

Our Ref: H54127/TH/NM

6 February 2020

CONFIDENTIAL

The Executive Committee,
Hong Kong Arthritis & Rheumatism Foundation Limited
Flat 103-106, G/F, Nam Wai House,
Nam Shan Estate, Sham Shui Po,
Kowloon

Attention: Ms. Sarah Ma

Dear Sirs,

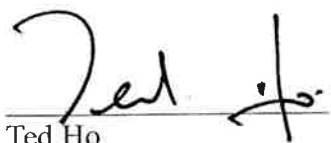
Audited Accounts for the year ended 31 March 2019

We are pleased to advise that our audit to the accounts of the Association for the year ended 31 March 2019 is now fully completed. Accordingly, we enclose herewith the following documents in relation to the audit for your retention.

1. Three copies of audited financial statements with our Auditor's Report duly signed.
2. Minutes for approving the audited financial statements.

Furthermore, we would like to remind you that it is mandatory to keep all accounting records for at least seven years for any IRD inspection within the period.

Yours faithfully,
For and on behalf of
World Link CPA Limited



Ted Ho
Director

Encl.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED BY
GUARANTEE AND NOT HAVING A SHARE CAPITAL)

REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2019

Our Reference: H54127

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2019

<u>Contents</u>	<u>Page</u>
Report of the Executive Committee	1 - 2
Independent Auditor's Report	3 - 5
Income Statement	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9 - 12

The Executive Committee has the pleasure of presenting its annual report together with the audited financial statements of Hong Kong Arthritis & Rheumatism Foundation Limited (the "Foundation") for the year ended 31 March 2019.

1. FINANCIAL STATEMENTS

The results for the year are set out in the annexed income statement.

The state of the Foundation's affairs at 31 March 2019 is set out in the annexed statement of financial position.

2. 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.

3. EXECUTIVE COMMITTEE

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

Chan Tak Hin
Chan Kar Lok
Lee Ka Wing, Gavin
Kwok Stanley
Ng Kam Hung, Daniel
Cheung Wai Han
Chan King Chu
Cheung Pauline
Ho On Tat, Andy
Lee Ka Yan, David
Leung Yee Mei, Christine
Mok Mo Yin, Temy
Tang Siu Fan, Lorraine (Appointed on 3 January 2019)

In accordance with the Articles 40, 49 & 50 of Foundation's Articles of Foundation, 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.

4. EXECUTIVE COMMITTEE'S INTERESTS IN CONTRACTS

No contract, commitment or agreement of significance in relation to the Foundation's activities, to which the Foundation was a party and in which any of the Foundation's executive committee members had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

5. AUDITOR

During the year, the auditor, Lee Tin Wai Certified Public Accountant (Practising) resigned and World Link CPA Limited, *Certified Public Accountants*, was appointed as the auditor of the Foundation. A resolution will be submitted to the annual general meeting to re-appoint World Link CPA Limited.

For and on behalf of the
Executive Committee



Chan Tak Hin
Chairman

Hong Kong, 10 January 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE OF
HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED BY GUARANTEE)**

3

Opinion

We have audited the financial statements of Hong Kong Arthritis & Rheumatism Foundation Limited ("the Foundation") set out on pages 6 to 12, which comprise the statement of financial position as at 31 March 2019, and the income statement, and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements of the Foundation 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

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to PN 900 (Revised) Audit of Financial Statements Prepared in Accordance with the Small and Medium-Sized Entity Financial Reporting Standard issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The members of executive committee are responsible for the other information which comprises the report of executive committee and detailed statement of comprehensive income.

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

Responsibilities of Members of Executive Committee for the Financial Statements

The members of executive committee are responsible for the preparation of the financial statements that give a true and fair view in accordance with SME-FRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the members of executive committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE OF
HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED BY GUARANTEE)**

4

Responsibilities of Members of Executive Committee for the Financial Statements (continued)

In preparing the financial statements, the members of executive committee are responsible for assessing the Foundation'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 members of executive committee either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the Audit of the Financial Statements

Our 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 our opinion. This report is made solely to you, as a body, in accordance with section 405 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

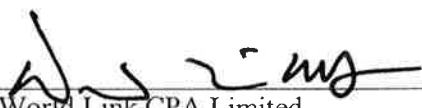
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of executive committee.
- Conclude on the appropriateness of the members of executive committee's 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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE OF
HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED BY GUARANTEE)**

5

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

We 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 we identify during our audit.


