

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

香港風濕病基金會有限公司

FINANCIAL STATEMENTS

MARCH 31, 2012

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, 2012

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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, 2012.

RESULTS

The results of the Foundation for the year ended March 31, 2012 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 Flat 103-106, G/F, Nam Wai House, Nam Shan Estate, Sham Shui Po, Kowloon.

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)	(re-elected on December 4, 2011)
Chan Tak Hin (Vice-Chairman)	*
Chan Kar Lok (Vice-Chairman)	(re-elected on December 4, 2011)
Lee Ka Wing, Gavin (Hon Secretary)	(elected on December 4, 2011)
Chan Kim Shuk, Camilla (Hon Treasurer)	(elected on December 4, 2011)
Cheung Wai Han, Elsa (Hon Legal Advisor)	*
Chan Ka Ming, Albert	(resigned on December 4, 2011)
Chan King Chu	*
Cheng Hang Cheong	*
Cheng Pauline	*
Hung Man Yin Linda	*
Lee Ka Yan, David	*
Mok Mo Yin, Temy	(re-elected on December 4, 2011)
Leung Yee Mei, Christine	(elected on December 4, 2011)

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

REPORT OF THE EXECUTIVE COMMITTEE MEMBERS

EXECUTIVE COMMITTEE MEMBERS (CONT'D)

Ng Kam Hung, Daniel	*
Tsang Wai Ping Cecilia	*

* In accordance with the Foundation's Articles of Association, these Executive Committee Members shall retire, and being eligible, offer themselves for re-election in the forthcoming annual general meeting. The other existing Executive Committee Members shall 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



CHAIRMAN

November 4, 2012

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 14, which comprise the balance sheet as at March 31, 2012, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Executive Committee Members responsibility for the financial statements

The Executive Committee 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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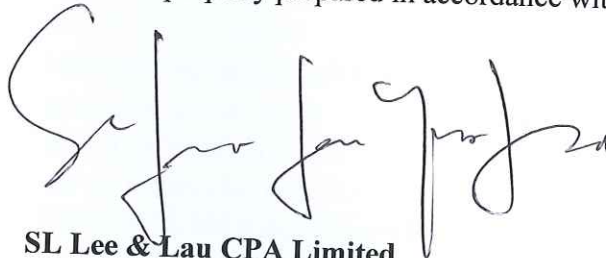
TEL : (852) 2815 7015
FAX : (852) 2815 5546

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, 2012 and of its surplus 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

November 4, 2012

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2012

(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2012</u> HK\$	<u>2011</u> HK\$
INCOME			
Activity income		392,540	299,788
Charity dinner donation		2,553,200	110,500
Donation income		490,135	63,037
Hydrotherapy income		153,105	215,185
Management income		-	1,899
Membership fees		-	1,800
Dividend Income		12,438	-
Sundry income		10,055	-
		<u>3,611,473</u>	<u>692,209</u>
EXPENDITURE			
Activity expenses		112,774	195,683
Advertising expenses		81,572	16,940
Bank charges		1,127	400
Charity dinner expenses		219,525	10,113
Depreciation		863	863
Grants to patients under emergency fund		10,000	-
Grants to patients under patient activity fund		12,660	18,198
Grants to patients under patient support fund		163,979	257,628
HKARF ambassador election expenses		5,000	-
HKARF/HKSR scholarship 2012		2,500	-
Hydrotherapy exercise class expenses		291,410	300,500
Insurance		3,371	2,313
Local travelling		3,210	1,395
Mandatory provident fund contributions		18,464	18,897
Office expenses		23,260	4,818
Postage and courier		26,413	38,147
Printing and stationery		39,874	64,080
Rental for venue and equipment		112,285	29,290
Research grant		-	29,435
Souvenir expenses		-	5,300
Staff salaries		402,026	379,183
Sundry expenses		3,562	199
Telephone fax and network		11,314	10,355
Volunteer allowance		460	540
Website design and maintenance expenses		9,027	8,327
		<u>1,554,676</u>	<u>1,392,604</u>
SURPLUS / (DEFICIT) BEFORE INCOME TAX		2,056,797	(700,395)
INCOME TAX	3	<u>-</u>	<u>-</u>
SURPLUS / (DEFICIT) FOR THE YEAR		2,056,797	(700,395)
OTHER COMPREHENSIVE INCOME:			
Available-for-sale financial assets	4	<u>(18,841)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,037,956</u>	<u>(700,395)</u>

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

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

BALANCE SHEET AS AT MARCH 31, 2012

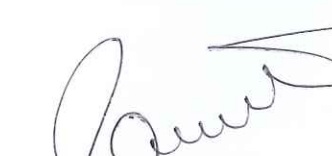
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2012</u> HK\$	<u>2011</u> HK\$
Non-current assets			
Available-for-sale financial assets	4	728,000	-
Plant and equipment	5	<u>-</u>	<u>863</u>
		<u>728,000</u>	<u>863</u>
Current assets			
Other receivable and prepayment	6	47,720	38,695
Cash and bank balances	7	<u>2,382,832</u>	<u>1,099,933</u>
		<u>2,430,552</u>	<u>1,138,628</u>
Current liabilities			
Accrued expenses		60,600	82,690
Receipt in advance		<u>8,805</u>	<u>5,610</u>
		<u>69,405</u>	<u>88,300</u>
Net current assets		<u>2,361,147</u>	<u>1,050,328</u>
Net assets		<u><u>3,089,147</u></u>	<u><u>1,051,191</u></u>
Represented by			
Reserves		(18,841)	-
Accumulated surplus		<u>3,107,988</u>	<u>1,051,191</u>
		<u><u>3,089,147</u></u>	<u><u>1,051,191</u></u>

