

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

香港風濕病基金會有限公司

FINANCIAL STATEMENTS

MARCH 31, 2011

AUDITED BY

**李兆良劉願宜會計師行有限公司
SL LEE & LAU CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG**

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2011

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HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

REPORT OF THE EXECUTIVE COMMITTEE MEMBERS

The Executive Committee Members have pleasure in submitting their report and the audited financial statements for the year ended March 31, 2011.

RESULTS

The results of the Foundation for the year ended March 31, 2011 and the state of affairs of the Foundation as at that date are set out in the accompanying financial statements.

PRINCIPAL PLACE OF ACTIVITIES

Hong Kong Arthritis & Rheumatism Foundation Limited is a foundation incorporated and domiciled in Hong Kong with limited liability by guarantee. The address of its registered office is Queen Mary Hospital, Pokfulam, Hong Kong and the principal place of business is Room 14, G/F., HKSR Lam Tin Complex, 7 Rehab Path, Kwun Tong, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

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.

EXECUTIVE COMMITTEE MEMBERS

The following persons were Executive Committee Members of the Foundation during the year and up to the date of this report:

| | |
|--|---|
| Yau Po Wing, David (Chairman) | |
| Chan Tak Hin (Vice-Chairman) | |
| Chan Kar Lok (Vice-Chairman) | |
| Mok Mo Yin, Temy (Hon Secretary) | |
| Chan Ka Ming, Albert (Hon Treasurer) | |
| Cheung Wai Han, Elsa (Hon Legal Advisor) | |
| Chan Kim Shuk, Camilla | (elected on October 2, 2010) |
| Chan King Chu | |
| Chan Shu Kam, Shirley | (resigned on October 2, 2010) |
| Cheng Hang Cheong | |
| Cheng Pauline | |
| Hung Man Yin Linda | |
| Lee Ka Yan, David | |
| Lee Ka Wing, Gavin | |
| Leung Yee Mei, Christine | (elected on October 2, 2010 as co-opted member) |

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

REPORT OF THE EXECUTIVE COMMITTEE MEMBERS

EXECUTIVE COMMITTEE MEMBERS (CONT'D)

Ng Kam Hung, Daniel
Poon King Kong, Peter
Tsang Wai Ping Cecilia

(resigned on October 2, 2010)

In accordance with the Foundation's Articles of Association, Chan Kar Lok, Mok Mo Yin, Temy and Yau Po Wing, David shall retire, and being eligible, offer themselves for re-election in the forthcoming annual general meeting. The other existing committee members remain in office for the ensuing year.

EXECUTIVE COMMITTEE MEMBERS' INTERESTS

There were no contracts of significance to which the Foundation was a party and in which an executive committee member of the Foundation had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

AUDITOR

The financial statements have been audited by SL Lee & Lau CPA Limited, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of
the Executive Committee

David Yo

CHAIRMAN

October 11, 2011

SL LEE & LAU CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

李兆良 會計師
劉願宜 有限公司

香港上環德輔道中248號東協商業大廈17樓1702室. TEL : (852) 2815 7015
RM 1702, 17/F, TUNG HIP COMMERCIAL BLDG., 248 DES VOEUX ROAD CENTRAL, H. K. FAX : (852) 2815 5546

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED (incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of Hong Kong Arthritis & Rheumatism Foundation Limited ("Foundation") set out on pages 5 to 13, which comprise the balance sheet as at March 31, 2011, and the statement of comprehensive income and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Executive Committee's Members responsibility for the financial statements

The Executive Committee's Members are responsible for the preparation of financial statements that give a true and fair view in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the executive committee's members determine 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 and to report our opinion solely to you, as a body, in accordance with section 141 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 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 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 financial statements that give a true and fair view 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 executive committee's members, as well as evaluating the overall presentation of the financial statements.

SL LEE & LAU CPA LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

李兆良 會計師有限公司
劉願宜

香港上環德輔道中 248 號東協商業大廈 17 樓 1702 室。
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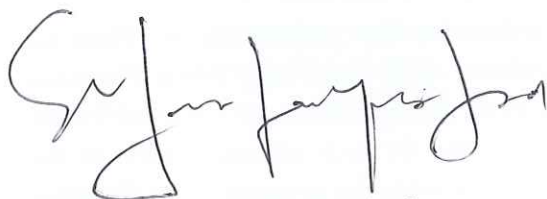
TEL : (852) 2815 7015
FAX : (852) 2815 5546

Auditor's responsibility (cont'd)

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 Foundation's affairs as at March 31, 2011 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



