



Pearson Fearn & Co.

Chartered Accountants
Certified Public Accountants

AZURETAX LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE, 2011

AZURETAX LIMITED

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REPORT OF THE DIRECTOR

The director presents her annual report and the audited financial statements for the year ended 30th June, 2011

PRINCIPAL ACTIVITIES

AzureTax Ltd is a limited company incorporated in Hong Kong. Its registered office is located at Suite 1010, 10/F Lippo Centre, Tower Two, 89 Queensway, Admiralty, Hong Kong. The principal activity of the company is to provide tax advisory and filing services.

RESULTS AND DIVIDENDS

The results of the company for the year ended 30th June, 2011 and the state of the company's affairs at that date are set out on pages 5 to 14. The director does not recommend the payment of any dividend.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 6 to the financial statements.

DIRECTOR

The name of the person who was the sole director of the company during the year and to the date of this report is -

Deborah Annells

As there is no provision in the company's Articles of Association regarding retirement, Deborah Annells shall continue in office.

The company did not enter into any contract, other than the contracts of service with the director or any person engaged in the full time employment of the company, whereby any individual, firm or body corporate undertakes the engagement and administration of the whole, or any substantial part of any business of the company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

AZURETAX LIMITED

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REPORT OF THE DIRECTOR

RECAPITALISATION

The company increased its authorized share capital to HK\$10,000,000 in May 2012 and issued new shares to a third party investor and to its holding company. Total issued shares as at the date of these accounts amount to HK\$ 5,555,555

CHARITABLE DONATIONS

The company made charitable donations during the year.

AUDITORS

The financial statements have been audited by Pearson Fearn & Co who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting

On behalf of the board



CHAIRMAN
Hong Kong, 4th August 2012



Pearson Fearn & Co.

Chartered Accountants
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REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF AZURETAX LIMITED (INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

We have audited the financial statements of AzureTax Limited set out on pages 5 to 14, which comprise the statement of financial position as at 30th June, 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of principal accounting policies and other explanatory notes

Responsibilities of the directors for the financial statements

The directors 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 controls 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

Responsibilities of auditors

Our responsibility is to express an opinion on these financial statements based on our audit. 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 includes 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 company'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 company's internal controls. 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

Emphasis of Matter

We draw attention to Note 2 to the financial statements which describes the uncertainty related to going concern. Our opinion is not qualified in respect of this matter.



Pearson Fearn & Co.

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**REPORT OF THE INDEPENDENT AUDITORS TO THE
SHAREHOLDERS OF AZURETAX LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)**

Basis for Qualified Opinion

As described in Note 12 to the financial statements, the company has been the object of legal actions taken against the company and its director for sums claimed to be owing to them. Also, the director has been investigated by the Hong Kong police and this investigation is ongoing. We are unable to verify whether all legal actions and police investigations have been discontinued at the date of this report or to estimate the possible effects such actions, if existing, will have on the company's business and its finances.

Qualified Opinion

In our opinion, subject to the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the state of the Company's affairs as at 30th June 2011, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Pearson Fearn & Co.

PEARSON FEARN & CO.
Certified Public Accountants

HONG KONG, 4th August 2012



AZURETAX LIMITED

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INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

	<u>Notes</u>	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
Income			
Turnover	4	14,004,840	13,934,428
Less Direct costs		2,219,336	962,923
Gross profit		<u>11,785,504</u>	<u>12,971,505</u>
Other income			
Interest income		58	-
Other income		6,555,989	5,114,762
		<u>18,341,551</u>	<u>18,086,267</u>
Expenses			
Auditors' remuneration		13,000	11,000
Depreciation	2&6	519,634	432,884
Director's remuneration - fees		-	-
- accommodation		780,000	780,000
- other emoluments		720,000	651,000
Personnel costs		10,162,150	8,565,757
Other operating expenses		6,810,104	7,442,797
		<u>19,004,888</u>	<u>17,883,438</u>
(Loss)/Profit for the year before taxation		<u>(663,337)</u>	<u>202,829</u>
Taxation	2&5	-	-
(Loss)/Profit for the year after taxation		<u>(663,337)</u>	<u>202,829</u>
Accumulated profits at the beginning of the year		<u>225,539</u>	<u>22,710</u>
Accumulated (losses)/profits at the end of the year		<u>(437,798)</u>	<u>225,539</u>



