--	3,730,348
Disposals	--	(1,695,749)	--	--	(1,695,749)
At March 31, 2009	<u>938,401,284</u>	<u>55,291,232</u>	<u>7,793,393</u>	<u>--</u>	<u>1,001,485,909</u>
At April 1, 2009	938,401,284	55,291,232	7,793,393	--	1,001,485,909
Additions	641,522	2,975,425	2,437,570	3,146,743	9,201,260
Disposals	--	(1,523,715)	--	--	(1,523,715)
At March 31, 2010	<u>939,042,806</u>	<u>56,742,942</u>	<u>10,230,963</u>	<u>3,146,743</u>	<u>1,009,163,454</u>
<u>Accumulated depreciation and impairment losses:</u>					
At April 1, 2008	171,854,654	45,219,148	6,893,748	--	223,967,550
Depreciation charge for the year	18,386,691	3,602,559	286,610	--	22,275,860
Eliminated on disposals	--	(1,689,656)	--	--	(1,689,656)
At March 31, 2009	<u>190,241,345</u>	<u>47,132,051</u>	<u>7,180,358</u>	<u>--</u>	<u>244,553,754</u>
At April 1, 2009	190,241,345	47,132,051	7,180,358	--	244,553,754
Depreciation charge for the year	18,396,930	4,152,750	774,124	629,349	23,953,153
Eliminated on disposals	--	(1,474,174)	--	--	(1,474,174)
At March 31, 2010	<u>208,638,275</u>	<u>49,810,627</u>	<u>7,954,482</u>	<u>629,349</u>	<u>267,032,733</u>
<u>Net book value:</u>					
At April 1, 2008	<u>765,519,543</u>	<u>9,064,572</u>	<u>899,645</u>	<u>--</u>	<u>775,483,760</u>
At March 31, 2009	<u>748,159,939</u>	<u>8,159,181</u>	<u>613,035</u>	<u>--</u>	<u>756,932,155</u>
At April 1, 2009	<u>748,159,939</u>	<u>8,159,181</u>	<u>613,035</u>	<u>--</u>	<u>756,932,155</u>
At March 31, 2010	<u>730,404,531</u>	<u>6,932,315</u>	<u>2,276,481</u>	<u>2,517,394</u>	<u>742,130,721</u>

Except a self-owned property with net book value \$4,433,023 (2009: \$4,549,682), all other land used by the Organisation is granted by Hong Kong Government and deemed as nil value to the Organisation.

**HAVEN OF HOPE CHRISTIAN SERVICE**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**11. NON-CURRENT FINANCIAL ASSETS**

	<u>2010</u>	<u>2009</u>
	\$	\$
(a) Available-for-sale financial assets		
Listed securities, in Hong Kong:		
Equity securities	--	1,322,600
Debt securities	17,208,485	5,147,489
Listed securities, outside Hong Kong:		
Equity securities	1,536,475	951,135
Debt securities	16,763,591	12,190,527
Mutual funds and others	38,451,436	32,279,782
	<u>73,959,987</u>	<u>51,891,533</u>
Unlisted securities:		
Debt securities	7,336,010	3,119,722
	<u>81,295,997</u>	<u>55,011,255</u>
Market value of listed securities	73,959,987	51,891,533
Of which fair value of individually impaired available-for-sale equity securities	<u>25,389,659</u>	<u>22,361,254</u>

The Organisation's available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in the fair value below cost and adverse changes in the market which indicated the cost of the Organisation's investment in them may not be recovered. Impairment losses on these investments were recognised in statement of comprehensive income in accordance with the policy set out in note 2 (e) (ii).

**HAVEN OF HOPE CHRISTIAN SERVICE**

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**FOR THE YEAR ENDED MARCH 31, 2010**

**11. NON-CURRENT FINANCIAL ASSETS (CONTINUED)**

	<u>2010</u>	<u>2009</u>
	\$	\$
(b) Financial assets at fair value through profit or loss		
Unlisted equity securities	8,213,706	11,040,238
Listed equity securities, in Hong Kong	9,248,287	877,141
	<u>17,461,993</u>	<u>11,917,379</u>
	=====	=====
Market value of listed securities	<u>9,248,287</u>	<u>877,141</u>
	=====	=====
Total non-current financial assets	<u>98,757,990</u>	<u>66,928,634</u>
	=====	=====

At the reporting date, the Organisation has fixed deposits and cash at bank in the amount of \$24,446,589 (2009: \$42,939,909), which form part of the Organisation's investment portfolio and have been included in the time deposits, bank balances and cash.

