

**ADREAM CHARITABLE FOUNDATION LIMITED**

真愛夢想中國教育基金有限公司

(Incorporated in Hong Kong with liability by guarantee)

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**ASTON WONG CPA LIMITED**

Certified Public Accountants (Practising)

黃達強會計師事務所有限公司

**ADREAM CHARITABLE FOUNDATION LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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## **ADREAM CHARITABLE FOUNDATION LIMITED TRUSTEES' REPORTS**

The trustees submit herewith their annual report together with the audited financial statements for the year ended 31 December 2016.

### **PRINCIPAL ACTIVITIES**

The principal activities of Adream Charitable Foundation Limited ("the foundation" means the foundation registered by its Articles of Association) are promoting and furthering the educational development of students and teachers in economically deprived areas in the Mainland China.

### **RESULT**

The surplus of the foundation for the year ended 31 December 2016 and the state of the foundation's affairs as at that date are set out in the financial statements on pages 5 to 17.

### **FUNDS**

Movements in funds of the foundation during the year are set out on page 7.

### **TRUSTEES**

The trustees during the financial year and up to the date of this report were:

#### Permanent trustees

Pan Jiang Xue

Wu Chong

#### Other trustees

Wang Ji Fei (Resigned on 13 October 2016)

Zhang Wei (Resigned on 24 May 2016)

Huang Zhonglan (Appointed on 24 May 2016)

In accordance with Article 44 and 46, except for the permanent trustees, all other trustees shall be appointed for a term of 2 years and shall hold office until the next Annual General Meeting but shall be eligible for re-election.

### **TRUSTEES' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Apart for the transactions disclosed under "related party transactions" in note 18 to the financial statements, no other contract of significance to which the foundation or any party, and in which a trustee of the foundation had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

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

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**TRUSTEES' REPORTS**

**BUSINESS REVIEW**

The association prepared a special resolution which is passed by the trustees to the effect that the foundation is exempted from preparing the business review.

**AUDITORS**

The auditors, Messrs. Aston Wong CPA Limited, retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Aston Wong CPA Limited, as auditors of the foundation is to be proposed at the forthcoming Annual General Meeting.

By order of the board of trustees



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Chairman - Pan Jiang Xue

Hong Kong, 28 SEP 2017





# ASTON WONG CPA LIMITED

Certified Public Accountants (Practising)

黃達強會計師事務所有限公司

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## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF ADREAM CHARITABLE FOUNDATION LIMITED** (incorporated in Hong Kong with liability by guarantee)

### Opinion

We have audited the financial statements of Adream Charitable Foundation Limited ("the foundation") set out on pages 5 to 17, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in general funds and the statement of cash flows 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 foundation as at 31 December 2016, 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 (Cap. 622).

### Basis of 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 foundation 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 director is responsible for the other information. The other information comprises all information included in the director's report and financial statements, 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 trustees and those charged with governance for the financial statements

The trustees 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 trustees 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 trustees are responsible for assessing the foundation'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 trustees either intend to liquidate the foundation or to cease operations, or have no realistic alternative but to do so.

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

**ASTON WONG CPA LIMITED**  
**Certified Public Accountants (Practising)**  
**黃達強會計師事務所有限公司**

**INDEPENDENT AUDITOR'S REPORT - Continued**  
**TO THE BOARD OF TRUSTEES OF**  
**ADREAM CHARITABLE FOUNDATION LIMITED**  
(incorporated in Hong Kong with liability 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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 foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' 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 foundation'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 foundation 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 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.

  
**ASTON WONG CPA LIMITED**  
**Certified Public Accountants (Practising)**  
WONG Tat Cheung, Aston  
Practising Certificate Number: P04617  
Hong Kong **28 SEP 2017**

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 HK\$	2015 HK\$
<b>Income</b>			
Donations income	6	3,680,776	2,458,853
Bank interest income		202	285
Exchange gains, net		1,252	-
Fair value changes of trading securities at the reporting date		65,165	-
Gain on sales of trading securities		-	1,231,200
		<u>3,747,395</u>	<u>3,690,338</u>
<b>Expenditure</b>			
Donations expenditure	7	3,555,190	4,892,941
Administrative and other operating expenditure	8	121,248	56,161
Other expenditure	9	600	2,361
Fair value changes of trading securities at the reporting date		-	771,420
		<u>(3,677,038)</u>	<u>(5,722,883)</u>
Surplus / (Deficit) before other comprehensive income		<u>70,357</u>	<u>(2,032,545)</u>

The notes on pages 9 to 17 are part of these financial statements.