AZURETAX LIMITED

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STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

	Notes	2011 HK\$	2010 HK\$
ASSETS			
Fixed assets	2&6	1,885,002	2,025,248
Current Assets			
Accounts receivable	2	2,067,458	1,877,207
Work-in-process	2&9	-	750,000
Amount due from related companies	2&8	7,738,091	5,178,912
Deposits & prepayments	2	1,000,058	976,284
Other receivable	2	496,477	411,470
Cash and cash equivalents	2	876,520	1,111,668
Tax receivable	2&5	-	22,688
		12,178,604	10,328,229
Current Liabilities			
Accounts payable	2	612,820	446,180
Accrued expenses	2	263,617	52,394
Amount due to director	2&7	13,090,414	78,256
Amount due to related companies	2&8	-	10,597,905
Other payable	2	25,000	453,203
Tax payable	2&5	9,553	-
		14,001,404	11,627,938
NET CURRENT (LIABILITIES)		(1,822,800)	(1,299,709)
NET ASSETS		62,202	725,539
CAPITAL AND RESERVES			
Share capital	10	500,000	500,000
Accumulated (losses)/profits		(437,798)	225,539
		62,202	725,539

The financial statements set out on pages 5 to 14 were approved by the sole director on 4th August 2012.

Deborah Daniels

DIRECTOR



AZURETAX LIMITED

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

	<u>2011</u> HK\$	<u>2010</u> HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(663,337)	202,829
Adjustment		
Depreciation	519,634	432,884
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	(143,703)	635,713
Movements in working capital elements		
Accounts receivable	(190,251)	(298,070)
Work-in-process	750,000	(750,000)
Amount due from related companies	(2,559,179)	(3,492,078)
Deposits & prepayments	(23,774)	766,874
Other receivable	(85,007)	(205,067)
Accounts payable	166,640	237,544
Accrued expenses	211,223	52,394
Amount due to director	13,012,158	(1,716,347)
Amount due to related companies	(10,597,905)	5,859,696
Other payable	(428,203)	(3,725)
	<hr/>	<hr/>
Cash generated from operating activities	111,999	1,086,934
Tax recoverable/(paid) during the year	32,241	(32,241)
	<hr/>	<hr/>
Net cash generated from operating activities	144,240	1,054,693
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(379,388)	(426,100)
	<hr/>	<hr/>
Net cash (used in) investing activities	(379,388)	(426,100)
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES	(235,148)	628,593
CASH AND BANK BALANCES AT BEGINNING OF THE YEAR	1,111,668	483,075
	<hr/>	<hr/>
CASH AND BANK BALANCES AT END OF THE YEAR	876,520	1,111,668
	<hr/> <hr/>	<hr/> <hr/>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

1. GENERAL

The company is a limited company incorporated in Hong Kong. Its registered office is located at Suite 1010, 10/F Lippo Centre, Tower Two, 89 Queensway, Admiralty, Hong Kong. The principal activity of the company is to provide tax advisory and filing services.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. These accounts have been prepared under the historical cost convention.

Going concern

The financial statements have been prepared on the basis of accounting principles applicable to a going concern. This may not be appropriate in view of the significant accumulated losses and net current liabilities at 31st December 2011. The company made a loss for the year of HK\$663,337 and at the balance sheet date current liabilities exceeded current assets by HK\$ 1,822,280 (2010 HK\$1,299,709) although the creditors are primarily the director herself. The continuation of the business as a going concern is dependent upon the company attaining future profitable operations and the continuing financial support of its shareholders.

Should the company be unable to continue to operate as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which may arise, and to re-classify non-current assets as current assets.

