

CHILDREN'S MEDICAL FOUNDATION LIMITED
(Incorporated in Hong Kong and limited by guarantee)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CHILDREN'S MEDICAL FOUNDATION LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Contents	Pages
Directors' report	1
Independent auditor's report	2 - 3
Statement of income and general fund	4
Statement of financial position	5
Statement of cash flows	6
Notes to the financial statements	7 - 14

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2017.

FINANCIAL STATEMENTS

The financial performance for the year are set out in the statement of income and general fund on page 4.

The financial position of the Company at 31 December 2017 is set out in the statement of financial position on page 5.

The cash flows of the Company for the year are set out in the statement of cash flows on page 6.

PRINCIPAL ACTIVITIES

The principal activities of the Company are providing support for health programs for children in Mainland China.

The Company is an approved charitable institution and has obtained exemption from Hong Kong profits tax.

There have been no significant changes in the nature of this activity during the year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

DIRECTORS

The directors during the year and up to the date of this report were:

Chen Chou, Mei Mei Vivien	
Chen Li-Shih Norman	(resigned on 31 December 2017)
Chiu Lai Ling Shirley	(alternate director)
Ho, Annie	(resigned on 11 June 2017)
Hsu, Tony Dan	
Huang Lung, Estella	(appointed on 1 March 2017 and resigned on 12 June 2017)
Sarina Mahasiri	(alternate director)
Moi, Melissa Ker-Zia	
Ng Kim Guan	
Terrance Joseph Phillips	
Thai MacDonald	(resigned on 12 June 2017)
Tung Chee Chen	

In accordance with the Company's Articles of Association, all directors shall hold office for a period of 2 years, after which he/she shall retire. A retiring director shall be eligible for reappointment.

PERMITTED INDEMNITY PROVISIONS

The Company's Articles provides that every director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him/her, in that capacity, in defending any proceedings whether civil or criminal, in which judgment is given in his/her favour or in which he is acquitted or in connection with any application in which relief is granted to him/her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

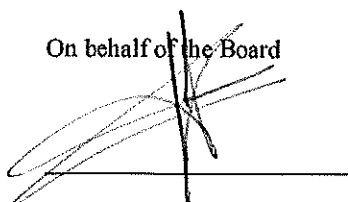
MANAGEMENT CONTRACTS

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

AUDITORS

The auditors, Messrs. William Po & Co., Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman

Certified Public Accountants
蒲錦文會計師事務所

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHILDREN'S MEDICAL FOUNDATION LIMITED
(Incorporated in Hong Kong and limited by guarantee)**

Opinion

We have audited the financial statements of Children's Medical Foundation Limited ("the Company") set out on pages 4 to 14, which comprise the statement of financial position as at 31 December 2017, the statement of income and general fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHILDREN'S MEDICAL FOUNDATION LIMITED - CONTINUED
(Incorporated in Hong Kong and limited by guarantee)**

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**WILLIAM PO & CO.
Certified Public Accountants**

Hong Kong,

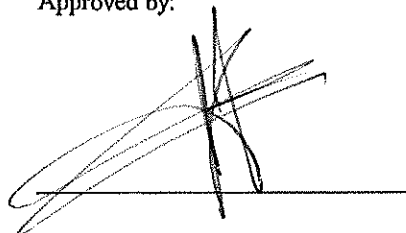
STATEMENT OF INCOME AND GENERAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK\$	2016 HK\$
Income			
Donation		3,939,254	3,664,325
Bank interest income		2,059	2,429
Exchange gain		83,502	-
		<u>4,024,815</u>	<u>3,666,754</u>
Less: Expenditure			
Administration expenditure	3	641,882	482,860
Charitable expenditure	4	2,365,628	3,862,771
Fundraising activities expenditure	5	849,381	479,171
Publicity expenditure	6	119,906	59,604
		<u>3,976,797</u>	<u>4,884,406</u>
Surplus/(deficit) for the year		48,018	(1,217,652)
General fund brought forward		6,677,102	7,894,754
General fund carried forward		6,725,120	6,677,102

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment	11	<u>26,944</u>	<u>24,570</u>
Current assets			
Prepayments and other receivables	12	<u>102,662</u>	49,169
Cash and bank balances		<u>6,612,514</u>	<u>6,619,363</u>
		<u>6,715,176</u>	<u>6,668,532</u>
Current liabilities			
Accruals		<u>17,000</u>	<u>16,000</u>
Net current assets		<u>6,698,176</u>	<u>6,652,532</u>
Net assets		<u>6,725,120</u>	<u>6,677,102</u>
General fund		<u>6,725,120</u>	<u>6,677,102</u>

Approved by:



