
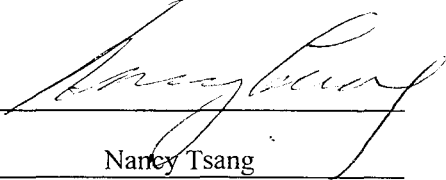


**ANNUAL FINANCIAL REPORT**  
**NGO: HEEP HONG SOCIETY**  
**1 April 2017 to 31 March 2018**

	Notes	Total 2017-18 \$	Total 2016-17 \$
<b>A. INCOME</b>			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	226,248,046.00	209,215,838.00
b. Provident Fund	1c	18,877,557.00	19,120,770.00
2. Special One-off Grant		0.00	0.00
3. Fee Income	2	2,655,368.20	4,669,837.60
4. Central Items	3	33,303,041.00	12,128,067.00
5. Rent and Rates	4	8,516,774.00	8,800,566.00
6. Other Income	5	20,804,407.08	4,618,249.40
7. Interest Received		345,761.50	248,190.01
<b>TOTAL INCOME</b>		<b>310,750,954.78</b>	<b>258,801,518.01</b>
 <b>B. EXPENDITURE</b>			
1. Personal Emoluments			
a. Salaries		218,910,536.86	198,244,315.12
b. Provident Fund	1c	17,323,695.66	16,270,159.06
c. Allowances		8,258,459.86	7,369,318.20
Sub-total	6	244,492,692.38	221,883,792.38
2. Other Charges	7	18,846,097.93	18,776,687.07
3. Central Items	3	36,233,712.59	11,212,121.30
4. Rent and Rates	4	8,331,108.89	8,259,732.49
5. Special One-off Grant Payments	7a	0.00	0.00
<b>TOTAL EXPENDITURE</b>		<b>307,903,611.79</b>	<b>260,132,333.24</b>
 <b>C. SURPLUS/(DEFICIT) FOR THE YEAR</b>	 8	 2,847,342.99	 (1,330,815.23)

The Annual Financial Report from pages 2 to 12 has been prepared in accordance with the requirement as set out in the Lump Sum Grant Manual.

Authorized signatory:		
Name:	Peter Wan	Nancy Tsang
Title:	Chairman	Chief Executive Officer
Date:	23 August, 2018	23 August, 2018

## NOTES ON THE ANNUAL FINANCIAL REPORT

### 1. Lump Sum Grant (LSG)

**a. Basis of preparation**                      The Annual Financial Report (AFR) is prepared in respect of all Funding and Service Agreement (FSA) activities (including support services to FSA activities) funded by the Social Welfare Department under the Lump Sum Grant Subvention System. AFR is prepared on cash basis, that is, income is recognised upon receipt of cash and expenditure is recognised when expenses are paid. Non-cash items such depreciation, provisions and accruals have not been included in the AFR.

**b. Lump Sum Grant (excluding Provident Fund)**                      This represents Lump Sum Grant (excluding Provident Fund) received for the year.

**c. Provident Fund**                      This is Provident Fund received and contributed during the year. Snapshot staff are defined as those staff occupying recognised or holding against subvented posts as at 1 April 2000. 6.8% and others posts represent those staff that are employed after 1 April 2000. The Provident Fund received and contributed for staff under the Central Items have been shown under 3. Details are analysed below:

<u>Provident Fund Contribution</u>	<u>Snapshot Staff</u>	<u>6.8% and Other Posts</u>	<u>Total</u>
	\$	\$	\$
Subvention received	6,562,970.00	12,314,587.00	18,877,557.00
Provident Fund Contribution Paid during the Year	(6,159,530.06)	(11,164,165.60)	(17,323,695.66)
Surplus / (Deficit) for the Year	403,439.94	1,150,421.40	1,553,861.34
Add: Surplus / (Deficit) b/f	5,022,430.32	21,131,065.74	26,153,496.06
Less: Adjustment of Provident Fund for 2015-16	(2,445,939.00)	1,670,141.00	(775,798.00)
	<u>2,979,931.26</u>	<u>23,951,628.14</u>	<u>26,931,559.40</u>

**2. Fee Income**                      This represents social welfare fee income received for the year in respect of the fees and charges recognised for the purpose of subvention as set out in the LSG Manual.

