

Profectus & Co.

certified public accountants

博達會計師事務所

清風福康計劃有限公司

The Leprosy Project Limited

Financial Statements

For the year ended 31 December 2018

THE LEPROSY PROJECT LIMITED
Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 31 December 2018.

Principal activity

The Company is a non-profit making organization that aims at providing medical assistance and rehabilitation, and improving the livelihood, living condition and educational opportunities for people affected by leprosy and their families in Liangshan Prefecture, Sichuan Province, China. It also aims at reducing leprosy-based stigma and discrimination through public education.

Results

The results of the Company for the year ended 31 December 2018 and the state of affairs of the Company as at that date are set out in the financial statements on pages 6 to 14.

Property, plant and equipment

Movements of property, plant and equipment are shown in note 6 to the financial statements.

Status of the Company

The Company was incorporated in Hong Kong with liability limited by guarantee not exceeding HK\$100.00 for each member.

THE LEPROSY PROJECT LIMITED
Report of the Directors (Continued)

Directors

The directors who held office during the year and up to the date of this report are:-

Barrett Peter Francis	
Bowden John Fraser	
Daswani Praveen Mohan	(Resigned on 1 January 2018)
Hutton Clelland Peabody	(Resigned on 19 October 2018)
Kemp Malcolm Bernard	
Leung Tak On, Anthony	
Liem Giok Siong, Theresia	(Resigned on 15 October 2018)
Pirie Nicholas Frederick Francis	
Song Binlu	(Resigned on 18 March 2019)
Wiedemann Thomas Anton	
Yu Po Yee	
Dundon Christopher John	(Appointed on 8 January 2018)
Kam Kai Man Joseph	(Appointed on 10 January 2019)
Chew Swee Hock	(Appointed on 4 March 2019)

In accordance with the Company's Articles of Association, one-third of the remaining directors who have been longest in office shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Auditors

The financial statements were audited by Messrs. Profectus & Co., Certified Public Accountants. A resolution to appoint the same as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Chairman

Hong Kong

20 June 2019



Profectus & Co.

certified public accountants

博達會計師事務所

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE LEPROSY PROJECT LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of The Leprosy Project Limited (“the Company”) set out on pages 6 to 14, which comprise the statement of financial position as at 31 December 2018, and the income statement and statements of changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our 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

We conducted our 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. Our responsibilities under those standards are further described in the Auditors’ 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 ethical 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 directors are responsible for the other information. The other information comprises the information included in the directors’ report set out on pages 1 to 2, but does not include the financial statements and our auditors’ report thereon.

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.



Profectus & Co.

certified public accountants

博達會計師事務所

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE LEPROSY PROJECT LIMITED
(Incorporated in Hong Kong with limited liability)
(Continued)

Responsibilities of the Directors for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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. 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 auditors' report that includes our opinion. 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.

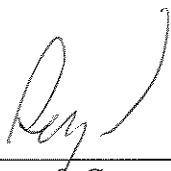
As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE LEPROSY PROJECT LIMITED
(Incorporated in Hong Kong with limited liability)
(Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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.



Profectus & Co.
Certified Public Accountants

Room 3, 10/F.,
Kwan Chart Tower,
6 Tonnochy Road,
Wanchai, Hong Kong

20 June 2019

THE LEPROSY PROJECT LIMITED
Income Statement
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

	Note	1/1/2018 to 31/12/2018	1/4/2017 to 31/12/2017
Donation income	3	3,498,227.50	559,835.43
Other income		<u>44,047.17</u>	<u>28,426.59</u>
		3,542,274.67	588,262.02
Project direct operational expenditures	4	<u>2,648,606.46</u>	<u>929,572.42</u>
		893,668.21	(341,310.40)
Administrative expenses			
Bank charges		2,929.25	1,909.85
Printing and stationery		2,356.00	2,356.80
Public relation expenses		7,331.98	885.10
Salaries		284,400.00	203,580.00
Staff medical and insurance		11,990.23	8,140.94
Staff mandatory provident fund contribution		14,220.00	10,179.00
Sundry expenses		1,555.00	1,089.70
Telecommunications		3,524.40	2,877.68
Travelling		63,824.13	30,606.06
		<u>392,130.99</u>	<u>261,625.13</u>
Surplus / (Deficit) / for the year / period		<u><u>501,537.22</u></u>	<u><u>(602,935.53)</u></u>

