

Children's Heart Foundation



Annual Report 2008-2009

Address: Flat A, 5th Floor, 122 Pokfulam Road,
Hong Kong
Tel : 2553 0331
Fax : 2553 4886
E-mail : chf@childheart.org.hk
Website : www.childheart.org.hk

Table of Contents

<i>Contents</i>	<i>Page</i>
Introduction on the Foundation	P.2
Organizational Structure	P.3 – P.5
Message of the Chairlady	P.6 – P.10
Notice of Annual General Meeting	P.11
Major Members' Activities 2008/2009	P.12 – P.14
Major Fundraising Activities 2008/2009	P.15 – P.16
Major Medical Exchange Programme 2008/2009	P.17
Statistics	P.18 – P.24
Report of Executive Committee	P.25 – P.26
Report of the Honorary Auditor	P.27 – P.28
Income and Expenditure Statement	P.29
Balance Sheet	P.30
Statement of Changes in Fund	P.31
Cash Flow Statement	P.32
Notes on the Financial Statements	P.33 – P.46

Introduction

The Children's Heart Foundation (CHF) is a registered charitable organization devoted to supporting children suffering from heart disease. It was set up on 10th November 1994 by a group of concerned parents with children with congenital heart conditions.

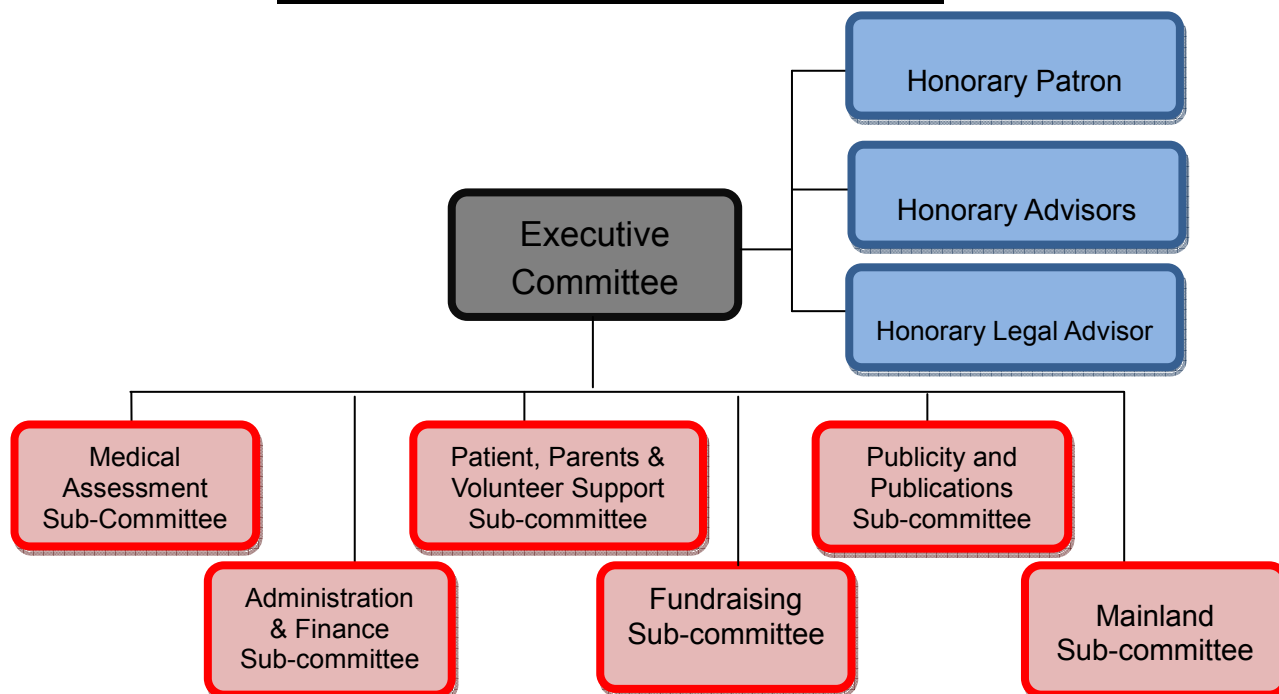
Objectives

1. To raise public awareness about congenital heart disease.
2. To provide financial and psychological support to families with children suffering from congenital heart disease.
3. To support the development of technology and methods to detect and treat congenital heart disease.

Services

1. Providing financial support to children receiving treatment for heart disease.
2. Purchasing medical equipment for public hospitals.
3. Case follow-up and counseling services for children and parents.
4. Temporary hostel services for the parents of hospitalised children.
5. Education programmes to enhance public knowledge about children's heart disease and heart health.
6. Facilitating mutual support group for parents and patients.
7. Ward visits to support hospitalised children and their families.
8. Developmental support to enhance self confidence and physical development.
9. Programmes to bring overseas cardiologists to Hong Kong to share their experience with local medical staff and overseas surgeons to perform surgery
10. A training fund for local medical staff.
11. Sponsorship of research into the diagnosis and treatment of congenital heart disease.

Organization Structure – 1



Executive Committee Members 2008-2009

Hon. Patron	: The Hon. Selina CHOW
Hon. Advisors	: Mr. Duncan PESCOD
	: Dr. Lawrence LAI
	: Mrs. Jenny Y.F. HO
Hon. Legal Advisor	: Mr. Andy KUNG
Chairlady	: Mrs. Rebecca M.P. YUNG
Vice Chairman	: Dr. Adolphus K.T. CHAU
Secretary	: Ms. Angela Y.M. LAU
Treasurer	: Ms. Monica K.T. WOO
Members	: Ms. Wai Kwan AU
	: Ms. Christine W.C. HO
	: Mr. Jonathan MARSH
	: Dr. Tak Cheung YUNG
	: Dr. David ZWEIG
	: Mr. Charles Y.K. Li
Hon. Auditor	: KPMG

Children's Heart Foundation

Organization Structure - 2

Administration and Finance Sub-committee 2008-2009

Sub-committee	Ms. Monica K.T. WOO
	Mrs. Jenny Y.F. HO
	Ms. Christine W.C. HO
	Mr. Charles Li

Fundraising Sub-committee 2008-2009

Sub-committee	Dr. David ZWEIG
	Mrs. Yasmin MAHBOOBANI
	Ms. Christie WO
	Ms. Anna YAU

Publicity and Publications Sub-committee 2008-2009

Sub-committee	Mr. Jonathan MARSH
	Mr. Charles Y. K. Li

Medical Assessment Sub-committee 2008-2009

Sub-committee	Dr. Adolphus K.T. CHAU
	Ms. Angela M.Y. LAU
	Mrs. Jenny Y.F. HO

Children's Heart Foundation

Organization Structure - 3

Patient, Parent and Volunteer Support Sub-committee 2008-2009

Sub-committee	Mrs. Jenny Y.F. HO
	Ms. Christine W.C. HO
	Ms. Monica K.T. WOO
Member	Ms. Helen HO
	Ms. Rachel S.P. CHEUNG
	Ms. Connie LAU
	Mr. King Sing LEUNG
	Ms. Lolitter NG
	Ms. Christine YIP
	Mr. Jacky S.K. HA
	Ms. Suyi SO

Mainland Sub-committee 2008-2009

Sub-committee	Dr. Adolphus K.T. CHAU
	Mrs. Jenny Y.F. HO
	Dr. Tak Cheung Yung
	Ms. Christine W.C. HO

Message of Chairlady

The New Way Forward

Time flies. It has been three years since I was invited to take up chairmanship of the CHF in 2006. Now that my maximum term as Chairperson has come to a close, this will be my last report to you in this capacity.

15th Anniversary

The CHF has come a long way from a very humble beginning with a handful of members and extremely limited resources. As we enter into the 15th year of establishment, I am delighted to say that we have a very solid and positive basis in terms of membership, programmes, financial strength, reputation and support from the community. Today, we have 1,300 family-based members with a total of about 2,300 members. Our programme of activities, expanded over the last few years, is specially designed for the latent needs of our children and their parents. With a wider donor community and a greater range of fund-raising activities, we are in excellent financial shape. Without doubt, this puts us in a good position to move forward in pursuit of our mission and vision.

