

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)

DIRECTORS' REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER 2007

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UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and limited by guarantee)

## REPORT OF THE BOARD OF GOVERNORS

The members of Executive Committee of United Hearts Youth Foundation Limited (the "Foundation") have pleasure in submitting their report together with the audited accounts for the year ended 31st December 2007.

## PRINCIPAL ACTIVITIES

The principal activities of the Foundation are furtherance of charitable causes covering areas such as education and assisting the poor and needy.

## RESULTS

The results of the Foundation for the year ended 31st December 2007 and the state of affairs as at the year ended date are set out in the annexed accounts.

## FIXED ASSETS

Details of the movements in fixed assets are shown in note 5 to the accounts.

## BOARD OF GOVERNORS

The members of the board of Governors during the year were:

Cheung Chau Yin  
Liu Po Yee, Joan  
Young Cho Yee, David  
Lee Tung Yu, Gloria  
Cheung Suet Ling, Shirley  
Ching Suk Kuen  
Li Chun Chau  
Ling Wai Man  
Ng Yuen Ting, Yolanda

In accordance with the Articles of Association, all the board of governors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's articles of association.

## COMMITMENT FOR SCHOOL BUILDING DONATION

The Foundation has committed approximately RMB 1.44 million as at the year ended date for payment of donation money for construction of school buildings in Mainland China.

## INTEREST IN CONTRACTS

No contracts of significance to which the Foundation was a party and in which an executive committee member had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Foundation a party to any arrangement to enable the committee members of the Foundation to acquire benefits by means of the acquisition of shares in, or debentures of, the Foundation or any other body corporate.

## AUDITORS

The accounts have been audited by Messrs. K.S. Liu & Company CPA Ltd, Certified Public Accountants, who retire, and being eligible, offer themselves for re-appointment.

On behalf of the Board,



Chairman

HONG KONG: 22 MAY 2000

**K.S. LIU & COMPANY, C.P.A. LTD**  
**廖廣生會計師事務所有限公司**

Certified Public Accountants

Tsim Sha Tsui P.O. Box 90752, Tsim Sha Tsui, Kowloon, Hong Kong



INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF GOVERNORS OF  
UNITED HEARS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of United Hearts Youth Foundation Limited (the "Foundation"), which comprise the balance sheet as at 31st December 2007, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the 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 directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Foundation's affairs as at 31st December 2007 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



K.S. Liu & Company, CPA Ltd  
Certified Public Accountants

Date: 22 MAY 2008

K.S. Liu & Company, CPA Ltd  
Certified Public Accountants  
Unit 1003, 10<sup>th</sup> Floor  
Rightful Centre  
12 Tak Hing Street  
Tsim Sha Tsui  
Kowloon

Messrs. K. S. Liu, Auditor  
Certified Public Accountant  
(P01586)

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2007

	Note	2007 HK\$	2006 HK\$
INCOME		584,771	1,858,124
DIRECT FUND RAISING COSTS		(1,000)	(1,000)
CONTRIBUTION TOWARDS CHARITABLE CAUSES		(831,076)	(698,855)
GROSS (EXPENSES)/INCOME		(247,305)	1,158,269
INTEREST INCOME		83,809	76,769
ADMINISTRATIVE EXPENSES		(263,006)	(309,591)
(DEFICIT)/SURPLUS BEFORE TAXATION	7	(426,502)	925,447
TAXATION	6	-	-
(DEFICIT)/SURPLUS AFTER TAXATION		(426,502)	925,447
ACCUMULATED FUND BROUGHT FORWARD		3,414,178	2,488,731
ACCUMULATED FUND CARRIED FORWARD		2,987,676	3,414,178

Line items analysis disclosed for purpose of presentation:

