

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

(Limited by Guarantee)

Reports and Financial Statements

For the year ended 31 December 2017

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Reports and Financial Statements
For the year ended 31 December 2017

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Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Council Members' Report

The Council Members have pleasure to present their annual report together with the audited financial statements of the Association for the year ended 31 December 2017.

Principal activities

The principal activities of the Association are to provide both emergency and sustained aid to children, their families and their communities in distressed regions throughout the world. The Association offers financial grants, technical resources and sends volunteers to charitable program overseas to meet the physical, emotional and spiritual needs of people in distress.

The Association depends on individuals, other grant-making entities and the business community to provide the resources needed to secure, ship and deploy resources, as well as to provide the technical support of "capacity building" for indigenous charitable programs to provide essential aid to relieve poverty, distress and suffering of people in distress.

Results

The financial performance and movement of reserves of the Association for the year ended 31 December 2017 and its financial position as at that date are set out in the financial statements on pages 4 to 12.

Council Members

The Council Members who held office during the year and up to the date of this report were,

Mr. Michael Nasri BATARSEH
Ms. Neila Mae CAREY
Mr. Lawrence Edwin CUTTING

There being no provision in the Association's Articles of Association for retirement of Council Members by rotation, all the council members remain in office.

Council Members' interest in contract

At no time during the year was the Association a party to any significant contract in which the Council Members of the Association had directly or indirectly material interest.

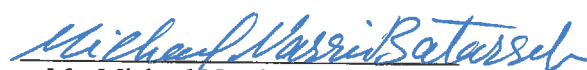
Business review

The Association is exempted from preparing a business review as it falls within reporting exemption for the financial year.

Auditor

The financial statements have been audited by Messrs. LKY China who offer themselves for re-appointment.

On behalf of the Council


Mr. Michael Nasri BATARSEH
Chairman

Hong Kong, 16 NOV 2018



華強會計師事務所

LKY CHINA

Certified Public Accountants (Practising), Hong Kong

Partners:

甄達華會計師

JOSEPH T. W. YAN

FCPA (Practising), ACA,
FCCA, FTIHK, FSCA

高志強會計師

ALBERT C. K. KO

FCPA (Practising), ACA,
ASA, FTIHK, BBA, MA

蔡少芬會計師

NATALIE S. F. CHOY

CPA (Practising), FCCA,
MA (Acctg)

Independent Auditor's Report

To the Members of Children's Hope Fund Hong Kong Limited 兒童希望基金(香港)有限公司
(Incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of Children's Hope Fund Hong Kong Limited (the "Association") set out on pages 4 to 12 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity 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 Association 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 Standards ("HKFRSs") 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 Association 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.

Information Other than the Financial Statements and Auditor's Report Thereon

The Council Members of the Association are responsible for the other information. The other information comprises all information included in this Reports and Financial Statements, 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 Council Members and Those Charged with Governance for the Financial Statements

The Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Council Members 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 Council Members are responsible for assessing the Association'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 Council Members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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



華強會計師事務所

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Independent Auditor's Report (cont'd)

To the Members of Children's Hope Fund Hong Kong Limited 兒童希望基金(香港)有限公司
(Incorporated in Hong Kong with liability 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. This report is made 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 the 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council Members.
- Conclude on the appropriateness of the Council Members' 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 Association'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 Association 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.

LKY China

Certified Public Accountants (Practising)

Hong Kong, 16 NOV 2018

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Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	<u>2017</u> <u>HK\$</u>	<u>2016</u> <u>HK\$</u>
Income			
Gifts in kind received	3(f)	41,823,952	87,847,891
Cost of gifts in kind		(41,823,952)	(87,847,891)
		-	-
Contributions received		6,073,934	5,258,421
Operating expenditures			
Program expense		1,625,932	2,049,242
Administrative expense		1,037,474	1,028,766
Fund raising expenses		2,626,576	2,943,649
		(5,289,982)	(6,021,657)
Total comprehensive income/(expense) and surplus/(deficit) for the year	5	<u>783,952</u>	<u>(763,236)</u>

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Financial Position
as at 31 December 2017

	<u>Note</u>	<u>2017</u> <u>HK\$</u>	<u>2016</u> <u>HK\$</u>
Non-current assets			
Equipment	7	1,660	3,320
Current assets			
Prepayment and deposits paid		471,372	148,627
Cash and cash equivalents		1,265,880	771,279
		1,737,252	919,906
Current liabilities			
Accrued charges		143,034	111,300
Net current assets		1,594,218	808,606
Net assets		1,595,878	811,926
 Accumulated surplus		 1,595,878	 811,926

