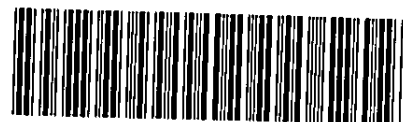


**KARUNA-SHECHEN ASIA LIMITED**  
**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2009**



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**KARUNA-SHECHEN ASIA LIMITED**

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2009**

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## **KARUNA-SHECHEN ASIA LIMITED**

### **REPORT OF THE DIRECTORS**

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2009.

#### **Principal activities**

The principal activity of the Company is to raise funds from donations for charitable purposes.

#### **Results**

The state of the Company's affairs as at 31 December 2009, together with the results for the year ended 31 December 2009 and notes thereto are set out on pages 5 to 12 of the financial statements.

#### **Directors**

The directors of the Company during the year and up to the date of this report were:

Kwok Wai Ming  
Christian Rhomberg  
Patrick Marie Herbet

In accordance with articles 37 and 38 of the Company's articles of association, the term of office of a member of the Board of Directors shall be one year and at the end of every term of office, the member shall retire from office and could be re-elected.

#### **Directors' interests**

At no time during the year was the Company a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of debentures of the Company or any other corporate.

#### **Directors' interests in contracts**

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company was a party during the year.

**KARUNA-SHECHEN ASIA LIMITED**

**REPORT OF THE DIRECTORS (CONTINUED)**

**Auditor**

JFU CPA retires and a resolution for the re-appointment of JFU CPA as the auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board

  
\_\_\_\_\_  
Director

Date: 09 DEC 2010

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF KARUNA-SHECHEN ASIA LIMITED  
(Incorporated in Hong Kong limited by guarantee)**

We have audited the financial statements of Karuna-Shechen Asia Limited (the "Company") set out on pages 5 to 12, which comprise the statement of financial position as at 31 December 2009, the statement of income and expenditure, the statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the financial statements**

The directors of the Company 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.

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 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 the accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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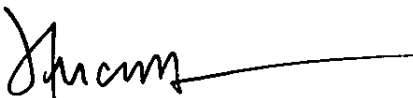
**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF KARUNA-SHECHEN ASIA LIMITED  
(Incorporated in Hong Kong limited by guarantee)**

**Auditor's responsibility (Continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2009 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.



JFU CPA  
Certified Public Accountants  
Hong Kong

Date: 10 DEC 2010

**KARUNA-SHECHEN ASIA LIMITED**

**STATEMENT OF INCOME AND EXPENDITURE  
YEAR ENDED 31 DECEMBER 2009**

	<u>Notes</u>	<u>2009</u> HK\$	<u>2008</u> HK\$
<b>Income</b>			
Donation income		1,971,902	3,398,270
Interest income		338	13,736
Other income		1,728	-
		<u>1,973,968</u>	<u>3,412,006</u>
<b>Expenditure</b>			
Donation to charitable activities		(1,604,567)	(2,798,987)
Cost of charitable activities		(22,136)	(131,920)
Operating expenses		(11,995)	(4,701)
		<u>(1,638,698)</u>	<u>(2,935,608)</u>
<b>Surplus before taxation</b>	3	335,270	476,398
Taxation	4	-	-
<b>Surplus for the year</b>		<u>335,270</u>	<u>476,398</u>

**KARUNA-SHECHEN ASIA LIMITED**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2009**

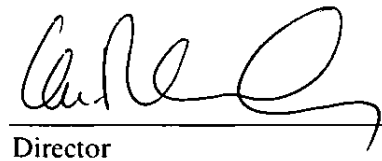
	<u>2009</u> HK\$	<u>2008</u> HK\$
<b>CURRENT ASSET</b>		
Cash and bank balances	<u>1,610,467</u>	<u>1,272,397</u>
<b>CURRENT LIABILITY</b>		
Accrued expenses	<u>9,200</u>	<u>6,400</u>
<b>NET CURRENT ASSET</b>	<u>1,601,267</u>	<u>1,265,997</u>
<b>NET ASSETS</b>	<u>1,601,267</u>	<u>1,265,997</u>
<b>SURPLUS FUNDS</b>	<u>1,601,267</u>	<u>1,265,997</u>

The accompanying notes form part of the financial statements.

