

**CHILDREN'S HOPE FUND HONG KONG LIMITED**  
**(formerly known as WORLD EMERGENCY RELIEF HONG KONG LIMITED)**  
兒童希望基金(香港)有限公司  
(前名為 世界緊急援助(香港)有限公司)

**(Limited by Guarantee)**

**Reports and Financial Statements**

**For the year ended 31 December 2009**

**CHILDREN'S HOPE FUND HONG KONG LIMITED**  
**(formerly known as WORLD EMERGENCY RELIEF HONG KONG LIMITED)**  
兒童希望基金(香港)有限公司  
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**Reports and Financial Statements**  
**For the year ended 31 December 2009**

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**CHILDREN'S HOPE FUND HONG KONG LIMITED**  
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**Council Members' Report**

The Council Members have pleasure to present their annual report together with the audited financial statements of the Association for the year ended 31 December 2009.

**Principal activities**

The principal activities of the Association are to provide both emergency and sustained aid to children, their families and their communities in distressed regions throughout the world. The Association offers financial grants, technical resources and sends volunteers to charitable program overseas to meet the physical, emotional and spiritual needs of people in distress.

The Association depends on individuals, other grant-making entities and the business community to provide the resources needed to secure, ship and deploy resources, as well as to provide the technical support of "capacity building" for indigenous charitable programs to provide essential aid to relieve poverty, distress and suffering of people in distress.

**Change of name**

Pursuant to a resolution passed by the members of the Association on 29 October 2009, the Association has changed its name from World Emergency Relief Hong Kong Limited (世界緊急援助(香港)有限公司) to Children's Hope Fund Hong Kong Limited (兒童希望基金(香港)有限公司).

**Results**

The results of the Association for the year and the state of the Association's affairs at that date are set out in the financial statements on pages 4 to 14.

**Reserves**

The details of movement in reserves during the year are set out in the statement of changes in reserves on page 6.

**Equipment**

The details of movement in equipment during the year are set out in note 9 to the financial statements.

**Council Members**

The Council Members who held office during the year and up to the date of this report were,

Michael Nasri BATARSEH  
Donald Edward HANSON JR.  
Kristy Hirase SCOTT  
TSUI Wan Sang, Daniel  
Eric Kimball STRUTT

- resigned on 2 April 2009

There being no provision in the Association's Articles of Association for retirement of council members by rotation, all the council members remain in office.

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**Council Members' Report (cont'd)**

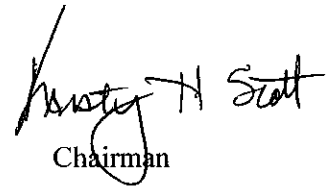
**Council Members' interest in contract**

At no time during the year was the Association a party to any significant contract in which the Council Members of the Association had directly or indirectly material interest.

**Auditor**

The financial statements have been audited by Messrs. LKY China who offer themselves for re-appointment.

On behalf of the Council

  
Chairman

Hong Kong, 17 AUG 2010



華強會計師事務所

**LKY CHINA**

Certified Public Accountants (Practising), Hong Kong

Partners:

甄達華會計師

JOSEPH T. W. YAN

FCPA (Practising), ACA,  
FCCA, FTIHK, MSCA

高志強會計師

ALBERT C.K. KO

FCPA (Practising), ACA,  
ASA, FTIHK, BBA, MA

蔡少芬會計師

NATALIE S.F. CHOY

CPA (Practising), FCCA,  
MA (Acctg)

### Independent Auditor's Report

To the members of **CHILDREN'S HOPE FUND HONG KONG LIMITED**  
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(Incorporated in Hong Kong with liability limited by guarantee)

We have audited the financial statements of Children's Hope Fund Hong Kong Limited set out on pages 4 to 14, which comprise the Association's statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Council Members' responsibility for the financial statements

The Council Members of the Association 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 and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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 Council Members, 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 Association's affairs as at 31 December 2009 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

LKY China  
Certified Public Accountants (Practising)

Hong Kong, 17 AUG 2010

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**Statement of Comprehensive Income**  
**For the year ended 31 December 2009**

	<u>Note</u>	<u>2009</u> <u>HK\$</u>	<u>2008</u> <u>HK\$</u>
<b>Income</b>			
Gifts in kind received	3(f)	17,726,442	45,980,272
Contributions received		3,176,704	5,702,651
Special event	5	186,394	388,286
Designated fund income for service project	6	706,611	1,345,472
		21,796,151	53,416,681
<b>Operating expenditures</b>			
Designated fund expenditures for service project	6	599,396	1,307,974
Program expense		18,735,942	47,753,839
Administrative expense		1,699,922	1,507,595
Fund raising expenses		945,825	2,139,531
		21,981,085	52,708,939
<b>Operating (deficit)/surplus for the year</b>		(184,934)	707,742
Other income		4,118	6,675
<b>Total comprehensive income and (deficit)/surplus for the year</b>	7	(180,816)	714,417

