

Children's Heart Foundation



Annual Report 2007- 2008

Address: G/F, Main Block, Grantham Hospital,
125 Wong Chuk Hang Road, Aberdeen,
Hong Kong

Tel: 2553 0331

Fax: 2553 4886

E-mail: chf@childheart.org.hk

Website: www.childheart.org.hk



Children's Heart Foundation

Table of Contents

<i>Contents</i>	<i>Page</i>
Introduction on the Foundation	P.2
Organization Structure	P.3 - P.5
Message of the Chairlady	P.6 - P.9
Notice of Annual General Meeting	P.10
Major Members' Activities 2007/2008	P.11 - P.12
Major Fundraising Activities 2007/2008	P.13 - P.14
Major Medical Training and Development Programme 2007/2008	P.15
Statistics	P.16 - P.22
Report of Executive Committee	F. 1 – 2
Report of the Honorary Auditor	F. 3 – 4
Income and Expenditure Statement	F. 5
Balance Sheet	F. 6
Statement of Change in fund	F. 7
Cash Flow Statement	F. 8
Notes on the Financial Statements	F. 9 – 22



Children's Heart Foundation

Introduction on the Foundation

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.

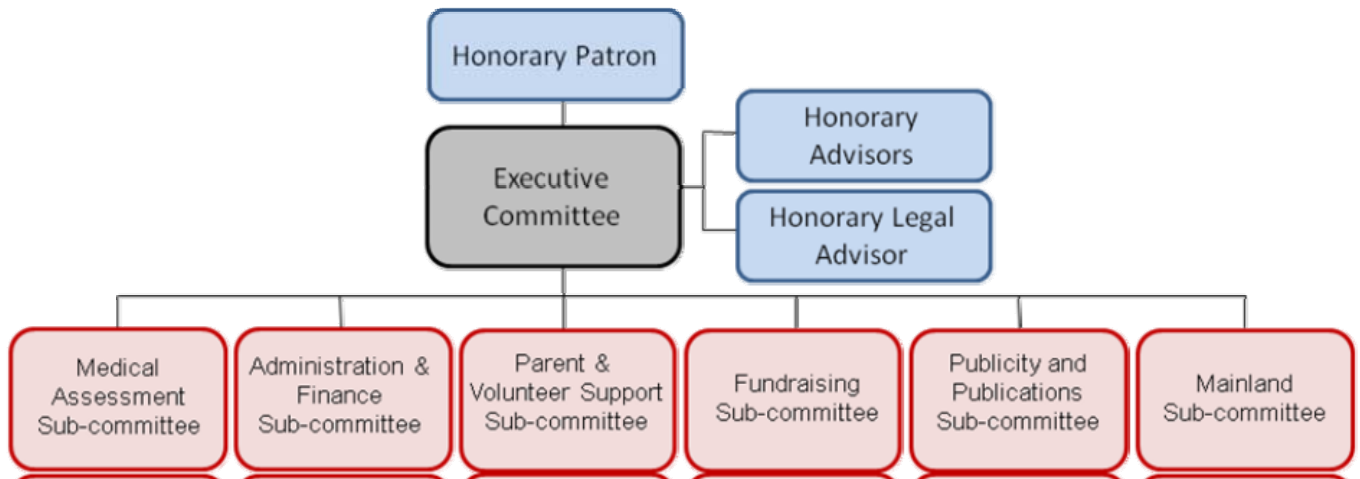
Services

1. Financial support for treatment, including special catheters, devices and pacemakers.
2. Purchase of medical equipment.
3. Mutual support group for parents and patients.
4. Regular educational programs including seminars, talks and exhibitions on children's heart disease.
5. Overnight accommodation for parents of hospitalized children.
6. Programs to bring overseas surgeons or cardiologists to Hong Kong to share experience with local medical staff.
7. Sponsorship for research projects focusing on diagnosis and treatment of congenital heart disease.



Children's Heart Foundation

Organization Structure – 1



Executive Committee Members 2007-2008

Hon. Patron	: The Hon. Selina CHOW
Hon. Advisors	: Dr. Gloria S.C. LEUNG : 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	: Mr. Robert FOOTMAN
Members	: Ms. Wai Kwan AU : Ms. Christine W.C. HO : Mr. Jonathan MARSH : Ms. Monica K.T. WOO : Dr. Tak Cheung YUNG : Dr. David ZWEIG
Hon. Auditor	: KPMG



Children's Heart Foundation

Organization Structure - 2

Administration and Finance Sub-committee 2007-2008

Chairman	Mr. Robert FOOTMAN
Member	Ms. Monica K.T. WOO
	Mrs. Jenny HO

Fundraising Sub-committee 2007-2008

Chairman	Dr. David ZWEIG
Member	Ms. Michelle LAM
	Ms. Christie WO
	Ms. Anna YAU
	Ms. Hilary TSUI

Publicity and Publications Sub-committee 2007-2008

Chairman	Mr. Jonathan MARSH
----------	--------------------

Medical Assessment Sub-committee 2007-2008

Chairman	Mrs. Jenny HO
Member	Dr. Adolphus K.T. CHAU
	Dr. Tak Cheung YUNG
	Ms. Wai Kwan AU
	Ms. Angela M.Y. LAU

Mainland Sub-committee 2007-2008

Member	Mr. Robert FOOTMAN
	Dr. Adolphus K.T. CHAU
	Dr. Tak Cheung YUNG
	Mrs. Jenny HO
	Ms. Christine HO



Children's Heart Foundation

Organization Structure - 3

Parent and Volunteer Support Sub-committee 2007-2008

Co-Chairmen	Mrs. Jenny HO
	Ms. Christine HO
Member	Ms. Monica WOO
	Ms. Helen HO
	Ms. Kit Kwan KOON
	Ms. Sau Ping CHEUNG
	Ms. Connie LAU
	Ms. Hing Ling LAI
	Ms. Dora SO
	Mr. King Sing LEUNG
	Ms. Lolitter NG



Children's Heart Foundation

Message of Chairlady

Home is where the heart is

It is a privilege for me to act as chairlady of the Children's Heart Foundation (CHF). The accomplishments of 2007 and the first year of 2008, as described in this annual report, demonstrate the reason why I feel so honoured to lead such an outstanding charity.

