

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

REPORT OF THE EXECUTIVE COMMITTEE MEMBERS

The executive committee members herein present their report and the audited financial statements for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

The principal activities of the Foundation continued to be elevation of the standard of care for arthritic and rheumatic conditions and provision of care services for patients suffering from arthritic and rheumatic conditions in Hong Kong and mainland China.

RESULTS

The Foundation's result for the year ended 31 March 2014 and its state of affairs at that date are set out in the financial statements on pages 5 to 13.

SHARE CAPITAL

The Foundation is a company limited by guarantee and does not have a share capital. The liability of each individual member is limited to HK\$50.

EXECUTIVE COMMITTEE MEMBERS

The executive committee members who held office during the year and up to the date of this report were:

Chan Tak Hin	(Chairman)	(re-elected on 15 December 2013)
Chan Kar Lok	(Vice Chairman and Honorary Treasurer)	(re-elected on 15 December 2013)
Lee Ka Wing, Gavin	(Vice Chairman)	(re-elected on 15 December 2013)
Ng Kam Hung, Daniel	(Honorary Secretary)	(re-elected on 15 December 2013)
Cheung Wai Han, Elsa	(Honorary Legal Adviser)	
Chan King Chu		
Cheng Hang Cheong		
Cheng Pauline		
Lee Ka Yan, David		
Leung Yee Mei, Christine		(re-elected on 15 December 2013)
Mok Mo Yin, Temy		(re-elected on 15 December 2013)
Tsang Wai Ping, Cecilia		
Chan Kim Shuk, Camilla		(resigned on 15 December 2013)
Yau Po Wing, David		(resigned on 15 December 2013)

In accordance with the Articles 40, 49 & 50 of Foundation's Articles of Association, the term of office for executive committee member shall be two years, and one third of the executive committee members shall retire, and being eligible, offer themselves for re-election at the annual general meeting in every two years. The number of the executive committee members should be no less than 6 and no more than 15.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
REPORT OF THE EXECUTIVE COMMITTEE MEMBERS

EXECUTIVE COMMITTEE MEMBERS' INTERESTS

No contracts of significance to which the Foundation was a party and in which a executive committee member had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Foundation a party to any arrangements to enable the executive committee members of the Foundation to acquire benefits by means of the acquisition of shares in, or debentures of, the Foundation or any other body corporate.

AUDITORS

The financial statements of the Foundation for the year ended 31 March 2013 were audited by Messrs. SL Lee & Lau CPA Limited. Messrs. Teamway & Partners Certified Public Accountants was appointed as auditors of the Foundation on 1 December 2013 and audit the financial statements for the year ended 31 March 2014.

A resolution for the reappointment of Messrs. Teamway & Partners Certified Public Accountants as auditors of the Foundation will be proposed in the forthcoming annual general meeting.

On behalf of the Board

Chairman
Hong Kong

TEAMWAY & PARTNERS

CERTIFIED PUBLIC ACCOUNTANTS

天永會計師行

Unit A-B, 15/F, Ritz Plaza, 122 Austin Road, Tsimshatsui, Kowloon, Hong Kong

香港九龍尖沙咀柯士甸道122號麗斯中心15樓A-B室

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
(Incorporated in Hong Kong with limited guarantee)

We have audited the financial statements of Hong Kong Arthritis & Rheumatism Foundation Limited set out on pages 5 to 13, which comprise the statement of financial position as at 31 March 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Executive committee members' responsibility for the financial statements

The Executive committee members of the Foundation 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 control 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.

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 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 as to whether the financial statements are free from material misstatement.

TEAMWAY & PARTNERS

CERTIFIED PUBLIC ACCOUNTANTS

天永會計師行

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
(Incorporated in Hong Kong with limited guarantee)

Auditor's responsibility (continued)

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 judgement, 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 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee members, 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 affairs of the Foundation as at 31 March 2014, and of the Foundation's deficit 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 disclosure requirements of the Hong Kong Companies Ordinance.

Teamway & Partners
Certified Public Accountants

Lee Tin Wai
Certified Public Accountant
Practising no: P04830
Hong Kong

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	HKD	HKD
INCOME		
Book sales and royalty income	670	47,032
Dividend income	25,418	22,979
Donation income	93,437	994,181
Hydrotherapy income	99,700	180,015
OSC Project income	36,275	49,038
Sponsorship income	712,000	1,210,150
Sundry income	10,594	8,743
	978,094	2,512,138
EXPENSES		
Activities expenses	340,499	409,832
Advertisement	1,728	4,264
Bank charges	1,290	790
Cleaning	16,650	13,110
Class exercise expenses	556,930	193,516
Cost of books and newsletters	110,375	45,230
Depreciation	286,032	271,988
Grant to patients	280,681	236,682
Insurance	3,610	3,598
Mandatory provident fund	23,994	23,134
Printing and postage	46,682	63,277
Provision for long services payment	-	16,951
Rent and rates	161,700	156,977
Repairs and maintenance	12,180	6,780
Salaries and allowances	511,191	481,633
Sundry expenses	14,801	15,991
Travelling	1,283	1,328
Telecommunications	18,389	20,396
Utilities expenses	12,849	11,018
	2,400,864	1,976,495
(DEFICIT)/SURPLUS FOR THE YEAR	(1,422,770)	535,643
OTHER COMPREHENSIVE INCOME		
Fair value loss on available for sale financial assets	(7,000)	63,000
TOTAL COMPREHENSIVE (DEFICIT)/SURPLUS FOR THE YEAR	(1,429,770)	598,643