- 3. Central Items** These are subvented service activities which are not included in LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with the NGOs. The Provident Fund received and contributed for staff under the Central Items have been separately included as part of the income and expenditure of the relevant items (paragraph 3.14 of LSG Manual (October 2016)). The income and expenditure of each of the Central Items are as follows:

<b>a. Income</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>\$</b>	<b>\$</b>
Grant under the Pilot Scheme on On-Site Pre-School Rehabilitation Services (OPRS) (Unit code: 3401)	11,612,415.00	
Grant under the Pilot Scheme on On-Site Pre-School Rehabilitation Services (OPRS) (Unit code: 3429)	1,306,397.00	
Training Subsidy for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	270,000.00	165,000.00
Subsidy Scheme for Occasional Care Service (Time-Defined)	10,600.00	10,600.00
Training Sponsorship Scheme in MOT and MPT Programme of Polyu (2016-2017)	810,000.00	810,000.00
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-School Rehabilitation Services (1 Oct 14 - 30 Sep 17)	13,631,088.00	11,142,467.00
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-School Rehabilitation Services (1 Oct 17 - 30 Sep 20)	5,662,541.00	
<b>Total</b>	<b>33,303,041.00</b>	<b>12,128,067.00</b>
	<b>2017-18</b>	<b>2016-17</b>
	<b>\$</b>	<b>\$</b>
<b>b. Expenditure</b>		
Grant under the Pilot Scheme on On-Site Pre-School Rehabilitation Services (OPRS) (Unit code: 3401)	11,352,607.01	
Grant under the Pilot Scheme on On-Site Pre-School Rehabilitation Services (OPRS) (Unit code: 3429)	1,184,313.19	
Training Subsidy for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	130,415.00	67,650.00
Subsidy Scheme for Occasional Care Service (Time-Defined)	0.00	-
Training Sponsorship Scheme in MOT and MPT Programme of Polyu	810,000.00	-
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-School Rehabilitation Services (1 Oct 14 - 30 Sep 17)	8,940,106.61	11,144,471.30
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-School Rehabilitation Services (1 Oct 17 - 30 Sep 20)	13,816,270.78	
<b>Total</b>	<b>36,233,712.59</b>	<b>11,212,121.30</b>

- 4. Rent and Rates** This represents the amount paid by SWD in respect of premises recognised by SWD. Expenditure on rent and rates in respect of premises not recognised by SWD have not been included in AFR.

- 5. Other Income** This includes programme income and all income other than recognised social welfare fee income received during the year. Non-SWD subventions and donations received have not been included as Other Income in AFR. In this respect, donations have been included if it is used to finance expenditure reflected in the AFR.

The breakdown on Other Income (paragraph 2.29 of LSG Manual (October 2016) is as follows:

	<b>2017-18</b>	<b>2016-17</b>
	\$	\$
<b>Other Income</b>		
(a) Fees and charges for services incidental to the operation of subvented services	3,419,883.50	3,096,493.30
(b) Others	17,384,523.58	1,521,756.10
	<u>20,804,407.08</u>	<u>4,618,249.40</u>

- 6. Personal Emoluments** Personal Emoluments include salary, provident fund, salary-related allowances.

The analysis on number of posts with annual personal emoluments over HK\$700,000 each paid under LSG is appended below:

Analysis of Personal Emoluments

	<u>No of Posts</u>	\$
HK\$700,001 - HK\$800,000 p.a.	23	16,762,992.37
HK\$800,001 - HK\$900,000 p.a.	12	10,108,080.98
HK\$900,001 - HK\$1,000,000 p.a.	5	4,657,394.00
HK\$1,000,001 - HK\$1,100,000 p.a.	1	1,099,571.00
HK\$1,100,001 - HK\$1,200,000 p.a.	1	1,188,386.00
>HK\$1,200,000 p.a.	2	3,403,406.00

- 7. Other Charges** The breakdown on Other Charges is as follows:

	<b>2017-18</b>	<b>2016-17</b>
<u>Other Charges</u>	\$	\$
(a) Utilities	1,895,952.54	1,908,339.00
(b) Food	3,015,434.45	3,090,417.78
(c) Administrative Expenses	777,214.01	702,693.87
(d) Stores and Equipment	2,079,924.68	1,985,849.20
(e) Repair and Maintenance	1,909,086.66	1,995,355.09
(f) Special Allowance		
(g) Programme Expenses	3,598,817.63	3,638,127.04
(h) Transportation and Travelling	1,441,965.51	1,229,995.09
(i) Insurance	2,457,667.70	2,277,224.60
(j) Minor / Routine Capital Expenditure	502,973.93	335,984.10
(k) Audit Fee	106,400.00	105,100.00
(l) Staff Training and Development	23,212.23	599,100.95
(m) Miscellaneous	1,037,448.59	908,500.35
Total	<u>18,846,097.93</u>	<u>18,776,687.07</u>