2009 signifies the 15th year of establishment of the CHF. To commemorate this important milestone, we have invited Ah Chung, a renowned local artist, to create a new look for all our printed matter. We also co-organized a card design competition entitled "Same Dream, Same Heart" with the Hong Kong City University this February. The event succeeded in spreading news of our 15th anniversary and mission to different sectors of the community.

A commemorative booklet on the development of the CHF over the years is being compiled and is expected to be published at the end of the year. Over the next few months, we will continue with the theme of celebrating the 15th Anniversary with lots of interesting activities, including the annual exhibition, charity walk, a parenting camp and gala dinner. I encourage everyone to become more involved and proactively share the benefits of belonging to the CHF.

Exco Workshop

In an effort to seek a deeper understanding of our operating environment, both internal and external, as well as to devise a concrete way forward for the CHF, the Executive Committee (Exco) held a brain-storming workshop last April. Various issues concerning CHF's ability to deliver our existing and proposed new programmes were discussed. The conclusions included both the need to improve the working arrangements and the need to increase staff resources. It was also agreed to devise programmes to build meaningful engagement with our stakeholders, including volunteers, donors and medical practitioners. As a result, a new Director and a Social Work Officer focusing on counseling services were employed in the last quarter of 2008. A series of staff discussions were then held after the Workshop and at the end of the year to ensure that the directions of our work were very clear to them.



Children's Heart Foundation

Message of Chairlady

The New Way Forward

Relocation

One of the milestones of 2008 was indeed the relocation of the House of Heart and the CHF office from Grantham Hospital to Pokfulam. With additional human resources and careful planning, the relocation was completed smoothly by January 2009. The new location is just a 2-minute walk away from the ward of the Department of Paediatric Cardiology of Queen Mary Hospital. The close proximity of the House of Heart has greatly helped parents of hospitalized children to cope with the enormous pressure of looking after their kids. With more spaces and resources, the hostel service has also been extended to families of patients of the Department of Paediatric Oncology & Hematology.

Diversified Programmes

We organized more than 20 indoor and outdoor activities in 2008. These included social and developmental programmes such as a farm visit, peony ride, drama show, CASH Children's Day, Marathon New Year Blessing, as well as workshops and training on singing and art. The number of participants was well above 500. In the first half year of 2009, we had already put on 25 supportive programmes, ranging from parent-child relationship, parenting and self-actualization to volunteer training.

Friends of CHF

The above programmes would not be held smoothly without the help of the volunteers. Volunteers are the motors that have driven the development of the CHF since its establishment. A new scheme, entitled 'Friends of CHF', was launched this April to consolidate the organization of the volunteer team. As a result, more new volunteers have joined us. A series of training and workshops on ward visits, sharing and activity planning were held. The volunteers have been grouped into the 'CARE' Team and 'Play with Love Team' who will visit hospitalized children and their families. I should like to thank our volunteers, both old and new, for their valuable time and effort. You are our strength!

Medical Support

Medical support is one of our major services. In 2008, around HK\$1 million was spent on medical treatment and equipment which benefited about 40 kids. With the long-term support of NuSkin (Hong Kong) Enterprises Inc and Operation Santa Claus, another HK\$0.5 million went towards homograft and HK\$0.6 million on portable ultra sound machine.

To advance the technology and diagnosis in treating congenital heart disease, we sponsored 2 medical exchange programmes, bringing cardiac experts from England and the USA to operate on 6 complicated cases in Hong Kong. Good discussions with local medical staff were held during their visits.



Children's Heart Foundation

Message of Chairlady

The New Way Forward

This year, we have confirmed to provide sponsorship for pre-specialty training of Paediatric Cardiac nurses. Such medical training programmes not only lift the bar for medical care in Hong Kong, but also help retain local nurses.

I am pleased to report that we have completed a review on the Medical Financial Support Scheme. Under the revised scheme, we have expanded the safety net so that more families with children suffering from heart problems could receive financial assistance from the CHF.

Fund-Raising

The last 12 months may be daunted by the financial tsunami and economic downturn. But thanks to the concerted effort of the Fund-raising Sub-committee and generous support from our sponsors and supporters, we had successfully raised over HK\$4 million. The various well-supported programmes included the Heart-to-Heart Charity Walk, Charity Ladies Luncheon and the NEMM (North East Mountain Marathon). I should like to take this opportunity to thank our long-term donors, Standard Chartered Bank (Hong Kong) Limited, Hasbro Far East Ltd, Mattel Children's Foundation, Ohel Leah Synagogue Charity, Operations Santa Claus, Quality Health Care, HK Traveler.com and many others for their staunch support.

Child Health Advocate

The CHF was invited to sit on the Steering Committee of the Centre of Excellence in Paediatrics in April 2008. We shared our experience on running the House of Heart at committee meetings. I am pleased to report that parents' accommodation is included in the initial plan. This has served as an important vehicle for the CHF to bring forward our views and suggestions to the Government in the planning and realization of the future Children's Hospital. It has also underlined our growing role as an advocate of children's health in Hong Kong. Our aim is to promote the strongest possible facilities and resources to look after our children to the highest possible standards.

China Sub-committee

The China Sub-committee has looked into ways to promote the concept of the CHF and support families-in-need on the Mainland. Though concrete plans are still in the pipeline, the initial concept is to work with hospitals, providing assistance in similar ways as we have done in Hong Kong through training and sponsorship of visiting doctors.

Executive Committee

The strength of the CHF lies in the collaborative experience of the Executive Committee members. All of them are accomplished individuals with professional

Children's Heart Foundation

Message of Chairlady

The New Way Forward

standing and extensive social networks. Yet they spare no effort in advancing the mission and services of the CHF. The solid background of the Exco members has played a major role in gaining the confidence of government bodies, academic institutions and corporate donors, many of whom are CEOs from multi-national firms.

We owe a special Thank You to Robert Footman, our past Hon Treasurer who resigned in February 2009 due to personal reasons. Robert was a faithful volunteer of the CHF and a pillar of support during uncertain moments. Since joining the Exco in 2006, Robert had fulfilled many valuable committee roles. As Chairman of the Administration and Finance Sub-Committee, he spent a lot of time and genuine effort in modernizing the managerial and financial systems of the CHF. He met with and coached our staff on a very regular basis, something which the rest of us could not afford to do. With Robert at the helm of the Exco Workshop, we made progress on defining our vision to position CHF as a strong organization. In our search for a new home due to the relocation of the Paediatric Cardiology Department from Grantham to Queen Mary, Robert connected us to the right people, resulting in our successful move to the government quarter in Pokfulam. His departure is, indeed, a big loss to the CHF. Together with the members of the Exco, I should like to thank him from the bottom of my heart for his enormous contributions and wish him and his family all the best.

David, our Fund-raising Sub-committee Chairman, has done an excellent job. I was with him at many meetings with our donors. He is a real charmer and impressed our donors so much that we ended up with more funding than we expected. Apart from this, he has also helped in the re-engineering process of the office.

I should also like to thank Jon and Charles for compiling the 15th Anniversary booklet despite their own heavy work schedule. Jon is an outstanding journalist and writer. Over the years, he has written and polished the English version of our printed matters. Since joining the Exco last year, Charles has participated actively in a number of roles at the Exco and volunteer levels. I should like to thank them and the rest of the Exco members for their dedicated services. You are a great team to work with!

Staff

Last but certainly not the least, I wish to express my gratitude to our staff, namely, Timsik, Joey and Rachel (who has joined us as Assistant Social Work Officer since this July), for everything they have done during this exceptionally busy, and at times, difficult year. Our Amahs have also helped to keep the House of Heart a clean and homely place to stay.

Yasmin relinquished her post as Fund-raising Officer last November. Her contribution to the CHF office, especially on fund-raising and introducing the CHF to

Message of Chairlady

The New Way Forward

people of different nationalities, has been admirable. I am pleased to report that Yasmin was subsequently invited to act as Co-chair of the Fund-raising Sub-committee from January.

None of our services would have been possible without such a dedicated team in place. While our staff members strive for excellence in administrative and social work pursuits, we should not only provide them with fulfilling career opportunities, but also make efforts to ensure their personal well-being and development.

