

FRIENDS OF HONG KONG CHARITIES, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

盛關小萍會計師行

M.S.P. SHING & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

HONG KONG

FRIENDS OF HONG KONG CHARITIES, INC.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Corporation is a non-profit organization organized and operated exclusively for charitable, religious, educational, and other purposes beneficial to social welfare.

CAPITAL STOCK

The Corporation is not organized for profit and has no authority to issue capital stock.

MEMBERS

The Corporation has members. The members are qualified and elected as provided in the Corporation's Bylaws.

RESULTS

The surplus of the Corporation for the year ended 31 December 2011 and the state of affairs of the Corporation as at that date are set out in the financial statements on pages 3 to 9.

DIRECTORS

The directors who held office during the year were as follows:

David Kent Sutherland
Paul Jeffrey Brice – resigned on 25 February 2011
Rimpei Kozawa
James Christerson Glover

In accordance with the Corporation's Bylaws, all directors shall retire but, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

In the opinion of the directors, there were no contracts of significance subsisting at the end of the year or at any time during the year to which the Corporation was a party and in which a director had a material interest.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Corporation a party to any arrangement to enable the directors to acquire benefits by means of acquisition of shares in or debentures of any body corporate.

AUDITORS

Messrs. M.S.P. Shing & Co. now retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman
Hong Kong, 7 June 2012



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M.S.P. SHING & CO.

Certified Public Accountants (Practising)

INDEPENDENT AUDITORS' REPORT

To the members of
Friends of Hong Kong Charities, Inc.
(incorporated in United States of America with limited liability)

We have audited the financial statements of Friends of Hong Kong Charities, Inc. set out on pages 3 to 9, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, the statement of changes in accumulated surplus and the statement of cash flows 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 and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

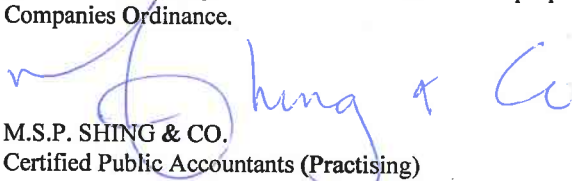
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' 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 auditors consider internal controls relevant to the Corporation's preparation and true and fair presentation 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 Corporation'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 give a true and fair view of the state of the Corporation's affairs as at 31 December 2011 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.


M.S.P. SHING & CO.
Certified Public Accountants (Practising)
Hong Kong, 7 June 2012

FRIENDS OF HONG KONG CHARITIES, INC.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> HK\$	<u>2010</u> HK\$
INCOME		
Offering	43,098,869.09	35,532,786.63
Exchange gain	-	17.42
Interest income	10.16	6.37
Sundry income	<u>244,621.53</u>	<u>236,606.49</u>
	<u>43,343,500.78</u>	<u>35,769,416.91</u>
EXPENDITURE		
Auditors' remuneration	6,000.00	5,500.00
Bank charges	810.00	243.15
Exchange loss	11.08	-
Legal and professional fees	17,510.79	13,106.38
Management fee	216,000.00	216,000.00
Mission	43,098,868.14	35,532,786.60
Postage and delivery	-	878.91
Printing and stationery	150.00	468.00
Sundry expenses	280.00	240.00
Travelling	-	313.20
	<u>43,339,630.01</u>	<u>35,769,536.24</u>
SURPLUS/(DEFICIT) FOR THE YEAR	3,870.77	(119.33)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES)	<u>3,870.77</u>	<u>(119.33)</u>

The notes on pages 7 to 9 form an integral part of these financial statements.

FRIENDS OF HONG KONG CHARITIES, INC.

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED 31 DECEMBER 2011

	HK\$
At 31 December 2009	5,188.57
Total comprehensive (expenses)	<u>(119.33)</u>
At 31 December 2010	5,069.24
Total comprehensive income	<u>3,870.77</u>
At 31 December 2011	<u>8,940.01</u>

The notes on pages 7 to 9 form an integral part of these financial statements.

FRIENDS OF HONG KONG CHARITIES, INC.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	<u>2011</u> HK\$	<u>2010</u> HK\$
CURRENT ASSETS		
Accounts receivable	98,450.35	15,091.06
Prepayments	1,842.44	1,800.74
Cash at bank	<u>8,522,231.40</u>	<u>7,839,838.01</u>
	<u>8,622,524.19</u>	<u>7,856,729.81</u>
CURRENT LIABILITIES		
Receipt in advance	-	2,418.91
Accounts payable and accrued charges	<u>8,613,584.18</u>	<u>7,849,241.66</u>
	<u>8,613,584.18</u>	<u>7,851,660.57</u>
NET ASSETS	<u>8,940.01</u>	<u>5,069.24</u>
Representing:		
ACCUMULATED SURPLUS	<u>8,940.01</u>	<u>5,069.24</u>

Approved by the Board of Directors on 7 June 2012



Director



Director

The notes on pages 7 to 9 form an integral part of these financial statements.

