

**CHERISHED DREAM CHINA EDUCATION
FOUNDATION LIMITED**

真愛夢想中國教育基金有限公司

(Incorporated in Hong Kong)

REPORTS AND FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008**

ASTON WONG & CO.

Certified Public Accountants (Practising)

黃達強會計師行

**CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008**

CONTENTS	PAGE(S)
TRUSTEES' REPORT	1 - 2
INDEPENDENT AUDITOR'S REPORT	3 - 4
INCOME AND EXPENDITURE ACCOUNTS	5
BALANCE SHEET	6
STATEMENT OF CHANGES IN GENERAL FUNDS	7
CASH FLOW STATEMENT	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 16

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED TRUSTEES' REPORTS

The trustees submit herewith their annual report together with the audited financial statements for the period from 4 October 2007 (date of incorporation) to 31 March 2008.

Principal activities

The principal activities of Cherished Dream China Education Foundation Limited ("the foundation" means the company registered by its Articles of Association) are promoting and further the educational development of students and teachers in economically deprived areas in the Mainland China.

Change of foundation name

By a written resolution signed by all members on 24 October 2007, the name of the foundation was changed from Cherished Dream China Education Foundation Limited 放飛夢想中國教育基金有限公司 to Cherished Dream China Education Foundation Limited 真愛夢想中國教育基金有限公司.

Results

The loss of the foundation for the period from 4 October 2007 (date of incorporation) to 31 March 2008 and the state of the foundation's affairs as at that date are set out in the financial statements on pages 5 to 16.

Fixed assets

The foundation had not acquired any fixed assets during the period.

Trustees

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

Permanent trustees

Pan Jiang Xue (appointed on 24 October 2007)
Wu Chong (appointed on 24 October 2007)

Other trustees

Wang Ji Fei (appointed on 24 October 2007)
Zhang Wei (appointed on 8 January 2008)
Zugu Yan Ban (appointed on 24 October 2007 and resigned on 15 November 2007)

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 contracts

Except as disclosed in note 16 of 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, subsisted at the end of the period or at any time during the period.

**CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
TRUSTEES' REPORTS**

Auditors

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

By order of the board

Chairman

Hong Kong, 11 August 2008

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF TRUSTEES OF
CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED**
(incorporated in Hong Kong with liability by guarantee)

We have audited the financial statements of Cherished Dream China Education Foundation Limited (the "foundation") set out on pages 5 to 16, which comprise the balance sheet as at 31 March 2008, and the income and expenditure account, the statement of changes in general funds and the cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' responsibility for the financial statements

The trustees of the foundation 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 control relevant to the preparation and the true and fair presentation of the 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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.

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, 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.

ASTON WONG & CO.,
Certified Public Accountants (Practising)
黃達強會計師行

INDEPENDENT AUDITOR'S REPORT - Continued
TO THE BOARD OF TRUSTEES OF
CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
(incorporated in Hong Kong with liability by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the foundation's affairs as at 31 March 2008 and of its deficit and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with Hong Kong Companies Ordinance.

ASTON WONG & CO.
Certified Public Accountants (Practising)
Room 1701, 17/F., Fee Tat Commercial Centre,
613 Nathan Road, Mongkok, Kowloon, Hong Kong.

11 August 2008

**CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
 INCOME AND EXPENDITURE ACCOUNTS
 FOR THE PERIOD FROM 4 OCTOBER 2007
 (DATE OF INCORPORATION) TO 31 MARCH 2008**

	NOTE	HK\$
Income		
Donations income	5	1,010,800
Interest income		1,215
		<u>1,012,015</u>
Expenditure		
Donations expenditure	6	1,228,766
Administrative and other operating expenses	7	68,187
		<u>(1,296,953)</u>
Deficit before tax		(284,938)
Income tax expense	8	--
Net deficit for the period		<u>(284,938)</u>

The notes on pages 9 to 16 are part of these financial statements

**CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
BALANCE SHEET
AS AT 31 MARCH 2008**

	NOTE	HK\$
ASSETS		
Current assets		
Cash and cash equivalents	10	<u>2,931,865</u>
Current liabilities		
Sundry accounts payable	11	42,908
Amount due to a trustee	12	<u>173,895</u>
		<u>(216,803)</u>
NET ASSETS		<u><u>2,715,062</u></u>
FUNDS		
General funds	13	<u>2,715,062</u>

The financial statements were approved and authorised for issue by the Board of Trustees on 11 August 2008.

