

GRATIA FOUNDATION LIMITED
華恩基金會有限公司

REPORTS
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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VINCENT W. M. LAI & CO.
Certified Public Accountants
Hong Kong

GRATIA FOUNDATION LIMITED ("the Foundation")
華恩基金會有限公司

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

Gratia Foundation Limited is a company incorporated and domiciled in Hong Kong and has its registered office and principle place of operations at Flat H, 17th Floor, Block A, Universal Industrial Centre, 23-25 Shan Mei Street, Fotan, New Territories, Hong Kong and moved to Workshop V, 9th Floor, Valiant Industrial Centre, 2-12 Au Pui Wan Street, Shatin, New Territories, Hong Kong with effect from 1 October 2015.

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 surplus of the Foundation for the year ended 31 December 2015 and the state of the Foundation's affairs as at 31 December 2015 are set out in the attached 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 2015 are prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Foundation of Certified Public Accountants.

CHARITABLE DONATIONS

During the year, the Foundation made HK\$1,515,537 charitable donations. (2014: HK\$1,099,663)

DIRECTORS

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

Fung Kai Wing	(Appointed on 1 March 2015)	Liu Wai Cheong, Samson
Lau Hak Wah		Yeung Ping Kwong
Lau Sau Shun	(Resigned on 1 June 2015)	Yuen Shu Wah
Li Kin Kong, Michael		

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. Li Kin Kong, Michael and Yeung Ping Kwong 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 nor permitted indemnity provision agreements 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.

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



Yuen Shu Wah, Chairman
Hong Kong
17 September 2016

VINCENT W. M. LAI & CO.

Certified Public Accountants
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香港中環租庇利街一號
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRATIA FOUNDATION LIMITED ("the Foundation")

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

We have audited the financial statements of Gratia Foundation Limited set out on pages 3 to 10, which comprise the statement of financial position as at 31 December 2015, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Foundation of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

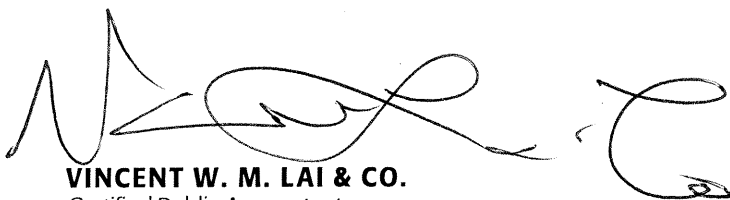
Our responsibility is to express an opinion on these financial statements based on our audit. The report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing 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 Hong Kong Foundation 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Foundation for the year ended 31 December 2015 are prepared, in all material respects, in accordance with the SME-FRS and have been properly prepared in compliance with the Hong Kong Companies Ordinance.



VINCENT W. M. LAI & CO.
Certified Public Accountants
Room 1104-5, 11/F., Haleson Building,
1 Jubilee Street, Central, Hong Kong,
17 September 2016

GRATIA FOUNDATION LIMITED ("the Foundation")
華恩基金會有限公司

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

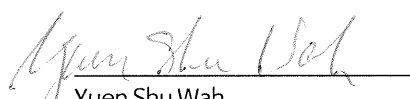
	NOTE	2015 HK\$	2014 HK\$
REVENUE			
Offering Receipts	3	7,998,711	6,109,961
Other Receipts	3	1,152,877	1,787,970
		<u>9,151,588</u>	<u>7,897,931</u>
Depreciation and impairment		(1,250,822)	(225,961)
Other Operating Expenses		<u>(7,350,139)</u>	<u>(7,874,098)</u>
SURPLUS/(DEFICIT) BEFORE TAX	4	550,627	(202,128)
Income Tax	5	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>550,627</u></u>	<u><u>(202,128)</u></u>

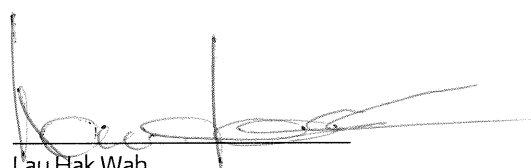
The accompanying Accounting Policies and Explanatory Notes form an integral part of, should be read in conjunction with, these financial statements.

