

**CHI HENG FOUNDATION LIMITED**  
**(Incorporated in Hong Kong with limited by guarantee)**

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2014**

**張麗昆會計師行**

**MORRIS & CO.**  
**Certified Public Accountants (Practising)**  
**Hong Kong**

**CHI HENG FOUNDATION LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2014**

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## **CHI HENG FOUNDATION LIMITED**

### **DIRECTORS' REPORT**

The directors hereby present their Report on the affairs of the Company together with the audited financial statements for the year ended 31 July 2014.

### **PRINCIPAL ACTIVITIES**

The Company is engaged in performing general charitable works with the objective of preventing AIDS in China, education and care for children impacted by AIDS in China and equal opportunity for vulnerable groups.

### **FINANCIAL STATEMENTS**

The results of the Company for the year ended 31 July 2014 and the state of the Company's affairs at that date are set out in the annexed financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

The movements in fixed assets of the Company during the year are set out in note 6 to the financial statements.

### **DIRECTORS**

The directors who held office up to the date of this report were:-

To Chung Chi  
Cheung Leung Hong  
Lo Yuk Lam  
Lam Sheung Lap Leroy

In accordance with the Company's Articles of Association, all Directors retire from office and, being eligible, offer themselves for re-election.

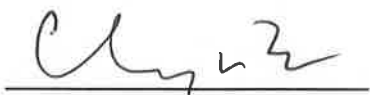
### **DIRECTORS' INTERESTS**

There is no contract of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **AUDITORS**

The financial statements have been audited by Morris & Co., who retire and being eligible, offer themselves for re-appointment.

On behalf of the board



Director  
Hong Kong, 8 October 2014

# 張麗昆會計師行

**MORRIS & CO.**

**Certified Public Accountants (Practising)**

香港上環永樂街 139 號永興商業大廈 23 字樓

23/F., Wing Hing Commercial Building, 139 Wing Lok Street, Sheung Wan, Hong Kong

Tel : 2142 7711 Fax : 2815 5323

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHI HENG FOUNDATION LIMITED**  
*(incorporated in Hong Kong with limited by guarantee)*

We have audited the financial statements of Chi Heng Foundation Limited (the "Company") set out on pages 4 to 14, which comprise the statement of financial position as at 31 July 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in fund and the 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 of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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. This report is made solely to you, as a body, in accordance with Section 141 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 the 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.

# 張麗昆會計師行

**MORRIS & CO.**

**Certified Public Accountants (Practising)**

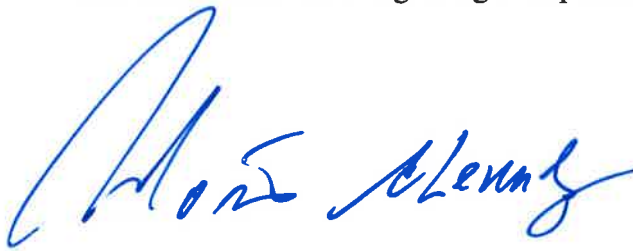
香港上環永樂街 139 號永興商業大廈 23 字樓

23/F., Wing Hing Commercial Building, 139 Wing Lok Street, Sheung Wan, Hong Kong

Tel : 2142 7711 Fax : 2815 5323

## **OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 July 2014 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

A handwritten signature in blue ink, appearing to read 'Morris & Co.', is written over the printed name of the firm.

