

GRATIA FOUNDATION LIMITED

華恩基金會有限公司

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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GRATIA FOUNDATION LIMITED  
華恩基金會有限公司

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

Gratia Foundation Limited ("the Foundation") is a purely and exclusively charitable character. During the year, the Foundation continues to engage in supporting charitable activities to relieve poverty, distress, disease and ill health among the peoples in Mainland China, constructing and superintending children's home and provision of educational subsidies to students in Mainland China.

RESULTS AND STATE OF AFFAIRS

The deficit of the Foundation for the year ended 31 December 2017 and the state of the Foundation's affairs as at 31 December 2017 are set out in the annexed financial statements.

ADOPTION OF SMALL AND MEDIUM-SIZED ENTITY FINANCIAL REPORTING STANDARD

The Foundation is a small guarantee company which falls within the reporting exemption under the Hong Kong Companies Ordinance. The financial statements for the year ended 31 December 2017 are prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants.

CHARITABLE DONATIONS

During the year, the Foundation made HK\$1,674,144 charitable donations. (2016: HK\$1,623,875)

DIRECTORS

The following directors held office during the year and up to the date of this report:-

Cheng Kit Man Deborah (Appointed on 1 January 2017)  
Fung Kai Wing (Resigned on 18 July 2018)  
Lau Hak Wah  
Li Kin Kong, Michael

Liu Wai Cheong, Samson  
Sin Yat Sun (Appointed on 18 July 2018)  
Yeung Ping Kwong  
Yuen Shu Wah

In accordance with Articles 26 and 27 of the Articles of Association of the Foundation, one third of the directors shall retire from office and being eligible, offer themselves for re-election. Lau Hak Wah and Yuen Shu Wah will retire and being eligible, offers themselves for re-election at the forthcoming Annual General Meeting. The remaining directors shall continue to hold office for the ensuing year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No significant business contracts, management and administration contracts in which a director had a material interest, whether directly or indirectly, were subsisted at the end of the year or at any time during the year.

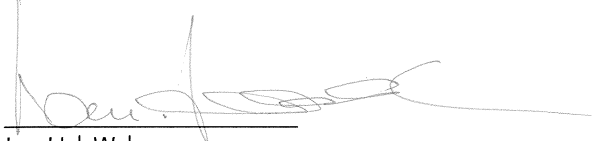
PERMITTED INDEMNITY PROVISION

No permitted indemnity provision was in force during the year, or is in force at the date of this report, for the benefit of the directors of the Foundation.

AUDITORS

The financial statements have been audited by Messrs Vincent W. M. Lai & Co., who retire and, being eligible, offers themselves for re-appointment.

On behalf of the Board



Lau Hak Wah  
Director  
Hong Kong  
6 September 2018

# VINCENT W. M. LAI & CO.

*Certified Public Accountants*  
Room 1104-5, 11/F., Haleson Building,  
1 Jubilee Street, Central, Hong Kong.  
Tel: (852) 2815 8102 Fax: (852) 2544 1381

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喜訊大廈十一樓一〇四至五室  
電話：二五八四一八〇  
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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRATIA FOUNDATION LIMITED**

華恩基金會有限公司  
(incorporated in Hong Kong and limited by guarantee)

### **Opinion**

We have audited the financial statements of Gratia Foundation Limited ("the Foundation") set out on pages 4 to 11, which comprise the statement of financial position as at 31 December 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Foundation are prepared, in all material respects, in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") 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") and with reference to Practice Note 900 (Revised), Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard 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 Foundation 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 Report of the Directors, 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 in accordance with the SME-FRS 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 Foundation'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 Foundation or to cease operations, or have no realistic alternative but to do so.

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

# VINCENT W. M. LAI & CO.

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### TO THE MEMBERS OF

### GRATIA FOUNDATION LIMITED

華恩基金會有限公司

(incorporated in Hong Kong and limited by guarantee)

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The 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 this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation'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 Foundation to cease to continue as a going concern.

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.