The shareholders have participated in the recapitalization of the company in May 2012 and have confirmed their intention to provide continuing financial support so as to enable the company to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. The director believes that the company will continue as a going concern and consequently have prepared the financial statements on a going concern basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short term, highly liquid investment 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. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2011

(Expressed in Hong Kong Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(a) Functional and preparation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in Hong Kong Dollars, which is the company's functional presentation currency.

(b) Transactions and balances

Transactions in foreign currencies during the year are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on exchange are dealt with in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates of exchange ruling at the dates the fair value was determined.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of fixed assets in equal annual installments at the following annual rates:

Office equipment	25%
Furniture & fixtures	20%
Leasehold improvements	25%
Computers	25%

The gain or loss arising from the retirement of fixed assets, representing the difference between the estimated disposal proceeds and the carrying amount of the asset, is recognized in the income statement.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement over the lease terms.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Salaries, annual bonuses and other staff costs are accrued in the year in which the associated services are rendered by employees of the company. Where payment or settlement is deferred and the effect would be material, provisions are made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

The company joined a Mandatory Provident Fund ("MPF") scheme for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the company in independently administered funds. Under the rules of the MPF scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. Contributions to the defined contribution pension scheme are recognized as an expense in the income statement as incurred.

The company has also set up an occupational retirement scheme for two of its staff members.

Taxation

Taxation for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates in force 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 taxation is provided in full, where material, using the liability method, on temporary differences. Deferred tax assets arise from unused tax losses and tax credits.

The amount of deferred tax recognised based upon the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates in force at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which material temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future to allow the related tax benefit to be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profit will be available.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2011

(Expressed in Hong Kong Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Related companies

For the purposes of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Revenue recognition

Revenue is recognized in profit or loss provided it is probable that the economic benefits will flow to the revenue and costs, if applicable, can be measured reliably, as follows:

- (a) Revenue is recognized in the year during which the services were rendered.
- (b) Interest income is recognized on a time apportionment basis.

3. Application of the HKFRS for Private Entities

These financial statements for the year ended 30th June 2011 are prepared under accounting policies that comply with the Hong Kong Financial Reporting Standards for Private Entities.

The company has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the HKFRS for Private Entities when preparing these financial statements in accordance with the HKFRS for Private Entities.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

4. TURNOVER

Turnover represents invoiced fees for the year.

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010 – 16.5%) on the estimated assessable profit for the year

The charge for the year can be reconciled to the profit before taxation per the income statements as follows

	<u>2011</u> HK\$	<u>2010</u> HK\$
(Loss)/Profit before taxation	<u>(663,337)</u>	<u>202,829</u>
Tax at the Hong Kong profits tax rate	-	37,842
Tax effect of non-deductible expenses	-	77,304
Tax effect of non-taxable revenue	-	(922,257)
Tax losses carried forward	-	807,111
Tax charge for the year	<u>-</u>	<u>-</u>

The taxation balance in the statement of financial position is made up as follows

	<u>2011</u> HK\$	<u>2010</u> HK\$
Tax (receivable)/payable at the beginning of the year	<u>(22,688)</u>	<u>9,553</u>
Tax recoverable/(paid) during the year	<u>32,241</u>	<u>(32,241)</u>
Tax payable/(receivable) at the end of the year	<u>9,553</u>	<u>(22,688)</u>

Deferred Taxation

At the balance sheet date, the company has a deferred tax asset of \$ 2,100,955 (2010 \$ 933,502) in respect of tax losses which is not reflected in these financial statements



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2011

(Expressed in Hong Kong Dollars)

