

Warmhearters Limited

*Director's Report
Audited Financial Statements*

For the year ended 31 March 2018

Forward Alliance CPA Limited

*Certified Public Accountants (Practising)
Hong Kong*

Warmhearters Limited

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Warmhearters Limited

For the year ended 31 March 2018

<u>Contents</u>	<u>Pages</u>
Director's report	1 - 2
Independent auditor's report	3 - 7
Income statement	8
Statement of financial position	9
Notes to the financial statements	10 - 14
Appendix	
Detailed income statement	15

Warmhearters Limited

Director's report

The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2018.

Principal activity

The principal activity of the Association is engaged in assisting in the relief of poverty in rural China by providing materials for the construction of kitchens and cooking facilities in primary schools and to facilitate farming in schools.

Results

The results of the Association for the year ended 31 March 2018 are set out in the income statement on page 8.

Reserves

Details of movements in reserves are disclosed in the statement of changes in equity as set out on note 7 to the financial statements.

Recommended dividends

The directors do not recommend the payment of a dividend.

Directors

The name of person who was the director of the Association during the period beginning with the end of the financial year and ending on the date of this report are as follow:

RAY Raymond
YIM Ho

In accordance with article of the Association's Articles of Association, all the directors shall retire from office and, and being eligible, offer themselves for re-election.

Permitted indemnity provision

At no time during the financial period and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any directors of the Association or any associated Association.

Debenture issued

No debenture issued during the financial period.

Management contract

No management contract of significance to which the Association was a party and in which a director of the Association had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

Equity-linked arrangements

During the financial period, the Association did not enter into equity-linked agreement.

At the end of the financial period, the Association did not subsisted of equity-linked agreement.

(Continued)

Warmhearters Limited

Director's Report (continued)

Business review

The Association falls within reporting exemption for the financial period. Accordingly, the Association is exempted from preparing a business review.

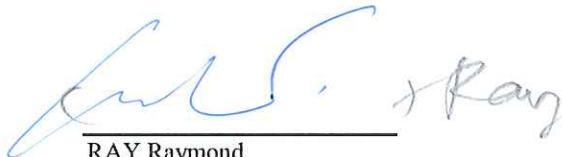
Auditor

The financial statements have been audited by Forward Alliance CPA Limited, Certified Public Accountant (Practising) who retire and, being eligible, offer themselves for re-appointment.

Approval of director's report

This report was approved by the director on 19 January 2019.

By order of the Board



RAY Raymond
Chairman

Hong Kong, 19 January 2019

Forward Alliance CPA Limited

聯進信誠會計師有限公司

Room 1101, 11/F., David House, Nos.8-20 Nanking Street, Jordan, Kowloon, Hong Kong

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Independent auditor's report

To the member of

Warmhearters Limited

(incorporated in Hong Kong with limited liability by guarantee)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Warmhearters Limited (the "Association") set out on pages 8 to 14, which comprise the statement of financial position as at 31 March 2018 and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements of the Association 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 Qualified Opinion

We were unable to obtain independent confirmation from the Association's banker on the financial affairs of the Association as at 31 March 2018. Most important of all of these affairs concern the existence and the extent of any encumbrance on the Association's assets, liabilities or of any contingent liabilities arising from discounted bills, future contract or guarantee in favour of other parties. We consider any misstatement or omission in the financial statements regarding the encumbrance on assets, liabilities and the contingent liabilities, if any, may have significant impact to the interpretation of the financial statements. We were unable to determine the effects of any adjustments to these amounts were necessary. Moreover, we were unable to determine if the financial statements have properly disclosed all of the information in related to the cash and bank and we were unable to ensure the completeness and valuation of the amount of cash and bank balances of HK\$1,159,595 in the statement of financial position as at 31 March 2018.

The corresponding figures in the current year's financial statements are derived from the financial statements for the year ended 31 March 2017 which contained an qualified opinion of which details of qualifications were set out in another auditor's report dated 6 June 2018. Therefore, the comparative figures may not be comparable and we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement.

Besides, we have been unable to inspect adequate documentary evidence and records which we consider necessary to carry out our auditing procedures and, in consequence, we are unable to satisfy ourselves that proper books and records have been kept.

(Continued)

Forward Alliance CPA Limited

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Independent auditor's report

To the member of

Warmhearters Limited

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Basis for Qualified Opinion (continued)

As a result of these matters, we were unable to determine whether any adjustments might have a consequential significant effect on the loss for the year and net assets at the date of statement of financial position.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASs") and with reference to Practice Note 900 (Revised), Audit of Financial Statements Prepared in Accordance with the SME-FRS 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 were independent of the Association in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled my 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 qualified opinion.