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Approved and authorised by the Board of Directors on 10 DEC 2010

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



**KARUNA-SHECHEN ASIA LIMITED**

**STATEMENT OF CHANGES IN FUNDS  
YEAR ENDED 31 DECEMBER 2009**

	<u>Surplus funds</u> HK\$
<b>At 31 December 2007</b>	789,599
Surplus for the year	<u>476,398</u>
<b>At 31 December 2008 and 1 January 2009</b>	1,265,997
Surplus for the year	<u>335,270</u>
<b>At 31 December 2009</b>	<u>1,601,267</u>

**KARUNA-SHECHEN ASIA LIMITED**

**STATEMENT OF CASH FLOWS  
YEAR ENDED 31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u> HK\$	<u>2008</u> HK\$
<b>OPERATING ACTIVITIES</b>			
Surplus before taxation		335,270	476,398
Adjustment for:			
Interest income	2.4(a)	<u>(338)</u>	<u>(13,736)</u>
		<u>334,932</u>	<u>462,662</u>
Increase in accrued expenses		<u>2,800</u>	<u>3,200</u>
<b>Cash generated from operations</b>		<u>337,732</u>	<u>465,862</u>
Interest received	2.4(a)	<u>338</u>	<u>13,736</u>
<b>Net cash inflow from operating activities</b>		<u>338,070</u>	<u>479,598</u>
<b>Net increase in cash and cash equivalents</b>		338,070	479,598
<b>Cash and cash equivalents at beginning of the year</b>		<u>1,272,397</u>	<u>792,799</u>
<b>Cash and cash equivalents at end of year</b>		<u>1,610,467</u>	<u>1,272,397</u>

## KARUNA-SHECHEN ASIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2009

#### 1. GENERAL INFORMATION

Karuna-Shechen Asia Limited is a company incorporated in Hong Kong limited by guarantee without a share capital. Every member of the Company undertakes to contribute to the assets of the Company, if required in the event of its being wound up, while he is a member of within one year afterwards, to the extent of HK\$100.

The Company's registered office is located at 9/F., 32 Wellington Street, Central, Hong Kong.

The principal activity of the Company is to raise funds from donations for charitable purposes.

#### 2.1 BASIS OF PREPARATION

The financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

#### 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32, 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HK (IFRIC) -Int 13	Customer Loyalty Programmes
HK (IFRIC)-Int 15	Agreements for Construction of Real Estate
HK (IFRIC)-Int 16	Hedges of Net investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfer of Assets from Customers

The revised standard of HKAS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one single statement.

## KARUNA-SHECHEN ASIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2009

#### 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The application of the other new HKFRSs had no material effect on how the results and financial position for the current year have been prepared and presented.

#### 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues <sup>3</sup>
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>2</sup>
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK (IFRIC) – Int 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments <sup>1</sup>
HK (IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>5</sup>
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs <sup>7</sup>

Notes:

1. Effective for annual periods beginning on or after 1 July 2009.
2. Effective for annual periods beginning on or after 1 January 2010.
3. Effective for annual periods beginning on or after 1 February 2010.
4. Effective for annual periods beginning on or after 1 July 2010.
5. Effective for annual periods beginning on or after 1 January 2011.
6. Effective for annual periods beginning on or after 1 January 2013.
7. Generally effective for annual periods beginning on or after, 1 July 2009 and 1 January 2010, where appropriate except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.

The directors anticipate that the application of the other new and revised, amendments or interpretations will have no material impact on the results and the financial position of the Company.

#### 2.4 SIGNIFICANT ACCOUNTING POLICIES

##### (a) Revenue recognition

Donation income is recognised when the Company's right to receive the donation is established.

Interest income is recognized as it accrues using the effective interest method.

## KARUNA-SHECHEN ASIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2009

#### 2.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial liabilities

All financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction cost. After initial recognition, they are subsequently measured at amortised cost using effective interest method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expired.

(c) Related parties

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

- (i) the party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Company, (2) has an interest in the Company that gives it significant influence over the Company; or (3) has joint control over the Company;
- (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 Company or its holding company;
- (v) the party is a close member of the family or any individual referred to in (i) or (iv);
- (vi) the party is an entity that is 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
- (vii) the party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

#### 3. SURPLUS BEFORE TAXATION

The Company's surplus before taxation is arrived after charging / (crediting):

	<u>2009</u> HK\$	<u>2008</u> HK\$
Exchange differences, net	(1,728)	-
Auditor's remuneration	2,800	3,200
	<hr/>	<hr/>

**KARUNA-SHECHEN ASIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**4. TAXATION**

The Company is a charitable organisation within the meaning of Section 88 of the Hong Kong Inland Revenue Ordinance and accordingly is exempted from Hong Kong Profits Tax.

**5. DIRECTORS' REMUNERATION**

No fees or other emoluments were paid to the directors in respect of their services to the Company during the year (2008: Nil).

**6. FINANCIAL RISK MANAGEMENT**

The Company is exposed to various financial risks which are discussed below:

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument fluctuates due to changes in market interest rate. The Company interest rate risk relates primarily to the amount of interest income from bank saving accounts, which is not material to the income and expenditure account. The Company monitors the interest rate risk on a continuous basis.

Liquidity risk

The liquidity risk is arising from the operation for the cash management including expected future cash demands. The Company minimizes liquidity risk by maintaining sufficient cash to meet current and expected liquidity so as to enable it to meet its liabilities as when they fall due and to continue operating for the foreseeable future.

**7. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 10 DEC 2010