World Link CPA Limited
Certified Public Accountants

Ted Ho
Practising Certificate Number P02296

Hong Kong, 10 January 2020

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
INCOME STATEMENT
YEAR ENDED 31 MARCH 2019

6

	<i>Note</i>	2019 HK\$	2018 HK\$
Revenue	3	1,563,000	4,079,821
Other income	4	25,728	29,437
Administrative expenses		(1,581,767)	(1,644,841)
Activities expenses		(911,369)	(1,107,645)
(Deficit) / Surplus before tax	5	(904,408)	1,356,772
Income tax	6	-	-
(Deficit) / Surplus for the year		(904,408)	1,356,772

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2019

7

	<i>Note</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Non-current assets			
Property, plant and equipment	7	-	-
Current assets			
Deposits and prepayment		99,676	49,600
Cash and bank balances		2,878,854	3,719,104
		<u>2,978,530</u>	<u>3,768,704</u>
Current liabilities			
Accruals		126,185	16,951
Receipt in advance		5,000	-
		<u>(131,185)</u>	<u>(16,951)</u>
Net current assets		<u>2,847,345</u>	<u>3,751,753</u>
NET ASSETS		<u><u>2,847,345</u></u>	<u><u>3,751,753</u></u>
ACCUMULATED FUND			
Reserve		37,159	37,159
Accumulated surplus		2,810,186	3,714,594
		<u>2,847,345</u>	<u>3,751,753</u>

Approved by the Executive Committee and signed on its behalf on 10 January 2020,


 Committee member


 Committee member

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2019

8

	Reserve <i>HK\$</i>	Accumulated surplus <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2017	37,159	2,357,823	2,394,982
Surplus for the year	-	1,356,771	1,356,771
At 31 March 2018	37,159	3,714,594	3,751,753
Deficit for the year	-	(904,408)	(904,408)
At 31 March 2019	37,159	2,810,186	2,847,345

1. CORPORATE INFORMATION

(a) Foundation information

Hong Kong Arthritis & Rheumatism Foundation Limited is a company limited by guarantee that incorporated under the Hong Kong Companies Ordinance. The Foundation's registered office and principal place of business is located at Flat 103-106, G/F, Nam Wai House, Nam Shan Estate, Sham Shui Po, Kowloon.

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.

- (b) Every member of the Foundation undertakes to contribute to the assets of the Foundation, in the event of the same being wound up while he is a member, or within one year after he ceased to be a member, for payment of the debts and liabilities of the Foundation contracted before the time at which he ceases to be a member, and of the costs, charges, and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding fifty Hong Kong dollars.

2. PRINCIPAL ACCOUNTING POLICIES

The Foundation qualifies for the reporting exemption as a small private 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 SME-FRS and have been prepared under the accrual basis of accounting.

The financial statements have been prepared in conformity with the principles applicable to a going concern. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. The members have undertaken to make available adequate funds to the Foundation as and when required to maintain the Company as a going concern.

The measurement base adopted by the Foundation is the historical cost accounting convention. Specific accounting policies adopted by the Foundation that are necessary for a proper understanding of the financial statements are set out below.

(a) 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: -

Sponsorship income and donation income are recognised on actual cash receipt basis.

Book sales is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title has passed.

Class registration fee is recognised in the period when services are rendered.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b) Property, plant and equipment

Property, plant and equipment are recognized as assets when it is probable that future economic benefits associated with the assets will flow to the Foundation and the cost of the assets to the Foundation can be measured reliably. The gross carrying amount of the property, plant and equipment are determined by their costs which comprise their purchase prices and any directly attributable costs of bringing the assets to working condition for their intended uses. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company. All other subsequent expenditure is recognized as an expense in the year in which it is incurred.

The depreciable amount of an item of property, plant and equipment is depreciated over its estimated useful life in the following basis: -

	<u>Rate</u>	<u>Method</u>
Leasehold improvement	20%	straight line
Furniture and fixtures	20%	straight line

The depreciation charge for the year is recognized as an expense unless it is included in the carrying amount of another asset.

The profit or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

c) Impairment of assets

An assessment is made at the end of each reporting period to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation), had no impairment losses been recognised for the asset in prior years.