Information other than the Financial statements and Auditor's Report thereon

The director is responsible for the other information. The other information comprises the information included in the director's report set out on pages 1 to 2 and detailed income statement set out on page 15, but does not include the financial statements and my auditor's 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 were required to report that fact.

As described in the paragraph of the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence as stated in the Qualified opinion. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to these matters.

(Continued)

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Independent auditor's report

To the member of

Warmhearters Limited

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Responsibilities of the Directors and Those Charged with Governance 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 determines 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 director is responsible for assessing the Association'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 director either intend to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

It is our responsibility to form an independent opinion, based on my 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 auditor's report that includes my 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.

(Continued)

Forward Alliance CPA Limited

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Independent auditor's report

To the member of

Warmhearters Limited

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

- 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director'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 Association'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 Association 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.

Other matter

The financial statements of the Association for the year ended 31 March 2017, were audited by another auditor who expressed an qualified opinion on those statements on 6 June 2018.

(Continued)

Forward Alliance CPA Limited

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Independent auditor's report

To the member of

Warmhearters Limited

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Report on other matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In accordance with the Hong Kong Companies Ordinance, we have the following matters to report. In our opinion:

- in respect alone of the inability to obtain sufficient appropriate audit evidence regarding the matters described in the Basis for Qualified Opinion section of our report above:
 - we were unable to determine whether adequate accounting records had been kept; and
 - we were not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

The engagement director responsible for the audit resulting in this independent auditor's report is TUNG Wing San (Practising Certificate Number: P05929).

Forward Alliance CPA Ltd

Forward Alliance CPA Limited
Certified Public Accountant (Practising)

Room 1101, 11/F., David House,
Nos.8-20 Nanking Street, Jordan,
Kowloon, Hong Kong

Hong Kong, 19 January 2019

Warmhearters Limited

Income Statement

For the year ended 31 March 2018

	<u>Note</u>	<u>2018</u> <u>HK\$</u>	<u>2017</u> <u>HK\$</u>
Income	2	218,451	274,362
Cost of services		(104,703)	(554,404)
		<u>113,748</u>	<u>(280,042)</u>
Other income	2	2,426	11
		<u>116,174</u>	<u>(280,031)</u>
Operating expenses			
Administrative expenses		(14,208)	(26,780)
Surplus / (Deficit) before tax	3	<u>101,966</u>	<u>(306,811)</u>
Income tax expense	5	-	-
Surplus / (Deficit) for the year		<u><u>101,966</u></u>	<u><u>(306,811)</u></u>

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

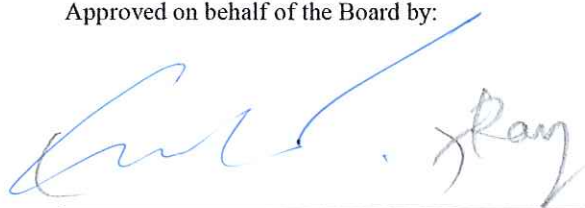
Warmhearters Limited

Statement of financial position

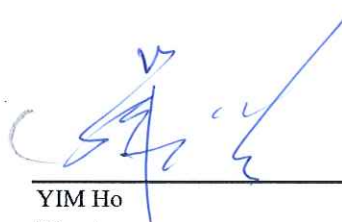
As at 31 March 2018

	<u>Note</u>	<u>2018</u> <u>HK\$</u>	<u>2017</u> <u>HK\$</u>
Current asset			
Cash and bank balances	6	1,159,595	1,044,321
Less: Current liability			
Accrued expenses		<u>30,318</u>	<u>17,010</u>
		<u>1,129,277</u>	<u>1,027,311</u>
Funds			
General fund	7	<u>1,129,277</u>	<u>1,027,311</u>

Approved on behalf of the Board by:



RAY Raymond
Director



YIM Ho
Director



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

Warmhearters Limited

Accounting Policies and Explanatory Notes to the Financial Statements

For the year ended 31 March 2018

Reporting entity

Warmhearters Limited (the "Association") is a Association incorporated in Hong Kong with limited liability. The Association's registered office is located at 10A, 55 Paterson Street, Causeway Bay, Hong Kong. The principal activity of the Association is engaged in assisting in the relief of poverty in rural China by providing materials for the construction of kitchens and cooking facilities in primary schools and to facilitate farming in schools.