"Home is where the heart is" – we devote our hearts to children suffering from congenital heart diseases and their family members. The CHF is more than just a charity, it has become a big family where young patients and their family members as well as our committee members work together and genuinely care for each other.

I am pleased to report that we have had a fruitful and successful year in 2007 and the first half of 2008. Our key challenge is to make what is good about the CHF even better while expanding into new areas of service and widening our support for existing and potential members.

As you may aware, the CHF relies entirely on public donations to carry out its services. Our Fund-Raising sub-committee and staff did an excellent job last year. Over HK\$5.9 million was raised in 2007 through dozens of well-received projects, including the Halody Charity Concert, Heart-to-Heart Charity Walk, Discovery Bay Tennis Tournament, Ladies' Luncheon, to name a few. Another memorable event was the 'Gingerbread Masterpiece Competition and Auction' which was held for the last time at the majestic Ritz Carlton Hotel before its demolition last December.

Apart from the well-received classes on music, art and crafts, we redoubled up our efforts to enhance the self-confidence and physical development of our children in 2007. A series of exciting outdoor activities, including golf training, horse-riding, overnight camp, classes on Tai Chi and



Children's Heart Foundation

Message of Chairlady

Shaolin martial arts, were held. Through these activities, our children and their families enjoyed different forms of exercise at a variety of locations.

We always take pride in our medical care for our children. In 2007, we dedicated over HK\$1.10 million to medical sponsorship, including subsidies for catheters, pacemakers and new medical equipment. For the long-term benefit of our children who will, sooner or later, enter adulthood, we have taken a proactive approach to developing an "Adult Congenital Heart Centre". We sponsored a local doctor to visit and learn from such a centre in the USA last year. To promote the standard of paediatric cardiac practice in Hong Kong, we also invited two leading paediatric cardiac surgeons from England and the USA to perform surgery on children with complex congenital heart diseases.

With more resources in terms of manpower, funding and an expanded network, the time is ripe for the CHF to reach out to children in Mainland China who are deprived of timely and proper medical care. To this end, we have set up a Mainland Sub-Committee that will study the issue and suggest a concrete course of action to take in China.

In April 2008, the CHF was invited by the Food and Health Bureau to act as a member of both the Steering Committee and Working Committee of the Paediatric Centre of Excellence – the future Children's Hospital. I believe that this representation will allow the CHF to serve the community at a higher level and to raise the standard of medical care for our children.

The use of the House of the Heart has been increasing since it opened in 2001. It has become more than a hostel to parents of hospitalized children. It provides support and refuge to distressed parents from Hong Kong, the Mainland and other places. To meet the needs of parents, we extended the hostel service of the House of Heart to seven days a week from April 2008 onwards.



Children's Heart Foundation

Message of Chairlady

Very soon, we will enjoy having a new home. In line with the relocation of the Cardiac Paediatric Unit from the Grantham Hospital to Queen Mary Hospital (QM) this August, the CHF office and the House of the Heart will also be moved to new quarters at 122 Pokfulam Road in late October this year. The new home is only a 2-minute walk away from QM with excellent facilities and convenient transportation. While we bid farewell to our old home base, I would like to thank the Grantham Hospital for the strong support rendered to the CHF since its inception.

I would like to extend my gratitude to all corporate and individual donors who have contributed immensely to the steady growth of the CHF. In particular, I would like to thank our close partners-cum- donors for carrying out a number of highly interesting fund-raising projects with us, namely, Nu Skin Enterprise (HK) Ltd, Standard Chartered Bank (HK) Ltd, Mattel (HK) Ltd, Ip Chi Shing Charitable Foundation, Quality Healthcare Medical Services Ltd, HKTravelor.com, Hasbro Far East Ltd, Swire Resources and Disneyland Hong Kong.

My sincere thanks go to our great team of Executive Committee Members who have done so much for no financial reward. Everyone has made use of his/her social network and expertise to enhance the capability of the entire organization. Despite the many hours of discussions and hard work, sometimes under adverse weather conditions, their enthusiasm and dedication never flags. It has been great working with you all!

I would like to give my deepest appreciation to Mr. Philip Elder who re-located to Shanghai early this year. Philip joined the CHF in 2004 and acted as Hon Treasurer until January 2008. He had actively participated in the CHF in his four years of service. I wish him and his family all the best in their new home.



Children's Heart Foundation

Message of Chairlady

Last but not least, on behalf of the CHF, I would like to thank our full-time and part-time staff for their hard work, in particular, Yasmin, Timsik and Wendy. I am most impressed by their efficiency and can-do spirit. Very little could have achieved without their concerted efforts.

Thank you.

Rebecca Yung



Children's Heart Foundation

Notice of Annual General Meeting

NOTICE is hereby given that an Annual General Meeting of the Foundation will be held at Novotel Century Hong Kong Hotel at Lower Lobby, Plaza 5, 238 Jaffe Road, Wan Chai, Hong Kong at 2:00 p.m. on Saturday, the 23th day of August 2008 for the following purposes :

1. To consider and approve the Audited Accounts of the Foundation for the period from 1st January 2007 to 31st December 2007 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

A handwritten signature in black ink, appearing to be 'Angela Lau', written over a horizontal line.

Secretary (Ms. Angela Lau)

Date : 26 Jul 2008

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.