	2007 HK\$	2006 HK\$
Revenue	584,771	1,858,124
Finance costs	7,776	12,049

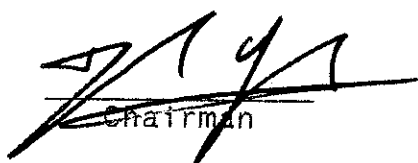
UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
BALANCE SHEET AS AT 31ST DECEMBER 2007

	Note	2007 HK\$	2006 HK\$
NON-CURRENT ASSETS	8	5,201	1
NET CURRENT ASSETS	10	2,982,475	3,414,177
		<u>2,987,676</u>	<u>3,414,178</u>
		=====	=====

Represented by:

ACCUMULATED FUND	11	<u>2,987,676</u>	<u>3,414,178</u>
		=====	=====

Approved by the Board of Governors on 22 MAY 2008

  
Chairman

  
Treasurer

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)

STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 2007

	Accumulated Fund HK\$	Total HK\$
Balance at 1st January 2006	2,488,731	2,488,731
Surplus for the year	925,447	925,447
Balance at 31st December 2006	<u>3,414,178</u>	<u>3,414,178</u>
Deficit for the year	(426,502)	(426,502)
Balance at 31st December 2007	<u>2,987,676</u>	<u>2,987,676</u>
	=====	=====



UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
FOR THE YEAR ENDED 31ST DECEMBER 2007

Line items of assets and liabilities disclosed for purpose of presentation:

	2007 HK\$	2006 HK\$
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5,201	1
Investment property	-	-
	=====	=====
<b>CURRENT ASSETS</b>		
Inventories	-	-
Cash and cash equivalents	1,364,203	3,292,684
Trade and other receivables	-	11,133
Other financial assets	1,619,697	112,254
	=====	=====
<b>CURRENT LIABILITIES</b>		
Trade and other payables	-	-
Other financial liabilities	-	-
Provisions	1,425	1,894
	=====	=====
<b>TAXATION</b>		
Current tax assets/(liabilities) :		
Tax refundable	-	-
Tax provision	-	-
Deferred tax liabilities/(assets):		
Deferred tax	-	-
	=====	=====

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2007

	2007 HK\$	2006 HK\$
Net cash (outflow)/inflow from operating activities	(505,790)	650,960
Return on investments activities and servicing of finance Interest income	83,809	76,769
Net cash inflow from return on investment activities and servicing of finance	83,809	76,769
Investments activities Payment to acquire fixed assets	(6,500)	-
Net cash outflow from investment activities	(6,500)	-
Increase in cash and cash equivalents	(428,481)	727,729
Cash and cash equivalents at the beginning of the year	3,292,684	2,564,955
Cash and cash equivalents at the end of the year	2,864,203	3,292,684
Analysis of balances of cash and cash equivalents Cash at bank and in hand	2,864,203	3,292,684

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2007

	2007 HK\$	2006 HK\$
Deficit/(surplus) for the year	(426,502)	925,447
Interest income	(83,809)	(76,769)
Depreciation	1,300	729
(Increase)/Decrease in utility deposit	(4,000)	-
(Increase)/Decrease in prepayment	(3,443)	-
(Increase)/Decrease in account receivable	11,133	(11,133)
(Decrease)/Increase in accrued expenses	(469)	(187,314)
Net cash (outflow)/inflow from operating activities	<u>(505,790)</u>	<u>650,960</u>
	=====	=====

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and limited by guarantee)

NOTES TO THE ACCOUNTS

GENERAL INFORMATION

1. The United Hearts Youth Foundation Limited was incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee and not having a share capital. The registered office of the Foundation is located at 20th Floor, Park Building, 476 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong. Under the provisions of the Foundation's Memorandum of Association, every member undertakes to contribute to the assets of the Foundation, in the event of the Foundation being wound up, to the extent of HK\$100.

The principal activities of the Foundation were to promote or assist in promoting the general welfare and fundamental education of children or adolescence, to construct school building and to improve the general welfare of the poor or the needy. The income and property of the Foundation are applied solely towards the promotion of objects set out in its Memorandum of Association. The funds and reserves of the Foundation are not distributable to its members.

