

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

DIRECTORS' REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER 2011

## COMMITMENT FOR SCHOOL BUILDING DONATION

The Foundation has committed approximately RMB 2.18 million (2010: RMB1.22 million) as at the year ended date for payment of donation money for construction of school buildings in Mainland China.

## INTEREST IN CONTRACTS

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

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

## AUDITORS

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

On behalf of the Board,

Chairman

HONG KONG:



28 JUN 2012

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

## REPORT OF THE BOARD OF GOVERNORS

The members of Executive Committee of United Hearts Youth Foundation Limited (the "Foundation") have pleasure in submitting their report together with the audited accounts for the year ended 31st December 2011.

## PRINCIPAL ACTIVITIES

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

## RESULTS

The results of the Foundation for the year ended 31st December 2011 and the state of affairs as at the year ended date are set out in the annexed accounts.

## FIXED ASSETS

Details of the movements in fixed assets are shown in note 6 to the accounts.

## BOARD OF GOVERNORS

The members of the Board of Governors (the "Board") during the year were:

Young Cho Yee, David  
Cheung Chau Yin  
Cheung Suet Ling, Shirley  
Kwok Man Yee, Elvis  
Lui Chun Tung  
Ching Suk Kuen  
Wong, Pik Chi, Van  
Liu Po Yee, Joan  
Ling Wai Man  
Wright Chui Pui Yee, Candy  
Cheung Wing Yee Step  
Chow Chi Keung

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

## ACCOUNTS

The company has adopted the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for preparation accounts. The accounts have been prepared under the historical cost convention.

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

Certified Public Accountants

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



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

We have audited the financial statements of United Hearts Youth Foundation Limited (the "Foundation"), which comprise the statement of financial position as at 31st December 2011, and the income statement, the statement of comprehensive income and statement of cash flow and statement of changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Governors for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the Foundation 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 Foundation internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Governors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Foundation's affairs as at 31st December 2011 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



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

Date: 28 JUN 2012

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

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

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 HK\$	2010 HK\$
Surplus for the year	302,302	325,226
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>302,302</u>	<u>325,226</u>

The accompanying notes form an integral part of these accounts.

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	2011 HK\$	2010 HK\$
REVENUE			
Donation		1,549,285	1,937,552
Interest income		8,638	1,321
		<u>1,557,923</u>	<u>1,938,873</u>
EXPENDITURE			
Direct fund raising costs		-	(10,000)
Contribution towards charitable causes		(920,498)	(1,279,817)
Administrative expenses		(335,123)	(323,830)
		<u>302,302</u>	<u>325,226</u>
SURPLUS BEFORE TAXATION	4	302,302	325,226
TAXATION	5	-	-
		<u>302,302</u>	<u>325,226</u>
SURPLUS FOR THE YEAR		302,302	325,226
ACCUMULATED FUND BROUGHT FORWARD		4,507,775	4,182,549
		<u>4,810,077</u>	<u>4,507,775</u>
ACCUMULATED FUND CARRIED FORWARD		=====	=====

The accompanying notes form an integral part of these financial statements

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
STATEMENT OF FINANCIAL POSITION  
AS AT 31ST DECEMBER 2011

<b>ASSETS AND LIABILITIES</b>	Note	2011 HK\$	2010 HK\$
<b>Non-Current Assets</b>			
Property, plant and equipment	6	4,030	7,765
		4,030	7,765
<b>Current Assets</b>			
Cash and cash equivalents	7	3,656,468	2,876,960
Fixed time deposit		1,803,252	1,500,000
Deposits and prepayment	8	124,050	124,050
		5,583,770	4,501,010
<b>Current Liabilities</b>			
Accruals and other payable	9	777,723	1,000
		777,723	1,000
<b>Net Current Assets</b>		4,806,047	4,500,010
<b>Total Assets Less Current Liabilities</b>		4,810,077	4,507,775

The accompanying notes form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 2011

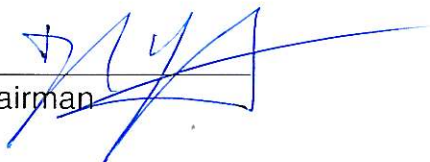
	Accumulated Fund HK\$	Total HK\$
Balance at 1st January 2010	4,182,549	4,182,549
Total comprehensive income for the year	325,226	325,226
Balance at 31st December 2010	4,507,775	4,507,775
Total comprehensive income for the year	302,302	302,302
Balance at 31st December 2011	4,810,077	4,810,077

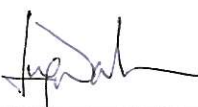
The accompanying notes form an integral part of these financial statements.

