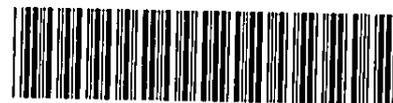




Room to Read (Hong Kong) Limited
閱讀之家 (香港) 有限公司
(Limited by guarantee)

Directors' Report and Financial Statements
for the year ended 31 December 2020



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Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2020.

Incorporation and principal place of business

Room to Read (Hong Kong) Limited (閱讀之家 (香港) 有限公司) ("the company") was incorporated in Hong Kong under the Hong Kong Companies Ordinance as a company limited by guarantee. Each member's liability is limited to HK\$10 each in the event of winding up. The company has 5 subscribers as at 31 December 2020. The company is domiciled in Hong Kong and has its registered office and principal place of business at 13th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong.

Principal activity

The company forms part of the Room to Read organisation in the United States of America ("Room to Read"). The company's principal activity is the raising of donations to fund Room to Read's activities. Room to Read is a non-profit organisation that works in collaboration with local communities, partner organisations and governments. Room to Read provides quality educational opportunities by developing literacy skills and a habit of reading among primary school children, establishing libraries, creating local language children's literature, and providing education to girls. Room to Read seeks to intervene early in the lives of children in the belief that education empowers people to improve socioeconomic conditions for their families, communities, countries and future generations. Through the opportunities that only education can provide, Room to Read strives to break the cycle of poverty, one child at a time.

Transfers to Members' funds

Deficit attributable to members of HK\$2,457,345 (2019: HK\$222,028) have been transferred to members' funds. Other movements in members' funds are set out in the statement of changes in members' funds.

Directors

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

Christopher Stephen Beer
Shari Lynn Freedman
Geetha Kamalakshi Murali (Ex-officio Director)
Yashvinee Adarkar
Laurie Jo Dodwell McMahan

Directors (continued)

At every Annual General Meeting, one third of the existing directors, or if their number is not three or a multiple of three, then the nearest but not exceeding one-third, shall retire from office. Directors retiring at every Annual General Meeting shall be eligible for re-election without nomination. The Ex-officio Director is a representative nominated by Room to Read and the retirement requirements under the company's Articles of Association shall not be applicable to this Ex-officio Director.

At no time during the year was the company a party to any arrangement 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.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

Apart from the directors' emoluments disclosed in note 5 to the financial statements, no transaction, arrangement or contract 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.

Auditor

KPMG retire and, being eligible, offers themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Shari Lynn Freedman

Director

Hong Kong, **30 SEP 2021**



Independent auditor's report to the members of Room to Read (Hong Kong) Limited *(Incorporated in Hong Kong and limited by guarantee)*

Opinion

We have audited the financial statements of Room to Read (Hong Kong) Limited ("the company") set out on pages 6 to 20, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in members' funds and the cash flow 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 give a true and fair view of the financial position of the company as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 ("HKSA") 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.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.



Independent auditor's report to the members of Room to Read (Hong Kong) Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs 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.

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. This report is made 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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.



Independent auditor's report to the members of Room to Read (Hong Kong) Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 SEP 2021

Statement of comprehensive income for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

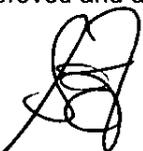
	Note	2020	2019
Income			
Donation income	3	\$ 3,314,322	\$ 14,258,050
Interest income		1	212
		\$ 3,314,323	\$ 14,258,262
Expenditure			
Funds transferred to Room to Read's programmes and projects in other countries	10	\$ 2,299,498	\$ 7,811,687
Staff costs	4(a)	2,188,396	4,609,069
Fundraising and event costs		427	751,797
Administrative expenses		1,283,347	1,307,737
		\$ 5,771,668	\$ 14,480,290
Deficit and total comprehensive income for the year	4	\$ (2,457,345)	\$ (222,028)

The notes on pages 11 to 20 form part of these financial statements.

Statement of financial position at 31 December 2020
 (Expressed in Hong Kong dollars)

	Note	2020	2019
Current assets			
Receivables and prepayments	7	\$ 108,093	\$ 1,038,981
Cash at bank		<u>866,855</u>	<u>2,105,548</u>
		<u>\$ 974,948</u>	<u>\$ 3,144,529</u>
Current liabilities			
Payables and accrued expenses	9	\$ 154,775	\$ 332,078
Amounts due to related companies	8	<u>490,475</u>	<u>484,793</u>
		<u>\$ 645,250</u>	<u>\$ 816,871</u>
NET ASSETS		<u>\$ 329,698</u>	<u>\$ 2,327,658</u>
Representing:			
TOTAL MEMBERS' FUNDS	11	<u>\$ 329,698</u>	<u>\$ 2,327,658</u>

Approved and authorised for issue by the board of directors on **30 SEP 2021**

)	
)	
SHARI LYNN FREEDMAN)	Directors
)	
)	
GEETHA KAMALAKSHI MURALI)	

The notes on pages 11 to 20 form part of these financial statements.

Statement of changes in members' funds for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	Unrestricted funds	Restricted funds	Total
Balance at 1 January 2019		\$ (1,170,256)	\$ -	\$ (1,170,256)
Changes in members' funds for 2019:				
Donation income		\$ 7,220,009	\$ 7,038,041	\$ 14,258,050
Interest income		212	-	212
		<u>\$ 7,220,221</u>	<u>\$ 7,038,041</u>	<u>\$ 14,258,262</u>
Funds transferred to Room to Read's programmes and projects in other countries	10	\$ (773,646)	\$ (7,038,041)	\$ (7,811,687)
Expenditures for the year		(6,668,603)	-	(6,668,603)
		<u>\$ (7,442,249)</u>	<u>\$ (7,038,041)</u>	<u>\$ (14,480,290)</u>
Deficit and total comprehensive income for the year		<u>\$ (222,028)</u>	<u>\$ -</u>	<u>\$ (222,028)</u>
Waiver of amount due to a related company, Room to Read (Global Office – San Francisco)		<u>\$ 3,719,942</u>	<u>\$ -</u>	<u>\$ 3,719,942</u>
Balance at 31 December 2019		<u>\$ 2,327,658</u>	<u>\$ -</u>	<u>\$ 2,327,658</u>

**Statement of changes in members' funds
for the year ended 31 December 2020 (continued)**
(Expressed in Hong Kong dollars)

	Note	Unrestricted funds	Restricted funds	Total
Balance at 1 January 2020		<u>\$ 2,327,658</u>	<u>\$ -</u>	<u>\$ 2,327,658</u>
Changes in members' funds for 2020:				
Donation income		\$ 2,385,935	\$ 928,387	\$ 3,314,322
Interest income		<u>1</u>	<u>-</u>	<u>1</u>
		<u>\$ 2,385,936</u>	<u>\$ 928,387</u>	<u>\$ 3,314,323</u>
Funds transferred to Room to Read's programmes and projects in other countries	10	\$ (1,371,111)	\$ (928,387)	\$ (2,299,498)
Expenditures for the year		<u>(3,472,170)</u>	<u>-</u>	<u>(3,472,170)</u>
		<u>\$ (4,843,281)</u>	<u>\$ (928,387)</u>	<u>\$ (5,771,668)</u>
Deficit and total comprehensive income for the year		<u>\$ (2,457,345)</u>	<u>\$ -</u>	<u>\$ (2,457,345)</u>
Waiver of amount due to a related company, Room to Read (Global Office – San Francisco)		<u>\$ 459,385</u>	<u>\$ -</u>	<u>\$ 459,385</u>
Balance at 31 December 2020		<u>\$ 329,698</u>	<u>\$ -</u>	<u>\$ 329,698</u>

The notes on pages 11 to 20 form part of these financial statements.

Cash flow statement

for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	2020	2019
Operating activities		
Deficit for the year	\$ (2,457,345)	\$ (222,028)
Adjustment for:		
Interest income	(1)	(212)
Changes in working capital:		
Decrease in receivables and prepayments	930,888	234,488
Decrease in payables and accrued expenses	(177,303)	(67,081)
Increase in amounts due to related companies	465,067	1,239,875
	\$ (1,238,694)	\$ 1,185,042
Investing activities		
Bank interest received	\$ 1	\$ 212
	\$ 1	\$ 212
Net (decrease)/increase in cash and cash equivalents	\$ (1,238,693)	\$ 1,185,254
Cash at bank at 1 January	2,105,548	920,294
Cash at bank at 31 December	\$ 866,855	\$ 2,105,548

Non-cash transaction

During the year ended 31 December 2020, an amount due to a related company of \$459,385 (2019: \$3,719,942) was waived by the related company and accounted for as an increase in unrestricted funds.

The notes on pages 11 to 20 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Status of the company

The company is limited by guarantee and was incorporated in Hong Kong under the Hong Kong Companies Ordinance with limited liability on 23 March 2007. In the event that the company is wound up, each member shall contribute such amount as may be required to meet the liabilities of the company but not exceeding \$10 each. As at 31 December 2020, the company had 5 subscribers (2019: 5 subscribers).

The company forms part of the Room to Read organisation in the United States of America ("Room to Read"). The company is under the operating control of the global management team and Board at Room to Read. As a result of the aforementioned conditions, all funds raised by the company are transferred to Room to Read for disbursement towards both programme and general operation expenses worldwide as stated in the company's principal activity. Funds raised are donations which are either directed by the donor as restricted to specific initiatives or unrestricted donations which are not subject to donor imposed restrictions.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes 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 requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Significant accounting policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) *Changes in accounting policies*

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the company. None of these development have had a impact on how the company's results and financial position for the current or prior periods have been prepared or presented. The company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) *Revenue and other income*

Income is classified by the company as revenue when it arises from the ordinary course of the company's business.

Further details of the company' revenue and other income recognition policies are as follows:

(i) Donation income

Donation income is measured at the fair value of consideration received or receivable and is recognised in profit or loss when the company becomes entitled to the donation, it can be measured reliably and it is probable that the donation will be received.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost.