The Way Forward – Corporate Governance

The CHF has a good corporate structure. As we grow in size and with the expansion of our services, we should continue to look after the welfare and needs of various stakeholders, ie, our children, parents, donors, volunteers and medical staff. Donations should be fully utilized on a wider range of projects. We should uphold a governance culture that fosters genuine, fact-based and respectful communications among Executive Committee members.

To raise the standard of work and to implement various social service plans, the Executive Committee has made a huge effort to re-engineer the office and re-organize the division of work. The foresight of those involved in this process is something I hope and expect to see rewarded many times in the years to come. We should reinforce our management on administration, finance, social services and external affairs so that staff with the necessary skills can work with competence and efficiency. We should promote quality work ethics among staff members and encourage a frank and cordial working relationship. The ideal of the House of Heart should also be realized in the office itself.

I am pleased to say that we have come through most of the challenges and reached milestones in several areas of our operations. However, there are a number of challenges that the upcoming Chairperson and Executive Committee members may need to tackle. The rest of the world is moving fast and we cannot afford to stand still. I wish them lots of success in their coming endeavours.

To sum up, I truly treasure my three years as your Chairlady and believe that the CHF is now in stronger shape than ever before. However, I would not claim personal credit for this, as it is very much the result of excellent teamwork by our Exco members, our highly dedicated staff and volunteers.

Thank you and I wish all of you love, peace and joy!

Thank you.
Rebecca Yung

Children's Heart Foundation

CHILDREN'S HEART FOUNDATION

NOTICE is hereby given that an Annual General Meeting of the Foundation will be held at the Ballroom, 1st Floor, South Pacific Hotel, No.23 Morrison Hill Road, Wan Chai, Hong Kong at 2:00 p.m. on Sunday, the 20th day of September 2009 for the following purposes :

1. To consider and approve the Audited Accounts of the Foundation for the period from 1st January 2008 to 31st December 2008 together with the Executive Committee's and Auditor's Reports attached thereto;
2. To elect Executive Committee Members;
3. To appoint KPMG as Honorary Auditors; and
4. To transact any other competent business.

By Order of the Executive Committee



Secretary

Date : 24/8/2009

A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a Member.

Members' Activities 2008/2009

Year 2008

Month	Events
Jan	New Year Blessing for children with heart disease
Feb	Visit to Elderly Centre
Mar	Volunteer Lunch Gathering
Mar	New Year Day Tour
Mar	Happy Easter Ending
Apr	CASH Children's Day
Apr-May	CHF Children Choir-1 st Phase
Apr-May	Children's Art Workshop
Apr-Jun	Sat Drama Show
Apr	Puppet Musical and Workshop
Jul	Sharing Summer Camp 2008
Jul	Love of little Cook
Jul	CHF Children Choir-2 nd Phase
Jul	NuSkin Sport Day-Give the pony a hug
Aug	Visit and Share
Aug	CHF Academic Award Scheme 2008
Aug	Care and Support people in Sichuan
Aug	Annual General Meeting 2007/2008
Oct	Annual Heart Health Exhibition 2008

Nov	Volunteer Gathering 2008
Nov	Disney's Cookies Making
Dec	Christmas Party 2008

Children's Heart Foundation

Members' Activities 2009/2010

Year 2009

Month	Events
Feb	One World, One Heart- Card Design Competition and Presentation
Feb	Eugene Group-Children's Educational Exhibition
Feb	Talk: More on Congenital Heart Disease
Mar	New Year Gathering 09 Healthy Heart
Mar	Afternoon Tea Gathering
Mar	"Friends of CHF" Volunteer Launching Ceremony
Apr	Toy Bank Children's Fun Day
Apr	Happy Easter Cheers
May	Care Team Training
May	15 th Anniversary-Fun Day at Disneyland
May	Be a little Cook
Jun-Jul	Know more the Service target
Jul	Wonderful Healthy Family Day
Jul-Aug	Parent Group-Development of Children's Multiple Intelligences
Jul-Dec	CHF Children Choir
Aug	Summer Camp

Children Heart's Foundation

Fundraising Events 2008/2009

Year 2008

Month	Events
Jan	NE Mountain Marathon 2008
May	CHF Charity Ladies Luncheon 2008
Jul	Bulk Mailing Campaign 2008- Standard Chartered Bank (Hong Kong) Limited
Jul	Disney VoluntEAR
Oct	Heart-to-Heart Charity Walk 08 cum Fun Carnival
Nov	One World, One Heart-Send your blessing
Nov	One World, One Heart-Card Design Competition
Dec	REPLAY Charity Programme
Dec	Operation Santa Claus 2008
Jan - Dec	Nuskin Children Heart Programme 2008
Jan - Dec	Corporate Donation Project 2008
Jan - Dec	Wisegiving 2008

Fundraising Events 2009/2010

Year 2009

Month	Events
Jan	NE Mountain Marathon 2009
Apr	Bulk Mailing Campaign 2009- Hong Kong And China Gas Company Limited
May	Bulk Mailing Campaign 2009- DBS Bank(Hong Kong) Limited
May	Children Charities Carnival 2009
Jul	Bulk Mailing Campaign 2009- Standard Chartered Bank (Hong Kong) Limited
Jan-Dec	Corporate Donation Project 2009

Medical Training and Development Programme **2008/2009**

Year 2008

<u>Date</u>	<u>Programme's Projects</u>
May 2008	CHF Medical Exchange Project 2008(I) – Prof. Cheatham
Dec 2008	CHF Medical Exchange Project 2008(II) – Dr. Victor Tsang

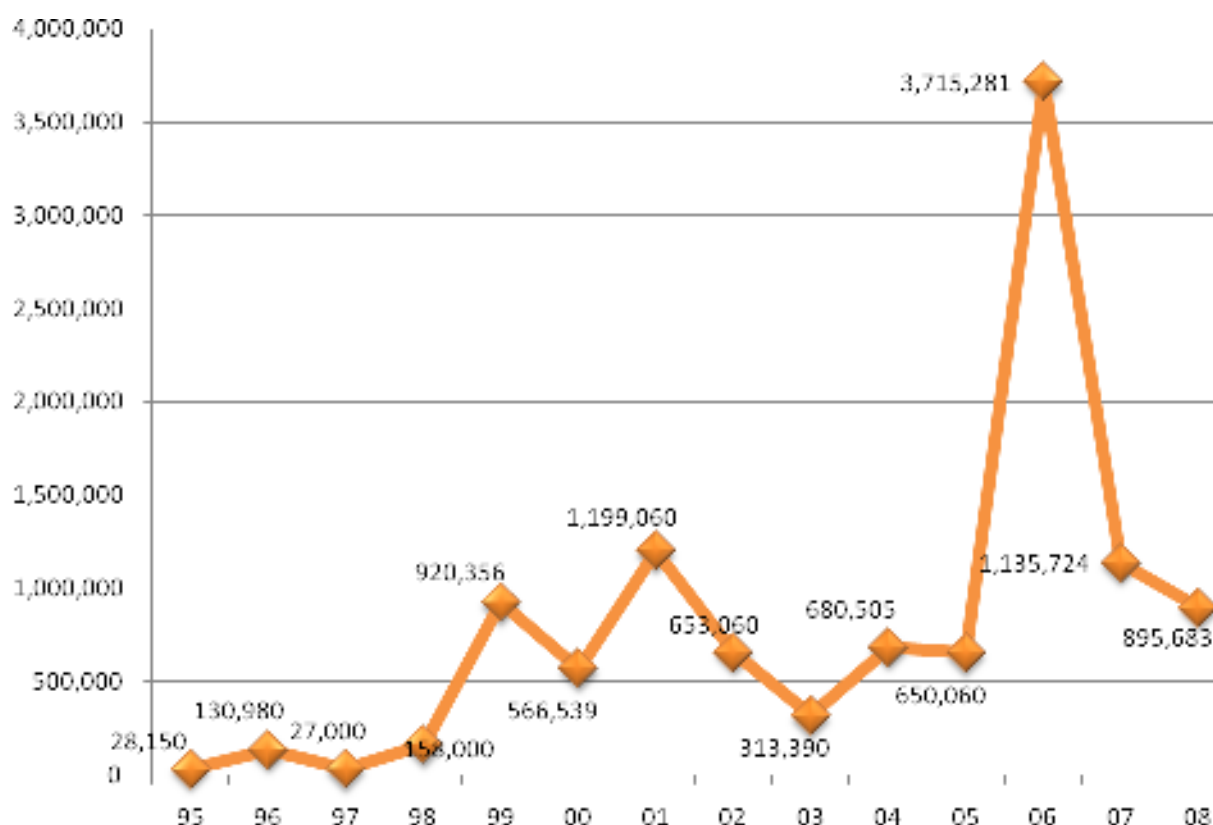
Year 2009

<u>Date</u>	<u>Programme's Projects</u>
Jul 2009	CHF Medical Training Project 2009-Cardiac Nursing Course (Pre-specialty level)

