



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 March 2016

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 March 2016.

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. The major Project implementation was carried out and executed by the Company, with the assistance of Liangshan Yi Autonomous Prefecture Centre for Disease Control (“CDC”).

Results

The results of the Company for the year ended 31 March 2016 and the state of affairs of the Company as at that date are set out in the financial statements on pages 5 to 13.


Property, plant and equipment

Movements of property, plant and equipment are shown in note 7 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.

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Director Liza YU

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
Hutton Clelland Peabody
Kemp Malcolm Bernard
Leung Tak On, Anthony
Liem Giok Siong, Theresia
Pirie Nicholas Frederick Francis
Ting Wai Cheung, Bernie
Wiedemann Thomas Anton
Yu Po Yee
Song Binlu (Appointed on 11 December 2015)
Paetzold Daniel Amos Sebastian (Appointed on 11 December 2015)

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

26 September 2016

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Director Liza YU

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

We have audited the financial statements of The Leprosy Project Limited ("the Company") set out on pages 5 to 13, which comprise the statement of financial position as at 31 March 2016, and the income statement and statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of 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 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.

Auditors' 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 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 content of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing 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 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of the financial statements 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 directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Director Liza YU



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)

Opinion

In our opinion, the financial statements of the Company for the year ended 31 March 2016 are prepared, in all material respects, in accordance with the SME-FRS and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Profectus & Co.
Certified Public Accountants

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

26 September 2016

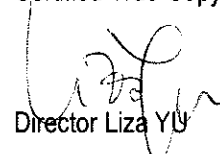
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Director Liza YU

THE LEPROSY PROJECT LIMITED
Income Statement
For the year ended 31 March 2016
(Expressed in Hong Kong Dollars)

	Note	2016	2015
Donation income	3	2,239,786.99	1,825,762.26
Other income		<u>9,256.88</u>	<u>38,755.73</u>
		2,249,043.87	1,864,517.99
Donation	4	55,380.00	0.00
Project direct operational expenditures	5	<u>2,036,315.51</u>	<u>1,957,363.71</u>
		157,348.36	(92,845.72)
Administrative expenses			
Bank charges		3,239.55	2,970.00
Depreciation		3,175.32	12,715.95
Printing and stationery		6,923.00	1,052.00
Public relation expenses		2,832.80	8,492.00
Salaries		255,300.00	247,740.00
Staff medical and insurance		9,262.43	9,755.36
Staff mandatory provident fund contribution		12,765.00	12,387.00
Sundry expenses		546.00	1,107.53
Telecommunications		2,980.67	3,104.63
Travelling		33,145.67	65,233.81
		<u>330,170.44</u>	<u>364,558.28</u>
Deficit for the year		<u>(172,822.08)</u>	<u>(457,404.00)</u>

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Director Liza Yip

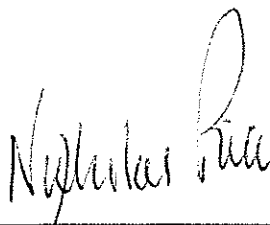
THE LEPROSY PROJECT LIMITED
Statement of Financial Position
As at 31 March 2016
(Expressed in Hong Kong Dollars)

	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	7	<u>0.00</u>	<u>3,175.32</u>
Current assets			
Other receivable		129,339.34	149,405.42
Prepayment		0.00	14,144.00
Cash at bank		<u>150,897.41</u>	<u>299,897.09</u>
		<u>280,236.75</u>	<u>463,446.51</u>
Current liabilities			
Provision for staff long service entitlement	8	<u>141,525.22</u>	<u>155,088.22</u>
Net current assets		<u>138,711.53</u>	<u>308,358.29</u>
NET ASSETS		<u>138,711.53</u>	<u>311,533.61</u>
Represented by:-			
General fund		<u>138,711.53</u>	<u>311,533.61</u>

Approved by the Board of Directors

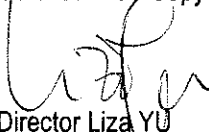


Director



Director

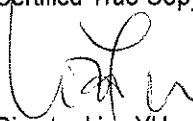
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Director Liza YU

THE LEPROSY PROJECT LIMITED
Statement of Changes in Equity
For the year ended 31 March 2016
(Expressed in Hong Kong Dollars)