**MORRIS & CO.**

**Certified Public Accountants (Practising)**

Hong Kong, 8 October 2014

**CHI HENG FOUNDATION LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 JULY 2014**


	NOTE	2014 HK\$	2013 HK\$
REVENUE	2	24,718,099	26,050,567
OTHER INCOME			
Exchange gain		-	1,193,900
Sundry income		<u>337,428</u>	<u>481,355</u>
		25,055,527	27,725,822
EXPENDITURE		<u>(24,772,080)</u>	<u>(21,438,133)</u>
SURPLUS FOR THE YEAR	3	<u><u>283,447</u></u>	<u><u>6,287,689</u></u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**CHI HENG FOUNDATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JULY 2014**

	NOTE	2014 HK\$	2013 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	255,735	184,852
<b>CURRENT ASSETS</b>			
Prepayments and deposits		134,926	144,697
Other receivables		1,012,892	877,838
Cash and cash equivalents	7	46,524,951	47,720,425
		<u>47,672,769</u>	<u>48,742,960</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals		(1,543,869)	(2,753,611)
Due to a director	8	-	(73,013)
		<u>(1,543,869)</u>	<u>(2,826,624)</u>
<b>NET CURRENT ASSETS</b>		<u>46,128,900</u>	<u>45,916,336</u>
<b>NET ASSETS</b>		<u>46,384,635</u>	<u>46,101,188</u>
Representing:			
<b>ACCUMULATED FUND</b>	9	<u>46,384,635</u>	<u>46,101,188</u>

Approved by the Board of Directors on 8 October 2014.

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**CHI HENG FOUNDATION LIMITED  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED 31 JULY 2014**

	<u>Accumulated Fund</u>
	HK\$
At 31 July 2012	39,813,499
Surplus for the year	<u>6,287,689</u>
At 31 July 2013	46,101,188
Surplus for the year	<u>283,447</u>
At 31 July 2014	<u><u>46,384,635</u></u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.



**CHI HENG FOUNDATION LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 JULY 2014**

	NOTE	2014 HK\$	2013 HK\$
<b>Cash flows from operating activities</b>			
Surplus for the year		283,447	6,287,689
Adjustment for:			
Depreciation		123,924	90,694
Interest income		<u>(1,184,938)</u>	<u>(814,894)</u>
<b>Operating surplus / (deficit) before changes in working capital</b>		(777,567)	5,563,489
Decrease in prepayments and deposits		9,771	126,946
(Increase) / decrease in other receivables		(135,054)	271,058
Increase / (decrease) in accounts payable and accruals		(1,209,742)	933,389
Increase / (decrease) in amount due to a director		<u>(73,013)</u>	<u>72,391</u>
<b>Net cash generated from / (used in) operating activities</b>		(2,185,605)	6,967,273
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(194,807)	(47,466)
Interest received		<u>1,184,938</u>	<u>814,894</u>
<b>Net cash generated from investing activities</b>		<u>990,131</u>	<u>767,428</u>
<b>Net cash increase / (decrease) in cash and cash equivalents</b>		(1,195,474)	7,734,701
<b>Cash and cash equivalents at beginning of the year</b>		<u>47,720,425</u>	<u>39,985,724</u>
<b>Cash and cash equivalents at end of the year</b>	7	<u><u>46,524,951</u></u>	<u><u>47,720,425</u></u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**CHI HENG FOUNDATION LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
**TO THE FINANCIAL STATEMENTS**

**REPORTING ENTITY**

Chi Heng Foundation Limited is a company incorporated in Hong Kong with limited by guarantee. The Company's registered office is located at Flat 1-3, 12/F., Wai Wah Commercial Centre, 6 Wilmer Street, Sheung Wan, Hong Kong.

The Company is a non-profit making organization. The Company is engaged in performing general charitable works with the objective of preventing AIDS in China, education and care for children impacted by AIDS in China and equal opportunity for vulnerable groups.

**1) BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention.

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

**a) Revenue recognition**

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

- (i) Income from fund raising and donations are entered in the financial statements on cash basis; and
- (ii) Interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

**b) Foreign exchange**

Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign currencies rates ruling at the closing date. Gains and losses on foreign exchange are recognized in the statement of comprehensive income.

**c) Property, plant and equipment**

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

Depreciation on property, plant and equipment is provided to write off their costs over their estimated useful lives, using straight line method, at the rate of 20% per annum.