**VINCENT W. M. LAI & CO.**

Certified Public Accountants  
Room 1104-5, 11/F., Haleson Building,  
1 Jubilee Street, Central, Hong Kong,  
6 September 2018

## GRATIA FOUNDATION LIMITED

## 華恩基金會有限公司

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 HK\$	2016 HK\$
REVENUE			
Donations Received	3	6,951,395	6,550,806
Other Receipts	3	1,021,035	1,584,552
		<u>7,972,430</u>	<u>8,135,358</u>
Depreciation and impairment		(522,164)	(514,703)
Other Operating Expenses	4	<u>(7,821,670)</u>	<u>(6,707,061)</u>
(DEFICIT)/SURPLUS BEFORE TAX	5	<u>(371,404)</u>	<u>913,594</u>
Income Tax	6	<u>-</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE YEAR		<u><u>(371,404)</u></u>	<u><u>913,594</u></u>

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

## GRATIA FOUNDATION LIMITED

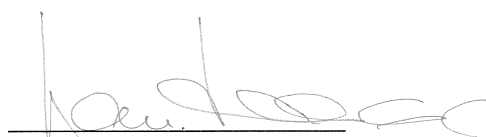
## 華恩基金會有限公司


## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTE	2017 HK\$	2016 HK\$
Non-current Asset			
Property, plant and equipment	8	<u>15,397,874</u>	<u>15,766,844</u>
Current Assets			
Accounts receivables		112,520	117,094
Deposits		20,775	20,775
Prepayments		87,630	-
Temporary payment		318,701	268,531
Cash in advance		58,960	53,170
Bank balances and cash		<u>4,698,859</u>	<u>5,244,023</u>
		<u>5,297,445</u>	<u>5,703,593</u>
Deduct:			
Current Liabilities			
Accruals		67,760	134,700
Loans from a director	9	96,000	96,000
Temporary receipt - Herald Foundation	10	<u>1,235,063</u>	<u>1,508,857</u>
		<u>1,398,823</u>	<u>1,739,557</u>
Net Current Assets		<u>3,898,622</u>	<u>3,964,036</u>
Non-current Liability			
Loans from a director	9	<u>(1,672,000)</u>	<u>(1,768,000)</u>
NET ASSETS		<u>17,624,496</u>	<u>17,962,880</u>
Reserves and Fund			
Accumulated surplus		15,041,276	15,412,680
Building fund	11	28,600	26,800
Membership foundation fund	12	8,900	8,800
QNCV Fund	13	<u>2,545,720</u>	<u>2,514,600</u>
TOTAL RESERVES AND FUND		<u>17,624,496</u>	<u>17,962,880</u>

The financial statements on pages 4 to 11 were approved and authorised for issue by the Board of Directors on 6 September 2018 and are signed on its behalf by:

  
 Lau Hak Wah  
 Director

  
 Sin Yat Sun  
 Director

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

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

1. REPORTING ENTITY

Gratia Foundation Limited ("the Foundation") is a limited company incorporated and domiciled in Hong Kong and limited by guarantee and not having a share capital. The liability of the member is limited to HK\$100 per member in the event of the Foundation being wound up, whilst they remain a member, or within one year after they ceased to be a member.

The registered office is situated at Workshop V, 9th Floor, Valiant Industrial Centre, 2-12 Au Pui Wan Street, Shatin, New Territories, Hong Kong.

During the year, the Foundation continues to engage in supporting charitable activities to relieve poverty, distress, disease and ill health among the peoples in Mainland China, constructing and superintending children's home and provision of educational subsidies for students in Mainland China.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Foundation qualifies for the reporting exemption as a small guarantee company under section 359 (1) (a) of the Hong Kong Companies Ordinance (Cap. 622) and is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium -sized Entity Financial Reporting Standard ( "SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Foundation is a going concern.

The measurement base adopted is the historical cost convention.

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

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

- (i) donations receipt is recognised when the donations are received;
- (ii) events income is recognised after the events took place;
- (iii) management fee income is recognised when services rendered; and
- (iv) interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

- (b) Property, plant and equipment  
Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is consistently provided to write off the cost of property, plant and equipment to operation over their estimated useful lives on a straight line basis at the following rates per annum:-

Leasehold land and building in Hong Kong	- over unexpired term of lease
Leasehold land and buildings in China	- over unexpired term of lease
Leasehold improvement	- 20%
Furniture and fixture	- 20%
Office equipment	- 20%
Properties, office equipment, furniture and fixture in China	- 2%

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

(c) Assets under construction

Assets under construction is stated at cost less impairment losses, if any. Cost comprises direct costs of construction, such as materials, staff costs and overheads. Capitalisation of these costs ceases and asset concerned is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided on asset under construction until construction is completed and the asset is ready for its intended use.

