



READING DREAMS FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016

ANDY I. H. YUEN & Co.
Certified Public Accountants (Practising)
袁子軒會計師事務所

...DING DREAMS FOUNDATION LIMITED

REPORTS AND FINANCIAL STATEMENTS

31ST DECEMBER, 2016

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HOING DREAMS FOUNDATION LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements of the company for the year ended 31st December, 2016.

PRINCIPAL ACTIVITIES

The principal activities of the company are promoting advancement of general education for the public with the focus in rural areas in Mainland China and other developing countries; and receiving and granting of donations as prescribed by the memorandum of association of the company.

RESULTS AND APPROPRIATIONS

The results for the year ended 31st December, 2016 are set out in the income statement on page 4.

In accordance with clause 2 of fourth section of the company's memorandum of association, the company is forbidden to distribute any dividend to its members.

DIRECTORS

The directors during the year and at the date of this report are as follows:-

Mr. Leung Wai Ming
Mr. Lam Hok Cheung, Joe

There being no provision in the company's Articles of Association for the retirement of directors by rotation, all directors continue in office for the following year.

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

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, there was any permitted indemnity provision being in force for the benefit of any of the directors of the company.

AUDITOR

The financial statements have been audited by Messrs. Andy T. H. Yuen & Co., Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Leung Wai Ming
Chairman

Hong Kong, 29th June, 2017

REPORT OF INDEPENDENT AUDITOR

TO THE MEMBERS OF READING DREAMS FOUNDATION LIMITED (Incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of Reading Dreams Foundation Limited ("the company") set out on pages 4 to 9, which comprise the statement of financial position as at 31st December, 2016, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the company for the year ended 31st December, 2016 are prepared, in all material respects, in accordance with the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 900 (Revised), *Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements in accordance with the SME-FRS issued by the HKICPA 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

REPORT OF INDEPENDENT AUDITOR (Continued)

TO THE MEMBERS OF READING DREAMS FOUNDATION LIMITED
(Incorporated in Hong Kong with liability limited by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CHANGING DREAMS FOUNDATION LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Notes	2016 HK\$	2015 HK\$
INCOME			
Donation		3,881,883	6,361,967
Exchange gains		51,023	-
Interest		470	955
		<u>3,933,376</u>	<u>6,362,922</u>
EXPENDITURES			
<i>Administrative</i>			
Accountancy fee		-	10,000
Advertising		595	5,300
Allowances and bonus for helpers in Changsha's office		262,913	263,231
Audit fee		7,000	7,000
Bank charges		5,008	7,983
Directors' emoluments		-	-
Electricity and telephone		44,295	26,725
Printing and stationery		91,887	42,150
Rent and building management fee		75,924	58,650
Transportation and postage for newsletters, annual report and charitable gifts		94,806	94,052
Website and computer expenses		26,868	73,695
		<u>609,296</u>	<u>588,786</u>
<i>Charity projects</i>			
Charitable gifts and donations			
- books		917,479	2,132,491
- furniture and equipment		429,546	1,299,788
- stationery		261,288	510,229
- others		33,334	7,213
School environment improvement and charitable donations		-	6,250
Subsidies for students		192,619	256,625
Training for instructors, students, teachers, helpers and parents			
- prize, award and souvenir		-	20,494
- HK visit expenses		70,317	30,822
- expenses on training and instruction services		792,936	937,533
- subsidies for travelling and accomodation		52,444	291,865
- travelling, messing and accomodation		261,921	402,719
- others		20,560	-
Travelling and messing for school visits and inspections		101,184	102,036
		<u>3,133,628</u>	<u>5,998,065</u>
<i>Fund raising</i>			
Dinner and events		221,919	309,580
<i>Others</i>			
Books for foundation's resource centre		-	53,708
Depreciation		28,295	54,915
Exchange losses		-	188,575
Sundry expenses		20,732	56,401
		<u>49,027</u>	<u>353,599</u>
		<u>4,013,870</u>	<u>7,250,030</u>
DEFICIT BEFORE TAX		(80,494)	(887,108)
INCOME TAX EXPENSE	3	-	-
DEFICIT FOR THE YEAR		<u>(80,494)</u>	<u>(887,108)</u>

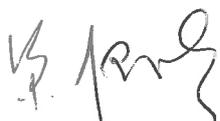
The accompanying accounting policies and explanatory notes form an integral part of, should be read in conjunction with, these financial statements.