Statistics Report – 1

Expenditure on Sponsorship for Medical Treatment & Equipment

金額 Amount



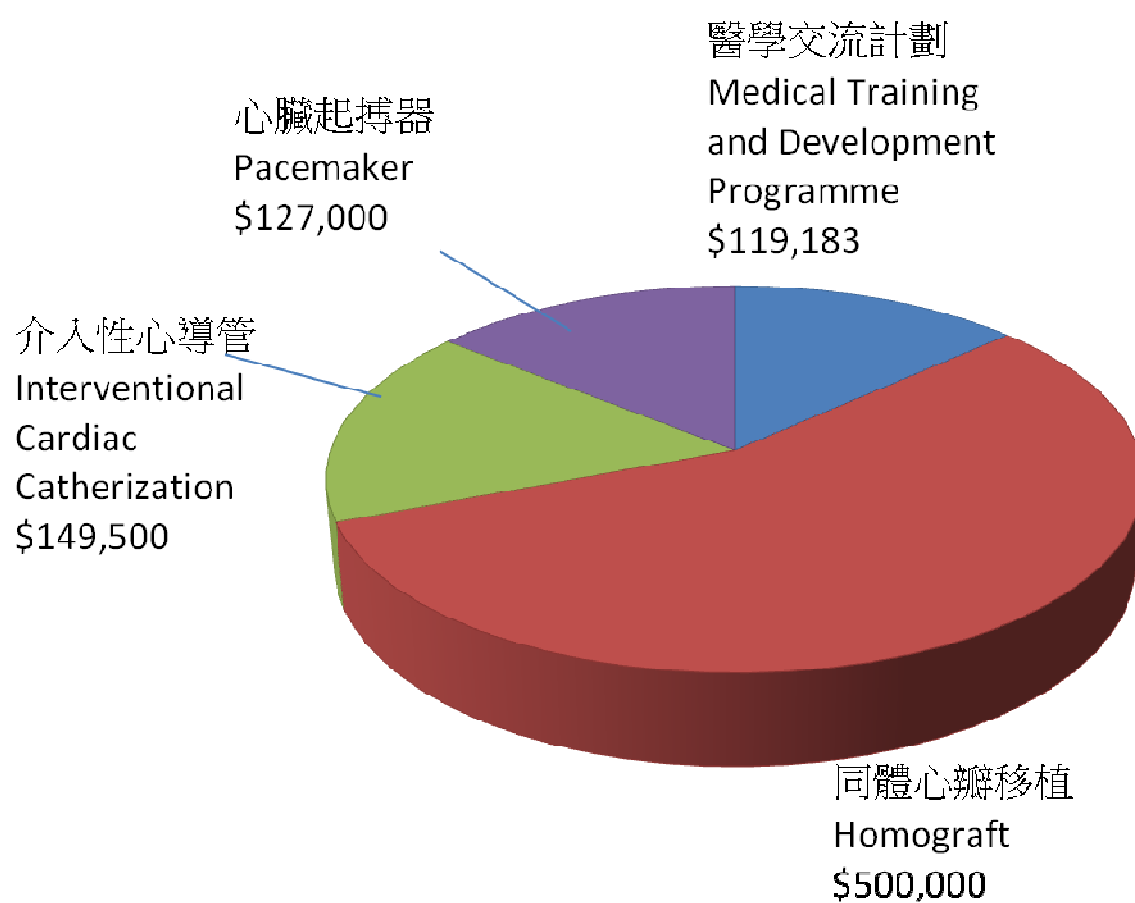
年份 Year

Remarks : Relocation of Hospital decreased the number of operations.