The financial statements together with the accompany notes as set out on pages 4 to 12 were approved and authorized for issued by the Council Members on **16 NOV 2018** and are signed on its behalf by:


 Mr. Michael Nasri BATARSEH
 Council Member


 Ms. Neila Mae CAREY
 Council Member

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Changes in Reserves
For the year ended 31 December 2017

	Accumulated surplus HK\$
Balance as at 1 January 2016	1,575,162
Deficit for the year	(763,236)
Balance as at 1 January 2017	<u>811,926</u>
Surplus for the year	783,952
Balance as at 31 December 2017	<u><u>1,595,878</u></u>

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Statement of Cash Flows
For the year ended 31 December 2017

	<u>2017</u> <u>HK\$</u>	<u>2016</u> <u>HK\$</u>
Cash flows from operating activities		
Surplus/(deficit) for the year	783,952	(763,236)
Adjustment for		
Depreciation	1,660	1,660
Operating surplus/(deficit) before movement in working capital	<u>785,612</u>	<u>(761,576)</u>
Increase in prepayment and deposits paid	(322,745)	(11,091)
Increase/(decrease) in accounts payable and accrued charges	31,734	(44,176)
Net increase/(decrease) in cash and cash equivalents	<u>494,601</u>	<u>(816,843)</u>
Cash and cash equivalents		
As at 1 January	771,279	1,588,122
As at 31 December	<u>1,265,880</u>	<u>771,279</u>

Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Notes to the Financial Statements
For the year ended 31 December 2017

1. General information

The Association is an association domiciled and incorporated in Hong Kong with liability limited by guarantee. The addresses of the registered office and principal place of operation of the Association are 5/F., Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong and Room 1205, 12/F, Clifford Centre, 778-784 Cheung Sha Wan Road, Kowloon, Hong Kong respectively. The Association has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution of a public character. The charity registration number of the Association is 91/5397. The functional currency of the Association is in Hong Kong dollars.

The principal activities of the Association are to provide both emergency and sustained aid to children, their families and their communities in distressed regions throughout the world. The Association offers financial grants, technical resources and sends volunteers to charitable program overseas to meet the physical, emotional and spiritual needs of people in distress.

The Association depends on individuals, other grant-making entities and the business community to provide the resources needed to secure, ship and deploy resources, as well as to provide the technical support of "capacity building" for indigenous charitable programs to provide essential aid to relieve poverty, distress and suffering of people in distress.

2. Statement of compliance with Hong Kong Financial Reporting Standards

The Association's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies is set out in note 3.

In 2017, the Association has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2017, including:

Amendments to HKAS 7	Disclosure Initiative (Statement of Cash Flows)
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvements to HKFRSs 2014-2016 Cycle (Amendments to HKFRS 12)	

The application of the new and revised HKFRSs has no material effects on the Association's financial performance and positions.

3. Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and including applicable disclosures required by the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective notes, if appropriate.

Children's Hope Fund Hong Kong Limited
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Notes to the Financial Statements
For the year ended 31 December 2017

3. Summary of significant accounting policies (cont'd)

The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements,

a. Equipment

Equipments are stated at cost or valuation 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 the working condition and location for its intended use.

Subsequent expenditure relating to equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Association. If not, the expenditure is treated as an expense in the period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of asset over their estimated useful lives on a straight line basis.

The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

b. Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

(i) Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(ii) Accounts payable

Accounts payable are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

c. Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Association has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

d. Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due

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Notes to the Financial Statements
For the year ended 31 December 2017

3. Summary of significant accounting policies (cont'd)

e. Revenue recognition

- (i) Contribution received are recognized on cash basis.
- (ii) Grants received are recognized on cash basis.

f. Gifts in kind

The Association records gift in kind donations and distributions in accordance with international industry standards developed by the Association of Evangelical Relief and Development Organizations and adopted by InterAction and the Sphere Project, and referred to as the Interagency GIK Standards, which is in accordance with generally accepted accounting principles. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded at such time as the Association distributes the goods for charitable purposes.

The recognition of the gift in kind revenue and expense is limited to instances where the Association takes possession of a gift in kind donation from the original donor, or takes possession as the end-user agency.

g. Functional expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statements of activity. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by the management of the Association.

