Report of the Committee members

Audited Financial Statements

# SOAP CYCLING LIMITED

31 OCTOBER 2019

ANTHONY C. C. KAM & CO.
Certified Public Accountants
HONG KONG

SOAP CYCLING LIMITED

## CONTENTS

SOAP CYCLING LIMITED

REPORT OF THE COMMITTEE MEMBERS

The committee members present their annual report and the audited financial statements for the year ended 31 October 2019.

Principal activities
The Association's principal activities are to alleviate disease and sickness, protect and preserve public health and relieve poverty, by providing basic hygiene products.

Results
The results of the Association for the year ended 31 October 2019 and its financial position as at that date are set out in the accompanying financial statements.

Plant and equipment
Details of movements in the plant and equipment of the Association are set out in note 9 to the financial statements.

Committee members
The committee members of the Association during the year and up to the date of this report were:

David Lorin Bishop
Marcel Ralf Thurau
Jon Andre Pedersen
Pang Sai Cheong
Li Kwok Yee, Justen

In accordance with the Association's articles of association, one-third of the Committee Members for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest one-third, shall retire from office, and shall be eligible for re-election.

Committee members' interests
At no time during the year was the Association a party to any arrangements to enable the Association's committee members to acquire benefits by means of the acquisition of shares in or debentures of the Association or any other body corporate.

Except as disclosed in note 12, no contract of significance to which the Association was a party and in which a committee member of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted indemnity provision
A permitted indemnity provision for the benefit of the Committee Members of the Association is currently in force throughout the year.

Auditor
Messrs. Anthony C. C. Kam & Co. retire and, being eligible, offer themselves for re-appointment.

On behalf of the Committee members

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Committee member, David Lorin Bishop
Hong Kong

18 JUN 2020

INDEPENDENT AUDITOR'S REPORT

To the members of
SOAP CYCLING LIMITED
(incorporated in Hong Kong and limited by guarantee)

**Opinion**

We have audited the financial statements of Soap Cycling Limited ("the Association") set out on pages 5 to 13, which comprise the statement of financial position as at 31 October 2019, and the statement of profit or loss and accumulated funds and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 October 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") 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") 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 Foundation 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.

**Material Uncertainty Related to Going Concern**

We draw attention to note 2 in the financial statements, the financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the committee members to provide continuing financial support to the Association to meet its liabilities as they fall due. The financial statements do not include any adjustments that would result from an inability of the committee members to provide such support. Our opinion is not modified in respect of this matter.

**Information Other than the Financial Statements and Auditor's Report Thereon**

The committee members are responsible for the other information. The other information comprises the information included in the Report of the Committee Members, but does not include the financial statements and our 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.



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To the members of
SOAP CYCLING LIMITED
(incorporated in Hong Kong and limited by guarantee)

**Information Other than the Financial Statements and Auditor's Report Thereon (continued)**

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 Committee Members and Those Charged with Governance for the Financial Statements**

The committee members are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS for Private Entities issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the committee members 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 committee members are 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 committee members either intend to liquidate the Association or to cease operations, or have 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**

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 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:

INDEPENDENT AUDITOR'S REPORT (continued)

To the members of
SOAP CYCLING LIMITED
(incorporated in Hong Kong and limited by guarantee)

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

- 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 Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee members.

- Conclude on the appropriateness of the committee members' 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Anthony C.C. Kam & Co.
Certified Public Accountants (Practising)
Hong Kong
18 JUN 2020

SOAP CYCLING LIMITED

STATEMENT OF PROFIT OR LOSS AND ACCUMULATED FUNDS

Year ended 31 October 2019

| | Notes | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|---|
| REVENUE | 3 | 1,108,376 | 965,607 |
| Other income | 4 | 427,400 | 18 |
| | | 1,535,776 | 965,625 |
| Administrative expenses | | (1,572,589) | (1,271,379) |
| Finance costs | 5 | (6) | - |
| DEFICIT BEFORE TAX | 6 | (36,819) | (305,754) |
| Taxation | 8 | - | - |
| DEFICIT FOR THE YEAR | | (36,819) | (305,754) |
| Accumulated (deficit)/ funds at the beginning of the year | | (46,573) | 259,181 |
| Accumulated deficit at the end of the year | | (83,392) | (46,573) |