SL Lee & Lau CPA Limited

Certified Public Accountants

Leung Mo Sai

Practising Certificate Number P03829

October 11, 2011

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2011

(Expressed in Hong Kong dollars)

| | <u>Note</u> | <u>2011</u> HK\$ | <u>2010</u> HK\$ |
|--|-------------|---------------------|---------------------|
| INCOME | | | |
| Activity income | | 299,788 | 160,000 |
| Charity concert donation | | - | 277,400 |
| Charity dinner donation | | 110,500 | - |
| Donation income | | 63,037 | 25,550 |
| Flag day donation | 9 | - | 301,709 |
| Hydrotherapy income | | 215,185 | 95,185 |
| Management income | | 1,899 | 6,963 |
| Membership fees | | 1,800 | - |
| | | <u>692,209</u> | <u>866,807</u> |
| EXPENDITURE | | | |
| Activity expenses | | 195,683 | 81,412 |
| Admission fee | | - | 1,900 |
| Advertising expenses | | 16,940 | 11,820 |
| Bank charges | | 400 | 505 |
| Charity concert expenses | | - | 70,135 |
| Charity dinner expenses | | 10,113 | - |
| Depreciation | | 863 | 4,263 |
| Flag day expenses | | - | 15,389 |
| Grants to patients under emergency fund | | - | 2,200 |
| Grants to patients under patient activity fund | | 18,198 | 16,750 |
| Grants to patients under patient support fund | | 257,628 | 102,870 |
| Hydrotherapy exercise class | | 300,500 | 385,600 |
| Insurance | | 2,313 | 2,313 |
| Local travelling | | 1,395 | 2,648 |
| Mandatory provident fund contributions | | 18,897 | 23,753 |
| Office expenses | | 4,818 | 2,884 |
| Postage and courier | | 38,147 | 27,666 |
| Printing and stationery | | 64,080 | 54,929 |
| Rental for venue and equipment | | 29,290 | 49,520 |
| Research grant | | 29,435 | 45,000 |
| Souvenir expenses | | 5,300 | 1,750 |
| Staff salaries | | 379,183 | 253,790 |
| Sundry expenses | | 199 | 9,575 |
| Telephonem fax and network | | 10,355 | 7,948 |
| Volunteer allowance | | 540 | 3,270 |
| Website design and maintenance expenses | | 8,327 | 5,927 |
| | | <u>1,392,604</u> | <u>1,183,817</u> |
| DEFICIT BEFORE INCOME TAX | | (700,395) | (317,010) |
| INCOME TAX | 4 | <u>-</u> | <u>-</u> |
| DEFICIT FOR THE YEAR | | (700,395) | (317,010) |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| ACCUMULATED SURPLUS BROUGHT FORWARD | | <u>1,751,586</u> | <u>2,068,596</u> |
| ACCUMULATED SURPLUS CARRIED FORWARD | | <u>1,051,191</u> | <u>1,751,586</u> |

The accumulated surplus is the only component of the statement of changes in equity and therefore no statement of changes in equity is separately presented.

The accompanying notes form an integral part of these financial statements.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

BALANCE SHEET AS AT MARCH 31, 2011

(Expressed in Hong Kong dollars)

| | <u>Note</u> | <u>2011</u> HK\$ | <u>2010</u> HK\$ |
|---------------------------------|-------------|-------------------------|-------------------------|
| Non-current assets | | | |
| Plant and equipment | 5 | <u>863</u> | <u>1,726</u> |
| Current assets | | | |
| Other receivable and prepayment | 6 | 38,695 | 13,000 |
| Cash and bank balances | 7 | <u>1,099,933</u> | <u>1,781,065</u> |
| | | <u>1,138,628</u> | <u>1,794,065</u> |
| Current liabilities | | | |
| Accrued expenses | | 82,690 | - |
| Receipt in advance | | <u>5,610</u> | <u>44,205</u> |
| | | <u>88,300</u> | <u>44,205</u> |
| Net current assets | | <u>1,050,328</u> | <u>1,749,860</u> |
| Net assets | | <u><u>1,051,191</u></u> | <u><u>1,751,586</u></u> |
| Represented by: | | | |
| Accumulated surplus | | <u><u>1,051,191</u></u> | <u><u>1,751,586</u></u> |

APPROVED BY THE EXECUTIVE COMMITTEE ON OCTOBER 11, 2011



CHAIRMAN



TREASURER

The accompanying notes form an integral part of these financial statements.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

(Expressed in Hong Kong dollars)

| | <u>Note</u> | <u>2011</u> HK\$ | <u>2010</u> HK\$ |
|--|-------------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Cash used in operations and net decrease in cash and cash equivalents | 8 | (681,132) | (377,299) |
| Cash and cash equivalents | | | |
| At beginning of the year | | <u>1,781,065</u> | <u>2,158,364</u> |
| At end of the year | 7 | <u><u>1,099,933</u></u> | <u><u>1,781,065</u></u> |

The accompanying notes form an integral part of these financial statements.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and on the going concern basis.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits held at call with banks.