Children's Heart Foundation

Members' Activities 2007/2008

Year 2007

Month	Events
Jan	CASH Fun Day at Kerry Lake Egret Nature Park
Mar	Lunar New Year Gathering
Mar	Nuskin Golf Relaxing Day
Apr	Mosaic Workshop
Jul	Warm Giving Cookies
Jul	Tai Chi Introductory Class for Family
Jul	CHF Children's Choir-2 nd Phase
Jul	CHF Choir Performance for Nu Skin Ruby Dinner
Jul	Summer Camp in Shaolin Centre
Jul	Summer Interactive Tutor Class
Jul - Aug	Parenting Series: Children drama shows
Aug	Parents' Sharing Station
Aug	Annual General Meeting 06/07
Sep	Annual Exhibition on Children Heart Health 2007
Dec	Christmas Party 2007
Dec	Love Express Campaign-Ocean Hut



Children's Heart Foundation

Members' Activities 2007/2008

Year 2008

Month	Events
Feb	Visit to Elderly Centre
Mar	Volunteer Lunch Gathering
Mar	New Year Day Tour
Mar	Happy Easter Ending
Apr	CASH Children Concert
Apr	CHF Children's Choir-1 st Phase
Apr	Children Art Workshop
Apr	Puppet Musical & Workshop
Jul	Sharing Summer Camp 2008
Jul	Love of the Little Cook
Jul	CHF Children's Choir-2 nd Phase
Jul	NuSkin Sport Day-Give the pony a hug
Aug	Visit and Share



Children's Heart Foundation

Fundraising Events 2007/2008

Year 2007

Month	Events
Jan	CASH Charity Programme
Feb	OVO Charity Valentine Programme
Apr	Kiehl's Charity Programme
Apr	CHF Charity Ladies Luncheon 2007
Apr	In memory of Harry Steves
May	Herbs' Charity Programme
Aug	Bulk Mailing Campaign 2007-the Standard Chartered Bank (Hong Kong) Limited.
Sep	Charity Chinese Opera Concert
Sep	Classical Rock n' pop fusion
Oct	Discovery Bay Charity Tennis Tournament 2007
Oct	10% Donation Scheme Annual Ball
Nov	Heart-to-Heart Charity Walk 07 cum Fun Carnival
Dec	REPLAY Charity Programme
Dec	Ritz Carlton Gingerbread Masterpieces Exhibition
Dec	Operation Santa Claus 2007
Dec	Charity Programme of Swire Marathon
Jan - Dec	Nuskin Children Heart Programme 2007
Jan - Dec	Corporate Donation Project 2007
Jan - Dec	Wisegiving 2007



Children's Heart Foundation

Fundraising Events 2007/2008

Year 2008

Month	Events
Jan	NE Mountain Marathon 2008
May	CHF Charity Ladies Luncheon 2008
Jun	Corporate Donation Project 2008
Jul	Bulk Mailing Campaign 2008-the Standard Chartered Bank (Hong Kong) Limited.
Jul	Disney VoluntEAR
Jul	Wisegiving 2008



Children's Heart Foundation

Medical Training and Development Programme **2007/2008**

Year 2007

<u>Date</u>	<u>Projects</u>
Oct 2006 - Sep 2007	CHF Sponsorship Project 2007 - Dr. Clement Chiu Shui-Wah (HK)
May 2007	CHF Medical Exchange Project (I) - Dr. Victor Tsang (UK)
Oct 2007	CHF Medical Exchange Project (II) - Research on Adult Congenital Heart Centre
Dec 2007	CHF Medical Exchange Project (III) - Dr. Victor Tsang (UK)

Year 2008

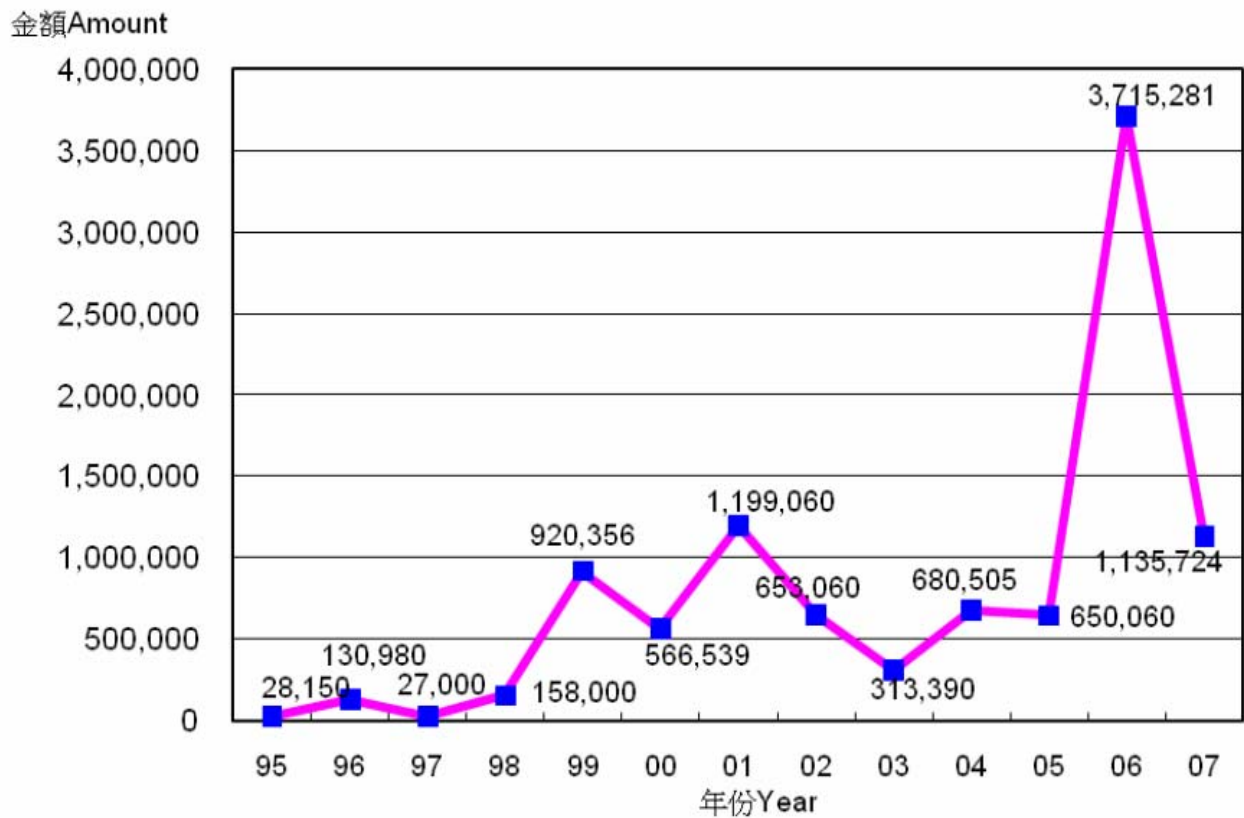
<u>Date</u>	<u>Projects</u>
Apr 2008	CHF Medical Exchange Project 2008 - Prof. Cheatham (USA)