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
STATEMENT OF FINANCIAL POSITION  
AS AT 31ST DECEMBER 2011

	Note	2011 HK\$	2010 HK\$
<b>GENERAL FUND AND RESERVES</b>			
Accumulated Fund	10	4,810,077	4,507,775
		<u>4,810,077</u>	<u>4,507,775</u>
		=====	=====

Approved and authorised for issue by the Board on **28 JUN 2012**

  
Chairman

  
Treasurer

The accompanying notes form an integral part of these financial statements.

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 HK\$	2010 HK\$
Cash flows from operating activities		
Profit before income tax expense	302,302	325,226
Adjustment for:		
Interest income	(8,638)	(1,321)
Operating profit before working capital changes	<u>293,664</u>	<u>323,905</u>
Depreciation	3,735	3,735
Increase in donation receipt in advance	755,723	-
Increase in accrued expenses	21,000	-
Decrease in utility deposit	-	(4,000)
Decrease in prepayment	-	(2,000)
Net cash generated from/(used in) operating activities	<u>1,074,122</u>	<u>321,640</u>
Cash flows used from investing activities		
Interest received	8,638	1,321
Net cash generated from investing activities	<u>8,638</u>	<u>1,321</u>
Net increase in cash and cash equivalents	<u>1,082,760</u>	<u>322,961</u>
Cash and cash equivalents at the beginning of the year	4,376,960	4,053,999
Cash and cash equivalents at the end of the year	<u>5,459,720</u>	<u>4,376,960</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>5,459,720</u>	<u>4,376,960</u>

carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(b) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Foundation becomes a party to the contractual provisions of the instruments. Financial assets are initially measured at fair value, which normally will be equal to the transaction price, plus transaction costs that are directly attributable to the acquisition of the financial assets or financial liabilities at fair value through profit and loss.

(c) Financial assets

The Foundation's financial assets are classified into either loans and receivable or available-for-sale investments and other receivables. The Foundation determines the classification of its financial assets after initial recognition and, where allowed and appropriate, reconsiders their designation at each financial year end. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(d) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Foundation are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Foundation after deducting all of its liabilities. The Foundation financial liabilities are generally classified into financial liabilities at fair value through profit or loss, other financial liabilities and convertible loan notes. The accounting policies adopted for financial liabilities and equity instruments are set out below:

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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

NOTES TO THE ACCOUNTS

GENERAL INFORMATION

1. The United Hearts Youth Foundation Limited was incorporated in Hong Kong under the Companies Ordinance as a Company limited by guarantee and not having a share capital. The registered office of the Foundation is located at Unit B & C, 16/F., Yally Industrial Building, 6 Yip Fat Street, Aberdeen, Hong Kong. Under the provisions of the Foundation's Memorandum of Association, every member undertakes to contribute to the fassets of the Foundation, in the event of the Foundation being wound up, to the extent of HK\$100.

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities ("HKFRSPE") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

The statement of financial position and income statement, being the terminology as described for presentation of accounts, represent the terms for statutory disclosure of balance sheet and profit and loss account respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of these accounts is set out below:

- (a) Impairment of assets

An assessment is made at the end of each reporting period of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income and expenditure accounts in the period in which it arises, unless the asset is

## Equity instruments

Equity instruments, if any, issued by the Foundation are recorded at the proceeds received, net of direct issue costs.

## Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Foundation has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial assets, the difference between the carrying amount of the financial asset and the sum of the consideration received and cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Foundation's statement of financial position (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### (e) Property, plant and equipment

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

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

Office equipment	30%
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The gain or loss on disposal or retirement of a property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### (f) Provision 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 expenditures expected to settle the obligation.

6. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment HK\$	Total HK\$
Cost:		
At 1st January 2010	60,234	60,234
Additions	-	-
At 31st December 2010	<u>60,234</u>	<u>60,234</u>
Additions	-	-
At 31st December 2011	<u>60,234</u>	<u>60,234</u>
Accumulated depreciation:		
At 1st January 2010	48,734	48,734
Charge for the year	3,735	3,735
At 31st December 2010	<u>52,469</u>	<u>52,469</u>
Charge for the year	3,735	3,735
At 31st December 2011	<u>56,204</u>	<u>56,204</u>
Net carrying value:		
At 31st December 2011	4,030	4,030
At 31st December 2010	<u>7,765</u>	<u>7,765</u>

7. CASH AND CASH EQUIVALENTS

	2011 HK\$	2010 HK\$
Deposit with banks	3,653,923	2,875,460
Cash on hand	2,545	1,500
Fixed time deposit	<u>3,656,468</u>	<u>2,876,960</u>
	1,803,252	1,500,000
	<u>5,459,720</u>	<u>4,376,960</u>

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.

(g) Creditors and other payables

Creditors and 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.

(h) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(i) Revenue recognition

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

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) Related parties

Parties are considered to be related to the Foundation if the Foundation has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their

closed family members) or other entities and include entities which are under the significant influence of related parties of the Foundation where those parties are individuals, and post employment benefit plans which are for the benefit of employees of the Foundation or of any entity that is a related party to the Foundation.

(l) Revenue

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

4. SURPLUS BEFORE TAXATION

	2011 HK\$	2010 HK\$
Surplus before taxation is stated after charging:		
Audit fee	-	-
Fee to governors	-	-
	=====	=====
and after crediting:		
Interest income	8,638	1,321
	=====	=====

All the members of the Board of Governors have not received any fee, salary or remuneration during the year.

5. TAXATION

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

8. DEPOSITS AND PREPAYMENT

	2011 HK\$	2010 HK\$
Utility deposit	116,050	116,050
Prepayment	8,000	8,000
	<u>124,050</u>	<u>124,050</u>
	=====	=====

9. ACCRUALS AND OTHER PAYABLE

	2011 HK\$	2010 HK\$
Accrued expenses	22,000	1,000
Advance receipt	755,723	-
	<u>777,723</u>	<u>1,000</u>
	=====	=====

10. ACCUMULATED FUND

	2011 HK\$	2010 HK\$
Surplus for the year	302,302	325,226
Accumulated fund brought forward	4,507,775	4,182,549
	<u>4,810,077</u>	<u>4,507,775</u>
	=====	=====

11. CONTINGENT LIABILITIES

The Foundation has committed approximately RMB 2.18million (2010: RMB 1.22 million) as at the year ended date for payment of donation money for construction of school buildings in Mainland China.

12. RELATED PARTY TRANSACTIONS

Other than the transactions and balances detailed elsewhere in these accounts, the board of governors consider that there is no material transactions with related parties during the year.

13. COMPARATIVE FIGURES

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

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2011  
(For management information purpose only)

	2011 HK\$	2010 HK\$
INCOME		
Donation	1,542,485	1,118,957
Fund raising activities	-	770,849
Membership fees	6,800	10,590
Other income	-	37,156
	<u>1,549,285</u>	<u>1,937,552</u>
	-----	-----
DIRECT FUND RAISING COSTS		
Fund raising activities	-	(10,000)
CONTRIBUTIONS TOWARDS CHARITABLE CAUSES		
Education	(920,498)	(1,279,817)
	<u>(920,498)</u>	<u>(1,289,817)</u>
	-----	-----
Interest income	628,787	647,735
	8,638	1,321
	<u>637,425</u>	<u>649,056</u>
Less: Expenditure (Appendix 2)	335,123	323,830
	<u>302,302</u>	<u>325,226</u>
	=====	=====

UNITED HEARTS YOUTH FOUNDATION LIMITED  
(Incorporated in Hong Kong and Limited by Guarantee)  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2011  
(For management information purpose only)

	2011 HK\$	2010 HK\$
ADMINISTRATIVE EXPENSES		
Bank charges	8,959	9,960
Computer expenses	-	80
Depreciation	3,735	3,735
Electricity expenses	7,378	7,122
Meeting and activity consumables	2,920	2,950
Insurance	10,040	11,035
MPF Contribution	8,750	8,154
Postage and courier	1,292	2,143
Printing and stationery	3,319	1,654
Rental payment	96,000	94,000
Salary and wages	175,000	156,390
Secretarial fee	1,000	1,000
Souvenir	9,858	9,093
Sundry expenses	666	10,541
Telephone and internet	5,966	4,993
Transportation	240	980
	<u>335,123</u>	<u>323,830</u>
	=====	=====