3. REVENUE

Revenue comprises the following: -	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Income from activities	765,970	274,300
Book sales	60	10,320
General donations	519,970	2,209,201
Sponsorship income	277,000	1,586,000
	<u>1,563,000</u>	<u>4,079,821</u>

4. OTHER INCOME

	2019 HK\$	2018 HK\$
Bank interest income	31	-
Gain on exchange difference	219	-
Sundry income	25,478	29,437
	<u>25,728</u>	<u>29,437</u>

5. (DEFICIT) / SURPLUS BEFORE TAX

	2019 HK\$	2018 HK\$
(Deficit) / Surplus before tax is stated: -		
After charging:-		
Auditor's remuneration	10,000	-
Public education expenses	203,777	349,134
Rent and rates	251,340	242,180
Salaries and allowances	671,633	566,831

6. INCOME TAX

The Foundation is a recognised charitable association and exempted from Hong Kong profits tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Leasehold improvement HK\$	Total HK\$
Cost			
At 1 April 2018 and at 31 March 2019	<u>1,139,215</u>	<u>290,943</u>	<u>1,430,158</u>
Aggregate depreciation			
At 1 April 2018 and at 31 March 2019	<u>1,139,215</u>	<u>290,943</u>	<u>1,430,158</u>
Net carrying amounts			
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 1 April 2018	<u>-</u>	<u>-</u>	<u>-</u>

8. COMMITMENTS UNDER OPERATING LEASE

At the end of the reporting period, the Company had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2019 HK\$	2018 HK\$
Within one year	84,000	247,000
Later than one year	-	369,000
	<u>84,000</u>	<u>616,000</u>

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED

DETAILED INCOME STATEMENT

(For management purpose only)

YEAR ENDED 31 MARCH 2019

	2019 HK\$	2019 HK\$	2018 HK\$	2018 HK\$
Income				
Book sales	60		10,320	
General donations	519,970		2,209,201	
Income from activities	765,970		274,300	
Sponsorship income	277,000		1,586,000	
		1,563,000		4,079,821
Other income				
Bank interest income	31		-	
Gain on exchange difference	219		-	
Sundry income	25,478		29,437	
		25,728		29,437
Activities expenditures		(911,369)		(1,107,645)
Administrative expenses				
Auditor's remuneration	10,000		-	
Bank charges	890		840	
Computer expenses	1,007		-	
Courier	3,018		-	
Cleaning	32,865		22,960	
Depreciation	-		14,044	
Electricity, water and gas	17,024		15,271	
Grant to patients	245,291		219,186	
Insurance	14,275		13,517	
Mandatory provident fund	36,946		48,810	
Printing, postage and stationery	21,865		25,684	
Public education expenses	203,777		349,134	
Recruitment	13,680		-	
Rent and rates	251,340		242,180	
Repairs and maintenance	19,114		65,970	
Salaries and allowance	671,633		566,831	
Scholarship	-		37,500	
Sundry expenses	23,125		8,156	
Travelling	655		370	
Telephone and internet	15,262		14,388	
		(1,581,767)		(1,644,841)
(Deficit) / Surplus before tax		(904,408)		1,356,772

HONG KONG ARTHRITIS & RHEUMATISM FOUNDATION LIMITED
DETAILED INCOME STATEMENT
YEAR ENDED 31 MARCH 2019

(For management purpose only)

	<u>Talks</u> <i>HK\$</i>	<u>Classes</u> <i>HK\$</i>	<u>International Arthritis Day</u> <i>HK\$</i>	<u>2019</u> <i>HK\$</i>
Activities income				
Class registration fee	10,280	250,690	-	260,970
Specific donations for activities	330,000	50,000	125,000	505,000
	<u>340,280</u>	<u>300,690</u>	<u>125,000</u>	<u>765,970</u>
Activities expenditures				
Advertising	51,000	-	-	51,000
Decoration	-	-	42,600	42,600
Event materials	13,306	-	14,872	28,178
Insurance	1301	8,500	4,002	13,803
Messing	10,920	-	-	10,920
Coaching expenses	5,000	416,100	15,000	436,100
Printing and postage	52,536	3,400	13,968	69,904
Rental expenses	40,030	177,200	-	217,230
Sundry expenses	3,497	689	13,266	17,452
Travelling expenses	495	-	2,687	3,182
Uniform expenses	21,000	-	-	21,000
	<u>(199,085)</u>	<u>(605,889)</u>	<u>(106,395)</u>	<u>(911,369)</u>
Surplus / (Deficit) on activities	<u><u>141,195</u></u>	<u><u>(305,199)</u></u>	<u><u>18,605</u></u>	<u><u>(145,399)</u></u>