**12. INVENTORIES**

	<u>2010</u>	<u>2009</u>
	\$	\$
Consumables	182,110	119,556
Goods for resale	178,432	376,390
	<u>360,542</u>	<u>495,946</u>
	=====	=====

**13. CAPITAL PROJECTS PAYABLE**

The amounts were estimated by the directors and represented the construction costs of the completed capital projects, which will not be payable within the coming 12 months.

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**FOR THE YEAR ENDED MARCH 31, 2010**

**14. DONATIONS FROM COMMUNITY CHEST, LOTTERIES FUND, THE HONG KONG JOCKEY CLUB CHARITIES TRUST AND SIMON K. Y. LEE FOUNDATION LIMITED**

For the year, the Organisation has received donations from Community Chest, Lotteries Fund, The Hong Kong Jockey Club Charities Trust and Simon K. Y. Lee Foundation Limited as follows:

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
<u>Community Chest</u>		
Service administration	140,000	135,000
Haven of Hope Bradbury King Lam Community Health Development Centre	1,060,200	997,215
Haven of Hope Sheung Tak Community Health Development Centre	472,729	--
	<u>1,672,929</u>	<u>1,132,215</u>
<u>Lotteries Fund</u>		
Block Grant	1,773,900	908,000
Haven of Hope District Elderly Community Service	--	16,029
Haven of Hope Tsui Lam Hostel	--	20,398
Haven of Hope Ming Tak Day Activity Centre cum Hostel	--	12,629
Haven of Hope Po Lam Day Activity Centre cum Hostel	--	13,597
Haven of Hope Sau Mau Ping Day Activity Centre cum Hostel	--	33,985
Haven of Hope Tseung Kwan O and Sai Kung District Support Centre	661,860	--
Haven of Hope Nursing Home	102,961	--
Haven of Hope Tsui Lam Day Care Centre for Elderly (I)	134,714	--
Haven of Hope Enhanced Home and Community Care Service	1,230,969	--
	<u>3,904,404</u>	<u>1,004,638</u>

**HAVEN OF HOPE CHRISTIAN SERVICE**

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**FOR THE YEAR ENDED MARCH 31, 2010**

**14. DONATIONS FROM COMMUNITY CHEST, LOTTERIES FUND, THE HONG KONG JOCKEY CLUB CHARITIES TRUST AND SIMON K. Y. LEE FOUNDATION LIMITED (CONTINUED)**

	<u>2010</u>	<u>2009</u>
	\$	\$
<u>The Hong Kong Jockey Club Charities Trust</u>		
Haven of Hope Bradbury Po Lam Community Health Development Centre	858,200	858,200
Haven of Hope Sister Annie Skau Nursing Home Capital Project	617,862	--
	<u>1,476,062</u>	<u>858,200</u>
	=====	=====
<u>Simon K. Y. Lee Foundation Limited</u>		
Early Identification and Prevention of Elderly People Suffering from Dementia	620,000	330,000
	<u>620,000</u>	<u>330,000</u>
	=====	=====

**15. LOTTERIES FUND BLOCK GRANT RESERVE**

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance at April 1	271,918	226,984
Block grant received during the year	1,773,900	908,000
Interest income received	17	--
	<u>2,045,835</u>	<u>1,134,984</u>
Expenditure during the year		
- Minor works projects	(22,501)	(271,808)
- Furniture and equipment	(890,312)	(383,854)
- Minor furniture and equipment	(323,663)	(171,274)
- Vehicle overhauling	(53,599)	(36,130)
	<u>755,760</u>	<u>271,918</u>
	=====	=====

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**16. NON-CURRENT GRANT FROM LOTTERIES FUND**