6. FIXED ASSETS

	<u>Office Equipment</u> HK\$	<u>Furniture & Fixtures</u> HK\$	<u>Leasehold Improvements</u> HK\$	<u>Computers</u> HK\$	<u>Total</u> HK\$
Cost					
At 1st July, 2010	300,897	499,372	1,920,113	270,836	2,991,218
Additions during year	24,746	9,806	53,000	291,836	379,388
At 30th June, 2011	325,643	509,178	1,973,113	562,672	3,370,606
Accumulated Depreciation					
At 1st July, 2010	228,714	89,244	580,303	67,709	965,970
Charge for the year	81,411	50,916	246,639	140,668	519,634
At 30th June, 2011	310,125	140,160	826,942	208,377	1,485,604
Net book value					
At 30th June, 2011	15,518	369,018	1,146,171	354,295	1,885,002
At 30th June, 2010	72,183	410,128	1,339,810	203,127	2,025,248

7. AMOUNT DUE TO DIRECTOR

The amount due to a director is in the nature of a current account, is unsecured, interest free and has no fixed terms of repayment

8. AMOUNT DUE FROM/(TO) RELATED COMPANIES

The amount due from/(to) related companies is in the nature of a current account, is unsecured, interest free and has no fixed terms of repayment

9. WORK-IN-PROGRESS

Work-in-progress is estimated by the director



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

10. SHARE CAPITAL

	<u>2011</u> HK\$	<u>2010</u> HK\$
Authorised share capital:-		
1,000,000 ordinary shares of HK\$1 00 each	1,000,000	1,000,000
Issued and fully paid:-		
500,000 ordinary shares of HK\$1 00 each	500,000	500,000

In May 2012, the company increased its authorized share capital to HK\$ 10,000,000 and recapitalised the company. Total issued shares as at the date of these accounts now amount to HK\$5,555,555

11. LEASE COMMITMENTS

At the year end the company had the following future approximate rental commitments under non-cancelable operating leases for land and buildings -

	<u>2011</u> HK\$	<u>2010</u> HK\$
Operating leases which expire		
within one year	2,295,122	-
in the second to fifth years inclusive	-	4,930,262
	<u>2,295,122</u>	<u>4,930,262</u>

12. LEGAL ACTIONS BY AND AGAINST THE COMPANY

The following legal actions have been taken during the year against and by the company and its director -

- (a) AzureTax Ltd was named as Third Defendant in HCA 1983 2011 dated 21st November 2011. This action against AzureTax Ltd was discontinued on 23rd December 2011.
- (b) AzureTax Ltd made a claim against its former Singapore JV company which then made a counterclaim against AzureTax Ltd. No claim against AzureTax Ltd was agreed, but sums due to AzureTax Ltd were agreed by mediation in Singapore on 25th May 2012.
- (c) Allegations of improper conduct have been made against the director and a related company. An investigation was started in October 2011 (Police Ref CCB RN 11006330). The director is confident that such allegations will be found to be without merit and will be dismissed.

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OTHER OPERATING EXPENSES FOR THE YEAR ENDED 30TH JUNE, 2011 (Expressed in Hong Kong Dollars)

	<u>2011</u> HK\$	<u>2010</u> HK\$
Accounting fee	-	4,914
Advertising	381,886	408,051
Bad debts	245,111	87,493
Bank charges and interest	46,382	73,041
Building management fee	432,117	414,330
Charitable donations	-	29,035
Commission	-	19,973
Computer expenses	308,671	230,281
Dues & subscriptions	103,093	94,802
Entertainment	301,551	321,659
Exchange losses	11,345	94,124
HR services	411,300	377,150
Insurance	232,268	241,611
Legal & professional fees	363,544	211,012
Local travelling - local	7,712	12,582
- Oversea	111,068	187,464
Luncheons & seminars	135,730	138,048
Magazine & books	32,784	52,881
Marketing	338,223	171,190
Miscellaneous	1,830	11,023
Office expenses	58,116	56,748
Photocopying	43,087	17,675
Postage & courier	75,632	133,469
Printing & stationery	96,322	125,967
Rates - office	100,425	96,900
Rental expenses	2,635,140	3,585,098
Repairs and maintenance	22,911	7,612
Staff training and expenses	71,351	-
Telecommunications	91,296	83,158
Utilities	98,986	74,944
Web hosting & domain	52,223	80,562
	<u>6,810,104</u>	<u>7,442,797</u>

THIS ACCOUNT HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS