

**HONG KONG PO YIN ASSOCIATION FOR THE
DEVELOPMENT OF EDUCATION COMPANY LIMITED**

FINANCIAL STATEMENTS

FOR THE PERIOD FROM 2 OCTOBER 2003

(DATE OF INCORPORATION) TO

31 MARCH 2005

張坤會計師行
ERIC CHEUNG & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

HONG KONG PO YIN ASSOCIATION FOR THE DEVELOPMENT OF EDUCATION
COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors hereby present their first report and the audited financial statements of the Association for the period from 2 October 2003 (date of incorporation) to 31 March 2005.

PRINCIPAL ACTIVITY

The principal activity of the Association is to conduct as an institution of a purely and exclusively charitable character for the purpose of development of education in China.

RESULTS AND STATE OF AFFAIRS

The results of the Association for the period ended 31 March 2005 and its state of affairs at that date are set out in the attached financial statements.

DIRECTORS

The directors who held office during the period were:

Lee Yet Chil	(appointed on 20 January 2004)
Lee Ri Yee Betty	(appointed on 20 January 2004)
Liu Han Sum	(appointed on 20 January 2004)
But Sau Chun	(appointed on 6 January 2005)
Wu Sui Yuk	(appointed on 20 January 2004)
Lam Wai Fong	(appointed on 20 January 2004)
Lo Kin Chi	(appointed on 20 January 2004)
Choi Hang Yat	(appointed on 20 January 2004)
Wong Miu Heung	(appointed on 20 January 2004)
Li Chong Hing Anthony	(appointed on 20 January 2004)
Chan Shuk Yin	(appointed on 20 January 2004 and resigned on 6 January 2005)

DIRECTORS' INTEREST

No contracts of significance to which the Association was a party and in which a Director had a material interest subsisted at the end of the period or at any time during the period.

No arrangement to which the Association was a party subsisted during the period to enable the Director to acquire benefits by means of acquisition of shares in or debentures of the Association or any other body corporate.

HONG KONG PO YIN ASSOCIATION FOR THE DEVELOPMENT OF EDUCATION
COMPANY LIMITED

REPORT OF THE MEMBERS OF THE DIRECTOR - continued

AUDITORS

The auditors Messrs Eric Cheung & Co., Certified Public Accountants, now retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board


Chairman

Hong Kong 17 NOV 2005

ERIC CHEUNG & CO
CERTIFIED PUBLIC ACCOUNTANTS
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AUDITORS' REPORT TO THE MEMBERS OF

HONG KONG PO YIN ASSOCIATION FOR THE DEVELOPMENT OF EDUCATION
COMPANY LIMITED ("The Association")
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 4 to 7 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the 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 financial statements and to report our opinion to 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.

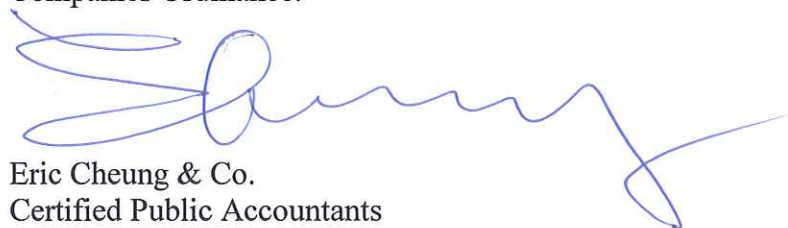
Basis of opinion

We conducted our audit in accordance with 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association'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 of the state of affairs of the Association as at 31 March 2005 and of its surplus for the period from 2 October 2003 (date of incorporation) to 31 March 2005 and have been properly prepared in accordance with the Companies Ordinance.



Eric Cheung & Co.
Certified Public Accountants
Hong Kong, 17 NOV 2005

HONG KONG PO YIN ASSOCIATION FOR THE DEVELOPMENT
OF EDUCATION COMPANY LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

	Note	HK\$
ASSETS		
Non-current assets		
Fixed assets	4	227,410.40
Current assets		
Utility deposits		3,900.00
Cash and bank balances		1,766,127.16
		<u>1,770,027.16</u>
Net assets		<u><u>1,997,437.56</u></u>
RESERVES		
Foundation reserve	5	1,845,157.65
Accumulated Fund		<u>152,279.91</u>
		<u><u>1,997,437.56</u></u>


Director


Director

The annexed notes form part of the financial statements.

HONG KONG PO YIN ASSOCIATION FOR THE DEVELOPMENT
OF EDUCATION COMPANY LIMITED

INCOME STATEMENT

FOR THE PERIOD FROM 2 OCTOBER 2003 (DATE OF INCORPORATION)

TO 31 MARCH 2005

HK\$

INCOME

Subscriptions received	580.00
Donations and surplus from fund-raising functions	710,861.64
Interest received	4,092.80
	<u>715,534.44</u>

Less: Service project expenses 457,808.62

257,725.82

LESS: ADMINISTRATIVE EXPENSES

Depreciation	7,352.60
Electricity and cleaning	1,993.00
Rent, rates and management fee	7,520.00
Legal and professional fee	5,820.00
Postage	1,782.80
Printing and stationery	3,408.20
Repairs and maintenance	27,657.50
Staff salary and MPF contribution	34,250.00
Sundry expenses	10,315.91
Telephone charges	4,371.50
Transportation	974.40
	<u>105,445.91</u>

Surplus for the period 152,279.91

The annexed notes form part of the financial statements.

HONG KONG PO YIN ASSOCIATION FOR THE DEVELOPMENT OF EDUCATION
COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE STATUS AND PRINCIPAL ACTIVITIES

The Association was incorporated as a company limited by guarantee and not having a share capital. Its principal activity is to conduct as an institution of a purely and exclusively charitable character for the purpose of development of education in China.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

a. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and permanent impairment.

Depreciation on fixed assets is calculated to write off the cost on a straight-line basis over the expected useful lives. The annual rates adopted are:

Land and building	2%
Furniture & equipment	20%

b. Revenue recognition

Donations, subscriptions and receipts from fund raising activities are recognized on accrued basis when receipt thereof is certain. Otherwise, they are recognized on cash basis.

c. Foreign currency translation

Foreign currency transactions during the period are converted into Hong Kong dollars at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Any exchange differences are dealt with in the income statement.

d. Taxation

The Association is an approved charitable institution and exempted from tax.

3. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Companies Ordinance for the year was HK\$ nil.

HONG KONG PO YIN ASSOCIATION FOR THE DEVELOPMENT OF EDUCATION
COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS - continued

4. FIXED ASSETS

Cost	Land & building HK\$	Furniture & equipment HK\$	Total HK\$
Additions and balance at 31.3.2005	220,000.00	14,763.00	234,763.00
Aggregate depreciation Charge for the period	<u>4,400.00</u>	<u>2,952.60</u>	<u>7,352.60</u>
Net book value At 31.3.2005	<u>215,600.00</u>	<u>11,810.40</u>	<u>227,410.40</u>

The land and building is situated in Hong Kong and held under medium lease.

5. FOUNDATION RESERVE

Foundation reserve represents the net assets taken up from Hong Kong Po Yin Association for the Development of Education.

6. TAXATION

The Association is an approved charitable institution and is exempted from profits tax.

7. APPROVAL OF FINANCIAL STATEMENTS

The financial statements was approved by the Board of Directors on 17 NOV 2005