GRATIA FOUNDATION LIMITED ("the Foundation")
華恩基金會有限公司

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	NOTE	2015 HK\$	2014 HK\$
Non-current Asset			
Property, plant and equipment	7	<u>15,356,780</u>	<u>9,255,341</u>
Current Assets			
Accounts receivables		155,436	162,720
Deposits		25,083	16,100
Prepayments		23,040	13,987
Cash in advance		43,831	-
Bank balances and cash		<u>5,152,134</u>	<u>3,211,783</u>
		<u>5,399,524</u>	<u>3,404,590</u>
Deduct:			
Current Liabilities			
Accruals		99,947	192,077
Loans from a director	8	1,596,000	-
Temporary receipt		92,522	70,650
Temporary receipt - Herald Foundation	9	<u>1,595,949</u>	<u>793,904</u>
		<u>3,384,418</u>	<u>1,056,631</u>
Net Current Assets		<u>2,015,106</u>	<u>2,347,959</u>
Non-current Liability			
Loans from a director	8	<u>(2,864,000)</u>	<u>-</u>
NET ASSETS		<u>14,507,886</u>	<u>11,603,300</u>
Reserves and Fund			
Accumulated surplus		14,499,086	11,578,550
Building fund	10	-	15,950
Membership foundation fund	11	<u>8,800</u>	<u>8,800</u>
TOTAL RESERVES AND FUND		<u>14,507,886</u>	<u>11,603,300</u>


Yuen Shu Wah
Director


Lau Hak Wah
Director

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

1. GENERAL INFORMATION

Gratia Foundation Limited is a limited company incorporated 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 located at Flat H, 17th Floor, Block A, Universal Industrial Centre, 23-25 Shan Mei Street, Fotan, New Territories, Hong Kong and moved to Workshop V, 9th Floor, Valiant Industrial Centre, 2-12 Au Pui Wan Street, Shatin, New Territories, Hong Kong with effect from 1 October 2015.

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 Foundation 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 Foundation's financial statements for the year ended 31 December 2015 are its first annual financial statements prepared under accounting policies that comply with the SME-FRS.

The Foundation applied Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for PE") prior to the application of the SME-FRS.

There are no impacts for a changing from using the HKFRS for PE to SME-FRS.

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

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

- (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 buildings held under medium term lease in Hong Kong	- over unexpired term of lease
Land	- over unexpired term of lease
Leasehold improvement	- 20%
Furniture and fixture	- 20%
Office equipment	- 20%
Properties, office equipment, Furniture and fixture in China	- 2%

The residual value and the useful life of an asset are reviewed at least at each financial year end.

- (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.

GRATIA FOUNDATION LIMITED ("the Foundation")
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 2015

3. REVENUE

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

	2015 HK\$	2014 HK\$
Offerings Receipts		
China children villages	3,725,394	2,242,043
China projects	1,980,707	876,528
General	1,144,454	2,267,372
Benevolent fund	48,050	26,730
Fund raising	783,294	437,101
Others	316,812	260,187
	<u>7,998,711</u>	<u>6,109,961</u>
Other Receipts		
Event income	1,111,264	1,747,750
Management fee	37,200	39,000
Bank interest received	3,826	1,220
Exchange gain	587	-
	<u>1,152,877</u>	<u>1,787,970</u>
	<u>9,151,588</u>	<u>7,897,931</u>

4. SURPLUS/(DEFICIT) BEFORE TAX

	2015 HK\$	2014 HK\$
Surplus/(deficit) before tax is arrived at:		
After crediting:		
Bank interest received	3,826	1,220
Exchange gain	587	-
	<u>4,413</u>	<u>1,220</u>
After charging:		
Depreciation	505,965	225,961
Impairment of property, plant and equipment	744,857	-
Salaries and mandatory provident fund contribution	1,329,008	1,744,173
Exchange losses	-	12,262
	<u>2,580,830</u>	<u>2,012,496</u>

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

5. INCOME TAX

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

GRATIA FOUNDATION LIMITED ("the Foundation")
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 2015

6. 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:

	2015 HK\$	2014 HK\$
Directors' fee	-	-
Salaries, allowances and benefits other than in cash	-	-

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong HK\$	Leasehold land 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 1.1.2015	-	297,000	29,790	39,120	160,144	10,025,566	-	10,551,620
Addition	6,966,000	-	238,169	31,652	44,591	35,613	102,293	7,417,318
Disposal	-	-	(29,790)	-	-	(65,057)	-	(94,847)
At 31.12.2015	<u>6,966,000</u>	<u>297,000</u>	<u>238,169</u>	<u>70,772</u>	<u>203,735</u>	<u>9,996,122</u>	<u>102,293</u>	<u>17,874,091</u>
ACCUMULATED DEPRECIATION/ IMPAIRMENT:								
At 1.1.2015	-	(143,000)	(29,790)	(32,867)	(147,072)	(943,550)	-	(1,296,279)
Provided for the year	(221,143)	(11,000)	(47,634)	(8,835)	(15,322)	(202,031)	-	(505,965)
Impairment	(744,857)	-	-	-	-	-	-	(744,857)
Disposal	-	-	29,790	-	-	-	-	29,790
At 31.12.2015	<u>(966,000)</u>	<u>(154,000)</u>	<u>(47,634)</u>	<u>(41,702)</u>	<u>(162,394)</u>	<u>(1,145,581)</u>	<u>-</u>	<u>(2,517,311)</u>
NET BOOK VALUE:								
At 31.12.2015	<u>6,000,000</u>	<u>143,000</u>	<u>190,535</u>	<u>29,070</u>	<u>41,341</u>	<u>8,850,541</u>	<u>102,293</u>	<u>15,356,780</u>
At 31.12.2014	<u>-</u>	<u>154,000</u>	<u>-</u>	<u>6,253</u>	<u>13,072</u>	<u>9,082,016</u>	<u>-</u>	<u>9,255,341</u>

The leasehold land and buildings are held in Hong Kong under medium lease.

The land is held under medium term lease in Mainland China. It is for the purpose of supporting further development work in Fuzhou, Mainland China.

GRATIA FOUNDATION LIMITED ("the Foundation")
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 2015

8. LOANS FROM A DIRECTOR

Two unsecured loans total amounted to HK\$4,500,000 were borrowed from a director during the year, of which HK\$2,500,000 bearing interest rate of 3% per annum and repayable with two years, and the other HK\$2,000,000 was interest free and repayable by 250 equal monthly instalments.

	2015 HK\$	2014 HK\$
Within next year		
Interest bearing loan	1,500,000	-
Non-interest bearing loan	96,000	-
	<u>1,596,000</u>	<u>-</u>
After one year		
Interest bearing loan	1,000,000	-
Non-interest bearing loan	1,864,000	-
	<u>2,864,000</u>	<u>-</u>
	<u>4,460,000</u>	<u>-</u>

9. TEMPORARY RECEIPT – HERALD FOUNDATION

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

	HK\$
Balance brought forward	<u>793,904</u>
Reimbursement to children villages	1,430,137
Received from Herald Foundation	1,547,441
Share of bank interest income	181
	<u>2,977,759</u>
Less:	
Share of expenditures for Children Villages	
General Operating	727,150
Sanming Gratia Children Village Project	342,350
Hechi City Gratia Children Village Project	714,913
Mingyang City Herald Gratia Children Village Project	391,300
	<u>2,175,713</u>
Balance carried forward	<u>1,595,950</u>

10. BUILDING FUND

The purpose of the building fund is to build up a reserve for purchasing property of the Foundation. It was fully utilised after the acquisition of the Foundation's own property during the year.

GRATIA FOUNDATION LIMITED ("the Foundation")
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 2015

11. MEMBERSHIP FOUNDATION FUND

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

12. COMMITMENTS

At 31 December 2015, the Foundation had following outstanding commitments for the education subsidies for PRC students:-

	2015 RMB	2014 RMB
Authorised and contracted for	<u>1,046,500</u>	<u>937,000</u>

13. CHANGE IN EQUITY

	Accumulated surplus HK\$	Building fund HK\$	Membership foundation fund HK\$	Total reserve and funds HK\$
At 1.1.2014	11,780,678	-	8,800	11,789,478
Deficit for the year	(202,128)	-	-	(202,128)
Offering receipts	-	15,950	-	15,950
At 31.12.2014	<u>11,578,550</u>	<u>15,950</u>	<u>8,800</u>	<u>11,603,300</u>
At 1.1.2015	11,578,550	15,950	8,800	11,603,300
Surplus for the year	550,627	-	-	550,627
Offering receipts	-	2,353,959	-	2,353,959
Transferred	2,369,909	(2,369,909)	-	-
At 31.12.2015	<u>14,499,086</u>	<u>-</u>	<u>8,800</u>	<u>14,507,886</u>

14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 17 September 2016.