Children's Heart Foundation

Statistics Report - 1

Expenditure on Sponsorship for Medical Treatment & Equipment

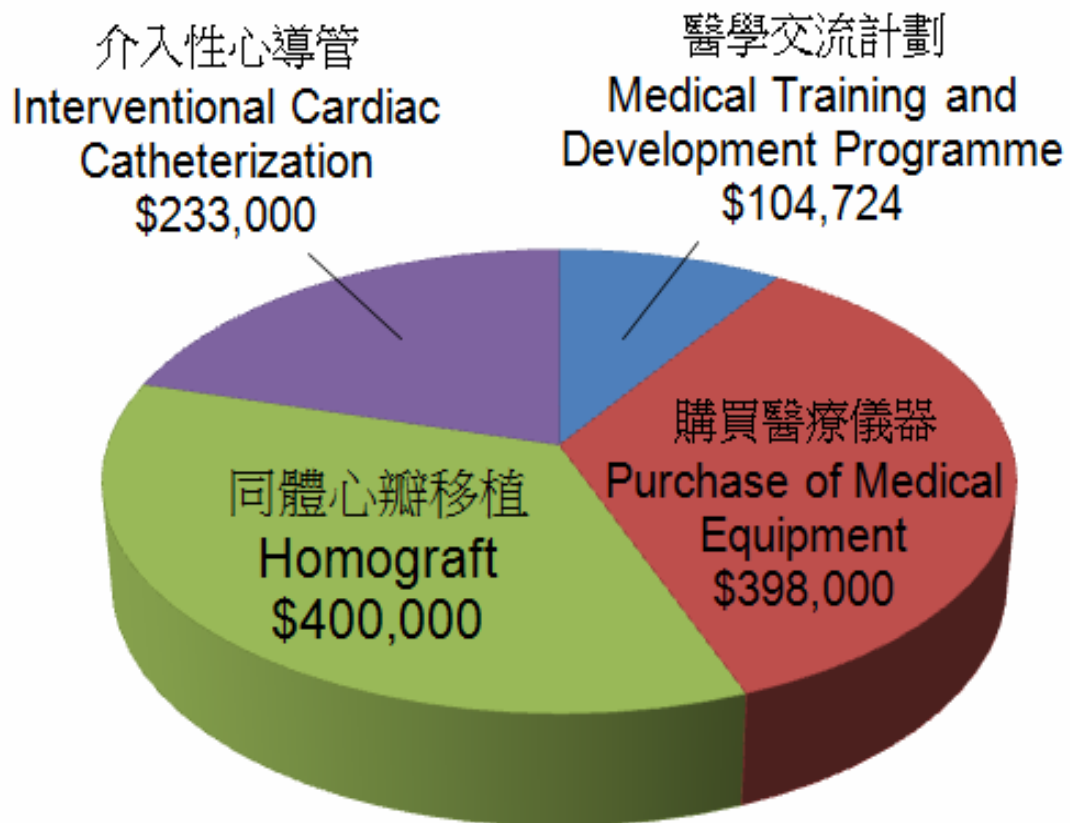




Children's Heart Foundation

Statistics Report - 2

Distribution of Sponsorship on Medical Aspects in 2007



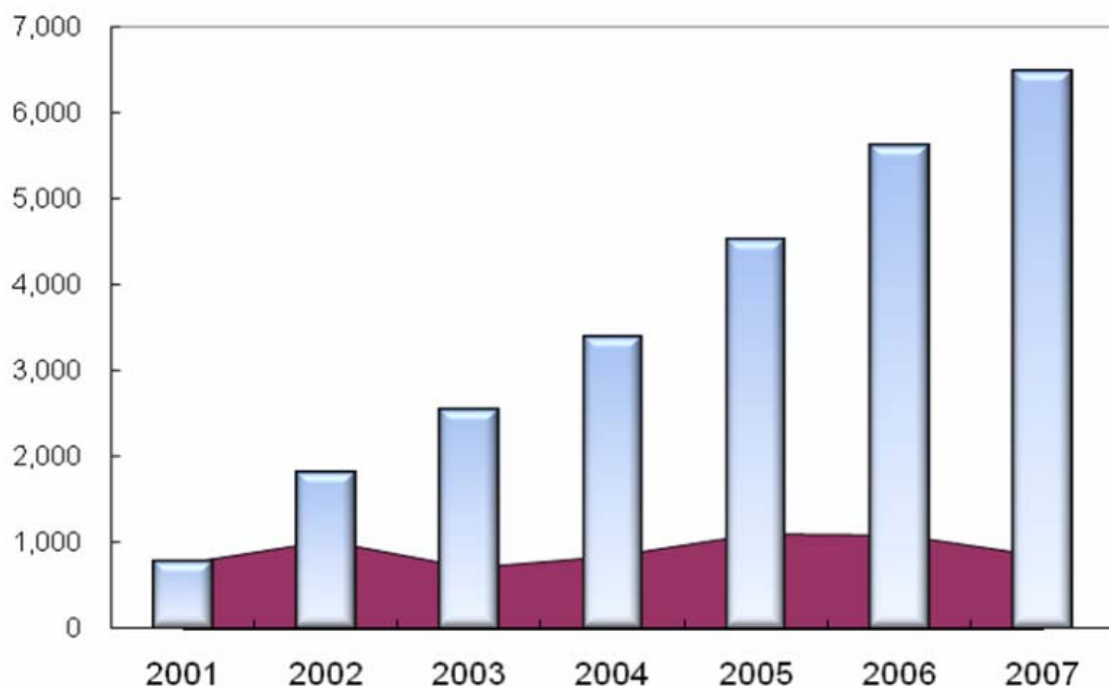


Children's Heart Foundation

Statistics Report - 3

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

人次 No. of Guest Night



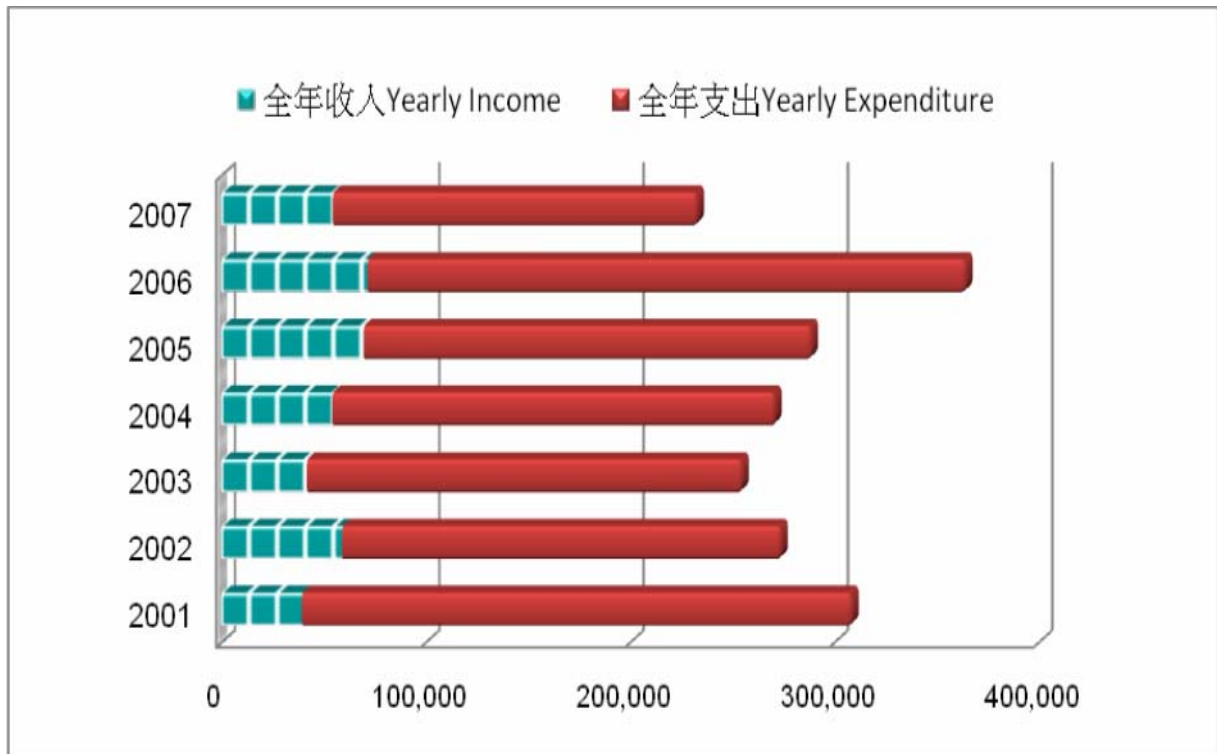
	2001	2002	2003	2004	2005	2006	2007
