

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

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CHILDREN'S MEDICAL FOUNDATION LIMITED

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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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 2015.

FINANCIAL STATEMENTS

The results for the year are set out in the statement of income and general fund on page 3.

The state of affairs of the Company at 31 December 2015 is set out in the statement of financial position on page 4.

The cash flows of the Company for the year are set out in the statement of cash flows on page 5.

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	
Chiu Lai Ling Shirley	(alternate director)
Ho, Annie	
Hsu, Tony	
Huang Lung, Estella	(resigned on 20 January 2016)
Sarina Mahasiri	(alternate director)
Kristina Anne McCombe	
Moi, Melissa Ker-Zia	
Ng Kim Guan	
Terrance Joseph Phillips	
Thai MacDonald	
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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business 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

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

We have audited the financial statements of Children's Medical Foundation Limited ("the Company") set out on pages 3 to 12, which comprise the statement of financial position as at 31 December 2015, the statement of income and general fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to 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.

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 about 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 of financial statements that give a true and fair view 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.

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 financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standard for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

Hong Kong,

STATEMENT OF INCOME AND GENERAL FUND
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
Income			
Donation		5,040,574	3,798,509
Bank interest income		2,263	2,277
		<u>5,042,837</u>	<u>3,800,786</u>
Less: Expenditure			
Administration expenditure	3	477,662	536,146
Charitable expenditure	4	1,934,470	2,628,609
Fundraising activities expenditure	5	783,259	528,020
Publicity expenditure	6	69,776	76,880
		<u>3,265,167</u>	<u>3,769,655</u>
Surplus for the year		<u>1,777,670</u>	<u>31,131</u>
General fund brought forward		<u>6,117,084</u>	<u>6,085,953</u>
General fund carried forward		<u><u>7,894,754</u></u>	<u><u>6,117,084</u></u>

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 HK\$	2014 HK\$
Non-current assets			
Property, plant and equipment	11	<u>39,310</u>	<u>52,424</u>
Current assets			
Prepayments and other receivables	12	43,616	55,850
Cash and bank balances		<u>7,841,028</u>	<u>6,103,138</u>
		<u>7,884,644</u>	<u>6,158,988</u>
Current liabilities			
Accruals		<u>29,200</u>	<u>94,328</u>
Net current assets		<u>7,855,444</u>	<u>6,064,660</u>
Net assets		<u>7,894,754</u>	<u>6,117,084</u>
General fund		<u>7,894,754</u>	<u>6,117,084</u>

Approved by:

 Director

 Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	2014
	HK\$	HK\$
Operating activities		
Surplus for the year	1,777,670	31,131
Adjustments for:		
Depreciation of property, plant and equipment	14,614	11,524
Interest income	(2,263)	(2,277)
Operating cash flows before changes in working capital	1,790,021	40,378
Decrease in account receivables	-	2,275
Decrease/(increase) in prepayments and other receivables	12,234	(14,621)
Decrease in accruals and other payables	(65,128)	(192,170)
Net cash generated from/(used in) operating activities	1,737,127	(164,138)
Investing activities		
Purchase of property, plant and equipment	(1,500)	(32,849)
Interest received	2,263	2,277
Net cash generated from/(used in) investing activities	763	(30,572)
(Decrease)/increase in cash and cash equivalents	1,737,890	(194,710)
Cash and cash equivalents at the beginning of the year	6,103,138	6,297,848
Cash and cash equivalents at the end of the year	7,841,028	6,103,138
Analysis of cash and cash equivalents		
Cash and bank balances	7,841,028	6,103,138

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 1203, 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 2015**

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

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.

(h) Cash and cash equivalents

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015**

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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	2015 HK\$	2014 HK\$
Audit fee		15,000	14,350
Depreciation		14,614	11,524
Mandatory Provident Fund	9	6,069	7,890
Salaries and wages	9	215,980	231,976
Employee benefits	9	3,449	11,773
Sundry expenses		5,653	13,029
Legal and professional fee		23,337	30,635
Rent and service fee		144,000	159,762
Occupancy and insurance		8,338	6,222
Bank charges		5,204	2,075
Travelling and transportation		3,879	5,353
Utilities		5,584	4,283
Cleaning		6,000	5,900
Hotel		7,750	-
Office supplies		4,713	3,593
Cash lost in transit		-	20,448
Overhead expenses	7	8,092	7,333
		<u>477,662</u>	<u>536,146</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015**