These accounts cover the Foundation individually and are presented in Hong Kong dollars unless otherwise stated.

2. **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs), which also include Hong Kong Accounting Standards (HKASs) and Interpretations (HK(SIC)-Inst).

The following new and revised HKFRSs are relevant to the Foundation's operation and are adopted for the first preparation of the current year's accounts.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The adoption of these HKASs 2, 8, 10, 16, 17, 18, 19, 36 and 37 has had no material impact on the Foundation's accounting policies and the methods of computation presentation and disclosures in the Foundation's account. The impact of adopting other HKFRSs are summarised as follows:

(a) HKAS 1 - Presentation of financial statements

HKAS 1 affects certain presentation in these accounts, including the followings:

- the Foundation is no longer permitted not to disclose comparative information on movements in property, plant and equipment

Apart from the above changes, HKAS 1 also requires the disclosure of judgements (apart from those involving estimations) and key assumptions concerning the future and other sources of estimation uncertainty. These disclosures are detailed in note 5 to the accounts.

(b) HKSA 7 – Cash flows statements

HKAS 7 requires all entities to present a cash flow statement and removes the exemption for entities with revenue of less than HK\$20 million per annum, charities and non-profit making entities whose accounts are prepared on a cash basis. The Foundation has prepared cash flow statement in these accounts with comparative amounts.

(c) Impact of issued not yet effective HKFRSs

The Foundation has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 7	Financial Instruments: Disclosures

The Executive Committee anticipates that the adoption of these standards in future period will have no material impact on the accounts of the Foundation.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention. The accounts have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Impairment assets

At each balance sheet date, the Foundation reviews the carrying amounts of its tangible to determine there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determined the extent of the impairment loss

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of the assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

(b) Property, plant and equipment

Property, plant and equipment, representing the term for statutory disclosure of fixed assets, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	30%
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The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(c) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(d) Revenue recognition

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

- (i) membership fee received are accounted for on accruals basis;
- (ii) donation, fund raising and scholarship fund are recognise when rights to receive payment have been established; and
- (iii) interest income is recognised on a time proportion basis.

(e) 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. Bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(f) Revenue

Revenue represents the amount received from members' subscription, members relief fund subscriptions and members donations.

4. FINANCIAL RISK MANAGEMENT

The Foundation's principal financial instruments comprise cash and bank balances. There is no significant risk arising from the financial instrument relating to cash flow interest rate risk, foreign currency risk or credit risk.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgment and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There is no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to carrying amounts of assets and liabilities within the next financial year.

There are no significant effects on amounts recognised in the accounts arising from the judgment or estimates used by the Board of Governors.

6. TAXATION

The Foundation has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution or trust of a public character.

7. (DEFICIT)/SURPLUS BEFORE TAXATION

	2007 HK\$	2006 HK\$
Deficit/(surplus) before taxation is stated after charging:		
Audit fee	-	-
Director fee	-	-
	=====	=====

8. NON-CURRENT ASSETS

	2007 HK\$	2006 HK\$
Property, plant and equipment (Note 5)	5,201	1
	=====	=====

9. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment HK\$	Total HK\$
Cost:		
At 1st January 2006	32,561	32,561
Additions	9,000	9,000
At 31st December 2006	41,561	41,561
Additions	6,500	6,500
At 31st December 2007	48,061	48,061
Accumulated depreciation:		
At 1st January 2006	40,831	40,831
Charge for the year	729	729
At 31st December 2006	41,560	41,560
Charge for the year	1,300	1,300
At 31st December 2007	42,860	42,860
Net carrying value:		
At 31st December 2007	5,201	5,201
At 31st December 2006	1	1
	=====	=====
	=====	=====



