



Profectus & Co.

certified public accountants

博達會計師事務所

*南區扶輪社漢達國際計劃有限公司*

*RCHKS-HANDA Projects International Limited*

*Financial Statements*

*For the year ended 31 March 2011*

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 31 March 2011.

**Principal activity**

The Company is a non-profit making organization that aims at providing medical assistance and rehabilitation, and improving the livelihood, living condition and educational opportunities for people affected by leprosy and their families in Liangshan Prefecture, Sichuan Province, China. It also aims at reducing leprosy-based stigma and discrimination through public education. The major Project implementation was carried out and executed by the Company, with the assistance of Liangshan Yi Autonomous Prefecture Centre for Disease Control (“CDC”).

**Results**

The results of the Company for the year ended 31 March 2011 and the state of affairs of the Company as at that date are set out in the financial statements on pages 6 to 16.

**Status of the Company**

The Company was incorporated in Hong Kong with liability limited by guarantee not exceeding HK\$100.00 for each member.

**Property, plant and equipment**

Movements of property, plant and equipment are shown in note 10 to the financial statements.

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Report of the Directors (Continued)

**Directors**

The directors who held office during the year and up to the date of this report are:-

Anderson David Coussmaker	
Barrett Peter Francis	
Cavazzoni Francesco	
Chu Pui-Gay Peter	(Resigned on 1 November 2010)
Hutton Clelland Peabody	
Leung Tak On, Anthony	
Pirie Nicholas Frederick Francis	
Ting Wai Cheung, Bernie	
Wan Kam To	(Resigned on 24 November 2010)
Wardell James	
Yu Po Yee	(Resigned on 25 June 2011)
First Stephen	(Appointed on 1 November 2010)
Liem Giok Siong, Theresia	(Appointed on 25 November 2010)

In accordance with the Company's Articles of Association, Barrett Peter Francis, Hutton Clelland Peabody and Wardell James shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

**Directors' interests in contracts**

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

**Directors' rights to acquire shares or debentures**

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 the acquisition of shares in or debentures of the Company or any other body corporate.

**Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Report of the Directors (Continued)

**Auditors**

The financial statements were audited by Messrs. Profectus & Co., Certified Public Accountants. A resolution to appoint the same as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Chairman

Hong Kong

9 December 2011

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED**  
(Incorporated in Hong Kong limited by guarantee and not having a share capital)

We have audited the financial statements of RCHKS-HANDA Projects International Limited set out on pages 6 to 16, which comprise the statement of financial position as at 31 March 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion 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 content of this report. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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.

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
(Incorporated in Hong Kong limited by guarantee and not having a share capital)  
(Continued)

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2011 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.



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Profectus & Co.  
Certified Public Accountants

Room 1-3, 10/F.,  
Kwan Chart Tower,  
6 Tonnochy Road,  
Wanchai, Hong Kong

9 December 2011


RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Statement of Comprehensive Income  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

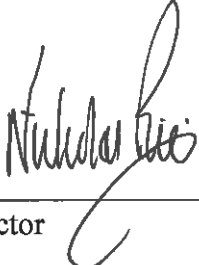
	Note	2011	2010
Donation income	4	2,161,030.26	1,106,884.33
Gain on disposal of property, plant and equipment		47,995.79	0.00
Other income		4,330.29	15,261.25
Subscription fee income		1,900.00	2,100.00
		<u>2,215,256.34</u>	<u>1,124,245.58</u>
Donation	5	<u>0.00</u>	<u>341,447.00</u>
Project direct expenditures	6	<u>1,364,746.28</u>	<u>884,189.79</u>
		<u>1,364,746.28</u>	<u>1,225,636.79</u>
		850,510.06	(101,391.21)
Administrative expenses			
Bank charges		<u>1,510.00</u>	<u>1,980.83</u>
Depreciation		<u>58,538.05</u>	<u>69,011.78</u>
Insurance		<u>14,885.38</u>	<u>10,067.68</u>
Mandatory provident fund contribution		<u>21,672.00</u>	<u>16,385.00</u>
Overseas traveling		<u>53,996.38</u>	<u>79,653.70</u>
Printing and stationery		<u>3,708.37</u>	<u>5,597.99</u>
Public relation expenses		<u>5,164.93</u>	<u>16,481.38</u>
Salaries		<u>592,410.00</u>	<u>486,400.00</u>
Sundry expenses		<u>3,720.40</u>	<u>4,454.95</u>
Telecommunications		<u>4,291.78</u>	<u>5,843.20</u>
		<u>759,897.29</u>	<u>695,876.51</u>
Surplus / (Deficit) for the year		<u>90,612.77</u>	<u>(797,267.72)</u>