使用人次 Number of Guest Nights	775	1,036	723	860	1,119	1,105	858
累積使用人次 Cumulative Number of Guest Nights	775	1,811	2,534	3,394	4,513	5,618	6,476



Children's Heart Foundation

Statistics Report - 4

Income and Expenditure of House of the Heart



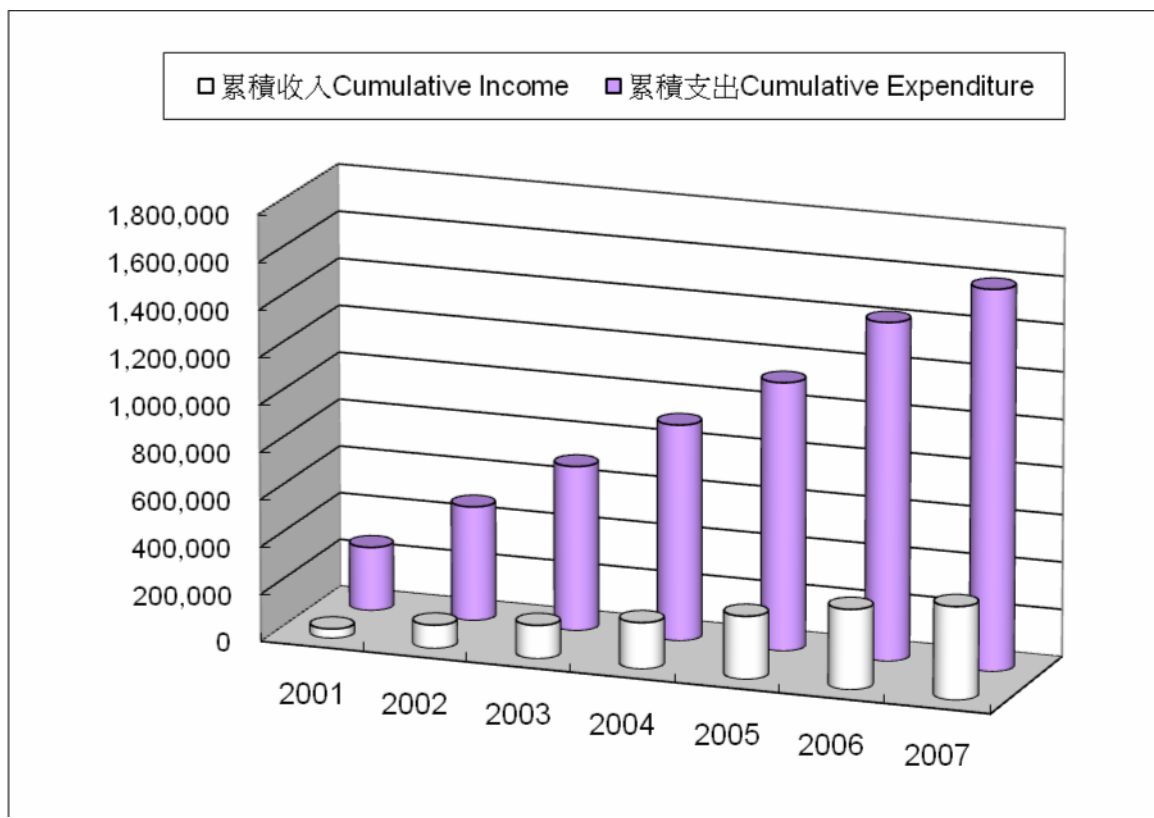
	2001	2002	2003	2004	2005	2006	2007
全年支出 Yearly Expenditure	\$269,106	\$214,716	\$212,840	\$216,473	\$218,938	\$292,647	\$178,250
全年收入 Yearly Income	\$39,660	\$59,398	\$42,100	\$54,580	\$69,980	\$71,830	\$54,800