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Notes	2014 HK\$	2013 HK\$
NON CURRENT ASSETS			
Property, plant and equipment	5	872,138	1,087,949
Available-for-sale financial assets	6	784,000	791,000
		<u>1,656,138</u>	<u>1,878,949</u>
CURRENT ASSETS			
Inventories		-	79,370
Deposits and other receivables		7,600	17,680
Cash and bank balances		663,733	1,814,602
		<u>671,333</u>	<u>1,911,652</u>
CURRENT LIABILITIES			
Advanced receipts		-	3,360
Accruals and other payables		69,451	99,451
		<u>69,451</u>	<u>102,811</u>
NET CURRENT ASSETS		<u>601,882</u>	<u>1,808,841</u>
NET ASSETS		<u>2,258,020</u>	<u>3,687,790</u>
Represented by:			
Reserve		37,159	44,159
Accumulated surplus		2,220,861	3,643,631
		<u>2,258,020</u>	<u>3,687,790</u>

Approved by the Board of Executive Committee Members on

Chairman

Executive Committee member

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Reserve HK\$	Accumulated surplus HK\$	Total HK\$
At 31 March 2012	(18,841)	3,107,988	3,089,147
Total comprehensive surplus for the year	<u>63,000</u>	<u>535,643</u>	<u>598,643</u>
At 31 March 2013	44,159	3,643,631	3,687,790
Total comprehensive deficit for the year	<u>(7,000)</u>	<u>(1,422,770)</u>	<u>(1,429,770)</u>
At 31 March 2014	<u>37,159</u>	<u>2,220,861</u>	<u>2,258,020</u>

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/Surplus for the year	(1,422,770)	535,643
Items adjusted		
Depreciation	286,032	271,988
Dividend income	(25,418)	(22,979)
	<u>(1,162,156)</u>	<u>784,652</u>
Operating (deficit)/surplus before changes in working capital	(1,162,156)	784,652
Decrease/(increase) in inventories	79,370	(79,370)
Decrease in deposits and other receivables	10,080	30,040
Decrease in advanced receipts	(3,360)	(5,445)
Decrease in accruals and other payables	(30,000)	38,851
	<u>(1,106,066)</u>	<u>768,728</u>
Net cash (used in)/generated from operating activities	(1,106,066)	768,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(70,221)	(1,359,937)
Dividend income	25,418	22,979
	<u>(44,803)</u>	<u>(1,336,958)</u>
Net cash generated from/(used) in investing activities	(44,803)	(1,336,958)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,150,869)	(568,230)
CASH AND CASH EQUIVALENTS AT BEGINNING	1,814,602	2,382,832
CASH AND CASH EQUIVALENTS AT CLOSING	663,733	1,814,602
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	663,733	1,814,602

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1) FOUNDATION INFORMATION

Hong Kong Arthritis & Rheumatism Foundation Limited ("the Foundation") is a company incorporated in Hong Kong with limited guarantee. The registered office of the Foundation is located at Room 103-106, G/F, Nam Wai House, Nam Shan Estate, Shamshuipo, Kowloon, Hong Kong.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term 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.

Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis. The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may

The financial statements are presented in Hong Kong Dollars ("HK\$"), which is the functional currency of the Foundation.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Foundation and the revenue and costs, if applicable, can be measured reliably, revenue are recognised on the following bases:

- (a) Activity income, donation income, hydrotherapy income and sponsorship income are recognised when cash is received and includes all sums received up to the date of statement of financial position.

- (b) Dividend income, when the Foundation is entitled to receive,

Property, plant and equipment

Property, plant and equipment and are stated in the statement of financial position at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives at 20% per annum.

The Foundation assesses at each reporting date whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Foundation estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in profit or loss.

Available for sale financial assets

Available for sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of the financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the date of statement of financial position.

Operating leases

Lease where substantially all the benefits and risks of the ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement as incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and at banks.

3) EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

No remunerations to the executive committee members was paid or accrued in regard of the year (2013: nil)

4) TAX

No Hong Kong profit tax has been provided as the Foundation is exempted from tax under Section 88 of the Inland Revenue Ordinance (2013: nil).

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

5) PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Plant and equipment HK\$	Total HK\$
<i>COST</i>			
At 1.4.2013	1,068,994	290,943	1,359,937
Additions	70,221	-	70,221
At 31.3.2014	1,139,215	290,943	1,430,158
 <i>ACCUMULATED DEPRECIATION</i>			
At 1.4.2013	213,799	58,189	271,988
Depreciation for the year	227,843	58,189	286,032
At 31.3.2014	441,642	116,378	558,020
 <i>NET BOOK VALUE</i>			
At 31.3.2014	697,573	174,565	872,138
At 31.3.2013	855,195	232,754	1,087,949

6) AVAILABLE-FOR-SALES FINANCIAL ASSETS

	2014 HK\$	2013 HK\$
Listed shares, at fair value		
Opening figure	791,000	728,000
Fair value (loss)/gain	(7,000)	63,000
Closing figure	784,000	791,000

Fair value for this security has been determined by reference to their quoted bid prices at the end of the reporting period in an active market.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

7) OPERATING LEASE COMMITMENT

At the date of statement of financial position, the Foundation had the following commitments payable in the next year under operating lease in respect of rented premise:

	2014	2013
	HK\$	HK\$
Operating leases which expire:		
Within one year	67,375	-
In the second to fifth years, inclusive	<u> -</u>	<u> -</u>
	<u>67,375</u>	<u> -</u>

8) COMPARATIVE FIGURES

The comparative amounts presented in the financial statements were audited by certified public accountants other than Messrs. Teamway & Partners Certified Public Accountants in respect of the year ended 31 March 2013. As a result, there are possible misclassifications of the comparative amounts as shown in the financial statements.