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Statement of Financial Position  
As at 31 March 2011  
(Expressed in Hong Kong Dollars)

	Note	2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<u>28,635.42</u>	<u>70,800.71</u>
<b>Current assets</b>			
Other receivable		443,462.48	204,989.42
Prepayment		1,440.80	88.99
Cash at bank		<u>1,077,626.16</u>	<u>1,194,593.81</u>
		<u>1,522,529.44</u>	<u>1,399,672.22</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payables		<u>0.00</u>	<u>9,920.84</u>
<b>Net current assets</b>		<u>1,522,529.44</u>	<u>1,389,751.38</u>
<b>NET ASSETS</b>		<u>1,551,164.86</u>	<u>1,460,552.09</u>
Represented by:-			
General fund		<u>1,551,164.86</u>	<u>1,460,552.09</u>

Approved by the Board of Directors

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Statement of Changes in Equity  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

	General fund
At 1 April 2009	2,257,819.81
Deficit for the year	<u>(797,267.72)</u>
At 31 March 2010 and 1 April 2010	1,460,552.09
Surplus for the year	<u>90,612.77</u>
At 31 March 2011	<u><u>1,551,164.86</u></u>

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Statement of Cash Flows  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

	2011	2010
<b>Cash flows from operating activities</b>		
Surplus / (Deficit) for the year	90,612.77	(797,267.72)
Adjustments for:		
Depreciation	58,538.05	69,011.78
Gain on disposal of property, plant and equipment	(47,995.79)	0.00
Operating surplus / (deficit) before working capital changes	101,155.03	(728,255.94)
Changes in other receivables	(238,473.06)	(85,129.27)
Changes in prepayment	(1,351.81)	2,982.89
Changes in accruals and other payables	(9,920.84)	(27,517.16)
<i>Net cash used in operating activities</i>	(148,590.68)	(837,919.48)
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(19,862.76)	(14,850.00)
Sale proceeds from disposal of property, plant and equipment	51,485.79	0.00
<i>Net cash from / (used in) investing activities</i>	31,623.03	(14,850.00)
Changes in cash and cash equivalents	(116,967.65)	(852,769.48)
Cash and cash equivalents - at beginning of the year	1,194,593.81	2,047,363.29
Cash and cash equivalents - at end of the year	1,077,626.16	1,194,593.81
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	1,077,626.16	1,194,593.81

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Notes to the Financial Statements  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

1 Organization and principal activity

The Company, not having a share capital, was incorporated in Hong Kong under the Companies Ordinance, Chapter 32 with liability limited by guarantee of not exceeding \$100.00 for each member. The Company's registered office is located at Unit 1, 6th Floor, Eastern Harbour Centre, 28 Hoi Chak Street, Quarry Bay, Hong Kong.

The Company is a non-profit making organization that aims at providing medical assistance and rehabilitation, and improving the livelihood, living condition and educational opportunities for people affected by leprosy and their families in Liangshan Prefecture, Sichuan Province, China. It also aims at reducing leprosy-based stigma and discrimination through public education.

2 Adoption of new / revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations that are effective for the current accounting period. For the current period, the Company has adopted these HKFRSs.

The Company has not early adopted the HKFRSs that have been issued but are not yet effective for the current accounting period. In the opinion of the directors, the adoption of such HKFRSs will not result in substantial changes to the Company's results and financial position.

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Notes to the Financial Statements  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

3 Significant accounting policies

The financial statements have been prepared in accordance with the HKFRSs. The significant accounting policies adopted are as follows:

a. Impairment of assets

Assets that have indefinite useful lives are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment loss is recognized in the statement of comprehensive income to reduce the asset to its recoverable amount.

b. Property, plant and equipment

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives to the Company on a straight line basis. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. The principal bases for each class of property, plant and equipment are:-

Furniture and equipment	25.00%
Motor vehicle	33.33%

c. Retirement benefits costs

The Company operates two defined contribution retirement benefits schemes for employees: Mandatory Provident Fund (MPF) Scheme under the Mandatory Provident Fund Schemes Ordinance in Hong Kong and appropriate local retirement scheme pursuant to the relevant labour rules and regulations in the PRC. The assets of the schemes are held separately from those of the Company by independent administrators. The contributions payable by the Company are charged to the statement of comprehensive income as incurred.