ADING DREAMS FOUNDATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2016

	<u>Notes</u>	<u>2016 HK\$</u>	<u>2015 HK\$</u>
NON-CURRENT ASSETS			
Plant and equipment	4	<u>13,864</u>	<u>42,159</u>
CURRENT ASSETS			
Accounts receivable		97,000	-
Deposits and prepayments		119,349	28,162
Bank balances and cash		<u>189,702</u>	<u>324,321</u>
		<u>406,051</u>	<u>352,483</u>
CURRENT LIABILITIES			
Accrued expenses		<u>176,673</u>	<u>70,906</u>
NET CURRENT ASSETS		<u>229,378</u>	<u>281,577</u>
NET ASSETS		<u>243,242</u>	<u>323,736</u>
Represented by :			
FUNDS			
Accumulated surpluses	5	<u>243,242</u>	<u>323,736</u>



Leung Wai Ming
Director



Lam Hok Cheung, Joe
Director

The accompanying accounting policies and explanatory notes form an integral part of, should be read in conjunction with, these financial statements.

READING DREAMS FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER, 2016

1. GENERAL INFORMATION

Reading Dreams Foundation Limited is a company incorporated in Hong Kong with limited liability. The company's registered office is located at Unit 1706, 17/F., Mega Trade Centre, 1 Mei Wan Street, Tsuen Wan, N. T., Hong Kong.

The principal activities of the company are promoting advancement of general education for the public with the focus in rural areas in Mainland China and other developing countries; and receiving and granting of donations as prescribed by the memorandum of association of the company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The company qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance and is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the company is a going concern. The measurement base adopted is the historical cost convention.

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

(a) Revenue recognition

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

- (i) donation income is recognized when its entitlement is confirmed; and
- (ii) interest income is recognized on a time proportion basis taking into account the principal outstanding and the interest applicable.

(b) Leases

Leases where substantially all the rewards and risks of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an item of plant and equipment is allocated on a systematic basis over its estimated useful life using the straight-line method. The principal annual rate used for depreciation is as follows.

Office equipment	33-1/3%
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LEADING DREAMS FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER, 2016

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(d) Impairment of assets

An assessment is made at the end of each reporting period to determine whether there is any indication of impairment or reversal of previous impairment, including items of plant and equipment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation or amortization), had no impairment losses been recognised for the asset in prior years.

(e) Foreign exchange

The reporting currency of the company is Hong Kong dollars, which is the currency of the primary economic environment in which the company operates.

Foreign currency transactions are converted at the exchange rates applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong dollars using exchange rates applicable at the end of the reporting period. Gain and losses on foreign exchange are recognized in the income statement.

(f) Accounts receivable

Accounts receivable is stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to the income statement.

3. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the years ended 31st December, 2016 and 31st December, 2015 as the company was granted an exemption from profits tax on 23rd April, 2009 from the Inland Revenue Department under section 88 of the Inland Revenue Ordinance as a charitable institution of a public character.

ADING DREAMS FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER, 2016

4. PLANT AND EQUIPMENT

	<u>Office equipment HK\$</u>
<u>Cost</u>	
As at 1/1/2016 and 31/12/2016	<u>243,897</u>
<u>Accumulated depreciation</u>	
As at 1/1/2016	201,738
Charge for the year	<u>28,295</u>
As at 31/12/2016	<u>230,033</u>
<u>Net carrying amount</u>	
As at 31/12/2016	<u>13,864</u>
As at 31/12/2015	<u>42,159</u>

5. CHANGE IN FUNDS

	<u>Accumulated surpluses HK\$</u>
Balance as at 31st December, 2015	323,736
Deficit for the year	<u>(80,494)</u>
Balance as at 31st December, 2016	<u>243,242</u>

6. COMMITMENT UNDER OPERATING LEASES

The company had the following total future minimum lease payments payable under non-cancellable operating leases:

	<u>2016 HK\$</u>	<u>2015 HK\$</u>
Not later than one year	57,173	73,031
Later than one year	<u>17,420</u>	<u>79,713</u>
	<u>74,593</u>	<u>152,744</u>

ADING DREAMS FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER, 2016

7. OTHER RELATED PARTY TRANSACTIONS

During the year ended 31st December, 2016, the company received donations with an aggregate amount of HK\$67,810 from certain close family members of the directors of the company. (2015 : HK\$46,550)

8. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the company's Board of Directors on 29th June, 2017.