(e) *Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies (continued)

(f) Leased assets

At inception of a contract, the company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

2 Significant accounting policies (continued)

(g) Receivables

Receivables are recognised when the company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to 12-month expected credit losses ("ECLs") unless there has been a significant increase in credit risk of the financial instruments since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The company recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of receivables through a loss allowance account.

The gross carrying amount of a receivable is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments 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. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(g).

2 Significant accounting policies (continued)

(i) Payables and accrued expenses

Payables and accrued expenses are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Provisions and contingent liabilities

Provisions are recognised when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(l) Funds managed by the company

(i) Unrestricted fund

The unrestricted fund is used for the general running and administration of the company and at the company's discretion to promote its principal activity.

The unrestricted fund is not subject to donor-imposed restrictions, but may be designated for specific purposes by the action of the board of directors.

(ii) Restricted funds

These funds are subject to donor-imposed restrictions that can be fulfilled by actions of Room to Read pursuant to those stipulations.

2 Significant accounting policies (continued)

(m) Related parties

- (a) A person, or a close member of that person's family, is related to the company if that person:
- (i) has control or joint control over the company;
 - (ii) has significant influence over the company; or
 - (iii) is a member of the key management personnel of the company or the company's parent.
- (b) An entity is related to the company if any of the following conditions applies:
- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Donation income

Donation income is for the purpose of financing the principal activity of the company of providing educational facilities for children in the developing world as well for other educational opportunities as specified in the Room to Read mission statement. Donations are directed by the donor as restricted to specific projects (for example, local language book publishing or literacy) or specific countries in which Room to Read operates (for example, Nepal) or both a project and a country (literacy in Nepal). Unrestricted donations are not subject to donor imposed restrictions.

4 Deficit for the year

Deficit for the year is arrived at after charging:

	2020	2019
(a) Staff costs		
Contributions to Mandatory Provident Fund	\$ 62,617	\$ 182,439
Salaries, wages and other benefits	2,125,779	4,426,630
	\$ 2,188,396	\$ 4,609,069

(b) Other items

Auditor's remuneration for the year amounting to \$106,000 (2019: \$106,000) is refunded by the company's auditors as the audit is performed on an honorary basis.

Rental expenses amounting to \$974,335 (2019: \$561,388) for the year is waived as the company's office is provided by Credit Suisse Group on an ex gratia basis.

5 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020	2019
Directors' fees	\$ -	\$ -
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
Medical, dental, medical evacuation, basic life, accidental death and dismemberment and long-term disability insurance	-	-
	\$ -	\$ -

6 Income tax

The company is exempted from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

7 Receivables and prepayments

All receivables and prepayments are expected to be recovered or recognised as expense within one year. The company's credit policy is set out in note 12(a).

8 Amounts due to related companies

The amounts due to related companies are unsecured, interest-free and repayable on demand.

9 Payables and accrued expenses

All payables and accrued expenses are expected to be settled within one year or are repayable on demand.

10 Funds transferred to Room to Read's programmes and projects in other countries

The company forms part of Room to Read. The company's principal activity is the raising of donations to fund Room to Read's activities. During the year ended 31 December 2020, the company transferred amounts totalling \$2,299,498 (2019: \$7,811,687) to Room to Read in the United States of America and other countries earmarked for both specific programmes and general projects. The split between specific programmes and general projects is determined and communicated by Room to Read.

11 Capital management

The company defines "capital" as including all components of members' funds.

The company's primary objective when managing capital is to safeguard the company's ability to continue as a going concern such that it is able to meet its objectives. The company's capital structure is regularly reviewed and managed. The company was not subject to externally imposed capital requirements during the current and prior years.

12 Financial risk management and fair values of financial instruments

Exposure to credit and liquidity risks arise in the normal course of the company's business. The company is not subject to any significant interest rate and currency risks. The company's exposure to these risks and the financial risk management policies and practices used by the company to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company.

The company's credit risk is primarily attributable to receivables and cash at bank. Receivables are monitored on an ongoing basis and credit risk is considered insignificant. The company's exposure to credit risk arising from cash at bank is limited because the counterparties are banks with sound credit ratings, for which the company considers to have insignificant credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The company does not provide any guarantees which would expose the company to credit risk.

(b) Liquidity risk

The company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from other related companies to meet its liquidity requirements in the short and longer term.

All financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as at 31 December 2020 and 2019 and are due within one year or are repayable on demand.

(c) Fair value measurement

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2020 and 2019.

13 Material related party transactions

Apart from the transactions and balances disclosed elsewhere in the financial statements, the company has entered into material related party transactions as set out below.

Transactions with key management personnel

All members of key management personnel are directors of the company, and their emoluments are disclosed in note 5.

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the company.

	<i>Effective for accounting periods beginning on or after</i>
Annual improvement to HKFRSs 2018 – 2020 cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023

The company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.