(c) Other receivables

Other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables.

(d) Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rate is used for the depreciation of plant and equipment is 20%.

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Other payables

Other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONT'D)

(f) Employee benefit obligations

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Foundation. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

(h) Impairment of assets

At each reporting date, plant and equipment is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Revenue recognition

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) Donation income are recognised when they are received and receivable.
- (ii) Activities income and hydrotherapy income are recognised when the events take place.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. TRANSITION TO THE HKFRS FOR PRIVATE ENTITIES

The financial statements for the year ended March 31, 2011 are its first annual financial statements prepared under accounting policies that comply with the HKFRS for Private Entities. The Foundation applied full Hong Kong Financial Reporting Standards (HKFRSs) to prepare its financial statements prior to the application of the HKFRS for Private Entities.

The Foundation's transition date is April 1, 2009. The Foundation prepared its opening HKFRS for Private Entities balance sheet in compliance with the HKFRS for Private Entities at that date.

The transition from Hong Kong Financial Reporting Standards to this HKFRS for Private Entities has had no material effect on the results or financial position of the Foundation for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used on these financial statements that the executive committee members expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. INCOME TAX

The Foundation is exempted from Hong Kong profits tax under Section 88 of the Inland Revenue Ordinance.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT

| | <u>Leasehold improvement</u> HK\$ | <u>Office equipment</u> HK\$ | <u>Total</u> HK\$ |
|-------------------------------------|--|-------------------------------------|----------------------|
| COST | | | |
| At 31/03/2010 and at 31/03/2011 | <u>8,700</u> | <u>22,686</u> | <u>31,386</u> |
| ACCUMULATED DEPRECIATION | | | |
| At 31/03/2010 | 8,700 | 20,960 | 29,660 |
| Charge for the year | <u>-</u> | <u>863</u> | <u>863</u> |
| At 31/03/2011 | <u>8,700</u> | <u>21,823</u> | <u>30,523</u> |
| NET CARRYING AMOUNT | | | |
| At 31/03/2011 | <u>-</u> | <u>863</u> | <u>863</u> |

6. OTHER RECEIVABLES AND PREPAYMENT

| | <u>2011</u> HK\$ | <u>2010</u> HK\$ |
|---------------------------------|---------------------|---------------------|
| Donation income receivables | - | 10,000 |
| Hydrotherapy income receivables | 29,445 | - |
| Other receivables | 3,000 | 3,000 |
| Prepayment | <u>6,250</u> | <u>-</u> |
| | <u>38,695</u> | <u>13,000</u> |

7. CASH AND BANK BALANCES

| | <u>2011</u> HK\$ | <u>2010</u> HK\$ |
|--------------|---------------------|---------------------|
| Cash at bank | 1,096,713 | 1,776,197 |
| Cash on hand | <u>3,220</u> | <u>4,868</u> |
| | <u>1,099,933</u> | <u>1,781,065</u> |

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. NOTE TO THE STATEMENT OF CASH FLOWS

Reconciliation of deficit before income tax to cash used in operations:

| | <u>2011</u> HK\$ | <u>2010</u> HK\$ |
|---------------------------------|---------------------|---------------------|
| Deficit for the year | (700,395) | (317,010) |
| Adjustments for:- | | |
| Depreciation | 863 | 4,263 |
| Change in working capital: | | |
| Accruals | 82,690 | - |
| Other receivable and prepayment | (25,695) | 19,043 |
| Receipt in advance | (38,595) | (83,595) |
| Cash used in operations | <u>(681,132)</u> | <u>(377,299)</u> |

9. FLAG DAY DONATION AND ITS APPLICATIONS

| | HK\$ |
|--|----------------|
| FLAG DAY INCOME | 301,709 |
| USAGE OF PROCEEDS | |
| <u>Used in year ended March 31, 2010</u> | |
| Flag day expenses | 1,350 |
| Certificate fee | 1,800 |
| Insurance | 1,493 |
| Postage | 1,700 |
| Printing and stationery | 757 |
| Repairs and maintenance | 3,520 |
| Sundry expense | 4,769 |
| Transportation | <u>15,389</u> |
| | 3,389 |
| Administrative cost | 2,200 |
| Grants to patients under emergency fund | 16,750 |
| Grants to patients under patient activity fund | 102,870 |
| Grants to patients under patient support fund | 54,929 |
| Public educational leaflets / newsletters | <u>195,527</u> |
| <u>Used in year ended March 31, 2011</u> | <u>106,182</u> |
| Grants to patients under patient support fund | <u>-</u> |

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. CONTINGENT LIABILITIES AND COMMITMENTS

At March 31, 2011, the Foundation had no significant contingent liabilities or commitments.

11. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the executive committee members on October 11, 2011.

*** END ***