Children's Heart Foundation

Statistic Report – 2

Distribution of Sponsorship on Medical Aspects in 2008

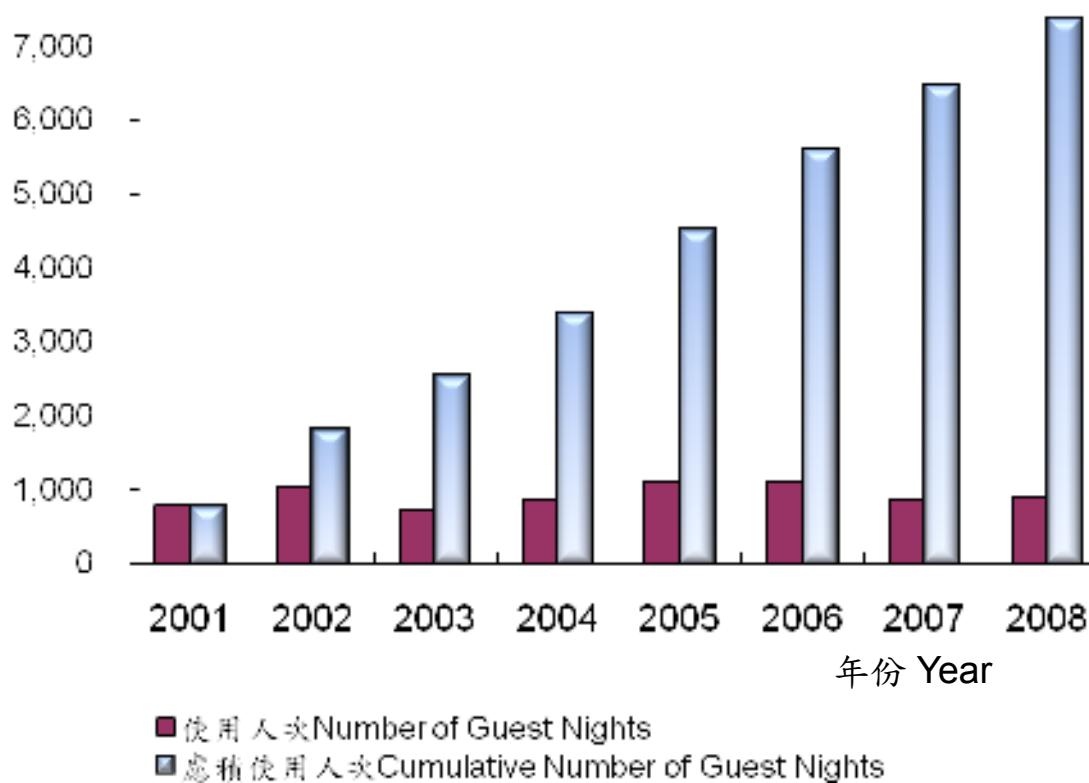


Children's Heart Foundation

Statistic Report - 3

Number of Guest Nights & Cumulative Guest Nights of House of the Heart

人數 No. Of Guest Night



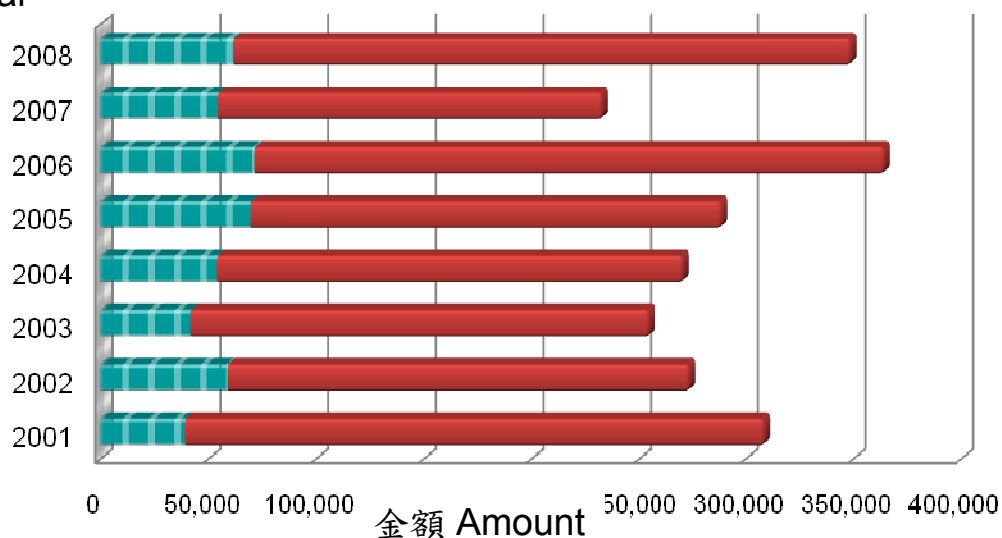
	2001	2002	2003	2004	2005	2006	2007	2008
使用人次 Number of Guest Nights	775	1,036	723	860	1,119	1,105	858	899
慮積使用人次 Cumulative Number of Guest Nights	775	1,811	2,534	3,394	4,513	5,618	6,476	7375

Children's Heart Foundation

Statistic Report - 4

Income and Expenditure of House of the Heart

年份 Year



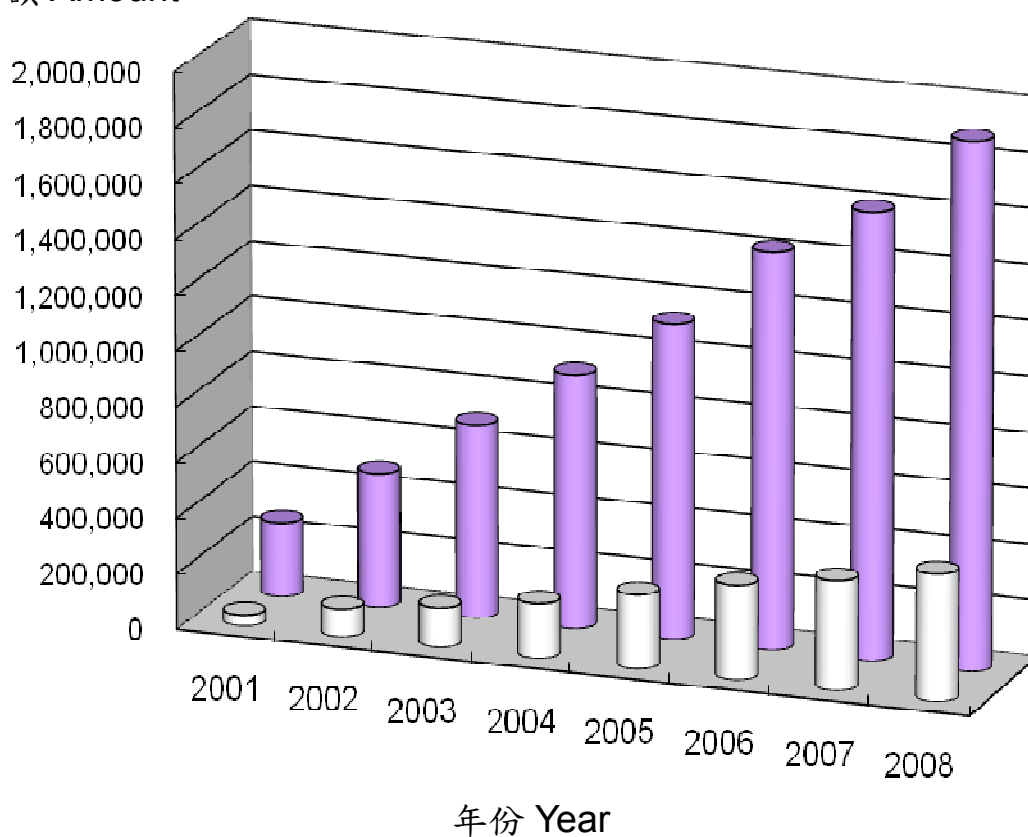
■ 全年收入 Yearly Income ■ 全年支出 Yearly Expenditure

	2001	2002	2003	2004	2005	2006	2007	2008
全年支出 Yearly Expenditure	\$269,106	\$214,716	\$212,840	\$216,473	\$218,938	\$292,647	\$178,250	\$286,762
全年收入 Yearly Income	\$39,660	\$59,398	\$42,100	\$54,580	\$69,980	\$71,830	\$54,800	\$62,250

Statistic Report - 5

Cumulative Income and Expenditure of House of the Heart

金額 Amount



□ 累積收入 Cumulative Income

■ 累積支出 Cumulative Expenditure

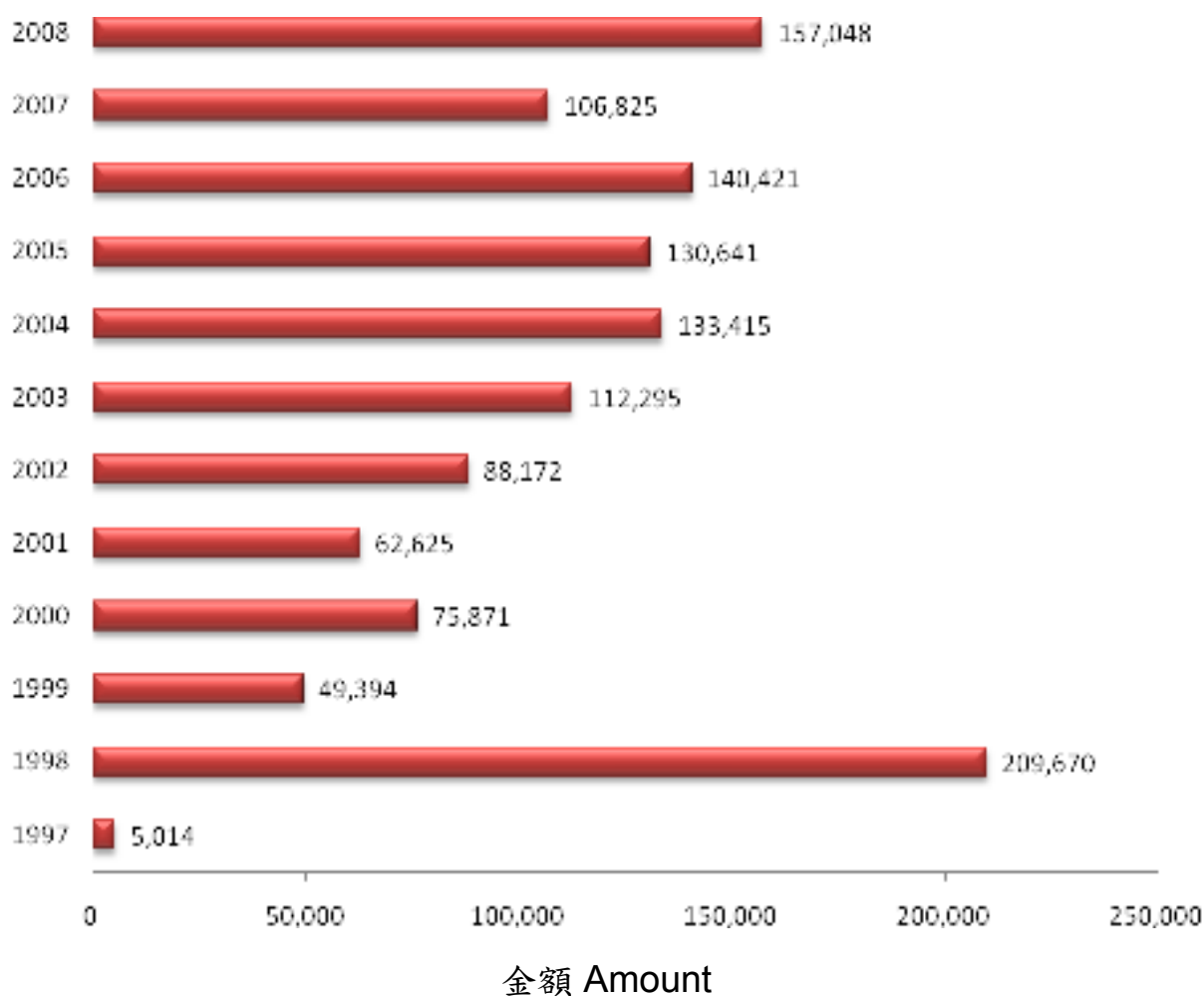
	2001	2002	2003	2004	2005	2006	2007	2008
慮積支出 Cumulative Expenditure	\$269,106	\$483,822	\$696,662	\$913,135	\$1,132,072	\$1,424,720	\$1,602,970	\$1,889,732
慮積收入 Cumulative Income	\$39,660	\$99,058	\$141,158	\$195,738	\$265,718	\$337,548	\$392,348	\$454,598