1 Basis of preparation and accounting policies

The Association qualifies for the reporting exemption as a small private Association under section 359 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 and on the basis that the Association 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) Revenue

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

- (i) Program donation is recognized when the donation is received.
- (ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

(b) Foreign exchange

The reporting currency of the Association is Hong Kong Dollars, which is the currency of the primary economic environment in which the Association operates.

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 recognised in the income statement.

Warmhearters Limited

Accounting Policies and Explanatory Notes to the Financial Statements

For the year ended 31 March 2018

1 Basis of preparation and accounting policies (continued)

(c) Related parties

- (a) A person or a close member of that person's family is related to the Association if that person:
- (i) is a member of the key management personnel of the Association or of a parent of the Association;
 - (ii) has control over the Association; or
 - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

Or

- (b) An entity is related to the Association if any of the following conditions applies:
- (i) the entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of a third entity.
 - (iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant voting power in the entity.
 - (viii) a person identified in (a)(ii) has significant influence over the entity or significant voting power in it.
 - (ix) a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the Association.
 - (x) a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(d) 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.

Warmhearters Limited

Accounting Policies and Explanatory Notes to the Financial Statements

For the year ended 31 March 2018

1 Basis of preparation and accounting policies (continued)

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(f) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Association has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Income

An analysis of the Association's income is as follows:

	<u>2018</u> <u>HK\$</u>	<u>2017</u> <u>HK\$</u>
Income		
Program donations	218,451	274,362
Other income		
Exchange gains, net of exchange losses	1,496	-
Sponsorship	900	-
Interest income	30	11
	<u>2,426</u>	<u>11</u>
Total	<u>220,877</u>	<u>274,373</u>

Warmhearters Limited

Accounting Policies and Explanatory Notes to the Financial Statements

For the year ended 31 March 2018

3 Deficit before tax

Deficit before tax is arrived at:

	<u>2018</u> <u>HK\$</u>	<u>2017</u> <u>HK\$</u>
After charging the following items:		
Auditor's remuneration	3,000	3,000
Exchange loss, net	-	270
	<u> </u>	<u> </u>

4 Director's remuneration

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance, is as follows:

	<u>2018</u> <u>HK\$</u>	<u>2017</u> <u>HK\$</u>
Emoluments (including benefit in kind)		
Acting as director	-	-
Provision of management services	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

5 Income tax expense

No provision for Hong Kong Profits Tax has been made as the Association is exempted from taxation under section 88 of the Inland Revenue Ordinance. (2017: nil)

6 Cash and bank balances

	<u>At 31/03/18</u> <u>HK\$</u>	<u>At 31/03/17</u> <u>HK\$</u>
Cash at bank	1,159,595	1,044,321
	<u> </u>	<u> </u>

Warmhearters Limited

Accounting Policies and Explanatory Notes to the Financial Statements

For the year ended 31 March 2018

7 Changes in equity

	General <u>fund</u> <u>HK\$</u>
Balance as at 1 April 2017	1,027,311
Deficit for the year	101,966
Balance as at 31 March 2018	<u>1,129,277</u>

8 Contingent liabilities

There are no contingent liabilities, assets, fraud and/or litigation of any kind known further and existing at the end of reporting period. Also, no provision for long service payments is necessarily made.

9 Approval of financial statements

These financial statements were authorised for issue by the Association's Board of Directors on 19 January 2019.

Warmhearters Limited

Detailed Income Statement

For the year ended 31 March 2018

(For Management Information Purposes Only)

Detailed Income Statement

	<u>2018</u> <u>HK\$</u>	<u>2017</u> <u>HK\$</u>
Income		
Program donations	218,451	274,362
Cost of services		
Program costs	(104,703)	(554,404)
	<u>113,748</u>	<u>(280,042)</u>
Other income		
Exchange gain, net	1,496	-
Sponsorship	900	-
Bank interest income	30	11
	<u>2,426</u>	<u>11</u>
	<u>116,174</u>	<u>(280,031)</u>
Less: Administrative expenses		
Accounting fee	9,000	9,000
Auditor's remuneration	3,000	3,000
Bank charges	-	100
Company secretarial fee	1,650	6,010
Exchange loss, net	-	270
Warehouse	-	8,400
Web hosting fee	558	-
	<u>14,208</u>	<u>26,780</u>
Surplus / (Deficit) before tax	<u>101,966</u>	<u>(306,811)</u>