

K.P. CHENG & CO.

Certified Public Accountants

鄭錦波會計師事務所

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 15TH JULY, 2005

Hong Kong Office :

Room 2707, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, P.R.C.

香港灣道6-8號瑞安中心27樓2707室

Tel: (852) 2780 7231 Fax: (852) 2780 8717

<http://www.kpccpa.com.hk>

Shanghai Office :

9D, Jin Ling Hai Xin Building, No. 666 Fu Zhou Road, Shanghai, P.R.C.

中國上海市福州路666號金陵海欣大廈9D

Tel: (86) 21 63917037 / 63917039 / 63917701 Fax: (86) 21 63917697

<http://www.kpccpa.com.cn>

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2005

CONTENTS

	<u>Pages</u>
Directors' report	1 - 2
Auditors' report	3
Income and expenditure account	4
Balance sheet	5
Notes	6 - 8

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 15th July, 2005.

PRINCIPAL ACTIVITIES

The company is a HKSAR registered charity organization engaged in fund raising and transferring funds to Child Welfare Scheme Nepal, a non-government organization set up under Nepalese law working with communities for the relief of poverty for children from deprived and disadvantaged backgrounds.

FINANCIAL STATEMENTS

The surplus of the company for the year ended 15th July, 2005, and the state of the company's affairs at that date are set out in the financial statements on pages 4 to 8.

DIRECTORS

The directors who held office during the year were :-

Oldham, Gordon David Michael George
D'Auriol, Sandra Nicola
Maclagan, Douglas Hubert

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

In accordance with article 44 of the company's articles of association, all directors shall hold office until the next annual general meeting but shall be eligible for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

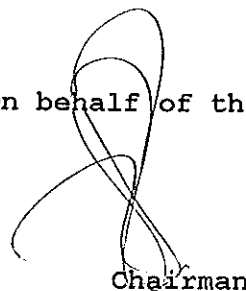
No contracts of significance to which the company was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the company a party to any arrangements to enable the directors of the company to acquire benefits by means of acquisition of shares in, or debentures of, the company or any other body corporate.

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs K. P. Cheng & Co, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board



Chairman

08 FEB 2006

K.P. CHENG & CO.

Certified Public Accountants

鄭錦波會計師事務所

AUDITORS' REPORT TO THE MEMBERS OF

CHILD WELFARE SCHEME LIMITED

(LIMITED BY GUARANTEE)

We have audited the financial statements on pages 4 to 8 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements 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 to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the company's affairs as at 15th July, 2005 and of its surplus for the year then ended have been properly prepared in accordance with the Companies Ordinance.

K. P. Cheng & Co.

K. P. Cheng & Co
Certified Public Accountants
Hong Kong

08 FEB 2006

- 3 -

Hong Kong Office :

Room 2707, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, P.R.C.

中國香港灣道 6-8 號瑞安中心 27 樓 2707 室

Tel: (852) 2780 7231

Fax: (852) 2780 8717

<http://www.kpcca.com.hk>

Shanghai Office :

9D, Jin Ling Hai Xin Building, No. 666 Fu Zhou Road, Shanghai, P.R.C.

中國上海市福州路 666 號金陵海欣大廈 9D

Tel: (86) 21 63917037 / 63917039 / 63917701 Fax: (86) 21 63917697

<http://www.kpcca.com.cn>

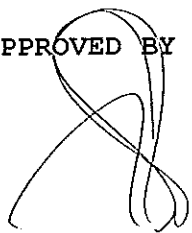
CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 15TH JULY, 2005
(EXPRESSED IN HONG KONG DOLLARS)

	<u>Note</u>	<u>Year ended 15.7.2005</u>	<u>Period from 13.10.2003 to 15.7.2004</u>
INCOME	2	\$ 3,836,757	\$ 1,243,604
OTHER INCOME		<u>87</u>	<u>26</u>
TOTAL INCOME		3,836,844	1,243,630
DIRECT EXPENSES FOR FUND RAISING ACTIVITIES		(463,044)	(56,603)
GENERAL AND ADMINISTRATIVE EXPENSES		<u>(367,022)</u>	<u>(195,145)</u>
NET INCOME		3,006,778	991,882
TRANSFER TO CHILD WELFARE SCHEME NEPAL		<u>(1,786,937)</u>	<u>(595,495)</u>
SURPLUS FOR THE YEAR/PERIOD	3	1,219,841	396,387
ACCUMULATED SURPLUS BROUGHT FORWARD		<u>396,387</u>	<u>-</u>
ACCUMULATED SURPLUS CARRIED FORWARD		<u>\$ 1,616,228</u>	<u>\$ 396,387</u>

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
BALANCE SHEET AS AT 15TH JULY, 2005
(EXPRESSED IN HONG KONG DOLLARS)

	Note	<u>2005</u>	<u>2004</u>
FIXED ASSETS	5	\$ 6,384	\$ 11,172
CURRENT ASSETS			
Prepayments		-	250
Cash at banks		<u>1,621,872</u>	<u>396,686</u>
		1,621,872	396,936
DEDUCT :-			
CURRENT LIABILITIES			
Accruals		<u>12,028</u>	<u>11,721</u>
		12,028	11,721
NET CURRENT ASSETS		<u>1,609,844</u>	<u>385,215</u>
		<u>\$ 1,616,228</u>	<u>\$ 396,387</u>
REPRESENTING :-			
ACCUMULATED SURPLUS		<u>\$ 1,616,228</u>	<u>\$ 396,387</u>

APPROVED BY THE BOARD OF DIRECTORS ON 8 FEB 2006



DIRECTOR



DIRECTOR

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2005
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

1. STATUS OF THE COMPANY

The company is limited by guarantee and not having a share capital. In accordance with clause 6 of the memorandum of association, every member undertakes to contribute to the company an amount not exceeding \$1.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Revenue recognition

Donations income are recognised as income on cash receipt basis.

(b) Fixed assets and depreciation

Fixed assets are stated at cost less aggregate depreciation.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives to the company on a reducing balance basis 30% per annum.

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2005
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Employee benefits - pension obligation

The company operates a defined contribution pension scheme in accordance with the local conditions and practices in Hong Kong in which it operates. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

3. INCOME

Income represents the donations received during the year.

4. SURPLUS FOR THE YEAR/PERIOD

	<u>Year ended</u> <u>15.7.2005</u>	<u>Period from</u> <u>13.10.2003 to</u> <u>15.7.2004</u>
Surplus has been arrived at after charging :-		
Directors' emoluments		
- fee	\$ -	\$ -
- others	-	-
Auditors' remuneration	-	-
Depreciation	4,788	4,788
Preliminary expenses	<u>-</u>	<u>3,249</u>

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 15TH JULY, 2005
(EXPRESSED IN HONG KONG DOLLARS)

NOTES

5. TAXATION

No provision for Hong Kong profits tax is required as the company being a charitable institution, is exempted from Hong Kong profits tax under section 88 of the Inland Revenue Ordinance.

6. FIXED ASSETS

	<u>Office equipment</u>
Cost :-	
At 16.7.2004 and at 15.7.2005	\$ 15,960

LESS: Aggregate depreciation :-	
At 16.7.2004	4,788
Charge for the year	<u>4,788</u>
At 15.7.2005	<u>9,576</u>

Net book value :-	
At 15.7.2005	<u>\$ 6,384</u>
At 15.7.2004	<u>\$ 11,172</u>

7. PENSION SCHEME

The company has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the company and each of the employees make monthly contributions to the scheme at 5% of the employee's earnings and subject to a ceiling of \$1,000 as defined under the relevant legislation. During the year, the aggregate amount of employer's contributions made by the company to the MPF Scheme was \$7,000. (2004: \$3,750)

THE FOLLOWING DETAILED INCOME AND EXPENDITURE ACCOUNT
HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY AND
DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

CHILD WELFARE SCHEME LIMITED
(LIMITED BY GUARANTEE)
DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 15TH JULY, 2005
(EXPRESSED IN HONG KONG DOLLARS)

	<u>Year ended</u> <u>15.7.2005</u>	<u>Period from</u> <u>13.10.2003 to</u> <u>15.7.2004</u>
INCOME		
Donations, restricted	\$ 480,588	\$ 623,236
Donations, unrestricted	<u>3,356,169</u>	<u>620,368</u>
	<u>3,836,757</u>	<u>1,243,604</u>
<hr style="border-top: 1px dashed black;"/>		
INTEREST INCOME	87	5
EXCHANGE GAIN	-	<u>21</u>
	<u>87</u>	<u>26</u>
<hr style="border-top: 1px dashed black;"/>		
TOTAL INCOME	<u>3,836,844</u>	<u>1,243,630</u>
<hr style="border-top: 1px dashed black;"/>		
LESS : DIRECT EXPENSES		
Fund raising expenses	68,643	56,083
Expenses for JOYI student	1,000	-
Expenses for Lamma Fun Day	10,361	520
Expenses for Himalaya nights	<u>383,040</u>	<u>-</u>
	<u>463,044</u>	<u>56,603</u>
<hr style="border-top: 1px dashed black;"/>		
LESS : GENERAL AND ADMINISTRATIVE EXPENSES		
Preliminary expenses	-	3,249
Sundry expenses	2,466	124
Office supplies	21,453	-
Telephone and facsimiles	15,414	4,568
Postage and courier	4,420	7,241
Printing and publications	26,133	38,456
Travelling expenses	14,465	2,362
Entertainment	-	219
Bank charges	2,940	569
Computer expenses	1,036	758
MPF contributions	7,000	3,750
Salaries	120,000	76,000
Staff commission	146,400	53,061
Exchange loss	507	-
Depreciation	<u>4,788</u>	<u>4,788</u>
	<u>367,022</u>	<u>195,145</u>
<hr style="border-top: 1px dashed black;"/>		
NET DONATIONS	<u>3,006,778</u>	<u>991,882</u>
LESS : TRANSFER TO CHILD WELFARE SCHEME NEPAL	<u>1,786,937</u>	<u>595,495</u>
SURPLUS FOR THE YEAR/PERIOD	<u>\$ 1,219,841</u>	<u>\$ 396,387</u>