4. Critical accounting estimates and judgement

The Association's management makes assumptions, estimates and judgements in the process of applying the Association's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

a. Key assumption and other key sources of estimation uncertainty

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 9. In the opinion of council members, there is no other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

b. Critical judgements in applying the Association's accounting policies

In the opinion of council members, there is no critical judgements in applying the Association's accounting policies.

5. Surplus/(deficit) for the year

Surplus/(deficit) for the year is stated after charging,

	<u>2017</u> <u>HK\$</u>	<u>2016</u> <u>HK\$</u>
Council members' remuneration		
- council members' fee	-	-
- salaries and allowance	-	-
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Children's Hope Fund Hong Kong Limited
兒童希望基金(香港)有限公司

Notes to the Financial Statements
For the year ended 31 December 2017

5. Surplus/(deficit) for the year (cont'd)

Surplus/(deficit) for the year is stated after charging,

	<u>2017</u>	<u>2016</u>
	<u>HK\$</u>	<u>HK\$</u>
Staff cost		
- staff salaries and allowances	611,713	587,241
- contributions to mandatory provident fund scheme	18,000	18,000
	<u>629,713</u>	<u>605,241</u>
Auditor's remuneration	20,000	20,000
Depreciation	1,660	1,660
Hire of premises under operating leases	<u>215,698</u>	<u>209,520</u>

6. Income tax

The Association has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution of a public character.

7. Equipment

	<u>Leasehold improvement</u>	<u>Office equipment</u>	<u>Fixture and furniture</u>	<u>Total</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Cost				
At 1.1.2016, 1.1.2017 and 31.12.2017	1,000	56,798	13,900	71,698
Aggregate depreciation				
At 1.1.2016	1,000	51,818	13,900	66,718
Charge for the year	-	1,660	-	1,660
At 1.1.2017	1,000	53,478	13,900	68,378
Charge for the year	-	1,660	-	1,660
At 31.12.2017	<u>1,000</u>	<u>55,138</u>	<u>13,900</u>	<u>70,038</u>
Carry amount				
At 31.12.2017	-	1,660	-	1,660
At 31.12.2016	-	3,320	-	3,320

Depreciation is charged on a straight line basis at the annual rate of 20%.

8. Capital disclosure

The Association's objectives when managing capital are to safeguard the Association's ability to continue as a going concern, in order to carry out its principal activities. The Association's overall strategy remains unchanged from prior year.

The capital structure of the Association consists of accumulated surplus. In order to maintain or adjust the capital structure, the Association may appeal for donations from the Hong Kong Government and the general public.

9. Financial instruments

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

	<u>2017</u>	<u>2016</u>
	<u>HK\$</u>	<u>HK\$</u>
Financial liabilities at amortised cost:		
Accrued charges	<u>143,034</u>	<u>111,300</u>

Children's Hope Fund Hong Kong Limited
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Notes to the Financial Statements
For the year ended 31 December 2017

9. Financial instruments (cont'd)

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2016 and 2017.

The Association is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Association's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

a. Credit risk

Credit risk is managed on an organisational basis. Credit risk arises mainly from cash at banks.

The Association's bank balances are deposited in internationally reputable banks. As such, no significant credit risk is anticipated. Although the cash at banks spread over a small number of banks, the Association has policies in place for the control and monitoring of the relevant concentration of credit risk.

The Association's main source of income is donations from the general public. It has no other significant financial assets which lead to any credit risk to the Association. Accordingly, the Council Members are of the opinion that the relevant credit risk of the Association is low without any significant concentration.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the balance sheet.

b. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and bank balances so as to enable the Association to meet its liabilities as and when they fall due and to continue operating for the foreseeable future. The Council Members are of the opinion that the Association does not have any significant liquidity risk. They all are due not later than one year.

c. Market risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Association's functional currency. The Association mainly operates in Hong Kong with its transactions denominated in Hong Kong dollars. Management monitors foreign exchange exposure and will hedge significant foreign exchange exposure should the need arise.

In the opinion of the Council Members, Hong Kong dollars are reasonably stable with the United States dollars under the Linked Exchange Rate System, the foreign exchange risk in relation to United States dollars is low. Accordingly, no sensitivity analysis with respect to United States dollars is performed.

10. Significant operating leasing commitment

At the reporting date, the significant total future operating leasing commitment for land and building are payable as follows,

	<u>2017</u> <u>HK\$</u>	<u>2016</u> <u>HK\$</u>
Within one year	217,908	55,196
Between two and five years	57,406	-
	<u>275,314</u>	<u>55,196</u>