HONG KONG RABBIT SOCIETY LIMITED

REPORT OF THE EXECUTIVE COMMITTEE AND AUDITED ACCOUNTS

FOR THE PERIOD FROM 22ND SEPTEMBER 2004 (DATE OF INCORPORATION)

TO 31ST MARCH 2006

STEPHEN IP & CO.
Certified Public Accountants

Room 1703, 17/F.,
Asian House,
1 Hennessy Road, Wanchai,
Hong Kong
HONG KONG RABBIT SOCIETY LIMITED
REPORT OF THE EXECUTIVE COMMITTEE AND AUDITED ACCOUNTS
FOR THE PERIOD FROM 22ND SEPTEMBER 2004 (DATE OF INCORPORATION)
TO 31ST MARCH 2006

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HONG KONG RABBIT SOCIETY LIMITED

REPORT OF THE EXECUTIVE COMMITTEE

Members of the Executive Committee

Chairman : Luk Tsui Chun (Appointed on 23.9.2004)

Executive Committee Members : Chow Yuen Man (Appointed on 23.9.2004)
                          Chan Wing Nga (Appointed on 23.9.2004)
                          Chan Siu Wa (Appointed on 23.9.2004 and
                          resigned on 1.8.2005)

The Executive Committee has pleasure in presenting its first report together with the audited statement of accounts for the period from 22nd September 2004 (date of incorporation) to 31st March 2006.

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

Accounts
The results of the Charity for the period from 22nd September 2004 (date of incorporation) to 31st March 2006 and the state of affairs of the Charity at that date are set out in the accounts on pages 5 to 13.

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 period or at any time during the period.
HONG KONG RABBIT SOCIETY LIMITED

REPORT OF THE EXECUTIVE COMMITTEE

Auditors
The auditors, Messrs. Stephen Ip & Co., Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Executive Committee

Chairman
Hong Kong, 11 NOV 2006
REPORT OF THE AUDITORS

TO THE MEMBERS OF HONG KONG RABBIT SOCIETY LIMITED
(incorporated in Hong Kong and limited by guarantee)

We have audited the accounts on pages 5 to 13 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Executive Committee members and auditors

The Companies Ordinance requires the Executive Committee Members to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with section 141 of the 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Executive Committee Members in the preparation of the accounts, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. However, the evidence available to us was limited because the Charity, in common with many other organisations of similar nature, derived a substantial part of its income from donations and sales of goods. Such income could not be fully controlled until being entered into the accounting records. Accordingly, it was impracticable to extend our examination of such income beyond the amounts recorded.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.
REPORT OF THE AUDITORS

TO THE MEMBERS OF HONG KONG RABBIT SOCIETY LIMITED
(incorporated in Hong Kong and limited by guarantee)

Basis of opinion - cont'd

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the continuing financial support made by an Executive Committee Member and a creditor of the Charity. The accounts have been prepared on a going concern basis, the validity of which depends upon future funding being available. The accounts do not include any adjustments that would result from a failure to obtain such funding. Details of the circumstances relating to this fundamental uncertainty are described in Note 2(a) on the accounts. We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

Qualified opinion arising from non-compliance with the Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance and limitation of audit scope

The accounts have been prepared to cover a period from 22nd September 2004 (date of incorporation) to 31st March 2006 and are therefore not in compliance with Sections 111(1), 122(1) and 122(2) of the Hong Kong Companies Ordinance which require the accounts of a company to be laid before the annual general meeting not later than eighteen months after its incorporation. Also, this did not comply with the requirement of the Hong Kong Accounting Standard 1, which requires accounts to be presented at least annually. The accounts do not include an explanation for departure from the accounting standard.

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the income from donation and sales of goods and except for the matters referred to in the preceding paragraph, in our opinion, the accounts give a true and fair view of the state of the Charity's affairs as at 31st March 2006 and of its deficit and cash flows for the period then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work relating to the above mentioned matters:

- 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, 11 NOV 2006
HONG KONG RABBIT SOCIETY LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE PERIOD FROM 22ND SEPTEMBER 2004 (DATE OF INCORPORATION)

TO 31ST MARCH 2006

(Expressed in Hong Kong dollars)

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURNOVER</td>
<td>3</td>
<td>4,826</td>
</tr>
<tr>
<td>COST OF SALES</td>
<td></td>
<td>9,350</td>
</tr>
<tr>
<td>GROSS LOSS</td>
<td></td>
<td>(4,524)</td>
</tr>
<tr>
<td>OTHER INCOME</td>
<td></td>
<td>7,850</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,326</td>
</tr>
<tr>
<td>OTHER OPERATING EXPENSES</td>
<td></td>
<td>63,289</td>
</tr>
<tr>
<td>DEFICIT FOR THE PERIOD</td>
<td>4</td>
<td>(59,963)</td>
</tr>
</tbody>
</table>

The notes on pages 9 to 13 form an integral part of these accounts.
HONG KONG RABBIT SOCIETY LIMITED

BALANCE SHEET AS AT 31ST MARCH 2006

(Expressed in Hong Kong dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
</tr>
<tr>
<td>Bank balance</td>
<td>6,153</td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Accruals</td>
<td>3,500</td>
</tr>
<tr>
<td>NET CURRENT ASSETS</td>
<td>2,653</td>
</tr>
<tr>
<td>NON-CURRENT LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Other payable</td>
<td>(45,026)</td>
</tr>
<tr>
<td>Amount due to an Executive Committee Member</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>(62,616)</td>
</tr>
<tr>
<td></td>
<td>(59,963)</td>
</tr>
</tbody>
</table>

Represented by:

ACCUMULATED DEFICIT

(59,963)

Approved and authorised for issue by the Executive Committee on 11 NOV 2006

Executive Committee Member

Executive Committee Member

The notes on pages 9 to 13 form an integral part of these accounts.
HONG KONG RABBIT SOCIETY LIMITED

STATEMENT OF CHANGES IN GENERAL FUND

FOR THE PERIOD FROM 22ND SEPTEMBER 2004 (DATE OF INCORPORATION)

TO 31ST MARCH 2006

(Expressed in Hong Kong dollars)

ACCUMULATED DEFICIT

DEFICIT FOR THE PERIOD AND BALANCE CARRIED FORWARD  (59,963)
HONG KONG RABBIT SOCIETY LIMITED

CASH FLOW STATEMENT

FOR THE PERIOD FROM 22ND SEPTEMBER 2004 (DATE OF INCORPORATION)

TO 31ST MARCH 2006

(Expressed in Hong Kong dollars)

22.9.2004 to
31.3.2006

OPERATING ACTIVITIES
Deficit for the period
  Deficit before general funds changes
  Increase in accruals
  Net cash used in operating activities

(59,963)
3,500

(56,463)

FINANCING ACTIVITIES
  Increase in other payable
  Increase in amount due to an Executive Committee Member
  Net cash generated from financing activities

45,026
17,590
62,616

Cash and cash equivalents at end of the period

6,153

Analysis of the balances of cash and cash equivalents
  Bank balance

6,153
HONG KONG RABBIT SOCIETY LIMITED

NOTES ON THE ACCOUNTS - 31ST MARCH 2006
(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 Room 1202, 12/F., Fee Tat Commercial Centre, 613 Nathan Road, Kowloon, Hong Kong. The principal activities of the Charity are to protect and advance animal welfare, especially rabbits.

(2) Significant accounting policies

The accounts have been prepared in accordance with the 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.

In preparing the accounts, the Charity has assessed and adopted in advance all applicable HKFRSs that are effective for accounting periods beginning on or after 1st January 2005, which are relevant to its operations. The early adoption of the new and revised HKFRS has no significant effect on the results on the financial position of the Charity.

(a) Basis of preparation of the accounts

The Charity meets its day-to-day working capital requirements through the advances from Executive Committee Members and a sundry creditor of the Charity.

On the basis that an Executive Committee Member and a creditor have agreed to provide continuing financial support to the Charity, the Executive Committee consider that it is appropriate to prepare the accounts on the going concern basis.

(b) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the company 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.
(2) Significant accounting policies - cont'd

(c) 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.

(d) Income Tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income and expenditure account except to the extent that they relate to items recognised directly in general fund, in which case they are recognised in general fund.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

- 10 -
(2) Significant accounting policies - cont'd

(c) 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.

(f) 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.

(g) Accruals and other payable

Accruals and other payable 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.

(3) Turnover and other revenue

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

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

<table>
<thead>
<tr>
<th></th>
<th>22.9.2004 to 31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td></td>
</tr>
<tr>
<td>Sales of souvenirs and others</td>
<td>4,826</td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
</tr>
<tr>
<td>Seminar income</td>
<td>950</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>6,900</td>
</tr>
<tr>
<td></td>
<td>7,850</td>
</tr>
<tr>
<td>Total revenue</td>
<td>12,676</td>
</tr>
</tbody>
</table>
(4) Deficit for the period

Deficit for the period is arrived at after charging:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.9.2004 to 31.3.2006</td>
<td></td>
</tr>
<tr>
<td>Auditors' remuneration</td>
<td>3,500</td>
</tr>
</tbody>
</table>

(5) Income tax

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit for the period.

Reconciliation between tax expense and accounting deficit at applicable tax rates

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.9.2004 to 31.3.2006</td>
<td></td>
</tr>
<tr>
<td>Deficit before tax</td>
<td>(59,963)</td>
</tr>
<tr>
<td>Notional tax on deficit before tax, calculated at the rates applicable to deficit concerned</td>
<td>(10,493)</td>
</tr>
<tr>
<td>Tax loss not recognised</td>
<td></td>
</tr>
<tr>
<td>Tax expense</td>
<td></td>
</tr>
</tbody>
</table>

On 4th April 2006, the Inland Revenue Department confirmed that with effect from 3rd March 2006, the Charity is exempted from Hong Kong profits tax under Section 88 of the Inland Revenue Ordinance.

(6) Amount due to an Executive Committee Member

The advance was unsecured, interest free and would not be repayable within the next 12 months.

(7) Executive Committee Members' remuneration: HK$Nil.
(8) Financial risk management

The Charity's principal financial instrument is bank balance.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Executive Committee manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk
The Charity has no significant concentration of credit risk, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk
The Charity manages its fund conservatively by maintaining a comfortable level of cash and cash equivalent in order to meet continuous operational need.

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

(9) Comparative figures

The Charity was incorporated on 22nd September 2004. Accordingly there are no comparative figures.