Children's Heart Foundation

Statistics Report - 5

Cumulative Income and Expenditure of House of the Heart



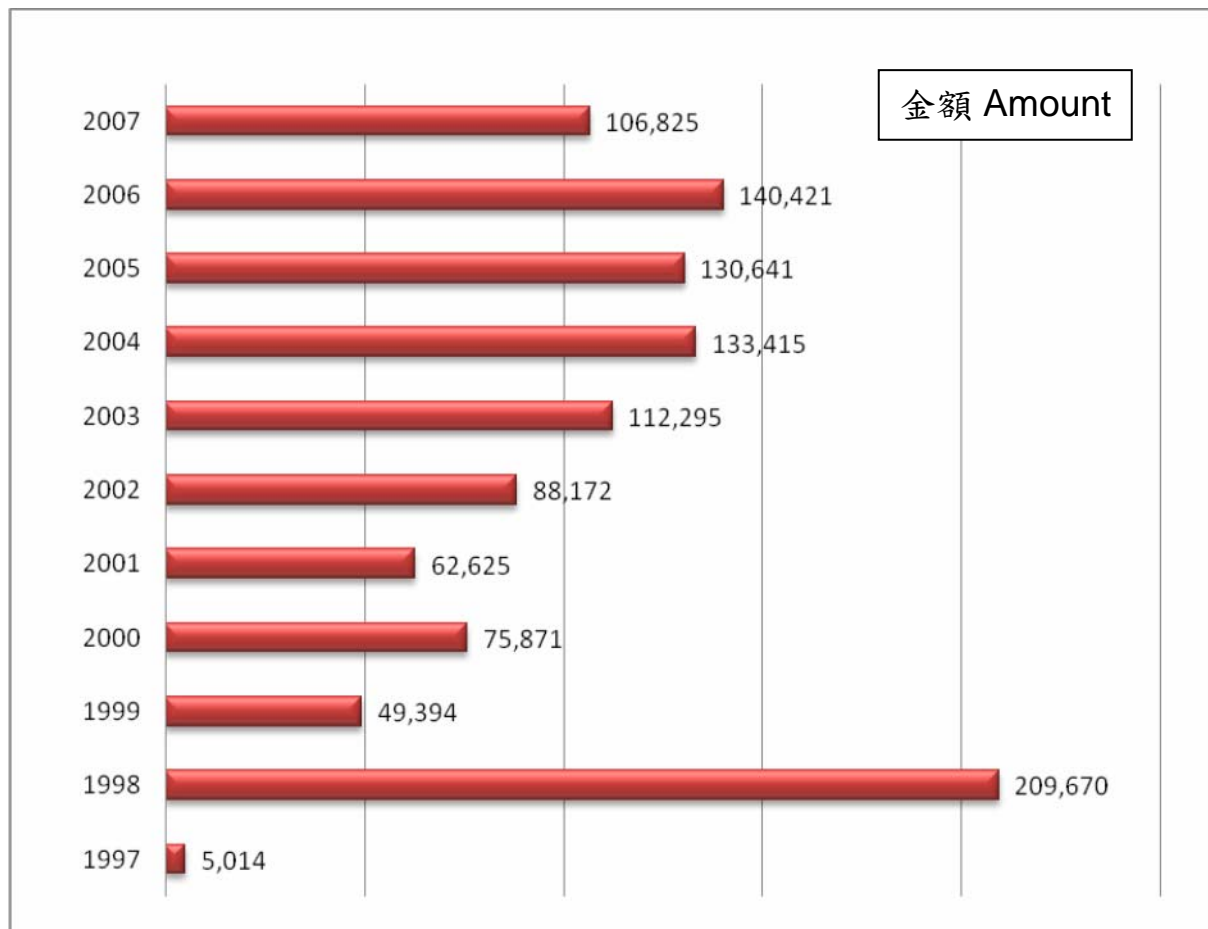
	2001	2002	2003	2004	2005	2006	2007
累積支出 Cumulative Expenditure	\$269,106	\$483,822	\$696,662	\$913,135	\$1,132,072	\$1,424,720	\$1,602,970
累積收入 Cumulative Income	\$39,660	\$99,058	\$141,158	\$195,738	\$265,718	\$337,548	\$392,348



Children's Heart Foundation

Statistics Report - 6

Expenditure on Educational Programmes & Members' Activities





Children's Heart Foundation

Statistics Report - 7

District of Annual Exhibition on Children's Heart Health



	年份 Year	地點 Location
1.	1998	葵芳 Kwai Fong & 太古城 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

*Children's Heart Foundation
(Limited by guarantee)
Year ended 31 December 2007*

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 2007.