Trustee – PAN Jiang Xue

Trustee – WU Chong

The notes on pages 9 to 16 are part of these financial statements

**CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
STATEMENT OF CHANGES IN FUNDS
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008**

	HK\$
Changes in funds for the period ended 31 March 2008	
Contributions by the founder members at incorporation	3,000,000
Net deficit for the period	<u>(284,938)</u>
Total recognized income and expenses for the period and balance as at 31 March 2008	<u>2,715,062</u>

The notes on pages 9 to 16 are part of these financial statements

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
CASH FLOWS STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

	HK\$
Cash flows from operating activities	
Deficit before tax	(284,938)
Adjustments for:	
Bank interest income	(1,215)
	<hr/>
Operating deficit before changes in working capital	(286,153)
Increase in sundry accounts payable	42,908
Increase in amount due to a trustee	173,895
	<hr/>
Net cash used in operating activities	(69,350)
	<hr/>
Cash flows from investing activities	
Bank interest received	1,215
	<hr/>
Net cash from investing activities	1,215
	<hr/>
Cash flows from financing activities	
Contributions from the founder members	3,000,000
	<hr/>
Net cash from financing activities	3,000,000
	<hr/>
Net increase in cash and cash equivalents and at end of period (note 10)	2,931,865
	<hr/>

The notes on pages 9 to 16 are part of these financial statements

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

1. FOUNDATION INFORMATION

Cherished Dream China Education 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 Flat F, 21st Floor, Block 1, Harbour Green, Tai Kok Tsui, Kowloon, Hong Kong.

The principal activities of the foundation are promoting and further 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

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. A summary of the significant accounting policies adopted by the foundation is set out in note 3.

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 foundation.

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.

(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 on hand and at bank and demand deposits with 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 payable

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

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

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

(c) Provisions and contingent liabilities

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

(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 balance sheet date.

ii) Interest income

Interest income from bank deposits is recognised on a time apportionment basis using the effective interest method.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the foundation are measured using the currency of the primary economic environment in which the foundation operates (the "functional currency"). The financial statements are presented in Hong Kong Dollars, which is the foundation's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

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

(f) Related parties

For the purposes of these financial statements, a party is considered to be related to the foundation if:

- i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the foundation, has an interest in the foundation that gives it significant influence over the foundation, or has joint control over the foundation;
- ii) the party is an associate of the foundation;
- iii) the party is a joint venture in which the foundation is a venture;
- iv) the party is a member of the key management personnel of the foundation or its parent;
- v) the party is a close member of the family of any individual referred to in (i) or (iv);
- vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- vii) the party is a post-employment benefit plan for the benefit of employees of the foundation, or of any entity that is a related party of the foundation.

4. 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 expenditure in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the trustee 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 15.

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

5. DONATION INCOME

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

	HK\$
Donation income from the third parties	1,010,800

6. DONATION EXPENDITURE

	HK\$
Donation made to :	
A related party, 上海真愛夢想公益基金會(希望工程-真愛夢想專項基金)	1,079,750
Other charitable projects – Dream Center	149,016
	<u>1,228,766</u>

7. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	HK\$
Auditors' remuneration	6,000
Bank charges	708
Legal and professional fees	25,500
Other administrative and operating expenses	35,979
	<u>68,187</u>

8. INCOME TAX

At the balance sheet date, the foundation has not been recognized as an approved charitable institute within the scope of Section 88 of the Inland Revenue Ordinance.

No provision for Hong Kong Profits Tax has been made in the financial statements as the company has no estimated assessable profit for the period.

No provision for deferred tax assets / liabilities in respect of temporary differences had been made in the financial statement as the tax effect of temporary differences is immaterial.

