

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

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**CHILDREN'S MEDICAL FOUNDATION LIMITED**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**DIRECTORS' REPORT**

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The directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2016.

**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 2016 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	
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)
Kristina Anne McCombe	(resigned on 7 December 2016)
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, in that capacity, in defending any proceedings whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him 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 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

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Chairman

**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 13, which comprise the statement of financial position as at 31 December 2016, 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 2016, 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 ("HKSAs") 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 with limited liability)**

**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 HKSAs 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 HKSAs, 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 2016

	Notes	2016 HK\$	2015 HK\$
<b>Income</b>			
Donation		3,664,325	5,040,574
Bank interest income		2,429	2,263
		<u>3,666,754</u>	<u>5,042,837</u>
<b>Less: Expenditure</b>			
Administration expenditure	3	482,860	477,662
Charitable expenditure	4	3,862,771	1,934,470
Fundraising activities expenditure	5	479,171	783,259
Publicity expenditure	6	59,604	69,776
		<u>4,884,406</u>	<u>3,265,167</u>
<b>(Deficit)/surplus for the year</b>		<b>(1,217,652)</b>	<b>1,777,670</b>
<b>General fund brought forward</b>		<b>7,894,754</b>	<b>6,117,084</b>
<b>General fund carried forward</b>		<b>6,677,102</b>	<b>7,894,754</b>

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016

	Notes	2016 HK\$	2015 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	11	<u>24,570</u>	<u>39,310</u>
<b>Current assets</b>			
Prepayments and other receivables	12	49,169	43,616
Cash and bank balances		<u>6,619,363</u>	<u>7,841,028</u>
		<u>6,668,532</u>	<u>7,884,644</u>
<b>Current liabilities</b>			
Accruals		<u>16,000</u>	<u>29,200</u>
<b>Net current assets</b>		<u>6,652,532</u>	<u>7,855,444</u>
<b>Net assets</b>		<u>6,677,102</u>	<u>7,894,754</u>
<b>General fund</b>		<u>6,677,102</u>	<u>7,894,754</u>

Approved by:

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 Director

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 Director

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
<b>Operating activities</b>		
(Deficit)/surplus for the year	<b>(1,217,652)</b>	1,777,670
Adjustments for:		
Depreciation of property, plant and equipment	<b>14,740</b>	14,614
Interest income	<b>(2,429)</b>	(2,263)
<b>Operating cash flows before changes in working capital</b>	<b>(1,205,341)</b>	1,790,021
(Increase)/decrease in prepayments and other receivables	<b>(5,553)</b>	12,234
Decrease in accruals and other payables	<b>(13,200)</b>	(65,128)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,224,094)</b>	1,737,127
<b>Investing activities</b>		
Purchase of property, plant and equipment	-	(1,500)
Interest received	<b>2,429</b>	2,263
<b>Net cash generated from investing activities</b>	<b>2,429</b>	763
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,221,665)</b>	1,737,890
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,841,028</b>	6,103,138
<b>Cash and cash equivalents at the end of the year</b>	<b>6,619,363</b>	7,841,028
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	<b>6,619,363</b>	7,841,028



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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 2016**

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**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 2016**

**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	2016 HK\$	2015 HK\$
Audit fee		16,000	15,000
Depreciation		14,740	14,614
Mandatory Provident Fund	9	6,032	6,069
Salaries and wages	9	214,557	215,980
Employee benefits	9	-	3,449
Sundry expenses		2,609	5,653
Legal and professional fee		34,576	23,337
Rent and service fee		144,000	144,000
Occupancy and insurance		3,579	8,338
Bank charges		9,569	5,204
Travelling and transportation		1,414	3,879
Office management fee		16,743	-
Utilities		5,429	5,584
Cleaning		5,500	6,000
Hotel		-	7,750
Office supplies		-	4,713
Overhead expenses	7	8,112	8,092
		<u>482,860</u>	<u>477,662</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**4 CHARITABLE EXPENDITURE**

	Notes	2016 HK\$	2015 HK\$
Bank charges		20,244	14,733
Children's medical programs		1,128,553	798,398
Equipment purchased		1,731,723	59,943
Program management expenses			
Mandatory Provident Fund	9	10,556	10,622
Salaries and wages	9	903,958	856,750
Employee benefits	9	4,744	82,317
Legal and professional fee		-	540
Rent and service fee		7,829	14,910
Travelling Expenses		25	22,284
Internet expenses		3,636	4,265
Telephone and fax		4,895	6,114
Printing and stationery		446	560
Exchange loss		-	227
Sundry expenses		1,539	18,300
Overhead expenses	7	44,623	44,507
		<u>3,862,771</u>	<u>1,934,470</u>

**5 FUNDRAISING ACTIVITIES EXPENDITURE**

	Notes	2016 HK\$	2015 HK\$
Miscellaneous		84	756
Mandatory Provident Fund	9	12,064	12,139
Salaries and wages	9	429,113	431,960
Employee benefits	9	-	6,898
Event expenses		13,571	307,230
Overhead expenses	7	24,339	24,276
		<u>479,171</u>	<u>783,259</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 DECEMBER 2016

6 PUBLICITY EXPENDITURE

	Notes	2016 HK\$	2015 HK\$
Membership fee		400	2,580
Printing		-	1,750
Newsletter		-	3,635
Mandatory Provident Fund	9	1,508	1,517
Salaries and wages	9	53,639	53,995
Employee benefits	9	-	862
Transportation		-	315
Miscellaneous		-	1,076
Overhead expenses	7	4,057	4,046
		<u>59,604</u>	<u>69,776</u>

7 OVERHEAD EXPENSES

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

	2016				
	Administration	Charitable	Fundraising	Publicity	Total
	expenditure	expenditure	activities	expenditure	
HK\$	HK\$	HK\$	HK\$	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>

	2015				
	Administration	Charitable	Fundraising	Publicity	Total
	expenditure	expenditure	activities	expenditure	
HK\$	HK\$	HK\$	HK\$	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>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Administration expenditure	220,589	225,498
Charitable expenditure	919,258	949,689
Fundraising activities expenditure	441,177	450,997
Publicity expenditure	55,147	56,374
	<u>1,636,171</u>	<u>1,682,558</u>

Analysis of the total staff costs is as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Salaries and wages	1,601,267	1,558,685
Mandatory Provident Fund	30,160	30,347
Other benefits	4,744	93,526
	<u>1,636,171</u>	<u>1,682,558</u>

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

During the years ended 31 December 2016 and 31 December 2015, 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 2016

**11 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements HK\$	Furniture & fixtures HK\$	Office equipment HK\$	Computers HK\$	Total HK\$
<b>Cost:</b>					
At 1 January 2016 and at 31 December 2016	16,195	17,545	23,818	78,700	136,258
<b>Accumulated depreciation:</b>					
At 1 January 2016	6,748	15,455	23,818	50,927	96,948
Charge for the year	3,239	678	-	10,823	14,740
At 31 December 2016	9,987	16,133	23,818	61,750	111,688
<b>Net book value:</b>					
At 31 December 2016	6,208	1,412	-	16,950	24,570
At 31 December 2015	9,447	2,090	-	27,773	39,310

**12 PREPAYMENTS AND OTHER RECEIVABLES**

	2016 HK\$	2015 HK\$
Utility deposit	35,787	35,787
Prepayments	13,382	7,829
	<u>49,169</u>	<u>43,616</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::

	2016 HK\$	2015 HK\$
Within one year	<u>-</u>	<u>132,000</u>

**14 APPROVAL OF FINANCIAL STATEMENTS**

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