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Notes to the Financial Statements  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

3 Significant accounting policies (Continued)

d. Revenue recognition

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

- Income from fund raising and donations is recognized when donations are received.
- Other income is recognized when it is received.
- Subscription fee income is recognized on a straight line basis over the subscription period.

e. Taxation

Income tax expense / income is the aggregate amount included in the determination of net profit or loss for the period in respect of current tax and deferred tax.

Current tax is the tax payable for the period based on the taxable profit.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

f. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases.

Rental payable under operating leases are accounted for in the statement of comprehensive income on a straight line basis over the period of the respective leases.

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Notes to the Financial Statements  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

3 Significant accounting policies (Continued)

g. Foreign currencies

Items included in the financial statements of Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

4 Donation income	2011	2010
General funds from:		
- Individuals	100,068.15	44,513.50
- Charitable and non-profit making organizations, etc	<u>2,060,962.11</u>	<u>1,062,370.83</u>
	<u>2,161,030.26</u>	<u>1,106,884.33</u>
5 Donation	2011	2010
General funds to:		
- Charitable and non-profit making organizations: Handa Rehabilitation and Welfare Association	<u>0.00</u>	<u>341,447.00</u>

RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED  
Notes to the Financial Statements  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

6 Project direct expenditures	2011	2010
This is arrived at after charging :-		
Operating lease rental	24,589.43	0.00
Staff costs		
- Salaries and benefits	390,299.69	225,470.40
- Retirement benefits costs	<u>30,882.22</u>	<u>71,280.54</u>

7 Taxation

No provision for Hong Kong profits tax has been made in the accounts. The Company is a charitable institution of a public character and is exempt from tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

8 Critical accounting estimates and judgements

The Company makes estimates and judgements which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to impairment of assets.

9 Financial instruments

Exposure to currency, interest, credit, liquidity and fair value risks arise in the normal course of the Company's activity. These risks are limited by the Company's management policies and practices described below:

a. Currency risk

The Company is mainly exposed to foreign exchange risk arising from the Renminbi ("RMB"). Since Year 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government in the future may make further adjustments to the exchange rate system.

Apart from the above, there is no significant currency risk.

RCHKSHANDA PROJECTS INTERNATIONAL LIMITED  
Notes to the Financial Statements  
For the year ended 31 March 2011  
(Expressed in Hong Kong Dollars)

9 Financial instruments (Continued)

b. Interest rate risk

The Company has no significant interest bearing assets or liabilities. Any changes in market interest rates will not pose a significant risk to the Company.

c. Credit risk

The Company has no significant credit risks through effective credit control procedures and policies.

d. Liquidity risk

The Company continuously focuses on its liquidity risk management to ensure sufficient funds are available for operation use. The Company maintains a healthy net cash position to fulfill its liquidity requirements.

The Company is always capable of meeting repayments of loans in the maturities due.

e. Fair value risk

At 31 March 2011, there was no assets or liabilities measured at its fair value. The fair values of cash, deposits with banks, receivables and payables are not materially different from their carrying amounts.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.



RCHKS-HANDA PROJECTS INTERNATIONAL LIMITED

Notes to the Financial Statements

For the year ended 31 March 2011

(Expressed in Hong Kong Dollars)

10 Property, plant and equipment

	Furniture and equipment	Motor vehicle	Total
Cost :-			
At 1/4/2009	219,785.63	38,886.71	258,672.34
Additions	14,850.00	0.00	14,850.00
At 31/3/2010 and 1/4/2010	234,635.63	38,886.71	273,522.34
Additions	19,862.76	0.00	19,862.76
Disposals	(6,980.00)	(38,886.71)	(45,866.71)
At 31/3/2011	247,518.39	0.00	247,518.39
Aggregate depreciation :-			
At 1/4/2009	107,785.38	25,924.47	133,709.85
Charge for the year	56,049.54	12,962.24	69,011.78
At 31/3/2010 and 1/4/2010	163,834.92	38,886.71	202,721.63
Charge for the year	58,538.05	0.00	58,538.05
Written back upon disposals	(3,490.00)	(38,886.71)	(42,376.71)
At 31/3/2011	218,882.97	0.00	218,882.97
Net book value :-			
At 31/3/2011	28,635.42	0.00	28,635.42
At 31/3/2010	70,800.71	0.00	70,800.71

11 Capital management

As the Company mainly involved in receipt of donation income for its activity and is not subject to externally imposed capital requirement, the Company monitors its capital structure on the basis of the surplus of the general fund.

12 Approval of financial statements

The financial statements set out on pages 6 to 16 were approved by the Board of Directors on 9 December 2011.