**ADREAM CHARITABLE FOUNDATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016 HK\$	2015 HK\$
<b>ASSETS</b>			
<b>Current asstes</b>			
Trading securities	11	2,415,700	2,459,800
Cash and cash equivalents	12	3,040,982	2,926,525
		<u>5,456,682</u>	<u>5,386,325</u>
<b>Current liabilities</b>			
Sundry accounts payable	13	<u>(6,000)</u>	<u>(6,000)</u>
<b>NET ASSETS</b>		<u>5,450,682</u>	<u>5,380,325</u>
<b>FUNDS</b>			
General funds		<u>5,450,682</u>	<u>5,380,325</u>

The notes on pages 9 to 17 are part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Trustees on 28 SEP 2017

  
 \_\_\_\_\_  
 Trustee – PAN Jiang Xue

  
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 Trustee – WU Chong

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**STATEMENT OF CHANGES IN GENERAL FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>General funds HK\$</b>	<b>Retained surplus HK\$</b>	<b>Total HK\$</b>
<b>Balance at 1 January 2015</b>	3,000,000	4,412,870	7,412,870
<b>Changes in equity for 2015</b>			
Total comprehensive income for the year	<u>--</u>	<u>(2,032,545)</u>	<u>(2,032,545)</u>
<b>Balance at 31 December 2015 and 1 January 2016</b>	3,000,000	2,380,325	5,380,325
<b>Changes in equity for 2016</b>			
Total comprehensive income for the year	<u>--</u>	<u>70,357</u>	<u>70,357</u>
<b>Balance at 31 December 2016</b>	<u>3,000,000</u>	<u>2,450,682</u>	<u>5,450,682</u>

The notes on pages 9 to 17 are part of these financial statements.

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 HK\$	2015 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus / (Deficit) for the year	70,357	(2,032,545)
Adjustments for:		
Bank interest income	(202)	(285)
Fair value change of trading securities at the reporting date	44,100	771,420
Gain on sale of trading securities	<u>-</u>	<u>(1,231,200)</u>
Operating surplus before working capital change and net cash generated from operating activities	<u>114,255</u>	<u>(2,492,610)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Bank interest received	202	285
Proceeds from sales of trading securities	-	2,799,000
Purchase of trading securities	<u>-</u>	<u>(3,231,220)</u>
<b>Net cash generated from / (used in) investing activities</b>	<u>202</u>	<u>(431,935)</u>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	114,457	(2,924,545)
<b>Cash and cash equivalents at beginning of the year (note 12)</b>	<u>2,926,525</u>	<u>5,851,070</u>
<b>Cash and cash equivalents at the end of the year (note 12)</b>	<u>3,040,982</u>	<u>2,926,525</u>

The notes on pages 9 to 17 are part of these financial statements.



**1. FOUNDATION INFORMATION**

Adream Charitable Foundation Limited ("the foundation") is a corporation which is incorporated and domiciled in Hong Kong with liability limited by guarantee. The address of its registered office and principal place of operation are Unit B, 31st Floor, United Centre, No. 95 Queensway, Admiralty, Hong Kong.

The principal activities of the foundation are promoting and furthering the educational development of students and teachers in economically deprived areas in the Mainland China.

In accordance with the Articles of Association of the foundation, the "trustee" means a director of the foundation.

**2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS**

The foundation's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which 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. A summary of significant accounting policies adopted by the foundation is set out in note 3.

In 2016, the foundation has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2016. A summary of the change in accounting policies resulting from the foundation's application of these HKFRSs is set out in note 4.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of preparation of the financial statements**

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for certain financial instruments, which are stated at fair value as explained in the accounting policies set out in note 3(b).

**b. Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet when the foundation becomes a party to the contractual provision of the instrument.