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 and principal place of business at Patient Resource Centre, G/F, Main Block, Grantham Hospital, 125 Wong Chuk Hang Road, Aberdeen, 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 2007 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 and up to the date of this report were:

Rebecca Mei Pik Choy Yung	Chairman	
Kai Tung Chau	Vice Chairman	(appointed as Vice Chairman on 25 October 2007)
Robert Footman	Treasurer	(appointed as Treasurer on 1 January 2008)
Angela Ming Yau Lau	Secretary	(appointed as Secretary on 25 October 2007)
Philip Elder	Treasurer	(resigned as Treasurer on 1 January 2008)
Jonathan David Marsh	Secretary	(resigned as Secretary on 25 October 2007)
Wai Kwan Au		
Christine Wai Ching Ho		

*Children's Heart Foundation
(Limited by guarantee)
Year ended 31 December 2007*

Executive Committee (continued)

The members of the Executive Committee during the financial year and up to the date of this report were: (continued)

Monica Kim To Woo
Stephen Zweig David
Tak Cheung Yung (appointed on 25 August 2007)
Maurice Ping Leung Vice Chairman (resigned on 25 August 2007)

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.

Auditors

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

By order of the Executive Committee



Monica



Executive Committee member
Hong Kong, 18 AUG 2008



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 2007, 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 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.

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. 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 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 2007 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 'M. M. M.' or similar, written in a cursive style.

Certified Public Accountants

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

1 8 AUG 2008

Children's Heart Foundation

(Limited by guarantee)

Financial statements for the year ended 31 December 2007

Income and expenditure account for the year ended 31 December 2007

(Expressed in Hong Kong dollars)

	2007	2006
Income		
Donations	\$ 1,411,027	\$ 554,648
Bank interest	299,254	249,903
Charity walk	807,337	862,326
House of Heart	33,891	42,243
Net investment income	207,513	77,893
Other fund raising events	<u>3,144,050</u>	<u>3,213,548</u>
	<u>\$ 5,903,072</u>	<u>\$ 5,000,561</u>
	-----	-----
Expenditure		
Bank charges	\$ 8,406	\$ 6,571
Depreciation for fixed assets	13,800	17,676
Exhibition fees	1,121	34,021
Educational program	25,374	-
Home page expenses	6,277	2,837
Homograft	400,000	400,000
Local travelling	5,487	2,832
Mandatory Provident Fund	25,132	27,012
Medical sponsorship	735,724	3,315,281
Membership expenses	80,330	106,400
Modem/fax/data charges	7,998	9,171
Postage	4,747	1,012
Printing charges	1,100	815
Repairs and maintenance	-	79,200
Salaries	538,314	553,944
Stationery	8,419	11,578
Sundry expenses	<u>48,314</u>	<u>8,636</u>
	<u>\$ 1,910,543</u>	<u>\$ 4,576,986</u>
	-----	-----
Surplus for the year	<u>\$ 3,992,529</u>	<u>\$ 423,575</u>
Amount transferred to accumulated fund	<u>(3,992,529)</u>	<u>(423,575)</u>
	<u>\$ -</u>	<u>\$ -</u>
	=====	=====

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

*Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007*

**Statement of change in fund
for the year ended 31 December 2007**
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2007</i>	<i>2006</i>
Balance at 1 January		\$ 9,991,073	\$ 9,567,498
Changes in fair value of available-for-sale securities	10	(78,119)	-
Surplus for the year	10	<u>3,992,529</u>	<u>423,575</u>
Balance at 31 December		<u>\$13,905,483</u>	<u>\$ 9,991,073</u>

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

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

Cash flow statement
for the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	2007	2006
Operating activities		
Surplus for the year	\$ 3,992,529	\$ 423,575
Adjustments for:		
- Depreciation	13,800	17,676
- Interest income	(299,254)	(249,903)
- Net investment income	(207,513)	(77,893)
- Exchange gain	<u>(1,072)</u>	<u>(3,501)</u>
Surplus before changes in working capital	\$ 3,498,490	\$ 109,954
Decrease/(increase) in other receivables	168,834	(122,041)
Increase in accrued expenses and other payables	<u>1,949,922</u>	<u>1,166</u>
Cash generated from/(used in) operations	\$ 5,617,246	\$ (10,921)
Investing activities		
Payment for purchase of:		
- held to maturity securities	\$ (3,147,367)	\$ -
- available-for-sale securities	(2,063,265)	-
Payment for purchase of fixed assets	(34,731)	(8,376)
Proceeds from redemption of held to maturity securities	1,556,216	929,516
Interest received from bank deposits	251,196	163,355
Interest received from held-to-maturity securities	137,669	103,315
Dividends received from available-for-sale securities	84,635	-
Decrease in deposits with banks	<u>63,088</u>	<u>-</u>
Net cash (used in)/generated from investing activities	\$ (3,152,559)	\$ 1,187,810
Net increase in cash and cash equivalents	\$ 2,464,687	\$ 1,176,889
Cash and cash equivalents at 1 January	<u>6,057,026</u>	<u>4,880,137</u>
Cash and cash equivalents at 31 December	<u>\$ 8,521,713</u>	<u>\$ 6,057,026</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 certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the Foundation. The new disclosures resulting from the initial application of these standards or developments to the extent they are relevant to the Foundation are summarised as follows:

- (i) HKFRS 7, *Financial instruments: Disclosures*, requires expanded disclosure about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided primarily in note 12.
- (ii) The Amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, introduces additional disclosure requirements to provide information about the level of capital and the Foundation's objectives, policies and processes for managing capital. These new disclosures are set out in note 11.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

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

*Children's Heart Foundation
(Limited by guarantee)*

Financial statements for the year ended 31 December 2007

2 Significant accounting policies (continued)

(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.

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.

2 Significant accounting policies (continued)

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

(i) Held-to-maturity debt securities (continued)

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.

(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.

