

HONG KONG RABBIT SOCIETY LIMITED
REPORT OF THE EXECUTIVE COMMITTEE AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

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FOR THE YEAR ENDED 31ST MARCH 2007

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HONG KONG RABBIT SOCIETY LIMITED

REPORT OF THE EXECUTIVE COMMITTEE

Members of the Executive Committee

Chairman : Luk Tsui Chun

Executive Committee Members : Chow Yuen Man
Chan Wing Nga

The Executive Committee have pleasure in presenting their report together with the audited financial statements for the year ended 31st March 2007.

Principal activities

The principal activities of the Charity are to protect and advance animal welfare, especially rabbits.

Financial statements

The results of the Charity for the year ended 31st March 2007 and the state of affairs of the Charity at that date are set out in the financial statements on pages 5 to 15.

Plant and equipment

Movements in plant and equipment during the year are set out in note 5 on the financial statements.

Executive Committee members

In accordance with Article No. 12 of the Charity's Articles of Association, the members of Executive Committee shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Interest in contracts

No contracts of significance to which the Charity was a party and in which a Executive Committee member had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Charity a party to any arrangement to enable any Executive Committee Member to acquire benefits, directly or indirectly, from the operations of the Charity.

Stephen Ip & Co.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG KONG RABBIT SOCIETY LIMITED

(incorporated in Hong Kong and limited by guarantee)

Report on the Financial Statements

We have audited the financial statements of Hong Kong Rabbit Society Limited set out on pages 5 to 15, which comprise the balance sheet as at 31st March 2007, the income and expenditure statement, the statement of changes in general fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Executive Committee members' responsibility for the financial statements

The Executive Committee members are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 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.

Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing 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 as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG KONG RABBIT SOCIETY LIMITED

(incorporated in Hong Kong and limited by guarantee)

Auditor's responsibility - cont'd

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and true and fair presentation 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.

Basis for qualified opinion


HK\$678,582 of the Charity's recorded turnover comprises cash sales and donations, over which there was no system of internal control on which we could rely for the purpose of our audit. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the recorded turnover was free from material misstatements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to cash sales and donations, the financial statements give a true and fair view of the state of the Charity's affairs as at 31st March 2007 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to cash sales and donations:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
-  we were unable to determine whether proper books of account had been kept.

Stephen Ip & Co.

Certified Public Accountants

Hong Kong, - 2 SEP 2008

HONG KONG RABBIT SOCIETY LIMITED
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2007

(Expressed in Hong Kong dollars)

	Notes	2007	22.9.2004 to 31.3.2006
TURNOVER	3	678,582	4,826
COST OF SALES		<u>(247,788)</u>	<u>(9,350)</u>
		430,794	(4,524)
OTHER INCOME	3	<u>1,425</u>	<u>7,850</u>
		432,219	3,326
ADMINISTRATIVE EXPENSES		(19,309)	-
OTHER OPERATING EXPENSES		<u>(293,059)</u>	<u>(63,289)</u>
SURPLUS / (DEFICIT) FOR THE YEAR / PERIOD	4	<u><u>119,851</u></u>	<u><u>(59,963)</u></u>

The notes on pages 9 to 15 form an integral part of these financial statements.

HONG KONG RABBIT SOCIETY LIMITED

BALANCE SHEET AS AT 31ST MARCH 2007

(Expressed in Hong Kong dollars)

	Notes	2007	2006
NON-CURRENT ASSETS			
Plant and equipment	5	<u>77,234</u>	<u>-</u>
CURRENT ASSETS			
Rental and utility deposits		24,800	-
Bank balance		<u>107,622</u>	<u>6,153</u>
		<u>132,422</u>	<u>6,153</u>
CURRENT LIABILITIES			
Creditors		33,586	-
Accruals		<u>25,339</u>	<u>3,500</u>
		<u>58,925</u>	<u>3,500</u>
NET CURRENT ASSETS		<u>73,497</u>	<u>2,653</u>
NON-CURRENT LIABILITIES			
Other payable		(72,262)	(45,026)
Amount due to an Executive Committee Member	6	<u>(18,581)</u>	<u>(17,590)</u>
		<u>(90,843)</u>	<u>(62,616)</u>
		<u>59,888</u>	<u>(59,963)</u>
Represented by:			
ACCUMULATED FUND / (DEFICIT)		<u>59,888</u>	<u>(59,963)</u>

Approved and authorised for issue by the Executive Committee on - 2 SEP 2008



Executive Committee Member



Executive Committee Member

The notes on pages 9 to 15 form an integral part of these financial statements.