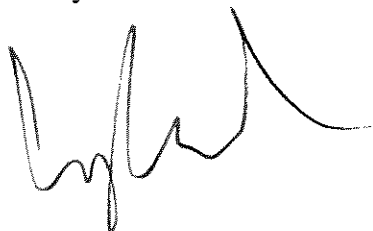
THE LEPROSY PROJECT LIMITED
Statement of Financial Position
As at 31 December 2018
(Expressed in Hong Kong Dollars)

	Note	As at 31/12/2018	As at 31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	<u>0.00</u>	<u>0.00</u>
Current assets			
Cash and bank balances		<u>1,263,257.07</u>	<u>310,595.79</u>
Current liabilities			
Accruals		301,419.78	2,136.18
Income received in advance		122,075.36	0.00
Provision for staff long service entitlement	7	<u>234,404.20</u>	<u>204,639.10</u>
		<u>657,899.34</u>	<u>206,775.28</u>
Net current assets		<u>605,357.73</u>	<u>103,820.51</u>
NET ASSETS		<u><u>605,357.73</u></u>	<u><u>103,820.51</u></u>

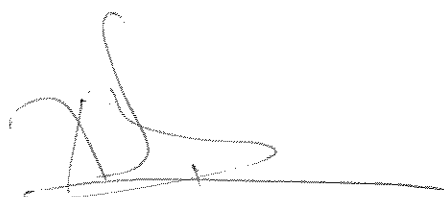
Represented by:-

General fund	<u>605,357.73</u>	<u>103,820.51</u>
--------------	-------------------	-------------------

Approved by the Board of Directors



Director



Director

THE LEPROSY PROJECT LIMITED
Statement of Changes in Equity
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

	General fund
At 1 April 2017	706,756.04
Deficit for the period	<u>(602,935.53)</u>
At 31 December 2017 and 1 January 2018	103,820.51
Surplus for the year	<u>501,537.22</u>
At 31 December 2018	<u><u>605,357.73</u></u>

THE LEPROSY PROJECT LIMITED
Statement of Cash Flows
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

	1/1/2018 to 31/12/2018	1/4/2017 to 31/12/2017
Cash flows from operating activities		
Surplus / (Deficit) / for the year / period		
and operating surplus / (deficit) before working capital changes	501,537.22	(602,935.53)
Changes in other receivable	0.00	252,665.89
Changes in accruals	299,283.60	2,136.18
Changes in income received in advance	122,075.36	0.00
Changes in provision for staff long service entitlement	29,765.10	48,371.18
	<u>952,661.28</u>	<u>(299,762.28)</u>
<i>Net cash from / (used in) operating activities</i>		
Changes in cash and cash equivalents	952,661.28	(299,762.28)
Cash and cash equivalents - at beginning of the year / period	310,595.79	610,358.07
Cash and cash equivalents - at end of the year / period	<u>1,263,257.07</u>	<u>310,595.79</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>1,263,257.07</u>	<u>310,595.79</u>

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

1 Organization and principal activity

The Company, not having a share capital, was incorporated in Hong Kong under the Companies Ordinance with liability limited by guarantee of not exceeding \$100.00 for each member. The Company's registered office is located at Unit 1, 6th Floor, Eastern Harbour Centre, 28 Hoi Chak Street, Quarry Bay, Hong Kong.

The Company is a non-profit making organization that aims at providing medical assistance and rehabilitation, and improving the livelihood, living condition and educational opportunities for people affected by leprosy and their families in Liangshan Prefecture, Sichuan Province, China. It also aims at reducing leprosy-based stigma and discrimination through public education.

2 Basis of preparation and accounting policies

The Company qualifies for the reporting exemption as a small guarantee company under sections 359(1)(a) and 363 of the Hong Kong Companies Ordinance and is therefore entitled to prepare and present its annual financial statements in accordance with SME-FRS. These financial statements have been prepared in accordance with SME-FRS.