	General fund
At 1 April 2014	768,937.61
Deficit for the year	<u>(457,404.00)</u>
At 31 March 2015 and 1 April 2015	311,533.61
Deficit for the year	<u>(172,822.08)</u>
At 31 March 2016	<u><u>138,711.53</u></u>

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Director Liza YU

THE LEPROSY PROJECT LIMITED
Statement of Cash Flows
For the year ended 31 March 2016
(Expressed in Hong Kong Dollars)

	2016	2015
Cash flows from operating activities		
Deficit for the year	(172,822.08)	(457,404.00)
Adjustments for:		
Depreciation	<u>3,175.32</u>	<u>12,715.95</u>
Operating deficit before working capital changes	(169,646.76)	(444,688.05)
Changes in other receivable	20,066.08	(32,055.52)
Changes in prepayment	14,144.00	(14,144.00)
Changes in provision for staff long service entitlement	<u>(13,563.00)</u>	<u>42,936.70</u>
<i>Net cash used in operating activities</i>	<u>(148,999.68)</u>	<u>(447,950.87)</u>
Changes in cash and cash equivalents	(148,999.68)	(447,950.87)
Cash and cash equivalents - at beginning of the year	<u>299,897.09</u>	<u>747,847.96</u>
Cash and cash equivalents - at end of the year	<u><u>150,897.41</u></u>	<u><u>299,897.09</u></u>
Analysis of the balances of cash and cash equivalents		
Cash at bank	<u><u>150,897.41</u></u>	<u><u>299,897.09</u></u>

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Director Liza YU

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 March 2016
(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.

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Director Liza YU

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 March 2016
(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%
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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.

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Director Liza YU

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 March 2016
(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

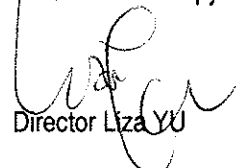
Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong Dollars using exchange rates applicable at the end of the reporting period. Gains and losses on foreign exchange are recognized in the income 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	2016	2015
General funds from:		
- Directors	52,940.00	67,422.60
- Other individuals	360,686.35	476,144.70
- Charitable and non-profit making organizations, etc	<u>1,826,160.64</u>	<u>1,282,194.96</u>
	<u>2,239,786.99</u>	<u>1,825,762.26</u>
4 Donation	2016	2015
General funds to:		
- Charitable and non-profit making organizations: Rotary Club of Hong Kong South District 3450	<u>55,380.00</u>	<u>0.00</u>

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Director Liza YU

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 March 2016
(Expressed in Hong Kong Dollars)

5 Project direct operational expenditures	2016	2015
This is arrived at after charging :-		
Operating lease rental	33,058.68	26,816.97
Staff costs for staff in the People's Republic of China for services renders to leprosy sufferers		
- Salaries and benefits	581,162.39	624,687.63
- Long service entitlement, net	(13,563.00)	42,936.70
- Retirement benefits costs	162,917.47	122,521.22
	<u>162,917.47</u>	<u>122,521.22</u>


6 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.

7 Property, plant and equipment

	Furniture and equipment
Cost :-	
At 1/4/2015 and 31/3/2016	<u>285,022.85</u>
Aggregate depreciation :-	
At 1/4/2015	281,847.53
Charge for the year	<u>3,175.32</u>
At 31/3/2016	<u>285,022.85</u>
Net book value :-	
At 31/3/2016	<u>0.00</u>
At 31/3/2015	<u>3,175.32</u>

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Director Liza YU

THE LEPROSY PROJECT LIMITED
Notes to the Financial Statements
For the year ended 31 March 2016
(Expressed in Hong Kong Dollars)

8 Provision for staff long service entitlement	2016	2015
Movement in the net liability recognized in the statement of financial position represents:-		
Opening net liability	155,088.22	112,151.52
Expenses incurred	162,119.47	177,844.92
Contributions paid	<u>(175,682.47)</u>	<u>(134,908.22)</u>
Closing net liability	<u>141,525.22</u>	<u>155,088.22</u>

9 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.

10 Approval of financial statements

The financial statements set out on pages 5 to 13 were approved by the Board of Directors on 26 September 2016.

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Director Liza YU