## 10. NET CURRENT ASSETS

CURRENT ASSETS	2007 HK\$	2006 HK\$
Cash and bank balances	1,364,203	3,292,684
Utility deposit	112,000	108,000
Prepayment	7,697	4,254
Accounts receivable	-	11,133
Fixed deposit	1,500,000	-
	<u>2,983,900</u>	<u>3,416,071</u>
<b>CURRENT LIABILITIES</b>		
Accrued expenses	1,425	1,894
	<u>1,425</u>	<u>1,894</u>
	<u>2,982,475</u>	<u>3,414,177</u>
	=====	=====

## 11. ACCUMULATED FUND

	2007 HK\$	2006 HK\$
(Deficit)/surplus for the year	(426,502)	925,447
Accumulated fund brought forward	3,414,178	2,488,731
Accumulated fund carried forward	<u>2,987,676</u>	<u>3,414,178</u>
	=====	=====

## 12. CONTINGENT LIABILITIES

The foundation has committed approximately RMB 1.44 million as at the year ended date for payment of donation money for construction of school buildings in Mainland China.

## 13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2007  
(For management information purpose only)

(Appendix 1)

	2007 HK\$	2006 HK\$
<b>INCOME</b>		
Donation	261,651	791,848
Fund raising activities	245,598	573,603
Fund raised from donated gifts selling day (Appendix 3)	11,835	257,871
Membership fees	10,400	8,600
Scholarship fund	44,087	226,202
Other income	11,200	-
	<u>584,771</u>	<u>1,858,124</u>
<b>DIRECT FUND RAISING COSTS</b>		
Fund raising activities	(1,000)	(1,000)
Local services		-
<b>CONTRIBUTIONS TOWARDS CHARITABLE CAUSES</b>		
Education	(831,076)	(698,855)
	<u>(832,076)</u>	<u>(699,855)</u>
	<u>(247,305)</u>	<u>1,158,269</u>
Interest income	83,809	76,769
	<u>(163,496)</u>	<u>1,235,038</u>
Less: Expenditure (Appendix 2)	263,006	309,591
	<u>(426,502)</u>	<u>925,447</u>
(Deficit) / Surplus for the year	<u>=====</u>	<u>=====</u>

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2007  
(For management information purpose only)

(Appendix 2)

	2007 HK\$	2006 HK\$
<b>ADMINISTRATIVE EXPENSES</b>		
Advertising	595	2,440
Bank charges	7,776	12,049
Computer expenses	-	3,041
Depreciation	1,300	729
Meeting and activity consumables	13,800	5,995
Insurance	10,570	9,613
MPF Contribution	6,898	9,292
Postage and courier	3,863	7,384
Printing and stationery	3,407	20,806
Rental payment	52,800	51,600
Secretarial fee	5,820	1,500
Souvenir	-	900
Stamp duty	180	-
Sundry expenses	3,416	1,760
Salary and wages	147,341	177,432
Telephone and internet	4,402	2,962
Transportation	838	-
Travelling	-	758
Website designing cost	-	1,330
	<u>263,006</u>	<u>309,591</u>
	=====	=====

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
FUND RAISED FROM DONATED GIFTS SELLING DAY INCLUDED IN  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2007  
(For management information purpose only)

(Appendix 3)

	2007 HK\$	2006 HK\$
INCOME		
Received from fund raising	14,440	278,598
LESS: EXPENDITURE		
Advertising	-	2,592
Bank charge	23	-
Consumable store	-	676
Gifts	-	11,000
Messing	-	793
Printing and stationery	1,000	1,106
Rental expenses	-	470
Security wages	-	600
Travelling and transportation	1,582	3,490
	<u>2,605</u>	<u>20,727</u>
	-----	-----
Net surplus on fund raising day	<u>11,835</u>	<u>257,871</u>
	=====	=====

Construction Of School Premises In China Fund Raising  
Activity was held in 10th December 2006  
Construction Of School Premises In China Fund Raising  
Activity was held in 22nd July 2007