Children's Heart Foundation

Statistic Report - 6

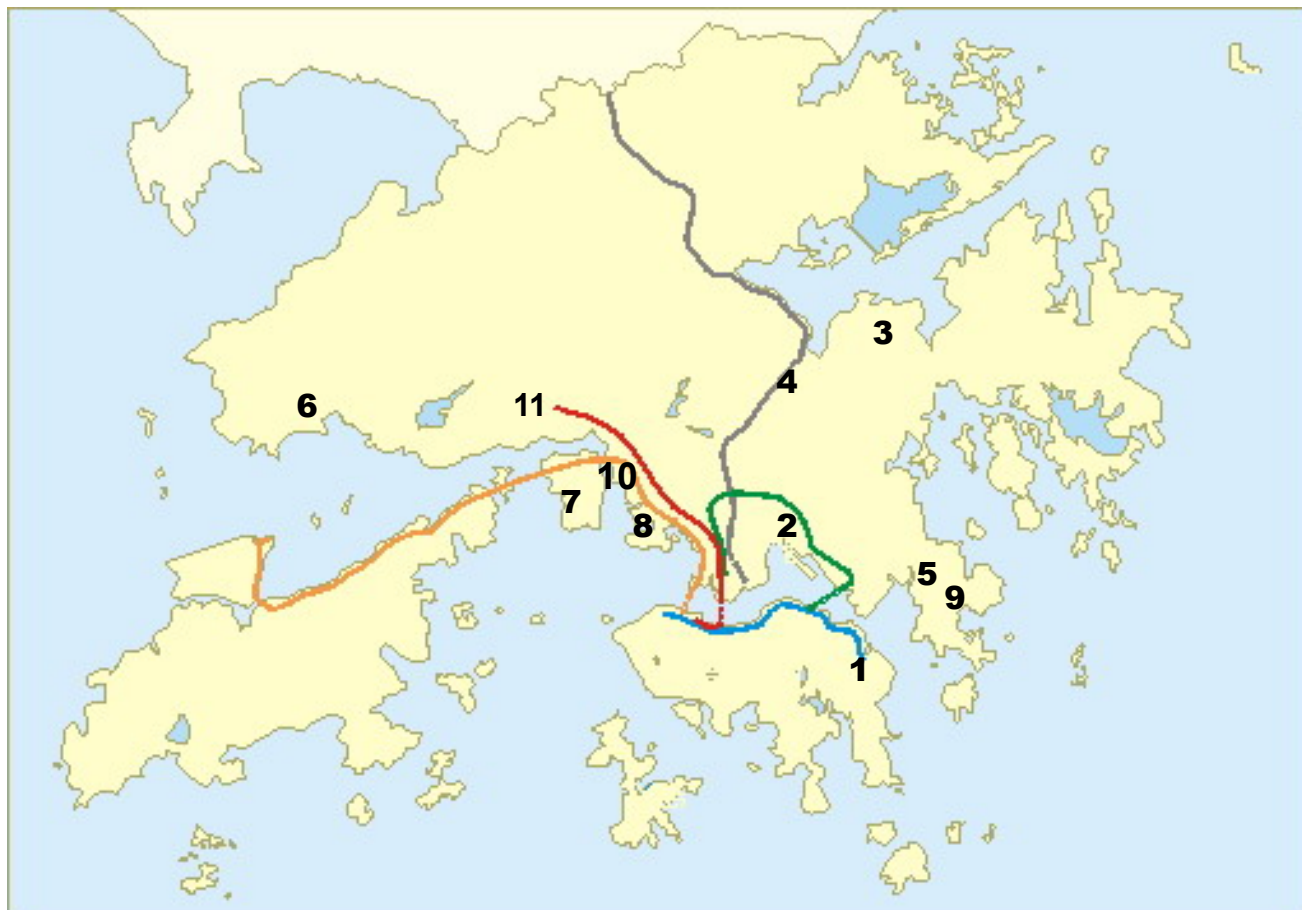
Expenditure on Educational Programme & Members' Activities

年份 Year



Statistic Report - 7

District of Annual Exhibition on Children's Heart Health



	年份 Year	地點	Location
1.	1998	葵芳和太古城	Kwai Fong & Tai Koo Shing
2.	1999	九龍灣	Kowloon Bay
3.	2000	馬鞍山	Ma On Shan
4.	2001	沙田	Shatin
5.	2002	將軍澳坑口	Tseung Kwun O Hung Hau
6.	2003	屯門	Tuen Mun
7.	2004	青衣	Tsing Yi
8.	2005	奧海城	Olympian City
9.	2006	將軍澳寶林	Tseung Kwan O Po Lam
10.	2007	深水埗	Sham Shui Po
11.	2008	荃灣	Tsuen Wan

The Executive Committee's report

The Executive Committee has pleasure in submitting its annual report together with the audited financial statements for the year ended 31 December 2008.

Principal place of business

The Children's Heart Foundation (the "Foundation") is a charitable institution limited by guarantee incorporated in Hong Kong and has its registered office at Rooms 1808-09, 18th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong and principal place of business at Flat 5A, 5th Floor, 122 Pokfulam Road, Hong Kong.

Principal activities

The Foundation is a charitable institution limited by guarantee. The principal purpose of the Foundation is to provide charitable services to the children suffering from heart diseases.

Financial statements

The surplus of the Foundation for the year ended 31 December 2008 and the state of the Foundation's affairs as at that date are set out in the financial statements on pages 5 to 22.

Fixed assets

Movements in fixed assets during the year are set out in note 5 to the financial statements.

Executive Committee

The members of the Executive Committee during the financial year were:

Rebecca Mei Pik Choy Yung	Chairman	
Kai Tung Chan	Vice Chairman	
Monica Kim Ho Woo	Treasurer	(appointed as Treasurer on 23 April 2009)
Robert Footman	Treasurer	(resigned as Treasurer on 17 January 2009)
Angela Ming Yan Lau	Secretary	
Wai Kwan Au		
Christine Wai Ching Ho		
Jonathan David Marsh		
Philip Elder		(resigned on 23 August 2008)
Stephen Zweig David		
Tak Cheung Yung		
Yee Kening Lee		(appointed on 23 August 2008)

Executive Committee and office bearers

No contract of significance to which the Foundation was a party, and in which an Executive Committee member had a material interest, 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 arrangements to enable the Executive Committee members to acquire benefits by means of the acquisition of shares in or debentures of the Foundation or any other body corporate.

Auditor

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

By order of the Executive Committee



Executive Committee member
Hong Kong,



Honorary auditor's report to the Executive Committee of Children's Heart Foundation (the "Foundation")

(Incorporated in Hong Kong with limited by guarantee)

We have audited the financial statements of the Foundation set out on pages 5 to 22, which comprise the balance sheet as at 31 December 2008, and the income and expenditure account, statement of changes in fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Executive Committee's responsibility for the financial statements

The Executive Committee of the Foundation is 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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. These 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 Executive Committee, 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.



Honorary auditor's report to the Executive Committee of
Children's Heart Foundation (the "Foundation")
(continued)
(Incorporated in Hong Kong with limited 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 December 2008 and of its surplus 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.

A handwritten signature in black ink, appearing to be 'J. M. Chan' or similar, written in a cursive style.