Cash and cash equivalents

Cash comprises cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Sundry accounts payables

Sundry accounts payables are initially measured at fair value and, after initial recognition, at amortised cost, except for amounts due to trustees and a related charity foundation with no stated interest rate and the effect of discounting being immaterial that are measured at their original invoice amount.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

b. Financial instruments (Cont'd)

Trading securities

Investments in securities held for trading are classified as trading securities included in current assets and are stated in the statement of financial position at fair value. Any attributable transaction costs and gain or loss on the fair value changes of trading securities are recognized in profit or loss.

c. Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the foundation 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.

d. Revenue recognition

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

i) Donation income

Income from donations is recognized when cash is received and includes all sum received up to the reporting date.

ii) Interest income

Interest income from bank deposits is recognised as it accrues using the effective interest method.

iii) Dividend income

Dividend income from listed securities is recognized when the share price of the investment goes ex-dividend.

e. Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At each reporting date, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in profit or loss.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

f. Related parties

- (a) A person or a close member of that person's family, is related to the foundation if that person:
  - (i) has control or joint control over the foundation;
  - (ii) has significant influence over the foundation; or
  - (iii) is a member of the key management personnel of the foundation or of a parent of the foundation.
- (b) An entity is related the foundation if any of the following conditions applies:
  - (i) The entity and the foundation 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 foundation or an entity related to the foundation.
  - (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).

### **4. CHANGES IN ACCOUNTING POLICIES**

In 2016, the foundation has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2016, including:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1 Presentation of financial statements: Disclosure initiative
- Amendments to HKAS 16 Property, plant and equipment and HKAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation

The application of the new and revised HKFRSs has no material effects on the foundation's financial performance and positions.

### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT**

The foundation's management makes assumptions, estimates and judgements in the process of applying the foundation's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumption, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

**Key assumption and other key sources of estimation uncertainty**

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 16. There are no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**6. DONATION INCOME**

Donation income represents the donation income from the third parties. The amount of donation income during the year is analysed as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Donation income from the third parties	3,137,920	2,458,853
Donation income from a related charity foundation	542,856	-
	<u>3,680,776</u>	<u>2,458,853</u>

**7. DONATION EXPENDITURE**

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Donation made to a related charity foundation:		
上海真愛夢想公益基金會	3,555,190	4,892,941
愛夢種子計劃 (SEED)	543,021	-
	<u>3,555,190</u>	<u>4,892,941</u>

**8. ADMINISTRATIVE AND OTHER OPERATING EXPENDITURE**

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Auditors' remuneration	6,000	6,000
Bank charges	1,259	13,739
Courier expenses	94,354	26,822
Legal and professional fees	16,005	9,600
Travelling expenses	3,630	-
	<u>121,248</u>	<u>56,161</u>

**9. OTHER EXPENDITURE**

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Sundry expenses	600	460
Exchange losses, net	-	1,901
	<u>600</u>	<u>2,361</u>

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**10. INCOME TAX EXPENSE**

No Hong Kong Profits Tax had been made because the foundation has been recognized as an approved charitable institute within the scope of Section 88 of the Inland Revenue Ordinance.

**11. TRADING SECURITIES**

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Listed equity securities, at market value		
- In Hong Kong	<u>2,415,700</u>	<u>2,459,800</u>

Fair values are determined with reference to quoted market bid prices.

**12. CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Cash and bank balances	<u>3,040,982</u>	<u>2,926,525</u>
Cash and cash equivalents in the statement of financial position and in statement of cash flows	<u>3,040,982</u>	<u>2,926,525</u>

**13. SUNDRY ACCOUNTS PAYABLE**

All of the sundry accounts payable are expected to be settled within one year.

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Sundry accounts payable	<u>6,000</u>	<u>6,000</u>

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**14. TRUSTEE'S REMUNERATION**

Trustee's remuneration disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Fee	-	-
Other emoluments	-	-
	<u>          </u>	<u>          </u>

**15. FUNDS DISCLOSURE**

General funds represent the unallocated surplus of donation income or it is used to supplement charitable financing in the period of deficits.

The foundation's objectives, when managing funds, are to safeguard the foundation's ability to continue as a going concern.

**16. FINANCIAL RISK MANAGEMENT**

The foundation has classified its financial assets in the following category:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
<u>Fair value through Profit &amp; Loss</u>		
Trading securities (note 11)	<u>2,415,700</u>	<u>2,459,800</u>
<u>Loans and receivable</u>		
Cash and cash equivalents (note 12)	<u>3,040,982</u>	<u>2,926,525</u>
	<u>5,456,682</u>	<u>5,386,325</u>

The foundation has classified its financial liabilities in the following category:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
<u>Financial liabilities at amortised cost</u>		
Sundry accounts payable (note 13)	<u>6,000</u>	<u>6,000</u>

The foundation is exposed to various kinds of risks in its operation and financial instruments. The foundation's risk management objectives and policies mainly focus on minimizing the potential adverse effects of these risks on the foundation by closely monitoring the individual exposure as follows:

- (a) Credit risk  
The foundation has no concentrations of credit risk.