The details and unspent balances of the following grants from Lotteries Fund are disclosed below in accordance with the conditions stipulated in the grant:

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
(a) One-off subsidy		
Balance at April 1	1,468,533	--
Income during the year - Subsidy received	--	2,923,248
	<u>1,468,533</u>	<u>2,923,248</u>
Expenditure during the year - Personal emoluments	(1,311,538)	(1,454,715)
Balance at March 31	<u><u>156,995</u></u>	<u><u>1,468,533</u></u>
(b) Additional Resources for Hiring of Para-medical Staff and/or Hiring of Para-medical Services		
	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Balance at April 1	--	--
Income during the year		
- Additional Resources for Para-medical Staff received	2,836,600	--
	<u>2,836,600</u>	<u>--</u>
Expenditure during the year		
- Salary	(2,635,684)	--
- Provident fund	(104,733)	--
Balance at March 31	<u><u>96,183</u></u>	<u><u>--</u></u>
(c) Special One-off Block Grant for Minor Works in 2009-10		
	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Balance at April 1	--	--
Income during the year		
- Special One-off Block Grant received	1,182,600	--
	<u>1,182,600</u>	<u>--</u>
Expenditure during the year		
- Minor work projects	(844,535)	--
- Contracted but not provided for in the financial statements (note 18a)	(337,860)	--
Unspent balance to be returned to the Lotteries Fund	<u><u>205</u></u>	<u><u>--</u></u>

In accordance with the conditions of the grant, the amount of contracted but not provided for can be included as expenditure during the year and will be settled by the end of September 2010.

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FOR THE YEAR ENDED MARCH 31, 2010

**17. RECONCILIATION OF SURPLUS/(DEFICIT) FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES**

	<u>2010</u>	<u>2009</u>
	\$	\$
Surplus/(Deficit) for the year	23,520,984	(16,856,708)
Adjustments for:		
Net gains/(losses) from financial investments	(3,845,679)	19,296,103
Transfer from deferred capital funds	(19,434,303)	(19,421,521)
Transfer from non-recurrent grant deferred income	(1,592,259)	(874,759)
Depreciation	23,953,153	22,275,860
Loss on disposal of fixed assets	49,541	6,093
Subvention, grants and donations received for capital projects	3,499,071	1,206,115
Grants and donations received for fixed assets	3,587,502	403,559
Investment income	(2,966,461)	(4,108,889)
Virement repaid to Government	(72,917)	(273,366)
Surplus/(Deficit) before working capital changes	<u>26,698,632</u>	<u>1,652,487</u>
Decrease/(Increase) in inventories	135,404	(39,988)
(Increase)/Decrease in accounts receivable	(1,575,900)	298,005
Increase in utility deposits	(2,580)	(983)
Decrease in non-recurrent grants receivable	--	193,885
Increase in accounts and other payable	3,199,844	137,581
(Decrease)/Increase in non-recurrent grants received in advance	(1,668,394)	4,444,342
Decrease in capital projects payable	(382,756)	(1,679,491)
Cash generated from operations	<u>26,404,250</u>	<u>5,005,838</u>
Investment income	2,966,461	4,108,889
Net cash inflow from operating activities	<u><u>29,370,711</u></u>	<u><u>9,114,727</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

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18. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at March 31, 2010 not provided for in the financial statements are as follows:

	F & E Replishment and Minor Works <u>Block Grant</u> \$	Special One-off Block Grant for <u>Minor Works</u> \$	<u>2010</u> \$	<u>2009</u> \$
Contracted but not provided for	57,620	337,860 (note 16c)	395,480	--
Authorised but not contracted for	436,000	--	436,000	--
	<u>493,620</u>	<u>337,860</u>	<u>831,480</u>	<u>--</u>

(b) Operating lease commitments

At March 31, 2010, the Organisation had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	<u>2010</u> \$	<u>2009</u> \$
With 1 year	2,927,220	4,814,232
After 1 year but within 5 years	5,297,701	5,661
	<u>8,224,921</u>	<u>4,819,893</u>

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**19. CAPITAL MANAGEMENT**

The Organisation's primary objectives when managing capital are to safeguard the Organisation's ability to continue as a going concern in order to provide benefits for its stakeholders. The Organisation defines "capital" as including all funds and reserves and on this basis the amount of capital employed at March 31, 2010 was \$249,834,373 (2009: \$215,619,549). The Organisation aims to maintain its capital at a reasonable level.