Director



Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 HK\$	2016 HK\$
Operating activities		
Surplus/(deficit) for the year	48,018	(1,217,652)
Adjustments for:		
Depreciation of property, plant and equipment	12,305	14,740
Interest income	(2,059)	(2,429)
Operating cash flows before changes in working capital	58,264	(1,205,341)
Increase in prepayments and other receivables	(53,493)	(5,553)
Decrease in accruals and other payables	1,000	(13,200)
Net cash used in operating activities	5,771	(1,224,094)
Investing activities		
Purchase of property, plant and equipment	(14,679)	-
Interest received	2,059	2,429
Net cash (used in)/generated from investing activities	(12,620)	2,429
Decrease in cash and cash equivalents	(6,849)	(1,221,665)
Cash and cash equivalents at the beginning of the year	6,619,363	7,841,028
Cash and cash equivalents at the end of the year	6,612,514	6,619,363
Analysis of cash and cash equivalents		
Cash and bank balances	6,612,514	6,619,363

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1 GENERAL

The Company is incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee. The Company's registered office is located at Suite 402, Hua Qin International Building, 340 Queen's Road Central, Sheung Wan, Hong Kong. The principal activities of the Company are providing support for health programs for children in Mainland China. The Company is an approved charitable institution and has obtained exemption from Hong Kong profits tax. Under the provision of its Articles of Association, every member shall, in the event of the Company being wound up, contribute such amount as may be required to meet the liabilities of the Company but not exceeding the sum of HK\$10 each.

2 SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation**

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

(b) Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statement of income and retained earnings in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalized as an additional cost of the property, plant and equipment.

Where assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the statement of income and retained earnings.

Depreciation on property, plant and equipment is provided using the straight-line method at consistent rates calculated to write off the cost of the assets over their expected useful lives. The principal annual rates used for this purpose are:

Leasehold improvements	20%
Office equipment	20%
Furniture and fixtures	20%
Computer	20%

Fully depreciated assets are retained in the accounts until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(c) Impairment of non-financial assets**

At each reporting date, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(d) Foreign currencies

The reporting currency of the company is Hong Kong Dollars, which is the currency of the primary economic environment in which the company operates.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the year end date. Exchange gains and losses are recognised in statement of income and general fund.

(e) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when revenue can be measured reliably, on the following bases:

- * donations are recognised when the right to receive payment is established.
- * interest on a time proportion basis that takes into account the effective yield on the asset.

(f) Employee benefits

- i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Company of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- ii) The Company operates a Mandatory Provident Fund scheme ("MPF scheme") for the employees. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable. The assets of the MPF Scheme are held in an independently administered fund. The Company's contributions vest fully with the employees when contributed into the MPF Scheme.

(g) Allocation and apportionment of expenditure

Resources expended are allocated to a particular activity where the cost relates directly to that activity. Remaining support costs are apportioned to activities based on staff time and other measures of resource usage.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand deposits with original maturities of three months or less.

(i) Payables

Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3 ADMINISTRATION EXPENDITURE

	Notes	2017 HK\$	2016 HK\$
Audit fee		17,000	16,000
Depreciation		12,304	14,740
Mandatory Provident Fund	9	6,411	6,032
Salaries and wages	9	258,548	214,557
Sundry expenses		8,625	2,609
Legal and professional fee		70,412	34,576
Rent and service fee		182,783	144,000
Occupancy and insurance		30,615	3,579
Bank charges		12,535	9,569
Travelling and transportation		4,682	1,414
Office management fee		15,722	16,743
Utilities		5,505	5,429
Cleaning		6,000	5,500
Meals		5,873	-
Overhead expenses	7	3,539	8,112
Moving fee		1,328	-
		<u>641,882</u>	<u>482,860</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017**

4 CHARITABLE EXPENDITURE

	Notes	2017 HK\$	2016 HK\$
Bank charges		22,823	20,244
Children's medical programs		1,005,490	1,128,553
Equipment purchased		205,512	1,731,723
Program management expenses			
Mandatory Provident Fund	9	11,219	10,556
Salaries and wages	9	1,000,793	903,958
Employee benefits	9	-	4,744
Legal and professional fee		36,702	-
Rent and service fee		21,701	7,829
Travelling Expenses		17,787	25
Internet expenses		4,389	3,636
Telephone and fax		5,255	4,895
Printing and stationery		416	446
Sundry expenses		14,074	1,539
Overhead expenses	7	19,467	44,623
		<u>2,365,628</u>	<u>3,862,771</u>