HONG KONG RABBIT SOCIETY LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE YEAR ENDED 31ST MARCH 2007

(Expressed in Hong Kong dollars)

	2007	22.9.2004 to 31.3.2006
ACCUMULATED FUND / (DEFICIT)		
BALANCE BROUGHT FORWARD	(59,963)	-
SURPLUS / (DEFICIT) FOR THE YEAR / PERIOD	<u>119,851</u>	<u>(59,963)</u>
BALANCE CARRIED FORWARD	<u><u>59,888</u></u>	<u><u>(59,963)</u></u>

HONG KONG RABBIT SOCIETY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2007

(Expressed in Hong Kong dollars)

	2007	22.9.2004 to 31.3.2006
OPERATING ACTIVITIES		
Surplus / (deficit) for the year / period	119,851	(59,963)
Adjustments for :		
Depreciation	19,309	-
Surplus / (deficit) before changes in working capital	139,160	(59,963)
Increase in rental and utility deposits	(24,800)	-
Increase in creditors	33,586	-
Increase in accruals	21,839	3,500
Net cash generated from / (used in) operating activities	169,785	(56,463)
INVESTING ACTIVITIES		
Purchases of plant and equipment	(96,543)	-
Net cash used in investing activities	(96,543)	-
FINANCING ACTIVITIES		
Increase in other payable	27,236	45,026
Increase in amount due to an Executive Committee Member	991	17,590
Net cash generated from financing activities	28,227	62,616
Increase in cash and cash equivalents	101,469	6,153
Cash and cash equivalents at beginning of the year / period	6,153	-
Cash and cash equivalents at end of the year / period	107,622	6,153
Analysis of the balances of cash and cash equivalents		
Bank balance	107,622	6,153

HONG KONG RABBIT SOCIETY LIMITED

NOTES ON THE FINANCIAL STATEMENTS - 31ST MARCH 2007

(Expressed in Hong Kong dollars)

(1) Status of the Charity

The Charity is incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee and not having a share capital. The address of its registered office is at 1/F., No. 427A Reclamation Street, Mongkok, Hong Kong. The principal activities of the Charity are to protect and advance animal welfare, especially rabbits.

The financial statements for the current period covers a 12 months period while the comparative amounts for the income and expenditure statement and related notes cover a 19 months period, and therefore they are not entirely comparable.

(2) Significant accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (HKFRSs), which are collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and under the historical cost convention.

During the year, the Charity adopted the new and revised HKFRSs that are effective for accounting periods beginning on or after 1st April 2006 and has assessed and early adopted the HKFRSs that are effective for accounting period beginning on 1st January 2007, which are relevant to its operations. The 2006 comparatives have been amended as required, in accordance with the relevant requirements.

The adoption of the new and revised HKFRSs has not resulted in substantial changes to the Charity's accounting policies and has no significant effect on the results or the financial position of the Charity.

However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures, there have been some additional disclosures. The financial statements include expanded disclosure about the significance of the Charity's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 8.

The adoption of HKFRS 7 does not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

(2) Significant accounting policies - cont'd

(a) Basis of preparation of financial statements - cont'd

At the date of authorisation of these financial statements, the following standards and interpretations and amendments were in issue but not yet effective for the periods covered by these financial statements:

		Effective for annual periods beginning on or after
HKFRS 8	Operating Segments	1st Jan. 2009
HK(IFRIC) - INT 11	HKFRS2 - Group and treasury share transactions	1st Mar. 2007
HK(IFRIC) - INT 12	Service concession arrangements	1st Jan. 2008
HK(IFRIC) - INT 13	Customer loyal programme	1st Jul. 2008
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1st Jan. 2008

The Charity has not early applied of the above HKFRSs that have been issued but not yet effective. The Executive Committee members of the Charity anticipate that the application of these HKFRSs will have no material impact on the results and the financial position of the Charity.

(b) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Charity and when revenue can be measured reliably.

Donations are recognised as income upon receipt.

On sales of goods, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Charity maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives to the Charity at 20% per annum.

The residual value and the useful life of an asset are reviewed at least at each financial year end.

(2) Significant accounting policies - cont'd

(c) Plant and equipment - cont'd

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in income and expenditure statement on the date of retirement or disposal.