Our Ref: H54127/TH/NM

10 January 2020

CONFIDENTIAL

The Executive Committee,
Hong Kong Arthritis & Rheumatism Foundation Limited
Flat 103-106, G/F, Nam Wai House,
Nam Shan Estate, Sham Shui Po,
Kowloon

Attention: Ms. Sarah Ma

Dear Sirs,

Financial Statements for the year ended 31 March 2019

We enclose herewith four copies of the directors' report and financial statements of the Association for the year ended 31 March 2019 for your review.

If these are approved by the board, you are requested to arrange two directors to sign every statement of financial position where indicated and the chairman of the executive committee in approving the accounts or the company secretary to sign every committees' report. Thereafter, you need to return to us the duly signed package for completion of our audit report.

As part of the routine to finalize our audit work, we need your endorsement or assistance relating to the financial statements as follows: -

1. MATTERS RELATING TO DIRECTORS

We should be grateful if you would confirm the following: -

- a) that the contents of the directors' report, which we have prepared in accordance with your instructions, are true and complete; and
- b) that the directors' remuneration as disclosed in the financial statements is correct by signing the Declaration of Emoluments by Directors referred below; and
- c) that there were no loans to officers during the year ended 31 March 2019.

2. REPRESENTATION LETTER

We enclose a draft management representation letter in connection with the audit to the financial statements. If the contents of this letter are correct and approved by the board, please arrange for it to be typed on the Association's letterhead, signed and returned to us for record.

3. MATTERS TO BE MINUTED

We enclose for your consideration a suggested format of the minutes of the directors' meeting at which the audited financial statements could be formally adopted by the board. If the contents are acceptable, please arrange to sign by the directors and the chairman of the meeting where indicated and return the same to us for reference.

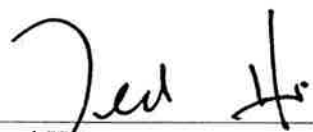
4. OUTSTANDING CONFIRMATIONS

We would appreciate your assistance in expediting the return of audit confirmation directly to us by the following parties:

- 1) Directors' declaration of emoluments & interests

As we have substantially completed our audit work therein, we take this opportunity to enclose herewith our fee note for your kind attention in due course.

Yours faithfully,
For and on behalf of
World Link CPA Limited



Ted Ho
Director

Encl.

TH/NM/py

File: 0110TH H54127 End Aud Acct

World Link CPA Limited

5th Floor, Far East Consortium Building
121 Des Voeux Road Central, Hong Kong
Email 電郵: info@worldlinkcpa.com
Website 網址: www.worldlinkcpa.com

華普天健(香港)會計師事務所有限公司

香港中環德輔道中121號
遠東發展大廈5樓
Tel 電話: (852) 2810 0178
Fax 傳真: (852) 2521 7783

DEBIT NOTE

TO : Hong Kong Arthritis & Rheumatism Foundation Ltd
Flat 103-106, G/F.,
Nam Wai House, Nam Shan Estate,
Sham Shui Po, Kowloon

NO. : 20H0036

FILE NO. : H54127

DATE : 21/1/2020

PROFESSIONAL CHARGES**AMOUNT (HKD)**

To our professional services rendered in:-

Auditing the accounts of your company for the year ended 31 March 2019 according to the information and explanations supplied to us by your goodself.

Our fee:

\$10,000.00

Disbursements:-

Photocopies and printing

\$300.00

戶口名稱	:	華普天健(香港)會計師事務所有限公司
Account name	:	World Link CPA Limited
Name of bank	:	Hang Seng Bank Limited
SWIFT / Bank Code	:	HASEHKHH / 024
Account No.	:	383-525227-001

\$10,300.00

THIS BILL IS DUE AND PAYABLE ON PRESENTATION

**REMITTANCE SLIP**

PAYABLE TO : World Link CPA Limited

From : Hong Kong Arthritis & Rheumatism Foundation Ltd

Invoice Date : 21/1/2020

Invoice No: 20H0036

Total Due (HKD): **\$10,300.00**

File No. : H54127

Reference : TH/NM