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

SOAP CYCLING LIMITED

STATEMENT OF FINANCIAL POSITION

31 October 2019

| | Notes | 2019 HK$ | 2018 HK$ |
|---|---|---|---|
| NON-CURRENT ASSET | | | |
| Plant and equipment | 9 | 72,979 | 97,136 |
| CURRENT ASSETS | | | |
| Cash and bank balances | | 307,123 | 183,876 |
| Prepayments, deposits and other receivables | | 120,747 | 41,168 |
| | | 427,870 | 225,044 |
| CURRENT LIABILITIES | | | |
| Accruals and other payables | | 206,088 | 140,600 |
| Loan from a committee member | 10 | 378,153 | 228,153 |
| | | 584,241 | 368,753 |
| NET CURRENT LIABILITIES | | (156,371) | (143,709) |
| NET LIABILITIES | | (83,392) | (46,573) |
| REPRESENTED BY: | | | |
| Accumulated deficit | | (83,392) | (46,573) |

Approved on behalf of the Committee members by:

David Lorin Bishop
Committee member

Jon Andre Pedersen
Committee member

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

SOAP CYCLING LIMITED

# STATEMENT OF CASH FLOWS

Year ended 31 October 2019

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Deficit before tax | (36,819) | (305,754) |
| Adjustment for: | | |
| Depreciation | 24,157 | 24,157 |
| Bank overdraft interest | 6 | - |
| Interest income | (300) | (18) |
| Operating deficit before working capital changes | (12,956) | (281,615) |
| Increase in prepayments, deposits and other receivables | (79,579) | (14,395) |
| Increase in accruals and other payables | 65,488 | 40,844 |
| Increase in amount due from a committee member | 150,000 | - |
| Cash generated from/ (used in) operating activities | 122,953 | (255,166) |
| Interest paid | (6) | - |
| Net cash generated from/ (used in) operating activities | 122,947 | (255,166) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 300 | 18 |
| Net cash generated from investing activities | 300 | 18 |
| NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | 123,247 | (255,148) |
| Cash and cash equivalents at beginning of year | 183,876 | 439,024 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 307,123 | 183,876 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 307,123 | 183,876 |

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

1. GENERAL INFORMATION

Soap Cycling Limited (the "Association") is incorporated in Hong Kong under the Hong Kong Companies Ordinance on 29 June 2012. The Association was limited by guarantee and do not have any share capital. Under the provisions of the Association's Articles of Association, every member shall, in the event of the Association being wound up, contribute to the assets of the Association to the extent not exceeding HK$10.

The registered office of the Association is located at 15B1 Cheung Fat Industrial Building, 9 Hill Road, Sai Wan. The Association's principal activities are to alleviate disease and sickness, protect and preserve public health and relieve poverty, by providing basic hygiene products.

These financial statements of the Association are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Association.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Fundamental accounting concept

These financial statements have been prepared under the accrual basis of accounting and on the basis that the Association is a going concern, the validity of which depends on the ability of its committee members to provide continuing financial support to the Association to meet its liabilities as they fall due. The financial statements do not include any adjustments that would result from an inability of the committee members to provide such support.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are payable 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 purposes of the statement of cash flows.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Revenue recognition
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) Revenue arising from donations is recognised when the donations are received; and
(ii) Bank interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

Plant and equipment and depreciation
Plant and equpment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the plant and equpment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equpment, the expenditure is capitalised as an additional cost of the plant and equipment.

The gain or loss on disposal or retirement of the plant and equipment recognised in profit or loss is the difference between the sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line method to write off the cost of each asset. The principal annual rates used for this purposes are as follows:

| | |
|---|---|
| Machinery and equipment | 10% |

Impairment of assets
At the end of each reporting period, both internal and external sources of information are considered to assess whether there is any indication that plant and equipment and other assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the statement of profit or loss and accumulated funds.

Receivables
Receivables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of profit or loss and accumulated funds.

Payables
Payables are initially recognised at transaction price and subsequently measured at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Related parties

For the purposes of these financial statements, related party includes a person and entity as defined below:

(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 Association or has significant voting power in it.

(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 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 Association 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 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 Association or has significant voting power in it.