(d) Impairment of assets

At each balance sheet date, the Charity reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Charity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(e) Provisions and contingencies

Provisions are recognised for liabilities of uncertain timing or amount when the Charity 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) Significant accounting policies - cont'd

(f) 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 into 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.

(g) Creditors, accruals, other payable and amount due to an Executive Committee Member

Creditors, accruals, other payable and amount due to an Executive Committee Member are initially recognised at fair value and thereafter at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(h) Retirement benefits scheme

The Charity operates a defined contribution Mandatory Provident Fund retirement benefits scheme (hereinafter the "MPF scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the income and expenditure statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Charity's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(i) Related parties

A party is considered to be related to the Charity if:

- (i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Charity; (ii) has an interest in the Charity that gives it significant influence over the Charity; or (iii) has joint control over the Charity;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Charity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv); or
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(2) Significant accounting policies - cont'd

(i) Related parties - cont'd

- (vii) the party is a post-employment benefit plan for the benefit of employees of the Charity, or of any entity that is a related party of the Charity.

(j) Taxation

The Charity is a charitable institution within the meaning of section 88 of the Inland Revenue Ordinance and, accordingly, is exempted from Hong Kong taxes.

(3) Turnover and other revenue

Turnover represents donations received, and sales of goods during the year.

An analysis of the Charity's turnover is as follows:

	2007	22.9.2004 to 31.3.2006
Turnover		
Sales	389,452	4,826
Donations received	289,130	-
	<u>678,582</u>	<u>4,826</u>
Other revenue		
Bank interest received	25	-
Seminar income	1,400	950
Sponsorship	-	6,900
	<u>1,425</u>	<u>7,850</u>
Total revenue	<u>680,007</u>	<u>12,676</u>

(4) Surplus / (deficit) for the year / period

Surplus / (deficit) for the year / period is arrived at after (crediting) / charging:-

	2007	22.9.2004 to 31.3.2006
Auditors' remuneration - current year	4,500	3,500
- over-provision in prior year	(200)	-
Cost of sales	247,788	9,350
Depreciation	19,309	-
MPF contributions	2,478	-
Operating lease in respect of land and buildings	72,000	-
Salaries, wages and allowances	<u>41,463</u>	<u>-</u>

(5) Plant and equipment

	Leasehold improvement	Furniture, fixtures and equipment	Total
At cost			
additions and at 31.3.2007	36,886	59,657	96,543
Agg. Depreciation			
charge for the year and at 31.3.2007	<u>7,377</u>	<u>11,932</u>	<u>19,309</u>
Net book value			
at 31.3.2007	<u>29,509</u>	<u>47,725</u>	<u>77,234</u>
at 31.3.2006	<u>-</u>	<u>-</u>	<u>-</u>

(6) Amount due to an Executive Committee Member

The advance was unsecured, interest free and without fixed repayment term.

(7) Executive Committee Members' remuneration: HK\$Nil.

(8) Financial instruments

Exposure to credit, liquidity, interest rate and foreign currency risks arise in the normal course of the Charity's operation. These risks are limited by the Charity's financial management policies and practices described below.

(a) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Charity's credit risk is primarily attributable to the significant concentration of credit risk of the bank balance as 81% (2006: 100%) to total financial assets.

The credit risk in relation to bank balance is limited because the counterparty is a major bank with good reputation in Hong Kong.

(b) Liquidity risk

The Charity's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Details of the remaining contractual maturities at the balance sheet date of the Charity's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Charity can be required to pay, are as follows:

(8) Financial instruments - cont'd

(b) Liquidity risk - cont'd

	Within 1 year or on demand	
	2007	2006
Creditors	33,586	-
Accruals	25,339	3,500
	<u>58,925</u>	<u>3,500</u>

(c) Interest rate risk

As the Charity has no significant interest bearing assets and liabilities, the Charity's income and operating cash flows are substantially independent of changes in market interest rates.

(d) Currency risk

The Charity is not exposed to currency risk.

(e) Equity price risk

The Charity is not exposed to any equity price risk.

(f) Estimation of fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31st March 2007 and 2006.

(9) Lease commitment

At the balance sheet date, the Charity had commitment for future minimum lease payments under non-cancellable operating lease in respect of land and buildings as follows:

	2007	2006
Operating lease which fall due:		
- within one year	<u>70,000</u>	<u>-</u>

(10) Comparative figures

Certain comparative figures have been re-classified to conform with the current years' presentation.