FRIENDS OF HONG KONG CHARITIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> HK\$	<u>2010</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(deficit) for the year	3,870.77	(119.33)
Adjustment for:		
Interest income	<u>(10.16)</u>	<u>(6.37)</u>
Operating surplus/(deficit) before working capital changes	3,860.61	(125.70)
(Increase)/decrease in accounts receivable	(83,359.29)	53,879.07
(Increase) in prepayments	(41.70)	(54.51)
(Decrease)/increase in receipt in advance	(2,418.91)	417.09
Increase in accounts payable and accrued charges	<u>764,342.52</u>	<u>3,697,536.89</u>
Net cash inflow from operating activities	<u>682,383.23</u>	<u>3,751,652.84</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>10.16</u>	<u>6.37</u>
Net cash inflow from investing activities	<u>10.16</u>	<u>6.37</u>
INCREASE IN CASH AND CASH EQUIVALENTS	682,393.39	3,751,659.21
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,839,838.01</u>	<u>4,088,178.80</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>8,522,231.40</u>	<u>7,839,838.01</u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash at bank	<u>8,522,231.40</u>	<u>7,839,838.01</u>

The notes on pages 7 to 9 form an integral part of these financial statements.

FRIENDS OF HONG KONG CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES AND REGISTERED OFFICE

The Corporation was incorporated in the State of Delaware, United States of America with limited liability on 15 November 2002 with the registered office located at 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, U.S.A. and registered as an oversea company in Hong Kong on 30 May 2003 with the principal place of business located at 21/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong.

The Corporation is a non-profit organisation and operated exclusively for charitable, religious, educational, and other purposes beneficial to social welfare.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance.

The Corporation has not early applied the new HKFRSs that have been issued but are not yet effective. The directors anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Corporation.

b. Income recognition

Offering income is accounted for on a cash basis. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

c. Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of the Corporation are measured using the currency of the primary environment in which the Corporation operates (the functional currency). The financial statements are presented in Hong Kong dollars, which is the Corporation's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated into Hong Kong dollars at the closing rate at the yearend date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are dealt with in the statement of comprehensive income.

d. Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Corporation expects a provision to be reimbursed, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain.

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.

FRIENDS OF HONG KONG CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS - continued

3. TAXATION

No provision for profits tax has been made in the financial statements because the Corporation is exempt from federal income tax under section 501(a) of the United States of America Internal Revenue Code as an organization described in section 501(c)(3) and all taxes payable under section 88 of the Hong Kong Inland Revenue Ordinance (Cap. 112).

4. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors during the year ended 31 December 2011.

5. RELATED PARTY TRANSACTIONS

No director receives any fees or other emoluments for serving as a director.

There were no material transactions between the Corporation and its directors or parties related to the directors.

6. DISSOLUTION

In the event of the liquidation, dissolution, or winding up of the affairs of the Corporation, the directors of the Corporation shall transfer all of the assets of the Corporation in such manner as the directors, may by a majority vote determine, provided, however, that any such distribution of assets shall be calculated to carry out the objects and purposes of the Corporation; and, provided further, that all such distributions must be to one or more organizations (a) which are exempt from tax as organizations described in section 501(c)(3) of the United States of America Internal Revenue Code, and (b) contributions to which are deductible under the provisions of sections 170, 2055, and 2522 of the United States of America Internal Revenue Code.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation does not have written risk management policies and guidelines. However, the management meets periodically to analyse and formulate measures to manage the Corporation's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Corporation employs a conservative strategy regarding its risk management. As the directors consider that the Corporation's exposure to market risk is kept at a minimum level, the Corporation has not used any derivatives or other instruments for hedging purposes. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation's principal financial instrument comprises cash at bank. The main purpose of this financial instrument is to raise finance for the Corporation's capital expenditure and operations. The Corporation has various other financial assets and liabilities such as accounts receivable, prepayments, accounts payable and other payables, which arise directly from its operations.

a) Interest rate risk

As at the yearend date, the Corporation does not have any significant exposure to interest rate risk as the Corporation currently has no material financial assets or liabilities with floating rates.

b) Foreign currency risk

The Corporation is exposed to foreign currency risk primarily through its business activities that are denominated in a currency other than the functional currency of the operations to which they relate. The Corporation has not used any forward currency contracts to eliminate the foreign currency exposures.

FRIENDS OF HONG KONG CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS - continued

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

c) Credit risk

The Corporation's bank balances are deposits with banks located in Hong Kong and do not have a significant exposure to credit risk. The Corporation's credit risk is primarily attributable to accounts receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

d) Liquidity risk

The management monitors and maintains a level of cash and cash equivalents considered adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows and considers that the Corporation's exposure to liquidity risk is insignificant.

e) Fair values

The fair values of the Corporation's financial assets and financial liabilities were not materially different from their carrying amounts as at the yearend date because of the immediate or short-term maturity of these financial instruments.

No quantitative disclosures are made for the Corporation's credit risk, liquidity risk and market risk because their exposure is not material. No sensitivity analysis for each type of market risk is made because the effect to the profit and equity as a result of the change in other relevant risk variables is not material.