Certified Public Accountants

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

12 0 AUG 2009

Income and expenditure account
for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	2008	2007
Income		
Donations	\$ 827,302	\$ 1,411,027
Bank interest	242,002	299,254
Charity walk	819,994	807,337
House of Heart	17,216	33,891
Net investment income	228,599	207,513
Other fund raising events	1,947,772	3,144,050
	<u>\$ 4,082,885</u>	<u>\$ 5,903,072</u>
Expenditure		
Bank charges	\$ 7,187	\$ 8,406
Donation box	39,200	-
Depreciation for fixed assets	56,995	13,800
Exhibition fees	-	1,121
Educational program	41,601	25,374
Home page expenses	42,525	6,277
Homograft	500,000	400,000
Local travelling	13,256	5,487
Loss on disposal of available-for-sale security	227,480	-
Mandatory Provident Fund	39,581	25,132
Medical sponsorship	395,683	735,724
Meeting expenses	20,454	-
Membership expenses	115,447	80,330
Modem/fax/data charges	11,090	7,098
Postage	1,259	4,747
Printing charges	14,284	1,100
Salaries	987,546	538,314
Stationery	9,314	8,419
Supportive programmes	70,991	-
Sundry expenses	<u>145,958</u>	<u>48,314</u>
	<u>\$ 2,739,851</u>	<u>\$ 1,910,543</u>
Surplus for the year	\$ 1,343,034	\$ 3,992,529
Amount transferred to accumulated fund	<u>(1,343,034)</u>	<u>(3,992,529)</u>
	\$ -	\$ -

The notes on pages 11 to 22 form part of these financial statements.

Balance sheet at 31 December 2008

(Expressed in Hong Kong dollars)

	Note	2008	2007
Non-current assets			
Fixed assets	5	\$ 434,126	\$ 52,579
Non-current financial assets	6	1,544,085	5,119,751
		<u>\$ 1,978,211</u>	<u>\$ 5,172,330</u>
Current assets			
Other receivables	7	\$ 40,458	\$ 163,791
Deposits with banks		-	2,000,000
Cash and cash equivalents	8	<u>15,737,275</u>	<u>8,521,713</u>
		\$15,777,733	\$10,685,504
Current liabilities			
Accrued expenses and other payables	9	2,429,308	<u>1,952,351</u>
Net current assets		<u>\$13,348,425</u>	<u>\$ 8,733,153</u>
Net assets		<u>\$15,326,636</u>	<u>\$13,905,483</u>
Reserves	10	<u>\$15,326,636</u>	<u>\$13,905,483</u>

Approved and authorised for issue by the Executive Committee on



} Executive Committee members
}

The notes on pages 9 to 22 form part of these financial statements.

Statement of changes in fund
for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2008</i>	<i>2007</i>
Balance at 1 January		\$13,905,483	\$ 9,991,073
Changes in fair value of available-for-sale securities	10	-	(78,119)
Transfer to profit or loss on disposal of available-for-sale securities	10	78,119	-
Surplus for the year	10	<u>1,343,034</u>	3,992,529
Balance at 31 December		<u><u>\$15,326,636</u></u>	<u><u>\$13,905,483</u></u>

The notes on pages 9 to 22 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	2008	2007
Operating activities		
Surplus for the year	\$ 1,343,034	\$ 3,992,529
Adjustments for:		
- Depreciation	56,905	13,800
- Interest income	(242,002)	(299,254)
- Net investment income	(228,599)	(207,513)
- Loss on disposal of available-for-sale security	227,480	-
- Exchange loss/(gain)	24,479	(1,072)
Surplus before changes in working capital	\$ 1,191,387	\$ 3,498,490
Decrease in other receivables	62,317	168,834
Increase in accrued expenses and other payables	476,957	1,949,922
Cash generated from operations	<u>\$ 1,730,661</u>	<u>\$ 5,617,246</u>
Investing activities		
Payment for purchase of:		
- held to maturity securities	\$ -	\$ (3,147,367)
- available-for-sale securities	-	(2,063,305)
Payment for purchase of fixed assets	(438,542)	(34,731)
Proceeds from redemption of held-to-maturity securities	1,595,337	1,556,216
Proceeds from redemption of available-for-sale securities	1,816,182	-
Interest received from bank deposits	303,018	251,196
Interest received from held-to-maturity securities	124,791	137,669
Dividends received from available-for-sale securities	84,115	84,635
Decrease in deposits with banks	2,000,000	63,088
Net cash generated from/(used in) investing activities	<u>\$ 5,484,901</u>	<u>\$ (3,132,559)</u>
Net increase in cash and cash equivalents	<u>\$ 7,215,562</u>	<u>\$ 2,464,687</u>
Cash and cash equivalents at 1 January	<u>8,521,713</u>	<u>6,057,026</u>
Cash and cash equivalents at 31 December	<u>\$ 15,737,275</u>	<u>\$ 8,521,713</u>

The notes on pages 9 to 22 form part of these financial statements.

Notes to the financial statements (Expressed in Hong Kong dollars)

1 Status of the Foundation

The Foundation is a charitable institution incorporated in Hong Kong, limited by guarantee and not having a share capital. It is established exclusively for providing charitable services to children suffering from heart diseases.

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. A summary of the significant accounting policies adopted by the Foundation is set out below.

The HKICPA has issued the following amendments to HKFRS that is first effective for the current accounting period of the Foundation.

- Amendment to HKAS 39, *Financial instruments: Recognition and measurement*, and HKFRS 7, *Financial instruments: Disclosures - Reclassification of financial assets*

This HKFRS development has had no material impact on the financial statements as it is consistent with accounting policies already adopted by the Foundation.

The Foundation has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13).

(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 expenditure. 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)

(b) Basis of preparation of the financial statements (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) Investments in debt and equity securities

Investments are recognised/derecognised on the date the Foundation commits to purchase/sell the investments or they expire. Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

(i) Held-to-maturity debt securities

Dated debt securities that the Foundation has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses.

Impairment losses for held-to-maturity securities are recognised when there is objective evidence of impairment and are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate originally computed at initial recognition of the asset). Objective evidence of impairment includes observable data that comes to the attention of the Foundation about events that have an impact on the asset's estimated future cash flows such as:

- significant financial difficulty of the debtor; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income and expenditure account. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 Significant accounting policies (continued)

(c) Investments in debt and equity securities (continued)

(ii) Available-for-sale securities

Other investments in securities, being those held for non-trading purposes, are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in the income and expenditure account. Dividend income from these investments is recognised in accordance with the policy set out in note 2(j)(ii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income and expenditure account in accordance with the policy set out in note 2(j)(iii). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income and expenditure account.

When there is objective evidence that available-for-sale securities are impaired, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in the income and expenditure account. The amount of the cumulative loss that is recognised in the income and expenditure account is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income and expenditure account. Objective evidence of impairment includes observable data that comes to the attention of the Foundation concerning the underlying financial stability of the investee as well as a significant or prolonged decline in the fair value of an investment below its cost.

Impairment losses recognised in the income and expenditure account in respect of available-for-sale equity securities are not reversed through the income and expenditure account. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income and expenditure account.

2 Significant accounting policies (continued)

(d) Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives at 10% per annum.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of fixed assets are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income and expenditure account on the date of retirement or disposal.

(e) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Foundation about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

2 Significant accounting policies (continued)

(e) Other receivables (continued)

Impairment losses for other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Foundation is satisfied that recovery is remote, the amount considered irrecoverable is written off against other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income and expenditure account.

(f) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) 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.

(h) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and 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.

(i) Provisions and contingent liabilities

Provisions are recognised for 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.

2 Significant accounting policies (continued)

(l) Provisions and contingent liabilities (continued)

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.

(j) Income recognition

Provided it is probable that the economic benefits will flow to the Foundation and the income and expenditure, if applicable, can be measured reliably, income is recognised in the income and expenditure account as follows:

- (i) Donations are accounted for on a cash received basis.
- (ii) Dividend income is recognised when the right to receive payment is established.
- (iii) Interest income is recognised as it accrues using the effective interest method.
- (iv) Other income related to the fund raising activities are accounted for on the net cash received basis.

(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 balance sheet date. Exchange gains and losses are recognised in the income and expenditure account.

