

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 2018.

PRINCIPAL ACTIVITY

The principal activities of the Company 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 Company's result for the year ended 31 March 2018 and its state of affairs at that date are set out in the financial statements on pages 7 to 13.

BUSINESS REVIEW

The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review.

SHARE CAPITAL

The Company is 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 names of persons who were the directors of the Company during the financial year are as follow:

Chan Tak Hin	(Chairman)	
Chan Kar Lok	(Vice Chairman)	(re-elected on 1 February 2018)
Lee Ka Wing, Gavin	(Vice Chairman)	
Kwok Stanley	(Honorary Treasurer)	(re-elected on 1 February 2018)
Ng Kam Hung, Daniel	(Honorary Secretary)	
Cheung Wai Han, Elsa	(Honorary Legal Adviser)	
Chan King Chu		
Cheng Hang Cheong		(resigned on 1 February 2018)
Cheng Pauline		
Ho On Tat, Andy		(re-elected on 1 February 2018)
Lee Ka Yan, David		
Leung Yee Mei, Christine		(re-elected on 1 February 2018)
Mok Mo Yin, Temy		(re-elected on 1 February 2018)

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

EXECUTIVE COMMITTEE MEMBERS (continued)

In accordance with the Articles 40, 49 & 50 of Company'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 20.

EXECUTIVE COMMITTEE MEMBERS' INTERESTS

No contracts of significance to which the Company 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 Company a party to any arrangements to enable the executive committee members of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

APPROVAL OF EXECUTIVE COMMITTEE MEMBERS' REPORT

This report was approved by the board of executive committee members on 3 January 2019.

On behalf of the Board

Chairman
Hong Kong

LEE TIN WAI CERTIFIED PUBLIC ACCOUNTANT (PRACTISING)

3/F, May Gar Commercial Building, 288 Reclamation Street, Kowloon, Hong Kong

Telephone: 2139 2344 Fax: 3522 3598

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

Opinion

I have audited the financial statements of Hong Kong Arthritis & Rheumatism Foundation Limited set out on pages 7 to 13, which comprise the statement of financial position as at 31 March 2018, the income statement for the year ended 31 March 2018, and a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements of the Company 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

I conducted my audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Responsibilities of executive committee members and those charged with governance for the Financial Statements

The executive committee members are responsible for the preparation of financial statements in accordance with SME-FRS and the Hong Kong Companies Ordinance, and for such internal control as the executive committee members 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 executive committee members are responsible for assessing the Company'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 executive committee members either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, for no other purpose. I 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 HKSAs 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAs, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive committee members.
- Conclude on the appropriateness of the executive committee members' 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

I 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 I identify during my audit.

LEE TIN WAI CERTIFIED PUBLIC ACCOUNTANT (PRACTISING)

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
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Other Information

The executive committee members are responsible for the other information. The other information comprises all of the information included in the audit report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I 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 I have performed, we conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Lee Tin Wai
Certified Public Accountant (practising)
Hong Kong
3 January 2019

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED**INCOME STATEMENT**

FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	HK\$	HK\$
INCOME		
Book sales	10,320	60
Donation income	2,209,201	124,864
Hydrotherapy income	233,520	213,780
OSC Project income (I)	37,200	35,880
OSC Project income (II)	3,580	1,440
Sponsorship income	1,586,000	963,000
Sundry income	29,437	40,979
	4,109,258	1,380,003
EXPENSES		
Activities expenses	500,486	361,811
Bank charges	840	240
Cleaning	22,960	20,790
OSC Project expenses (I)	574,080	501,133
OSC Project expenses (II)	33,079	31,970
Depreciation	14,044	286,030
Grant to patients	219,186	225,221
Insurance	13,517	13,669
Mandatory provident fund	48,810	30,208
Printing and postage	25,684	69,726
Public education expenses	349,134	8,449
Rent and rates	242,180	226,680
Repairs and maintenance	65,970	23,160
Salaries and allowances	566,831	652,280
Scholarship	37,500	60,000
Sundry expenses	8,154	6,681
Travelling	370	405
Telecommunications	14,388	18,584
Utilities expenses	15,271	13,970
	2,752,485	2,551,006
SURPLUS/(DEFICIT) FOR THE YEAR	1,356,772	(1,171,004)

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	2018 HK\$	2017 HK\$
NON CURRENT ASSETS			
Property, plant and equipment	5	-	14,044
CURRENT ASSETS			
Deposits and other receivables		49,600	41,600
Cash and bank balances		3,719,104	2,353,115
		3,768,704	2,394,715
CURRENT LIABILITIES			
Accruals and other payables		16,951	13,777
		16,951	13,777
NET CURRENT ASSETS		3,751,753	2,380,938
NET ASSETS		3,751,753	2,394,982
 Represented by:			
Reserve		37,159	37,159
Accumulated surplus		3,714,594	2,357,823
		3,751,753	2,394,982

Approved by the Board of Executive Committee Members

Executive Committee member

Executive Committee member

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Reserve HK\$	Accumulated surplus HK\$	Total HK\$
At 31 March 2016	37,159	3,528,826	3,565,985
Deficit for the year	<u>-</u>	<u>(1,171,004)</u>	<u>(1,171,004)</u>
At 31 March 2017	37,159	2,357,823	2,394,982
Surplus for the year	<u>-</u>	<u>1,356,772</u>	<u>1,356,772</u>
At 31 March 2018	<u>37,159</u>	<u>3,714,594</u>	<u>3,751,753</u>

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1) GENERAL INFORMATION

Principal place of business

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

Basis of preparation

The company 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 Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the company is a going concern

The measurement base adopted is the historical cost convention.

The presentation currency is Hong Kong Dollars.

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

Revenue recognition

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

- (a) Book sales, when the significant risks and rewards of ownership have been transferred to the buyer; and
- (b) Activity income, donation income, hydrotherapy income, sponsorship income and project income are recognised when cash is received and includes all sums received up to the date of statement of financial position.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3) EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

No remuneration of the executive committee members (including former directors and shadow directors) of the Company 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 were accrued or paid in regard of the year (2017: nil)

4) TAX

No Hong Kong profit tax has been provided as the Company is exempted from tax under Section 88 of the Inland Revenue Ordinance (2017: nil).

5) PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Plant and equipment HK\$	Total HK\$
<i>COST</i>			
At 1.4.2017	1,139,215	290,943	1,430,158
At 31.3.2018	1,139,215	290,943	1,430,158
<i>ACCUMULATED DEPRECIATION</i>			
At 1.4.2017	1,125,171	290,943	1,416,114
Charge for the year	14,044	-	14,044
At 31.3.2018	1,139,215	290,943	1,430,158
<i>NET BOOK VALUE</i>			
At 31.3.2018	-	-	-
At 31.3.2017	14,044	-	14,044

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

6) OPERATING LEASE COMMITMENT

At the end of the reporting date, the Company had the following commitments payable in the next year under operating lease in respect of rented premise:

	2018	2017
	HK\$	HK\$
Operating leases which expire:		
Within one year	247,000	92,500
In the second to fifth years, inclusive	369,000	-
	616,000	92,500

7) APPROVAL AND ISSUE OF FINANCIAL STATEMENTS

The statement of financial position was approved and the financial statements were authorised for issue by the executive committee members on 3 January 2019.