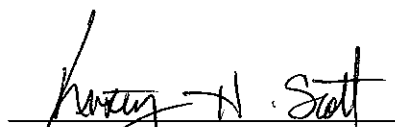
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**Statement of Financial Position as at 31 December 2009**

	<u>Note</u>	<u>2009</u> <u>HK\$</u>	<u>2008</u> <u>HK\$</u>
<b>Non-current assets</b>			
Equipment	9	8,865	16,925
<b>Current assets</b>			
Prepayment and deposits		128,692	56,747
Cash and cash equivalents		2,174,675	1,980,024
		2,303,367	2,036,771
<b>Current liabilities</b>			
Accounts payable and accrued charges		670,228	230,876
<b>Net current assets</b>		1,633,139	1,805,895
<b>Net assets</b>		1,642,004	1,822,820
<b>Accumulated surplus</b>		799,919	1,087,950
Designated fund for service projects	6	842,085	734,870
		1,642,004	1,822,820

The financial statements and the notes set out on pages 4 to 14 were approved and authorized for issue by the Council Members on 17 AUG 2010 and signed on its behalf by,

  
 \_\_\_\_\_  
 Council Member

  
 \_\_\_\_\_  
 Council Member

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**Statement of Changes in Reserves**  
**For the year ended 31 December 2009**

	Accumulated <u>surplus</u> <u>HK\$</u>	Designated <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
<b>Balance as at 1.1.2008</b>	821,257	287,146	1,108,403
Surplus for the year	714,417	-	714,417
Transfer of fund	(410,226)	410,226	-
Net surplus of designated fund for service project, now transfer	(37,498)	37,498	-
<b>Balance as at 1.1.2009</b>	<u>1,087,950</u>	<u>734,870</u>	<u>1,822,820</u>
Deficit for the year	(180,816)	-	(180,816)
Net surplus of designated fund for service project (note 6), now transfer	(107,215)	107,215	-
<b>Balance as at 31.12.2009</b>	<u>799,919</u>	<u>842,085</u>	<u>1,642,004</u>



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**Statement of Cash Flows**  
**For the year ended 31 December 2009**

	<u>2009</u>	<u>2008</u>
	<u>HK\$</u>	<u>HK\$</u>
<b>Cash flows from operating activities</b>		
(Deficit)/surplus for the year	(180,816)	714,417
Adjustment for :		
Depreciation	8,060	12,480
Operating cash flows before movement in working capital	<u>(172,756)</u>	<u>726,897</u>
(Increase)/decrease in prepayment and deposits paid	(71,945)	147,091
Increase/(decrease) in accounts payable	439,352	(308,853)
Net cash generated from operating activities	<u>194,651</u>	<u>565,135</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment	-	(12,383)
Net increase in cash and cash equivalents	<u>194,651</u>	<u>552,752</u>
<b>Cash and cash equivalents</b>		
As at 1 January	1,980,024	1,427,272
As at 31 December	<u>2,174,675</u>	<u>1,980,024</u>

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**Notes to the financial statements**  
**For the year ended 31 December 2009**

**1. General information**

The Association is an association domiciled and incorporated in Hong Kong with liability limited by guarantee. The addresses of the registered office and principal place of operation of the Association are Room 5/F., Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong and Room 1205, 12/F, Clifford Centre, 778-784 Cheung Sha Wan Road, Kowloon respectively. The Association has been exempted under Section 88 of the Inland Revenue Ordinance from any tax by reason of being a charitable institution of a public character. The charity registration number of the Association is 91/5397. The functional currency of the Association is in Hong Kong dollars.

The principal activities of the Association are to provide both emergency and sustained aid to children, their families and their communities in distressed regions throughout the world. The Association offers financial grants, technical resources and sends volunteers to charitable program overseas to meet the physical, emotional and spiritual needs of people in distress.

The Association depends on individuals, other grant-making entities and the business community to provide the resources needed to secure, ship and deploy resources, as well as to provide the technical support of "capacity building" for indigenous charitable programs to provide essential aid to relieve poverty, distress and suffering of people in distress.

**2. Adoption of revised Hong Kong Reporting Standards**

The Association's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which 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 significant accounting policies is set out in note 3.