These financial statements comply with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants 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 following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

a. 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, intangible assets and long-term investments. 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 recognized in the income statement. A previously recognized 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 amortization or depreciation), had no impairment losses been recognized for the asset in prior years.

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

2 Basis of preparation and accounting policies (Continued)

b. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an item of property, plant and equipment is allocated on a systematic basis over its estimated useful life using the straight-line method. The principal annual rate used for depreciation is as follows:

Furniture and equipment	25.00%
-------------------------	--------

c. Retirement benefits costs

The Company operates two defined contribution retirement benefits schemes for employees: Mandatory Provident Fund (MPF) Scheme under the Mandatory Provident Fund Schemes Ordinance in Hong Kong and appropriate local retirement scheme pursuant to the relevant labour rules and regulations in the PRC. The assets of the schemes are held separately from those of the Company by independent administrators. The contributions payable by the Company are charged to the income statement as incurred.

The Company is also obligated to make payments on cessation of employment in certain circumstances to certain employees who have completed the required years of service with the Company. The employee benefit obligation is dependent on the employee's current salary and years of service. The Company does not set aside any assets to fund any remaining obligations which have been provided in the financial statements.

d. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, on the following bases:

- Income from fund raising and donations is recognized when donations are received.
- Other income is recognized when it is received.
- Subscription fee income is recognized on a straight line basis over the subscription period.

e. Taxation

Income tax expense represents current tax expense. The income tax payable represents the amounts expected to be paid to the taxation authority, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not provided.

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

2 Basis of preparation and accounting policies (Continued)

f. Operating leases

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

g. Foreign exchange

Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong Dollars using exchange rates applicable at the end of the reporting period. Gains and losses on foreign exchange are recognized in the income statement.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3 Donation income	1/1/2018 to 31/12/2018	1/4/2017 to 31/12/2017
General funds from:		
- Directors	96,000.00	57,604.57
- Other individuals	366,407.16	129,800.00
- Charitable and non-profit making organizations, etc	<u>3,035,820.34</u>	<u>372,430.86</u>
	<u>3,498,227.50</u>	<u>559,835.43</u>

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

4 Project direct operational expenditures	1/1/2018 to 31/12/2018	1/4/2017 to 31/12/2017
This is arrived at after charging :-		
Operating lease rental	39,807.60	29,778.02
Staff costs for staff in the People's Republic of China for services renders to leprosy suffers		
- Salaries and benefits	744,415.78	411,974.76
- Long service entitlement, net	29,765.10	48,371.18
- Retirement benefits costs	181,863.95	103,945.42
	<u>181,863.95</u>	<u>103,945.42</u>

5 Taxation

No provision for Hong Kong profits tax has been made in the accounts. The Company is a charitable institution of a public character and is exempt from tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

6 Property, plant and equipment

	Furniture and equipment
Cost :-	
At 1/1/2018 and 31/12/2018	<u>285,022.85</u>
Aggregate depreciation :-	
At 1/1/2018 and 31/12/2018	<u>285,022.85</u>
Net book value :-	
At 31/12/2018	<u>0.00</u>
At 31/12/2017	<u>0.00</u>

7 Provision for staff long service entitlement

As at 31/12/2018 As at 31/12/2017

Movement in the net liability recognized in the statement of financial position represents:-

Opening net liability	204,639.10	156,267.92
Expenses incurred	225,849.05	162,495.60
Contributions paid	<u>(196,083.95)</u>	<u>(114,124.42)</u>
Closing net liability	<u>234,404.20</u>	<u>204,639.10</u>

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 December 2018
(Expressed in Hong Kong Dollars)

8 Capital management

As the Company mainly involved in receipt of donation income for its activity and is not subject to externally imposed capital requirement, the Company monitors its capital structure on the basis of the surplus of the general fund.

9 Approval of financial statements

The financial statements set out on pages 6 to 14 were approved by the Board of Directors on 20 June 2019.