**7a. Special One-off**

**Grant Payments** Details of Special One-off Grant payments are as follows:

	<b>2017-18</b>	<b>2016-17</b>
	<b>\$</b>	<b>\$</b>
Special one-off Grant Payments		
(a) Voluntary Retirement Scheme	0.00	0.00
(b) Compensation Scheme	0.00	0.00
(c) Staff Training and Development	0.00	0.00
(d) Other Staff-related Initiatives	0.00	0.00
	<u>0.00</u>	<u>0.00</u>

**8. Analysis of Reserve Fund**

	Analysis of Reserve Fund				
	Lump Sum Grant (LSG)	Special One-off Grant (SOG)	Rent and Rates	Central Items	Total
<b>Income</b>	\$	\$	\$	\$	\$
Lump Sum Grant	245,125,603.00				245,125,603.00
Special One-off Grant		0.00			0.00
Fee Income	2,655,368.20				2,655,368.20
Other Income	20,804,407.08				20,804,407.08
Interest Received (Notes (1))	345,761.50				345,761.50
Rent and Rates			8,516,774.00		8,516,774.00
Central Items				33,303,041.00	33,303,041.00
<b>Total Income (a)</b>	<b>268,931,139.78</b>	<b>0.00</b>	<b>8,516,774.00</b>	<b>33,303,041.00</b>	<b>310,750,954.78</b>
<b>Expenditure</b>					
Personal Emoluments	244,492,692.38				244,492,692.38
Other Charges	18,846,097.93				18,846,097.93
Rent and Rates			8,331,108.89		8,331,108.89
Central Items				36,233,712.59	36,233,712.59
Special One-off Grant Payments		0.00			0.00
<b>Total Expenditure (b)</b>	<b>263,338,790.31</b>	<b>0.00</b>	<b>8,331,108.89</b>	<b>36,233,712.59</b>	<b>307,903,611.79</b>
Surplus / (Deficit) for the Year (a) - (b)	5,592,349.47	0.00	185,665.11	(2,930,671.59)	2,847,342.99
Less: Surplus / (Deficit) of Provident Fund	1,553,861.34		0.00	0.00	1,553,861.34
	4,038,488.13	0.00	185,665.11	(2,930,671.59)	1,293,481.65
Surplus / (Deficit) b/f (Note (2))	0.00	0.00	(1,353,446.10)	2,228,988.26	875,542.16
	4,038,488.13	0.00	(1,167,780.99)	(701,683.33)	2,169,023.81
Less: Refund to Government	0.00	0.00	34,549.00	31,800.00	66,349.00
Adjustment for Training Subsidy for CCS/SCCW in Pre-School Rehabilitation Service for 14/15				210,000.00	210,000.00
Adjustment for Rent & Rates for 14/15 (Note 5)			11,808.00		11,808.00
Transfer from LSG Reserve to cover the salary adjustment for Dementia Supplement Infirmiry Care Supplementary (Note(3))					
Surplus / (Deficit) c/f (Note(4))	4,038,488.13	0.00	(1,190,521.99)	(523,483.33)	2,324,482.81

Note: ( 1 ) Interest received on LSG and PF reserves, rent and rates, central items, Special One-off Grant are included as one item under LSG; and the item is considered as part of LSG reserve.

( 2 ) Accumulated balance of Lump Sum Grant Surplus b/f from previous years (including holding account) and all interest received in previous year are included should be included in the surplus b/f under LSG.

( 3 ) Amount of LSG Reserve used to cover the salary adjustment for Dementia Supplement and Infirmiry Care Supplement, if any, as per Schedule for Central Items.

( 4 ) The level of LSG cumulative reserve, less LSG Reserve kept in the holding account, will be capped at 25% of the NGO's operating expenditure (excluding PF expenditure) for the year.

( 5 ) According to SWD letter ref SWD SF/SI/4-65/54 (248) II dated 10 October 17, the opening balance of Rent & Rate for 2014/15 should be increased by \$11,808.