In 2009, the Association has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2009, including:

HKAS 1 (revised)	Presentation of Financial Statements
HKAS 23 (revised)	Borrowing costs
HKFRS 7 (Amendments)	Financial Instruments: Disclosures

The application of the above new and revised HKFRSs has no material effects on the Association's financial performance and positions.

**3. Summary of significant accounting policies**

The financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and including applicable disclosures required by the Hong Kong Companies Ordinance.

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**Notes to the financial statements**  
**For the year ended 31 December 2009**

**3. Summary of significant accounting policies (cont'd)**

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective notes, if appropriate.

The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements,

**a. Equipment**

Equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent expenditure relating to equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. If not, the expenditure is treated as an expense in the period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of asset over their estimated useful lives on a straight line basis.

The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**b. Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet when the Association becomes a party to the contractual provisions of the instrument.

**(i) Cash and cash equivalents**

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(ii) Accounts payable**

Accounts payable are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

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**Notes to the financial statements**  
**For the year ended 31 December 2009**

**3. Summary of significant accounting policies (cont'd)**

c. Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Association 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

d. Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due

e. Revenue recognition

- (i) Contribution received are recognized on cash basis.
- (ii) Grants received are recognized on cash basis.

f. Gifts in kind

The Association records gift in kind donations and distributions in accordance with international industry standards developed by the Association of Evangelical Relief and Development Organizations and adopted by InterAction and the Sphere Project, and referred to as the Interagency GIK Standards, which is in accordance with generally accepted accounting principles. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded at such time as the Association distributes the goods for charitable purposes.

The recognition of the gift in kind revenue and expense is limited to instances where the Association takes possession or constructive title of a gift in kind donation from the original donor, or takes possession as the end-user agency.

g. Functional expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statements of activity. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by the management of the Association.

**4. Critical accounting estimates and judgement**

The Association's management makes assumptions, estimates and judgements in the process of applying the Association's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

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**Notes to the financial statements**  
**For the year ended 31 December 2009**

**4. Critical accounting estimates and judgement (cont'd)**

a. Key assumption and other key sources of estimation uncertainty

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 11. In the opinion of council members, there is no other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

b. Critical judgements in applying the Association's accounting policies

In the opinion of council members, there is no critical judgements in applying the Association's accounting policies.

**5. Special event**

The details of income are as follows,

	<u>2009</u> <u>HK\$</u>	<u>2008</u> <u>HK\$</u>
11/11 Campaign	104,511	387,934
Charity Concert	68,514	-
Libogen Fight Night	13,369	352
	<u>186,394</u>	<u>388,286</u>

**6. Designated fund for service projects**

Designated fund income being the donations received that are restricted for a specific purpose, and the surplus therefrom after setting off related expenditure was transferred to designated fund reserve. The details of its movement are as follows,

	<u>As at</u> <u>1.1.2009</u> <u>HK\$</u>	<u>Donation</u> <u>received</u> <u>HK\$</u>	<u>Expenditure</u> <u>HK\$</u>	<u>Net movement for the</u> <u>year transferred to</u> <u>income statement</u> <u>HK\$</u>	<u>As at</u> <u>31.12.2009</u> <u>HK\$</u>
Sri Lanka project	388,765	60,943	117,000	(56,057)	332,708
China Project	144,867	58,834	93,594	(34,760)	110,107
Thailand	21,187	-	21,188	(21,188)	(1)
Philippines	(9,606)	46,188	32,274	13,914	4,308
Philippines project	5,938	82,319	87,978	(5,659)	279
Middle East	2,343	-	-	-	2,343
Sichuan Relief	2,972	139,672	48,660	91,012	93,984
Care team sponsorship	96,475	1,450	90,203	(88,753)	7,722
Roy To Memorial Fund	97,537	317,205	4,493	312,712	410,249
Inner Mongolia					
Accident Support Fund	(15,608)	-	104,006	(104,006)	(119,614)
	<u>734,870</u>	<u>706,611</u>	<u>599,396</u>	<u>107,215</u>	<u>842,085</u>

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**Notes to the financial statements**  
**For the year ended 31 December 2009**

**7. (Deficit)/surplus for the year**

(Deficit)/surplus for the year is stated after charging,

	<u>2009</u> <u>HK\$</u>	<u>2008</u> <u>HK\$</u>
Council members' remuneration		
- council members' fee	-	-
- salaries and allowance	-	-
	<u>-</u>	<u>-</u>
Staff cost		
- staff salaries and allowances	1,162,307	1,212,775
- contributions to mandatory provident fund scheme	22,331	30,207
	<u>1,184,638</u>	<u>1,242,982</u>
Auditor's remuneration	21,000	21,000
Depreciation	8,060	12,480
Hire of premises under operating leases	163,022	183,540