The Organisation's capital structure is regularly reviewed and managed with due regard to the capital management practices incorporated. Adjustments are made to the capital structure in light of change in economic conditions. No changes were made in the objectives, policies and processes during the year ended March 31, 2010.

**20. FINANCIAL INSTRUMENTS**

The Organisation has classified its financial assets in the following categories:

	Loans and receivables	Available-for- sale financial assets	Financial assets at fair value through profit or loss	Total
	\$	\$	\$	\$
<u>2010</u>				
Non-current financial assets (note 11a and b)	--	81,295,997	17,461,993	98,757,990
Accounts receivable	4,719,821	--	--	4,719,821
Utility deposits	684,286	--	--	684,286
Time deposits, bank balances and cash	151,744,166	--	--	151,744,166
	<u>157,148,273</u>	<u>81,295,997</u>	<u>17,461,993</u>	<u>255,906,263</u>
<u>2009</u>				
Non-current financial assets (note 11a and b)	--	55,011,255	11,917,379	66,928,634
Accounts receivable	3,143,921	--	--	3,143,921
Utility deposits	681,706	--	--	681,706
Time deposits, bank balances and cash	145,291,635	--	--	145,291,635
	<u>149,117,262</u>	<u>55,011,255</u>	<u>11,917,379</u>	<u>216,045,896</u>

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FOR THE YEAR ENDED MARCH 31, 2010

20. FINANCIAL INSTRUMENTS (CONTINUED)

The Organisation has classified its financial liabilities in the following categories:

	<u>Financial liabilities at amortised cost</u> \$
<u>2010</u>	
Accounts and other payable	13,927,101
Capital projects payable	1,281,081
Non-recurrent grants received in advance	2,775,948
Non-recurrent grants deferred income	3,765,928
Deferred capital funds	726,813,095
	<u>748,563,153</u>
	=====
	<u>Financial liabilities at amortised cost</u> \$
<u>2009</u>	
Accounts and other payable	10,727,257
Capital projects payable	1,663,837
Non-recurrent grants received in advance	4,444,342
Non-recurrent grants deferred income	1,770,685
Deferred capital funds	739,248,327
	<u>757,854,448</u>
	=====

The Organisation's activities expose it to a variety of financial risks, namely credit risk, liquidity risk and market risk.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**20. FINANCIAL INSTRUMENTS (CONTINUED)**

(a) Credit risk

The Organisation's credit risk is primarily attributable to deposits with banks, credit exposure to customers and derivative financial instruments with a positive fair value. To limit its expose to credit risk, the Organisation places deposits and enters into derivative financial instruments only with financial institutions with acceptable credit ratings.

Summary quantitative data

	<u>2010</u>	<u>2009</u>
	\$	\$
Non-current financial assets (note 11)	98,757,990	66,928,634
Accounts receivable	4,719,821	3,143,921
Time deposits, bank balances and cash	151,744,166	145,291,635
	<u>255,221,977</u>	<u>215,364,190</u>
	=====	=====

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

(b) Liquidity risk

The treasury management for individual service unit is centralized in the Head Office. The Organisation's policy is to regularly monitor the liquidity requirements for the Organisation as a whole, to ensure it maintains sufficient reserves of cash to satisfy its contractual and reasonably foreseeable obligations as they fall due.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**20. FINANCIAL INSTRUMENTS (CONTINUED)**

(c) Market risk

i. Interest rate risk

The Organisation's interest rate risk arises primarily from investments in financial securities and interest bearing deposits. Investment at fixed rates expose the Organisation for fair value rate risk whilst investments based on floating rates expose the Organisation to cashflow interest rate risk. The Organisation's interest rate risk is regularly monitored by the Investment Committee.