5 FUNDRAISING ACTIVITIES EXPENDITURE

	Notes	2017 HK\$	2016 HK\$
Bank charges		165	-
Miscellaneous		1,805	84
Mandatory Provident Fund	9	12,822	12,064
Salaries and wages	9	517,096	429,113
Event expenses		306,875	13,571
Overhead expenses	7	10,618	24,339
		<u>849,381</u>	<u>479,171</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

6 PUBLICITY EXPENDITURE

	Notes	2017 HK\$	2016 HK\$
Membership fee		4,400	400
Printing and stationery		106	-
Advertising		8,000	-
Mandatory Provident Fund	9	1,603	1,508
Salaries and wages	9	64,637	53,639
Transportation		3,569	-
Website development fee		22,428	-
Miscellaneous		13,394	-
Overhead expenses	7	1,769	4,057
		<u>119,906</u>	<u>59,604</u>

7 OVERHEAD EXPENSES

The Company has allocated the following overhead expenses to respective activities and the allocation is summarized as follows:

	2017				
	Administration expenditure HK\$	Charitable expenditure HK\$	Fundraising activities expenditure HK\$	Publicity expenditure HK\$	Total HK\$
Internet expenses	268	1,477	805	134	2,684
Telephone and fax	648	3,561	1,943	324	6,476
Printing and stationery	2,475	13,610	7,424	1,237	24,746
Postage and courier	148	819	446	74	1,487
	<u>3,539</u>	<u>19,467</u>	<u>10,618</u>	<u>1,769</u>	<u>35,393</u>

	2016				
	Administration expenditure HK\$	Charitable expenditure HK\$	Fundraising activities expenditure HK\$	Publicity expenditure HK\$	Total HK\$
Exchange loss	5,016	27,587	15,047	2,508	50,158
Internet expenses	262	1,439	785	130	2,616
Postage and courier	76	422	229	39	766
Printing and stationery	1,726	9,500	5,182	864	17,272
Telephone and fax	1,032	5,675	3,096	516	10,319
	<u>8,112</u>	<u>44,623</u>	<u>24,339</u>	<u>4,057</u>	<u>81,131</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017**

8 TAXATION

No provision for Hong Kong profits tax is made in the accounts as the Company is an approved charitable institution, and has obtained exemption from Hong Kong profits tax.

9 STAFF COSTS

The Company has allocated staff costs incurred to respective activities. The total staff costs of the Company for the year is summarised as follows:

	2017 HK\$	2016 HK\$
Administration expenditure	264,959	220,589
Charitable expenditure	1,012,012	919,258
Fundraising activities expenditure	529,918	441,177
Publicity expenditure	66,240	55,147
	<u>1,873,129</u>	<u>1,636,171</u>

Analysis of the total staff costs is as follows:

	2017 HK\$	2016 HK\$
Salaries and wages	1,841,074	1,601,267
Mandatory Provident Fund	32,055	30,160
Other benefits	-	4,744
	<u>1,873,129</u>	<u>1,636,171</u>

10 DIRECTORS' REMUNERATION (EQUIVALENT TO KEY MANAGEMENT PERSONNEL COMPENSATION)

During the years ended 31 December 2017 and 31 December 2016, no amounts have been paid in respect of directors' emoluments, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017**11 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements HK\$	Furniture & fixtures HK\$	Office equipment HK\$	Computers HK\$	Total HK\$
Cost:					
At 1 January 2017	16,195	17,545	23,818	78,700	136,258
Additions	-	6,000	-	8,679	14,679
At 31 December 2017	<u>16,195</u>	<u>23,545</u>	<u>23,818</u>	<u>87,379</u>	<u>150,937</u>
Accumulated depreciation:					
At 1 January 2017	9,987	16,133	23,818	61,750	111,688
Charge for the year	3,239	778	-	8,288	12,305
At 31 December 2017	<u>13,226</u>	<u>16,911</u>	<u>23,818</u>	<u>70,038</u>	<u>123,993</u>
Net book value:					
At 31 December 2017	<u>2,969</u>	<u>6,634</u>	<u>-</u>	<u>17,341</u>	<u>26,944</u>
At 31 December 2016	<u>6,208</u>	<u>1,412</u>	<u>-</u>	<u>16,950</u>	<u>24,570</u>

12 PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK\$	2016 HK\$
Utility deposit	65,171	35,787
Prepayments	7,491	13,382
Other receivables	30,000	-
	<u>102,662</u>	<u>49,169</u>

13 OPERATING LEASE COMMITMENTS

At the year end date, the company had commitments for future minimum lease payment under non-cancellable operating leases which fall due as follows:

	2017 HK\$	2016 HK\$
Within one year	300,000	-
Within two to five years	275,000	-
	<u>575,000</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017**

14 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

15 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on