**8. Income tax**

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

**9. Equipment**

	<u>Leasehold improvement</u> <u>HK\$</u>	<u>Office equipment</u> <u>HK\$</u>	<u>Fixture and furniture</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Cost				
At 1.1.2008	1,000	36,115	13,900	51,015
Addition during the year	-	12,383	-	12,383
At 1.1.2009 and 31.12.2009	<u>1,000</u>	<u>48,498</u>	<u>13,900</u>	<u>63,398</u>
Aggregate depreciation				
At 1.1.2008	1,000	24,015	8,978	33,993
Charge for the year	-	9,700	2,780	12,480
At 1.1.2009	<u>1,000</u>	<u>33,715</u>	<u>11,758</u>	<u>46,473</u>
Charge for the year	-	5,918	2,142	8,060
At 31.12.2009	<u>1,000</u>	<u>39,633</u>	<u>13,900</u>	<u>54,533</u>
Carry amount				
At 31.12.2009	<u>-</u>	<u>8,865</u>	<u>-</u>	<u>8,865</u>
At 31.12.2008	<u>-</u>	<u>14,783</u>	<u>2,142</u>	<u>16,925</u>

Depreciation is charged on a straight line basis at the annual rate of 20%.

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**Notes to the financial statements**  
**For the year ended 31 December 2009**

### 10. Capital disclosure

The Association's objectives when managing capital are to safeguard the Association's ability to continue as a going concern, in order to carry out its principal activities. The Association's overall strategy remains unchanged from prior year.

The capital structure of the Association consists of accumulated surplus and designated fund for service projects. In order to maintain or adjust the capital structure, the Association may appeal for donations from the Hong Kong Government and the general public.

### 11. Financial instruments

The Association has classified its financial liabilities in the following categories:

Financial liabilities at amortised cost	<u>2009</u>	<u>2008</u>
	<u>HK\$</u>	<u>HK\$</u>
Accounts payable and accrued charges	<u>670,228</u>	<u>230,876</u>

All other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2009.

The Association is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Association's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

#### a. Credit risk

Credit risk is managed on an organisational basis. Credit risk arises mainly from cash at banks.

The Association's bank balances are deposited in internationally reputable banks. As such, no significant credit risk is anticipated. Although the cash at banks spread over a small number of banks, the Association has policies in place for the control and monitoring of the relevant concentration of credit risk.

The Association's main source of income is donations from the general public. It has no other significant financial assets which lead to any credit risk to the Association. Accordingly, the Council Members is of the opinion that the relevant credit risk of the Association is low without any significant concentration.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the balance sheet.

#### b. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and bank balances so as to enable the Association to meet its liabilities as and when they fall due and to continue operating for the foreseeable future. The Council Members are of the opinion that the Association does not have any significant liquidity risk.

**CHILDREN'S HOPE FUND HONG KONG LIMITED**  
(formerly known as **WORLD EMERGENCY RELIEF HONG KONG LIMITED**)

兒童希望基金(香港)有限公司  
(前名為 世界緊急援助(香港)有限公司)

**Notes to the financial statements**  
**For the year ended 31 December 2009**

**11 Financial instruments (cont'd)**

**b. Liquidity risk (cont'd)**

Summary quantitative data

	Not later than 1 month <u>HK\$</u>	Later than 1 months and not later than 1 year <u>HK\$</u>	Carrying amount <u>HK\$</u>
<u>2009</u>			
Accounts and other payables	670,228	-	670,228
<u>2008</u>			
Accounts and other payables	230,876	-	230,876

**c. Market risk**

**(i) Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Association's functional currency. The Association mainly operates in Hong Kong with its transactions denominated in Hong Kong dollars. Management monitors foreign exchange exposure and will hedge significant foreign exchange exposure should the need arise.

In the opinion of the Council Members, Hong Kong dollars are reasonably stable with the United States dollars under the Linked Exchange Rate System, the foreign exchange risk in relation to United States dollars is low. Accordingly, no sensitivity analysis with respect to United States dollars is performed.

**12. Significant operating leasing arrangements**

At the balance sheet date, the significant total future operating leasing commitment for land and building are payable as follows,

	<u>2009</u> <u>HK\$</u>	<u>2008</u> <u>HK\$</u>
Within one year	144,576	68,828
Between two and five years	50,135	-
	<u>194,711</u>	<u>68,828</u>