**CHI HENG FOUNDATION LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
**TO THE FINANCIAL STATEMENTS**

**d) Impairment of assets**

An assessment is made at each closing date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the statement of comprehensive income. A previously recognized impairment loss is reversed only if there has been a change in estimated used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognized for the assets in prior years.

**e) 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.

For the purpose of cash flows statement, bank overdrafts which are repayable on demand form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

**f) Accounts payable and accruals**

Accounts payable and accruals are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**g) Employee benefits**

Short-term employee benefits and contributions to defined contribution retirement plans:

Salaries, gratuities, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**h) Operating leases**

Rental payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the periods of the respective leases.

**CHI HENG FOUNDATION LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
**TO THE FINANCIAL STATEMENTS**

**2) REVENUE**

An analysis of the Company's revenue is as follows:

	2014	2013
	HK\$	HK\$
Fundraising income	23,533,161	25,235,673
Interest income	<u>1,184,938</u>	<u>814,894</u>
	<u>24,718,099</u>	<u>26,050,567</u>

**3) SURPLUS FOR THE YEAR**

Surplus for the year is arrived at:

	2014	2013
	HK\$	HK\$
After charging the following items:		
Auditors' remuneration	8,500	8,500
Key management personnel's remuneration	-	-
Depreciation	123,924	90,694
Other staff costs	<u>1,087,988</u>	<u>823,878</u>

**4) DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance is as follows:

	2014	2013
	HK\$	HK\$
Fees	-	-
Other emoluments	<u>-</u>	<u>-</u>

**5) INCOME TAX EXPENSE**

No provision for taxation is required in these financial statements as the Company is exempt from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance.

**CHI HENG FOUNDATION LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
**TO THE FINANCIAL STATEMENTS**

**6) PROPERTY, PLANT AND EQUIPMENT**

	Furniture, fixtures & equipment	Leasehold improvement	Total
	HK\$	HK\$	HK\$
<b>COST</b>			
At 01/08/2013	570,225	39,103	609,328
Additions	<u>185,776</u>	<u>9,031</u>	<u>194,807</u>
At 31/07/2014	<u>756,001</u>	<u>48,134</u>	<u>804,135</u>
<b>AGGREGATE DEPRECIATION</b>			
At 01/08/2013	390,848	33,628	424,476
Charge for the year	<u>119,053</u>	<u>4,871</u>	<u>123,924</u>
At 31/07/2014	<u>509,901</u>	<u>38,499</u>	<u>548,400</u>
<b>NET BOOK VALUE</b>			
At 31/07/2014	<u>246,100</u>	<u>9,635</u>	<u>255,735</u>
At 31/07/2013	<u>179,377</u>	<u>5,475</u>	<u>184,852</u>

**CHI HENG FOUNDATION LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
**TO THE FINANCIAL STATEMENTS**

**7) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2014	2013
	HK\$	HK\$
<u>Bank of East Asia</u>		
*A/C No. 187-88-00811-3	-	1,418,188
*** A/C No. 187-88-02492-8	427	-
<u>China Merchant Bank</u>		
**A/C No. 6278 0391 9191 (fixed deposit)	3,819,333	3,783,000
*A/C No. 6220 1153 1888	-	310,944
*A/C No. 6220 1153 1888 (fixed deposit)	-	630,500
*** A/C No. 6214 8665 5281 2888 (fixed deposit)	9,086	-
The Hongkong and Shanghai Bank	2,518,569	1,705,822
Standard Chartered Bank	12,799,381	18,449,442
Bank of East Asia	26,332,290	20,648,522
<u>Cash kept by offices</u>	<u>1,045,865</u>	<u>774,007</u>
	<u>46,524,951</u>	<u>47,720,425</u>

\* The bank accounts are opened under the name of financial controller, Mr. Kan Wang Hoi, held in trust on behalf of the Company.