4 CHARITABLE EXPENDITURE

	Notes	2015 HK\$	2014 HK\$
Bank charges		14,733	20,724
Children's medical programs		798,398	1,281,589
Equipment purchased		59,943	247,563
Mandatory Provident Fund	9	10,622	13,807
Salaries and wages	9	856,750	880,792
Employee benefits	9	82,317	82,995
Legal and professional fee		540	361
Rent and service fee		14,910	14,348
Travelling Expenses		22,284	18,190
Internet expenses		4,265	5,741
Telephone and fax		6,114	8,815
Courier and postage		-	1,156
Printing and stationery		560	633
Exchange loss		227	1,238
Sundry expenses		18,300	10,329
Overhead expenses	7	44,507	40,328
		<u>1,934,470</u>	<u>2,628,609</u>

5 FUNDRAISING ACTIVITIES EXPENDITURE

	Notes	2015 HK\$	2014 HK\$
Miscellaneous		756	425
Mandatory Provident Fund	9	12,139	15,779
Salaries and wages	9	431,960	463,952
Employee benefits	9	6,898	23,547
Event expenses		307,230	2,319
Overhead expenses	7	24,276	21,998
		<u>783,259</u>	<u>528,020</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015

6 PUBLICITY EXPENDITURE

	Notes	2015 HK\$	2014 HK\$
Membership fee		2,580	3,385
Printing		1,750	799
Newsletter		3,635	4,561
Mandatory Provident Fund	9	1,517	1,973
Salaries and wages	9	53,995	57,994
Employee benefits	9	862	2,943
Transportation		315	472
Website development fee		-	300
Miscellaneous		1,076	788
Overhead expenses	7	4,046	3,665
		<u>69,776</u>	<u>76,880</u>

7 OVERHEAD EXPENSES

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

	2015				
	Administration expenditure HK\$	Charitable expenditure HK\$	Fundraising activities expenditure HK\$	Publicity expenditure HK\$	Total HK\$
Exchange loss	3,795	20,874	11,386	1,897	37,952
Internet expenses	340	1,867	1,018	170	3,395
Postage and courier	250	1,375	750	125	2,500
Printing and stationery	2,091	11,503	6,274	1,046	20,914
Telephone and fax	1,616	8,888	4,848	808	16,160
	<u>8,092</u>	<u>44,507</u>	<u>24,276</u>	<u>4,046</u>	<u>80,921</u>

	2014				
	Administration expenditure HK\$	Charitable expenditure HK\$	Fundraising activities expenditure HK\$	Publicity expenditure HK\$	Total HK\$
Exchange loss	3,241	17,823	9,722	1,620	32,406
Internet expenses	985	5,417	2,955	492	9,849
Postage and courier	173	953	520	86	1,732
Printing and stationery	1,378	7,579	4,134	689	13,780
Telephone and fax	1,556	8,556	4,667	778	15,557
	<u>7,333</u>	<u>40,328</u>	<u>21,998</u>	<u>3,665</u>	<u>73,324</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2015**

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:

	2015	2014
	HK\$	HK\$
Administration expenditure	225,498	251,639
Charitable expenditure	949,689	977,594
Fundraising activities expenditure	450,997	503,278
Publicity expenditure	56,374	62,910
	<u>1,682,558</u>	<u>1,795,421</u>

Analysis of the total staff costs is as follows:

	2015	2014
	HK\$	HK\$
Salaries and wages	1,558,685	1,634,715
Mandatory Provident Fund	30,347	39,448
Other benefits	93,526	121,258
	<u>1,682,558</u>	<u>1,795,421</u>

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

During the years ended 31 December 2015 and 31 December 2014, 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 2015

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture & fixtures HK\$	Office equipment HK\$	Computers HK\$	Total HK\$
Cost:					
At 1 January 2015	16,195	17,545	23,818	77,200	134,758
Additions	-	-	-	1,500	1,500
At 31 December 2015	<u>16,195</u>	<u>17,545</u>	<u>23,818</u>	<u>78,700</u>	<u>136,258</u>
Accumulated depreciation:					
At 1 January 2015	3,509	14,777	23,818	40,230	82,334
Charge for the year	3,239	678	-	10,697	14,614
At 31 December 2015	<u>6,748</u>	<u>15,455</u>	<u>23,818</u>	<u>50,927</u>	<u>96,948</u>
Net book value:					
At 31 December 2015	<u>9,447</u>	<u>2,090</u>	<u>-</u>	<u>27,773</u>	<u>39,310</u>
At 31 December 2014	<u>12,686</u>	<u>2,768</u>	<u>-</u>	<u>36,970</u>	<u>52,424</u>

12 PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK\$	2014 HK\$
Utility deposit	35,787	35,787
Prepayments	<u>7,829</u>	<u>20,063</u>
	<u>43,616</u>	<u>55,850</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::

	2015 HK\$	2014 HK\$
Within one year	<u>132,000</u>	<u>-</u>

14 APPROVAL OF FINANCIAL STATEMENTS

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