(l) Related parties

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Foundation or exercise significant influence over the Foundation in making financial and operating policy decisions, or has joint control over the Foundation;

2 Significant accounting policies (continued)

(i) Related parties (continued)

- (ii) the Foundation and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Foundation or a joint venture in which the Foundation is a venturer;
- (iv) the party is a member of key management personnel of the Foundation or the Foundation's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Foundation or of any entity that is a related party of the Foundation.

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

3 Executive Committee members' remuneration

Executive Committee members' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2008	2007
Fees	\$ Nil	\$ Nil
Salaries, allowances and benefits in kind	Nil	Nil
Discretionary bonuses	Nil	Nil
Retirement scheme contributions	Nil	Nil
	=====	=====

4 Income tax

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

5 Fixed assets

	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Leasehold improvement</i>	<i>Total</i>
Cost:				
At 1 January 2007	\$ 80,090	\$ 96,670	\$ -	\$ 176,760
Additions	<u>-</u>	<u>34,731</u>	<u>-</u>	<u>34,731</u>
At 31 December 2007	<u>\$ 80,090</u>	<u>\$ 131,401</u>	<u>\$ -</u>	<u>\$ 211,491</u>
Accumulated depreciation:				
At 1 January 2007	\$ 79,420	\$ 65,682	\$ -	\$ 145,102
Charge for the year	<u>660</u>	<u>13,140</u>	<u>-</u>	<u>13,800</u>
At 31 December 2007	<u>\$ 80,090</u>	<u>\$ 78,822</u>	<u>\$ -</u>	<u>\$ 158,912</u>
Net book value:				
At 31 December 2007	<u>\$ -</u>	<u>\$ 52,579</u>	<u>\$ -</u>	<u>\$ 52,579</u>
	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Leasehold improvement</i>	<i>Total</i>
Cost:				
At 1 January 2008	\$ 80,090	\$ 131,401	\$ -	\$ 211,491
Additions	<u>88,902</u>	<u>96,622</u>	<u>253,800</u>	<u>438,542</u>
At 31 December 2008	<u>\$ 168,210</u>	<u>\$ 228,023</u>	<u>\$ 253,800</u>	<u>\$ 650,033</u>
Accumulated depreciation:				
At 1 January 2008	\$ 80,090	\$ 78,822	\$ -	\$ 158,912
Charge for the year	<u>8,812</u>	<u>22,800</u>	<u>25,380</u>	<u>56,992</u>
At 31 December 2008	<u>\$ 88,902</u>	<u>\$ 101,622</u>	<u>\$ 25,380</u>	<u>\$ 215,904</u>
Net book value:				
At 31 December 2008	<u>\$ 79,308</u>	<u>\$ 126,398</u>	<u>\$ 228,420</u>	<u>\$ 434,126</u>

6 Non-current financial assets

	2008	2007
Held-to-maturity debt securities listed in the United States of America	\$1,544,085	\$3,137,803
Available-for-sale securities listed in the United States of America	<u>-</u>	<u>1,981,948</u>
	<u>\$1,544,085</u>	<u>\$5,119,751</u>
Market value of listed securities	<u>\$1,566,249</u>	<u>\$5,123,140</u>

7 Other receivables

All of the other receivables are expected to be recovered within one year.

8 Cash and cash equivalents

	2008	2007
Deposits with banks	\$13,789,996	\$ 3,477,884
Cash at bank and in hand	<u>1,947,279</u>	<u>5,043,829</u>
	<u>\$15,737,275</u>	<u>\$ 8,521,713</u>

9 Accrued expenses and other payables

All of the accrued expenses and other payables are expected to be settled within one year.

10 Reserves

	<i>Fair value reserve</i>	<i>Accumulated fund</i>	<i>Total</i>
At 1 January 2007	\$ -	\$ 9,991,073	\$ 9,991,073
Changes in fair value of available-for-sale securities	(78,119)	-	(78,119)
Surplus for the year	<u>-</u>	3,992,529	3,992,529
At 31 December 2007	<u>\$ (78,119)</u>	<u>\$ 13,983,602</u>	<u>\$13,905,483</u>

10 Reserves (continued)

	<i>Fair value reserve</i>	<i>Accumulated fund</i>	<i>Total</i>
At 1 January 2008	\$ (78,119)	\$ 13,983,602	\$13,905,483
Transfer to profit or loss on disposal of available-for-sale securities	78,119	-	78,119
Surplus for the year	<u>-</u>	<u>1,343,034</u>	<u>1,343,034</u>
At 31 December 2008	<u>\$ -</u>	<u>\$ 15,326,636</u>	<u>\$15,326,636</u>

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 2(v)(ii).

11 Capital management

The Foundation's primary objectives when managing capital are to safeguard the Foundation's ability to continue as a going concern.

The Foundation defines "capital" as including all components of equity. On this basis the amount of capital employed at 31 December was \$15,326,636 (2007: \$13,905,483).

The Foundation's capital structure is regularly reviewed and managed. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Foundation, to the extent that these do not conflict with the Executive Committee's fiduciary duties towards the Foundation or the requirements of the Hong Kong Companies Ordinance.

The Foundation was not subject to externally imposed capital requirements in either the current or prior year.

12 Financial instruments

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Foundation's operation. These risks are limited by the Foundation's financial management policies and practices described below.

(a) Credit risk

The Foundation's credit risk is primarily attributable to other receivables and listed investments. Management manages this risk as follows:

In respect of other receivables, individual credit evaluations are performed on all debtors. Normally, the Foundation does not obtain collateral from the debtors.

Investments are normally only in liquid securities quoted on a recognised stock exchange and with counterparties that have high credit ratings. Given their credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

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

(b) Liquidity risk

The Foundation's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to satisfy its foreseeable obligations as they fall due.

(c) Interest rate risk

The Foundation's interest rate risk arises primarily from investments in held-to-maturity securities and available-for-sale securities, cash and cash equivalents and deposits with banks. The fair value of the Foundation's fixed rate financial instruments will be affected by changes in prevailing external interest rate. The cash flows receivable from the Foundation's variable rate financial instruments will vary with changes in prevailing external interest rates.

12 Financial instruments (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Foundation's interest bearing financial instruments at the balance sheet date:

	2008		2007	
	Effective interest rate	Amount	Effective interest rate	Amount
Cash and cash equivalents	1.80%	\$ 5,737,275	2.14%	\$ 8,521,713
Deposits with bank	4.04%	-	3.75%	2,000,000
Held-to-maturity securities	4.18% - 4.90%	1,544,085	4.18% - 4.90%	3,137,803
Available-for-sale securities	7.5%	-	3.65%	1,981,948

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease by 1 per cent in interest rates, with all other variables held constant, would decrease/increase the Foundation's surplus and equity by approximately \$172,814 (2007: \$156,415).

The sensitivity analysis above has been determined assuming 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 financial instruments in existence at that date. The assumption of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Foreign currency risk

The Foundation is exposed to foreign currency risks primarily arising from financial instruments that are denominated in the United States dollars ("USD"). As the Hong Kong dollar ("HKD") is pegged to the USD, the Foundation considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

12 Financial instruments (continued)

(d) Foreign currency risk (continued)

As all the Foundation's financial instruments at 31 December 2008 and 2007 were denominated in either HKD or USD, the management does not expect that there will be any significant currency risk associated with them.

The following table details the Foundation's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the Foundation's functional currency.

	<i>2008</i>	<i>2007</i>
	<i>United</i>	<i>United</i>
	<i>States</i>	<i>States</i>
	<i>Dollars</i>	<i>Dollars</i>
Non-current financial assets	199,237	660,216
Cash and cash equivalents	<u>1,328,072</u>	<u>444,895</u>
	<u>1,527,309</u>	<u>1,105,111</u>

As the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies, no sensitivity analysis is prepared.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007 except as follows:

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Held-to-maturity securities	\$ 1,544,085	\$ 1,566,249	\$ 3,137,803	\$ 3,141,192

(f) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transactions costs. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 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 Foundation's results of operations and financial position.

In addition, the following development is expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

*Effective for
accounting periods
beginning on or after*

HKAS 1 (revised 2007), *Presentation of financial statements*

1 January 2009