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

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.

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

2 Significant accounting policies (continued)

(i) 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;

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

2 Significant accounting policies (continued)

(l) 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:

	2007	2006
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.

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

5 Fixed assets

	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Total</i>
<i>Cost:</i>			
At 1 January 2006	\$ 80,090	\$ 88,294	\$ 168,384
Additions	<u>-</u>	<u>8,376</u>	<u>8,376</u>
At 31 December 2006	<u>\$ 80,090</u>	<u>\$ 96,670</u>	<u>\$ 176,760</u>
<i>Accumulated depreciation:</i>			
At 1 January 2006	\$ 71,421	\$ 56,015	\$ 127,436
Charge for the year	<u>8,009</u>	<u>9,667</u>	<u>17,676</u>
At 31 December 2006	<u>\$ 79,430</u>	<u>\$ 65,682</u>	<u>\$ 145,112</u>
<i>Net book value:</i>			
At 31 December 2006	<u>\$ 660</u>	<u>\$ 30,988</u>	<u>\$ 31,648</u>
	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Total</i>
<i>Cost:</i>			
At 1 January 2007	\$ 80,090	\$ 96,670	\$ 176,760
Additions	<u>-</u>	<u>34,731</u>	<u>34,731</u>
At 31 December 2007	<u>\$ 80,090</u>	<u>\$ 131,401</u>	<u>\$ 211,491</u>
<i>Accumulated depreciation:</i>			
At 1 January 2007	\$ 79,430	\$ 65,682	\$ 145,112
Charge for the year	<u>660</u>	<u>13,140</u>	<u>13,800</u>
At 31 December 2007	<u>\$ 80,090</u>	<u>\$ 78,822</u>	<u>\$ 158,912</u>
<i>Net book value:</i>			
At 31 December 2007	<u>\$ -</u>	<u>\$ 52,579</u>	<u>\$ 52,579</u>

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

6 Non-current financial assets

	<i>2007</i>	<i>2006</i>
Held-to-maturity debt securities listed in the United States of America	\$3,137,803	\$ 779,539
Fixed deposits with bank	-	777,634
Available-for-sale securities listed in the United States of America	<u>1,981,948</u>	<u>-</u>
	<u>\$5,119,751</u>	<u>\$1,557,173</u>
Market value of listed securities	<u>\$5,123,140</u>	<u>\$ 777,610</u>

7 Other receivables

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

8 Cash and cash equivalents

	<i>2007</i>	<i>2006</i>
Deposits with banks	\$ 3,477,884	\$1,570,743
Cash at bank and in hand	<u>5,043,829</u>	<u>4,486,283</u>
	<u>\$ 8,521,713</u>	<u>\$6,057,026</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 2006	\$ -	\$ 9,567,498	\$ 9,567,498
Surplus for the year	<u>-</u>	<u>423,575</u>	<u>423,575</u>
At 31 December 2006	<u>\$ -</u>	<u>\$ 9,991,073</u>	<u>\$ 9,991,073</u>

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

10 Reserves (continued).

	<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>	<u>3,992,529</u>	<u>3,992,529</u>
At 31 December 2007	<u>\$ (78,119)</u>	<u>\$ 13,983,602</u>	<u>\$13,905,483</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(c)(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 \$13,905,483 (2006: \$9,991,073).

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.

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

12 **Financial instruments**

Exposure to credit, liquidity, interest rate, foreign currency and price 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.

Children's Heart Foundation
(Limited by guarantee)
Financial statements for the year ended 31 December 2007

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:

	2007		2006	
	<i>Effective interest rate</i>	<i>Amount</i>	<i>Effective interest rate</i>	<i>Amount</i>
Cash and cash equivalents	2.14%	\$ 8,521,713	2.80%	\$ 6,057,026
Deposits with bank	5.75%	2,000,000	3.88% - 4.00%	2,063,088
Held-to-maturity securities	4.18% - 4.90%	3,137,803	5.08%	1,557,173
Available-for-sale securities	3.65%	1,981,948	-	-

(ii) Sensitivity analysis

At 31 December 2007, 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 \$156,415 (2006: \$96,773).

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 2006.

(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.

Children's Heart Foundation

(Limited by guarantee)

Financial statements for the year ended 31 December 2007

12 Financial instruments (continued)

(d) Foreign currency risk (continued)

As all the Foundation's financial instruments at 31 December 2007 and 2006 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>2007</i>	<i>2006</i>
	<i>United</i>	<i>United</i>
	<i>States</i>	<i>States</i>
	<i>Dollars</i>	<i>Dollars</i>
Non-current financial assets	660,216	200,245
Cash and cash equivalents	<u>444,895</u>	<u>13,380</u>
	<u>1,105,111</u>	<u>213,625</u>

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

(e) Price risk

The Foundation is exposed to price changes arising from investments classified as available-for-sale securities (see note 6).

The Foundation's investments are held for long term strategic purposes and indexed to United States dollar denominated fixed income securities. The fair value of which is affected by changes in the market price of the underlying fixed income securities.

At 31 December 2007, it is estimated that a general increase/decrease of 5% in fixed income security prices, with all other variables held constant, would increase/decrease the Foundation's fund by approximately \$99,097 (2006: \$Nil).

The sensitivity analysis has been determined assuming that the reasonably possible changes in the fixed income security prices had occurred at the balance sheet date and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Foundation's investments would change in accordance with the historical correlation with the relevant fixed income security prices, that none of the Foundation's available-for-sale investments would be considered impaired as a result of a reasonably possible decrease in the relevant fixed income security prices and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant fixed income security prices over the period until the next annual balance sheet date.

Children's Heart Foundation

(Limited by guarantee)

Financial statements for the year ended 31 December 2007

12 Financial instruments (continued)**(f) Fair values**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006 except as follows:

	2007		2006	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Held-to-maturity securities	\$ 3,137,803	\$ 3,141,192	\$ 1,557,173	\$ 1,555,244

(g) 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.

13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

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 2007 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.