## 3. REVENUE

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| Donations received | 1,108,376 | 965,607 |

## 4. OTHER INCOME

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Bank interest income | 300 | 18 |
| Government grant | 360,000 | - |
| Sundry income | 17,100 | - |
| Wavier of loan from a commitment member | 50,000 | - |
| | 427,400 | 18 |

## 5. FINANCE COSTS

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Bank overdraft interest | 6 | - |

## 6. DEFICIT BEFORE TAX

Deficit before tax is arrived at after charging:

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Auditor's remuneration | 5,000 | 4,800 |
| Depreciation | 24,157 | 24,157 |
| Exchange loss, net | 5 | 947 |
| MPF contribution | 43,018 | 13,750 |
| Rent and rates | 53,071 | 26,491 |
| Staff costs (excluding committee members' remuneration) salaries and allowances | 996,225 | 779,350 |

## 7. COMMITTEE MEMBERS' REMUNERATION

Committee members' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance is as follows:

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Fees | - | - |
| Salaries and allowances | - | - |
| | - | - |

8. TAXATION

Taxation is not provided as the Association, being a charitable institution or trust of a public character, is exempt from tax under Section 88 of the Inland Revenue Ordinance.

9. PLANT AND EQUIPMENT

| | Machinery and equipment HK$ |
|---|---|
| Cost: | |
| At 1 November 2018 and 31 October 2019 | 241,567 |
| Accumulated depreciation: | |
| At 1 November 2018 | 144,431 |
| Provided for the year | 24,157 |
| At 31 October 2019 | 168,588 |
| Net carrying amount: | |
| At 31 October 2019 | 72,979 |
| At 31 October 2018 | 97,136 |

10. LOAN FROM A COMMITTEE MEMBER

The amount is unsecured, non-interest bearing and repayable on demand.

11. COMMITMENTS

As at 31 October 2019, the total future minimum leases payments under non-cancellable operating leases are as follows:

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Within one year | 5,036 | 10 |
| After one year but within five years | 15 | - |
| | 5,051 | 10 |

## 12. RELATED PARTIES TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Association had the following transactions and balances with related party:

| | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|
| Rent paid to a related company | 52,500 | 24,000 |

## 13. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the executive committee on 18 JUN 2020

(For management purposes only - not part of the financial statements)

SOAP CYCLING LIMITED

DETAILED INCOME STATEMENT

Year ended 31 October 2019

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| REVENUE | | |
| Donations received | 1,108,376 | 965,607 |
| | | |
| OTHER INCOME | | |
| Bank interest income | 300 | 18 |
| Government grant | 360,000 | - |
| Sundry income | 17,100 | - |
| Wavier of loan from a committee member | 50,000 | - |
| | 427,400 | 18 |
| | | |
| | 1,535,776 | 965,625 |
| ADMINISTRATIVE EXPENSES | | |
| Advertising | 500 | - |
| Administrative expenses | 6,835 | 10,911 |
| Auditor's remuneration | 5,000 | 4,800 |
| Bank charges | 3,795 | 1,304 |
| Building management fee | 50,803 | 50,803 |
| Business registration fee | - | 4,350 |
| Computer expenses | 4,664 | 2,317 |
| Consultancy fee | 10,878 | - |
| Consumable | 35,476 | 53,759 |
| Delivery expenses | 105,152 | 116,855 |
| Depreciation | 24,157 | 24,157 |
| Event expenses | 111,574 | 74,894 |
| Exchange loss, net | 5 | 947 |
| Insurance | 28,152 | 11,377 |
| Marketing expenses | 13,096 | 23,027 |
| MEY program expenses | 45,246 | 48,710 |
| MPF contribution | 43,018 | 13,750 |
| Printing and stationery | 2,367 | 2,398 |
| Rent and rates | 53,071 | 26,491 |
| Repairs and maintenance | 8,000 | - |
| Staff costs (excluding committee members' remuneration) salaries and allowances | 996,225 | 779,350 |
| Sundry expenses | 600 | 9,830 |
| Travelling | 13,990 | 11,349 |
| Utilities | 9,985 | - |
| | 1,572,589 | 1,271,379 |
| | | |
| FINANCE COSTS | | |
| Bank overdraft interest | 6 | - |
| | | |
| DEFICIT BEFORE TAX | (36,819) | (305,754) |