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

9. TRUSTEE'S REMUNERATION

Trustee's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	HK\$
Fees	--
Other emoluments	--
	<hr/>
	--
	<hr/>

10. CASH AND CASH EQUIVALENTS

Trustee's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	HK\$
Cash and cash equivalents in the balance sheet and cash flow statement	
Cash at banks	2,931,865
	<hr/>

11. SUNDRY ACCOUNTS PAYABLE

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

	HK\$
Sundry accounts payable	42,908
	<hr/>

12. AMOUNT DUE TO A TRUSTEE

Amount due to a trustee is unsecured, interest-free and has no fixed terms of repayment.

13. GENERAL FUNDS

	HK\$
Funds contributed by the founder members	3,000,000
Less : Deficit for the period	(284,938)
	<hr/>
At 31 March 2008	2,715,062
	<hr/>

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

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

14. FUNDS DISCLOSURE

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

The foundation monitors funds using a gearing ratio, which are the foundation's total liabilities over the total assets. In this period, the foundation's policy is to keep the gearing ratio at reasonable level. The foundation's gearing ratio as the 31 March 2008 was 7%.

15. FINANCIAL INSTRUMENT

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

	HK\$
<u>Loan and receivables</u>	
Deposits with banks (note 10)	2,931,865
	<hr/>

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

	HK\$
<u>Financial liabilities at amortised cost</u>	
Sundry accounts payable (note 11)	42,908
Amount due to a trustee (note 12)	173,895
	<hr/>
	216,803
	<hr/>

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 company by closely monitoring the individual exposure as follows:

(a) Credit risk

The foundation has no concentrations of credit risk

(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\$	Within 1 year or on demand HK\$
Sundry accounts payable (note 11)	42,908	42,908
Amount due to a trustee (note 12)	173,895	173,895
	<hr/>	<hr/>
	216,803	216,803
	<hr/>	<hr/>

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

15. FINANCIAL INSTRUMENT (CONT'D)

(c) Interest rate risk

The foundation's exposure on fair value interest rate risk mainly arises from its deposits with banks and interest-bearing borrowings with the banks. It is a common practice in Hong Kong to have floating rate borrowings with the banks

In order to manage the cash flow interest rate risk, the foundation will repay the corresponding borrowings when it has surplus funds.

Summary quantitative data

	HK\$
<u>Floating-rate financial assets</u>	
Deposits with banks (note 10)	2,931,865

Sensitivity analysis

At 31 March 2008, if interest rates at that date had been 100 basis points lower with all other variables held constant, the foundation's general funds would have been HK\$29,318 lower, and other components of equity would have been HK\$29,318 lower.

At 31 March 2008, if interest rates had been 100 basis points higher, with all other variables held constant, the foundation's general funds would have been HK\$29,318 higher, and other components of equity would have been HK\$29,318 higher.

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent trustee's assessment of a reasonably possible change in interest rates at that date over the period until the next annual balance sheet date.

(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 HK dollars is not pegged to Renminbi, the historical exchange rate fluctuation on Renminbi is insignificant. Thus, there is no significant exposure expected on Renminbi transactions and balances. In case of any significant fluctuation expected, the Renminbi transactions and balances would also be monitored and controlled in the same manner as other foreign currencies.

No sensitivity analysis for the foundation's exposure to currency risk arising from financial assets denominated in Renminbi is prepared since the trustee's assessment of reasonably changes in value of the HK dollar against the Renminbi is insignificant.

CHERISHED DREAM CHINA EDUCATION FOUNDATION LIMITED
NOTES TO FINANCIAL STATEMENT
FOR THE PERIOD FROM 4 OCTOBER 2007
(DATE OF INCORPORATION) TO 31 MARCH 2008

16. 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 period:

	HK\$
Donation made to 上海真愛夢想公益基金會 (希望工程·真愛夢想專項基金 RMB1,000,388.38)	1,079,750

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

17. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 MARCH 2008

Up to the date issue of these financial statements, the HKICPA has issued a number of amendments, new standard and interpretations which are not yet effective for the period ended 31 March 2008 and which have not been adopted in these financial statements.

The foundation is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 company's results of operations and financial position.