\*\* The bank accounts are opened under the name of a volunteer, Mr. Albert Hung Hoi Luk, held in trust on behalf of the Company.

\*\*\*The bank accounts are opened under the name of financial controller, Mr. Chan San Chee, held in trust on behalf of the Company.

**8) DUE TO A DIRECTOR**

The balance is unsecured, interest-free and has no specific repayment terms.

**CHI HENG FOUNDATION LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
**TO THE FINANCIAL STATEMENTS**

**9) ACCUMULATED FUND**

	Fund b/f HK\$	Income HK\$	Expenses HK\$	Overhead HK\$	Fund c/f HK\$
Education and care for children impacted by AIDS	44,721,795	23,154,559	(21,405,986)	-	46,470,368
AIDS prevention and Equal Opportunity	(109,108)	74,271	(594,996)	-	(629,833)
Publicity and Resource Development	528,375	641,759	(956,685)	-	213,449
General	<u>960,126</u>	<u>1,184,938</u>	<u>-</u>	<u>(1,814,413)</u>	<u>330,651</u>
Total	<u>46,101,188</u>	<u>25,055,527</u>	<u>(22,957,667)</u>	<u>(1,814,413)</u>	<u>46,384,635</u>

Each individual project is supported, funded and operated separately. Surplus for each particular project is not allowed to transfer to other projects. Donation income without special instruction is allocated to the project "Education and care for children impacted by AIDS".

**10) COMMITMENTS UNDER OPERATING LEASES**

At 31 July 2014, the Company had commitments under operating leases in respect of land and buildings to make payments in the next year as follows:

	2014 HK\$	2013 HK\$
Lease expiring:		
Within one year	73,500	252,000
During the second to fifth years inclusive	-	73,500
	<u>73,500</u>	<u>325,500</u>

**11) CORPORATE STRUCTURE**

The Company is a company limited by guarantee and does not have a share capital. The Company's Memorandum of Association forbids the distribution of the Company's income and property among to its members. Such income and property shall apply solely towards the promotion of objects of the Company as set forth in the Memorandum of Association.

**CHI HENG FOUNDATION LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES**  
**TO THE FINANCIAL STATEMENTS**

**12) FINANCIAL RISK MANAGEMENT**

The Company is not subject to any significant financial risks. As at 31 July 2014, the carrying amounts of its financial assets and financial liabilities are a reasonable approximation of their fair values.

**13) APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issue by the Board of Directors on 8 October 2014.



**CHI HENG FOUNDATION LIMITED**  
**DETAILED STATEMENT OF OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 JULY 2014**  
**(For management purposes only)**

	2014 HK\$	2013 HK\$
<b>INCOME</b>		
Fundraising income	23,533,161	25,235,673
Interest income	1,184,938	814,894
	<u>24,718,099</u>	<u>26,050,567</u>
<b>OTHER INCOME</b>		
Exchange gain	-	1,193,900
Sundry income	337,428	481,355
	<u>337,428</u>	<u>1,675,255</u>
	25,055,527	27,725,822
<b>LESS : EXPENDITURE</b>		
Auditors' remuneration	8,500	8,500
Bank charges	68,321	55,134
Computer cost	19,386	120,190
Cost of projects and programs	22,480,525	19,862,583
Depreciation	123,924	90,694
Exchange loss	477,142	-
Insurance	9,502	5,318
MPF contribution	54,874	31,543
Postage and courier	11,753	6,250
Printing and stationery	27,788	18,797
Professional fee	-	700
Rent and rates	291,612	261,862
Repair and maintenance	1,396	778
Salaries and allowance	1,087,988	823,878
Sundry expenses	19,110	17,884
Telecommunication	52,160	88,567
Travelling	18,400	26,067
Utilities	19,699	19,388
	<u>24,772,080</u>	<u>21,438,133</u>
<b>SURPLUS FOR THE YEAR</b>	<u>283,447</u>	<u>6,287,689</u>