Summary quantitative data

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
<u>Floating-rate financial assets</u>		
Bank balances	27,906,614	13,742,783
Available-for-sale financial assets	19,490,283	6,411,189
	<u>47,396,897</u>	<u>20,153,972</u>
<u>Fixed-rate financial assets</u>		
Time deposits	104,873,592	116,276,736
Available-for-sale financial assets	22,799,343	15,764,102
	<u>175,069,832</u>	<u>152,194,810</u>

Sensitivity analysis

At March 31, 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Organisation's surplus/(deficit) for the year by \$1,380,303 (2009: \$1,296,645).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in the interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2009.

**HAVEN OF HOPE CHRISTIAN SERVICE**

**(LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2010**

**20. FINANCIAL INSTRUMENTS (CONTINUED)**

(c) Market risk (continued)

ii. Foreign currency risk

The Organisation does not have any significant foreign currency position as most of its transactions, assets and liabilities are principally denominated Hong Kong Dollars and United States Dollars. Accordingly, the Organisation did not perform any sensitivity analysis with respect to foreign currency risk.

iii. Price risk

The Organisation is exposed to price risk arising from investment in equity and managed funds which are available for sale and held by the Organisation at fair value. The performance of Organisation's listed and unlisted investments are monitored regularly by the Investment Committee formed by selected directors. The Organisation also controls its exposure to price risk by diversification of its portfolio in terms of sovereignty and industry distribution.

Summary quantitative data

	<u>2010</u>	<u>2009</u>
	\$	\$
Available-for-sale financial assets, at fair value		
Listed securities, outside Hong Kong:		
Equity securities	554,935	556,182
Others	38,451,436	32,279,782
	<u>39,006,371</u>	<u>32,835,964</u>
	=====	=====
Financial assets at fair value through profit or loss		
Unlisted equity securities	8,213,706	11,040,238
Listed equity securities, in Hong Kong	9,248,287	877,141
	<u>17,461,993</u>	<u>11,917,379</u>
	=====	=====
Total non-current financial assets	<u>56,468,364</u>	<u>44,753,343</u>
	=====	=====

**HAVEN OF HOPE CHRISTIAN SERVICE**  
**(LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2010**

**20. FINANCIAL INSTRUMENTS (CONTINUED)**

(c) Market risk (continued)

iii. Price risk (continued)

Sensitivity analysis

All investments are unhedged. At March 31, 2010, if the price of listed and unlisted equity investments had been 10% higher/lower with all other variables held constant, the Organisation's surplus/(deficit) for the year would have been \$924,829 higher/\$957,696 lower (2009: \$2,818,920 higher/\$2,884,156 lower). Other components of reserves and funds of the Organisation would have been \$4,923,620 higher/\$4,956,487 lower (2009: \$7,211,496 higher/lower). The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next twelve months. The analysis is performed on the same basis for 2009.

(d) Financial instruments carried at fair value

The following presents the carrying value of financial instruments measured at fair value as at March 31, 2010 across three levels of the fair value hierarch defined in HKFRS 7 "Financial Instruments: Disclosures" with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to the fair value measurement. Level 1 includes financial instruments with fair values measured using the quoted prices in active markets for identical assets or liabilities. Level 2 includes financial instruments with fair values measured using quoted prices in active markets for similar assets or liabilities, or using valuation techniques in which all significant input are based on observable market data. Level 3 includes financial instruments with fair values measured using valuation techniques in which any significant input is not based on observable market data.

	<u>2010</u> <u>Level 1</u> <u>\$</u>	<u>2010</u> <u>Level 2</u> <u>\$</u>	<u>2010</u> <u>Level 3</u> <u>\$</u>	<u>2010</u> <u>Total</u> <u>\$</u>
Investments at fair value				
Available-for-sales financial assts				
- Listed	--	73,959,987	--	73,959,987
- Unlisted	--	7,336,010	--	7,336,010
Financial assets at fair value through profit or loss				
- Listed	9,248,287	--	--	9,248,287
- Unlisted	--	8,213,706	--	8,213,706
	<u>9,248,287</u>	<u>89,509,703</u>	<u>--</u>	<u>98,757,990</u>