APPROVED BY THE EXECUTIVE COMMITTEE ON NOVEMBER 4, 2012



CHAIRMAN



TREASURER

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

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2012

(Expressed in Hong Kong dollars)

	Accumulated <u>surplus</u> HK\$	Available-for-sale financial assets <u>reserve</u> HK\$	<u>Total</u> HK\$
Balance at March 31, 2010	1,751,586	-	1,751,586
Total comprehensive income for the year	<u>(700,395)</u>	<u>-</u>	<u>(700,395)</u>
Balance at March 31, 2011	1,051,191	-	1,051,191
Total comprehensive income for the year	<u>2,056,797</u>	<u>(18,841)</u>	<u>2,037,956</u>
Balance at March 31, 2012	<u><u>3,107,988</u></u>	<u><u>(18,841)</u></u>	<u><u>3,089,147</u></u>

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, 2012

(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2012</u> HK\$	<u>2011</u> HK\$
Cash flows from operating activities			
Cash generated from / (used in) operations and net increase / (decrease) in operating activities	8	<u>1,998,461</u>	<u>(681,132)</u>
Cash flow from investing activities			
Purchase of available-for-sale financial assets		(728,000)	-
Dividend received		<u>12,438</u>	<u>-</u>
Net cash used in investing activities		<u>(715,562)</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		1,282,899	(681,132)
Cash and cash equivalents			
At the beginning of the year		<u>1,099,933</u>	<u>1,781,065</u>
At the end of the year	7	<u><u>2,382,832</u></u>	<u><u>1,099,933</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, as modified by the revaluation of available-for-sale financial asset at fair value.

(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 annual rate 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) Financial assets

Classification

The Foundation classifies its financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reevaluates this designation at every reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets 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 balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Recognition and measurement

Purchases and sales of financial assets are recognised on the trade date - the date on which the Foundation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Foundation has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

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

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

(g) 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.

(h) 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.

(i) Impairment of financial assets

Financial assets of the Foundation are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been negatively affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

(i) Impairment of financial assets (cont'd)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

(j) 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 basis:

- (i) Donation income are recognised when they are received and receivable.
- (ii) Activity income and hydrotherapy income are recognised when the events take place.
- (iii) Dividend income from financial asset is recognised when the Foundation's right to receive payment has been established.

2. 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.

The Foundation makes estimates and assumptions concerning the future. The resulting 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.

3. 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

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2012</u> HK\$	<u>2011</u> HK\$
Listed shares		
April 1	-	-
Addition	746,841	-
Fair value loss	<u>(18,841)</u>	<u>-</u>
March 31	<u><u>728,000</u></u>	<u><u>-</u></u>

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.

5. PLANT AND EQUIPMENT

	<u>Leasehold improvement</u> HK\$	<u>Office equipment</u> HK\$	<u>Total</u> HK\$
COST			
At 31/03/2011 and at 31/03/2012	<u>8,700</u>	<u>22,686</u>	<u>31,386</u>
ACCUMULATED DEPRECIATION			
At 31/03/2011	8,700	21,823	30,523
Charge for the year	<u>-</u>	<u>863</u>	<u>863</u>
At 31/03/2012	<u>8,700</u>	<u>22,686</u>	<u>31,386</u>
NET CARRYING AMOUNT			
At 31/03/2012	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

6. OTHER RECEIVABLES AND PREPAYMENT

	<u>2012</u> HK\$	<u>2011</u> HK\$
Hydrotherapy income receivables	17,220	29,445
Other receivables	30,500	3,000
Prepayment	<u>-</u>	<u>6,250</u>
	<u><u>47,720</u></u>	<u><u>38,695</u></u>

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

7. CASH AND BANK BALANCES

	<u>2012</u> HK\$	<u>2011</u> HK\$
Cash at bank	2,380,157	1,096,713
Cash on hand	<u>2,057</u>	<u>3,220</u>
	<u><u>2,382,832</u></u>	<u><u>1,099,933</u></u>

8. NOTE TO THE STATEMENT OF CASH FLOWS

Reconciliation of surplus / (deficit) before income tax to cash generated from / (used in) operations:

	<u>2012</u> HK\$	<u>2011</u> HK\$
Surplus / (Deficit) for the year	2,037,956	(700,395)
Adjustments for:-		
Dividend income	(12,438)	-
Depreciation	863	863
Change in working capital:		
Accruals	(22,090)	82,690
Other receivable and prepayment	(9,025)	(25,695)
Receipt in advance	<u>3,195</u>	<u>(38,595)</u>
Cash generated from / (used in) operations	<u><u>1,998,461</u></u>	<u><u>(681,132)</u></u>

9. CONTINGENT LIABILITIES AND COMMITMENTS

At March 31, 2012, the Foundation had no significant contingent liabilities or commitments.

10. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Executive Committee on November 4, 2012.

*** END ***