**ADREAM CHARITABLE FOUNDATION LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**16. FINANCIAL RISK MANAGEMENT (CONT'D)**

(b) Liquidity risk

The foundation is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

Summary quantitative data

	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$
<u>Year 2016</u>			
Sundry accounts payable (note 13)	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
<u>Year 2015</u>			
Sundry accounts payable (note 13)	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

(c) Interest rate risk

As the foundation has no interest-bearing liabilities, the the foundation's expenses and financing cash flows are independent of changes in market interest rates.

The management does not anticipate any significant impact resulting from the change in interest rates because the time deposits are carried at low interest rates and the interest income thereon is not significant.

(d) Currency risk

The donation receipts and payments in various foreign currencies, mainly Renminbi, that exposes it to currency risk arising from such receipts and payments.

The foundation closely and continuously monitors the exposure on currency risk. Since Hong Kong Dollars is not pegged to Renminbi, the historical exchange rate fluctuation on Renminbi is insignificant. Thus, there are no significant exposures expected on these transactions and balances.

(e) Equity price risk

Equity price risk is the risk of loss arising from changes in equity prices. The Foundation is exposed to equity price risk at the value of its equity investments will decline if equity prices fall. These investments are classified as trading securities in the statement of financial position.

	2016 HK\$	2015 HK\$
Trading securities, at market value		
- Listed equity securities, at market value	<u>2,415,700</u>	<u>2,459,800</u>

## **16. FINANCIAL RISK MANAGEMENT (CONT'D)**

### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the reporting date were outstanding for the whole year. As a result of the volatility of the financial market in 2016, the management regards the sensitivity rate is 30% for the purpose of assessing equity price risk. A 30 percent change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

At 31 December 2016, if the market bid price of the foundation's listed equity investments had been 30 percent higher/lower, the foundation's surplus would decrease/increase by HK\$737,940 (2015: HK\$737,940). This is mainly attributable to the change in fair values of the listed investments held for trading.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the period end exposure does not reflect the exposure during the period. An unexpected decrease in market bid price may result in the foundation suffering significant deficit due to the leverage feature.

## **17. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Financial assets and liabilities measured at fair value in the statement of financial position are categorised in its entirety into the following three levels of the fair value hierarchy based on the basis of the lowest input that is significant to the fair value measurement in its entirety:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical financial assets or liabilities

Level 2: fair value measured using inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and

Level 3: fair value measured using inputs for the financial asset or liability that are not based on observable market data

Financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
<u>Year 2016</u>				
Trading securities (note 11)	<u>2,415,700</u>	<u>-</u>	<u>-</u>	<u>2,415,700</u>
<u>Year 2015</u>				
Trading securities (note 11)	<u>2,459,800</u>	<u>-</u>	<u>-</u>	<u>2,459,800</u>

During the year, the foundation had no significant transfers between instruments in Level 1 and Level 2.

There are no financial assets that changing one or more of the inputs to reasonably possible alternative assumptions in their fair value measurements would change their fair value significantly.

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**18. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the foundation had the following material related party transactions during the year:

	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
Donation income from:		
上海真愛夢想公益基金會	542,856	-
Donation made to:		
上海真愛夢想公益基金會	<u>3,555,190</u>	<u>4,892,941</u>

The related charity foundation is founded by Pan Jiang Xue, Wu Chong and Wang Ji Fei, who are trustees of the foundation.

**19. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR**

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the foundation's operations and financial statements:

	Effective for annual periods beginning on or after
Amendments to HKAS 7, <i>Statement of cash flows: Disclosure initiative</i>	1 January 2017
Amendments to HKAS 12, <i>Income taxes: Recognition of deferred tax assets for unrealised losses</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to HKFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
Amendment to HKFRS 4, <i>Insurance contracts: Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>	1 January 2018
HKFRS 16, <i>Leases</i>	
1 January 2019	

The foundation has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the foundation's financial statements in the year of initial application. The foundation will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.