(d) Impairment of assets

An assessment is made at the end of each reporting period 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 recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates 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 recognised for the asset in prior years.

(e) Foreign currencies translation

Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at approximately the market rates of exchange ruling at the end of the reporting period. Transactions in foreign currencies during the year are translated into Hong Kong dollar at the rates ruling at the transaction dates. Differences on foreign currency translation are dealt with in the income statement.

(f) Employee benefits

Obligations for contributions to defined contribution retirement plan under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement.

3. REVENUE

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

	2017 HK\$	2016 HK\$
Donations Received		
China children villages	2,294,934	2,621,075
China projects	1,762,296	1,416,700
Pakistan & Bengal projects	50,000	-
General	1,958,661	1,752,577
Benevolent fund	132,880	48,500
Fund raising	604,622	357,578
Others	148,002	354,376
	<u>6,951,395</u>	<u>6,550,806</u>
Other Receipts		
Event income	982,406	1,500,818
Management fee	37,200	37,200
Bank interest received	1,429	11,623
Sundry income	-	34,911
	<u>1,021,035</u>	<u>1,584,552</u>
	<u>7,972,430</u>	<u>8,135,358</u>



ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2017

4 OTHER OPERATING EXPENSES

In the opinion of Board of the directors, the following items are disclosed in order to give more information:-

<u>Salaries and welfare</u>	HK\$
General staff	1,316,795
Staffs responsible for the operation of China Children Villages	622,138
Others	2,050
	<u>1,904,983</u>

Included in salaries was an amount of HK\$141,312 related to Education Scheme staff in China which was supported by donations received from churches.

The Foundation had seconded staffs and their respective costs were recognised as salaries expenses.

<u>Children Village Expenses (Extract)</u>	CNY
Sanming Herald Gratia Children Village	671,117
Du'an Yao Autonomous County Gratia Herald Children Village	574,063
Mianyang Herald Gratia Children Village	442,257
Guizhou Children Village initial set up costs	901
	<u>1,688,338</u>

<u>Donation – China projects (Extract)</u>	CNY
Education scheme	<u>1,195,836</u>

<u>Donation – general (Extract)</u>	CNY
Support 僑愛工程	<u>200,000</u>

5. (DEFICIT)/SURPLUS BEFORE TAX

	2017 HK\$	2016 HK\$
(Deficit)/surplus before tax is arrived at:		
After charging:		
Depreciation	522,164	514,703
Disposal of assets in children village	107,150	-
Key management personnel's remuneration	-	-
Salaries and welfare	1,940,983	1,797,297
Mandatory provident fund contribution	95,456	89,857
Exchange losses	<u>15,957</u>	<u>46,412</u>

6. INCOME TAX

The Foundation has exemption from profits tax liabilities under Section 88 of the Inland Revenue Ordinance.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2017

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017 HK\$	2016 HK\$
Directors' fee	-	-
Salaries, allowances and benefits other than in cash	-	-
	<u>-</u>	<u>-</u>

There were no payments made or benefit provided in respect of the termination of the services of directors, whether in the capacity of directors or in any other capacity while directors

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong HK\$	Leasehold land and buildings in China HK\$	Leasehold improvement HK\$	Furniture and fixture HK\$	Office equipment HK\$	Property, office equipment, furniture and fixture in China HK\$	Assets under construction in China HK\$	Total HK\$
AT COST:								
At 1.1.2017	6,966,000	864,236	261,059	70,772	220,459	10,314,039	102,293	18,798,858
Addition				14,029	8,346	237,969	-	260,344
Transfer to						102,293	(102,293)	-
Disposal						(107,150)	-	(107,150)
At 31.12.2017	<u>6,966,000</u>	<u>864,236</u>	<u>261,059</u>	<u>84,801</u>	<u>228,805</u>	<u>10,547,151</u>	<u>-</u>	<u>18,952,052</u>
ACCUMULATED DEPRECIATION/ IMPAIRMENT:								
At 1.1.2017	(1,162,721)	(186,009)	(99,846)	(50,434)	(179,034)	(1,353,970)	-	(3,032,014)
Provided for the year	<u>(196,721)</u>	<u>(32,009)</u>	<u>(52,212)</u>	<u>(10,483)</u>	<u>(15,623)</u>	<u>(215,116)</u>	<u>-</u>	<u>(522,164)</u>
At 31.12.2017	<u>(1,359,442)</u>	<u>(218,018)</u>	<u>(152,058)</u>	<u>(60,917)</u>	<u>194,657</u>	<u>1,569,086</u>	<u>-</u>	<u>(3,554,178)</u>
NET BOOK VALUE:								
At 31.12.2017	<u>5,606,558</u>	<u>646,218</u>	<u>109,001</u>	<u>23,884</u>	<u>34,148</u>	<u>8,978,065</u>	<u>-</u>	<u>15,397,874</u>
At 31.12.2016	<u>5,803,279</u>	<u>678,227</u>	<u>161,213</u>	<u>20,338</u>	<u>41,425</u>	<u>8,960,069</u>	<u>102,293</u>	<u>15,766,844</u>

The leasehold land and building in Hong Kong is held under medium lease.

The leasehold land and buildings in China held with net book value of HK\$525,219 (2016: HK\$546,227), and HK\$121,000 (2016: HK\$132,000) are under long lease and medium lease respectively.

GRATIA FOUNDATION LIMITED  
華恩基金會有限公司

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2017

9. LOAN FROM A DIRECTOR

The loan is interest free, unsecured and repayable by 250 equal monthly instalments commenced from September 2015.

	2017 HK\$	2016 HK\$
Within next year		
Non-interest bearing loan	96,000	96,000
After one year		
Non-interest bearing loan	1,768,000	1,768,000
	<u>1,768,000</u>	<u>1,864,000</u>

10. TEMPORARY RECEIPT – HERALD FOUNDATION

Funds received for joint projects and paid during the year:-

	HK\$
Balance brought forward	<u>1,508,857</u>
Reimbursement to children villages	191,844
Received from Herald Foundation	3,049,733
Share of bank interest income	87
	<u>3,241,664</u>
Less:	
Share of expenditures for Children Villages	
General Operating	1,272,087
Sanming Herald Gratia Children Village	1,090,115
Du'an Yao Autonomous County Gratia Herald Children Village	631,920
Mianyang Herald Gratia Children Village	521,336
	<u>3,515,458</u>
Balance carried forward	<u>1,235,063</u>

11. BUILDING FUND

The purpose of the building fund is to build up a reserve for purchasing property of the Foundation.

12. MEMBERSHIP FOUNDATION FUND

The fund represents accumulated balance from nominal amount received upon member admission to the Foundation.

GRATIA FOUNDATION LIMITED  
華恩基金會有限公司

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 31 DECEMBER 2017

13. QNCV FUND

The purpose of the QNCV fund is for the purpose of building up funds for a new children village in Guizhou. The fund includes land costs, construction work and operation expenses of the new children village. Unfortunately, the project was ceased due to changes of respective local regulations.

14. COMMITMENTS

At 31 December 2017, the Foundation had following outstanding commitments for the education subsidies for PRC students:-

	2017 CNY	2016 CNY
Authorised and contracted for	<u>1,025,000</u>	<u>867,500</u>

15. CHANGE IN EQUITY

	Accumulated surplus HK\$	Building fund HK\$	Membership foundation fund HK\$	QNCV fund HK\$	Total reserve and funds HK\$
At 1.1.2017	15,412,680	26,800	8,800	2,514,600	17,962,880
Deficit for the year	(371,404)	-	-	-	(371,404)
Addition	-	-	100	-	100
Offering receipts	-	1,800	-	31,120	32,920
At 31.12.2017	<u>15,041,276</u>	<u>28,600</u>	<u>8,900</u>	<u>2,545,720</u>	<u>17,624,496</u>

16. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 6 September 2018.