

TREE OF LIFE MISSIONARY NETWORK LIMITED

生命樹宣教網絡有限公司

**FINANCIAL STATEMENTS AS OF 31ST DECEMBER, 2011
TOGETHER WITH DIRECTORS' AND AUDITOR' REPORTS**

RICHARD ALBUQUERQUE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Tree Of Life Missionary Network Limited

生命樹宣教網絡有限公司

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Tree Of Life Missionary Network Limited

生命樹宣教網絡有限公司

Corporate data

Directors

Wong Hak Kun, Jerry
Yu Wai Kwan

Secretary

Tao Hoi Yim, Noel

Registered office

Flat 915, Block A
Proficient Industrial Centre
6 Wang Kwun Road, Kowloon Bay
Kowloon, Hong Kong

Auditor

Richard Albuquerque & Co.
Certified Public Accountants
Rooms A & B, 2/F., Lee Kee Commercial Building
221-227 Queen's Road Central
Hong Kong

Tree Of Life Missionary Network Limited

生命樹宣教網絡有限公司

Report of the directors

The directors present to the members their annual report and audited financial statements for the year ended December 31, 2011.

Principal activities

The principal activities of the Association are to spread the Gospel of Jesus Christ.

Results and appropriations

The results of the Association for the year ended December 31, 2011 are set out in the statement of comprehensive income on page 6.

The state of affairs of the Association as at December 31, 2011 is set out in the statement of financial position on page 7.

The statement of changes in funds and reserves is set out on page 8.

The cash flows of the Association are set out in the statement of cash flows on page 9.

Dividends

The income and property of the Association shall be applied solely towards the promotion of the Association's objects and no portion of such income and property shall be paid by way of dividend.

Reserves

No appropriations to and / or from reserves of any kind have been made during the year.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Association are set out in note 3 to the financial statements.

Directors

The directors at the date of this report are as set out on page 1.

Rotation of directors

In accordance with the Articles of Association, all directors shall retire from office annually and, being eligible, offer themselves for re-election.

The Association did not enter into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Association, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of any business of the Association.

Directors' interests

No contract of significance, to which the Association was a party and in which a director of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Tree Of Life Missionary Network Limited
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Report of the directors (continued)

Directors (continued)

Arrangement to purchase shares or debentures

At no time during the year was the Association, a party to any arrangements to enable the directors of the Association to acquire benefits by means of the acquisition of shares in, or debentures of any body corporate.

Management contracts

No substantial contracts concerning the management and administration of the Association were entered into or existed during the year.

Auditor

The financial statements have been audited by Messrs. Richard Albuquerque & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman

Hong Kong : - 6 FEB 2013

Independent auditor's report to the members of Tree Of Life Missionary Network Limited

生命樹宣教網絡有限公司

(Incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

We have audited the financial statements of Tree Of Life Missionary Network Limited ("the Association") set out on pages 6 to 15, which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent auditor's report to the members of Tree Of Life Missionary Network Limited

生命樹宣教網絡有限公司

(Incorporated in Hong Kong with limited liability by guarantee and not having a share capital)

Basis for qualified opinion

The evidence available to us was limited because a bank confirmation was not returned to us before the issuance date of this report. In consequence we were unable to satisfy ourselves whether the bank balances up to the extent of HK\$25,641.36 were fairly stated and free from any encumbrances.

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the bank balances, in our opinion, the financial statements give a true and fair view of the state of affairs of the Association as at December 31, 2011 and of its loss and cash flows of the Association for the year then ended in accordance with HKFRS for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on other matters under section 141D of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work relating to bank balances, we have not obtained all the information and explanation that we considered necessary for the purpose of our audit.



Richard Albuquerque & Co.
Certified Public Accountants
Rooms A & B, 2/F., Lee Kee Commercial Building
221-227 Queen's Road Central
Hong Kong

Hong Kong : 1-6 FEB 2013

Tree Of Life Missionary Network Limited
生命樹宣教網絡有限公司

Statement of comprehensive income
For the year ended December 31, 2011

	<u>2011</u> HK\$	<u>2010</u> HK\$
Income		
Donations received	3,617,410.49	2,840,653.72
Exchange gain	-	1,823.31
Bank interest income	43.60	1.78
	<u>3,617,454.09</u>	<u>2,842,478.81</u>
General and administrative expenses		
Auditor's remuneration	5,000.00	5,000.00
Bank interest, charges and exchange loss	10,805.00	1,800.00
Cleaning fee	3,100.00	2,900.00
Contributions to mandatory provident fund	52,047.35	57,353.55
Depreciation	28,961.84	26,307.24
Donations and subsidies	1,000.00	116,819.60
Entertainment and messing	35,895.00	9,428.00
Insurance	10,314.20	16,182.09
Legal and professional fees	75,510.00	7,800.00
Ministry expenses	1,416,240.81	1,171,831.11
Office supplies	-	9,104.00
Overseas travelling	152,798.62	45,451.58
Postage	34,835.90	4,012.64
Printing and stationery	8,064.60	23,334.72
Promotional expenses	73,880.90	41,570.00
Rent and rates	512,352.00	547,740.00
Repairs and maintenance	17,179.70	13,746.66
Salaries and allowances	1,290,681.10	1,174,638.71
Sundry expenses	11,654.30	8,017.10
Telephone, fax and internet charges	5,561.24	3,824.30
Travelling	14,749.10	3,816.00
Tutors' fee	57,500.00	24,550.00
Water and electricity	7,923.00	2,879.00
	<u>3,826,054.66</u>	<u>3,318,106.30</u>
Deficit for the year	<u>(208,600.57)</u>	<u>(475,627.49)</u>

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

Tree Of Life Missionary Network Limited
生命樹宣教網絡有限公司


Statement of financial position

As at December 31, 2011


Assets	<u>Notes</u>	<u>2011</u> HK\$	<u>2010</u> HK\$
<i>Non-current assets</i>			
Property, plant and equipment	3	16,225.64	31,914.48
<i>Current assets</i>			
Rental and utilities deposits		172,364.00	158,884.00
Payment in advance		69,252.31	36,047.25
Cash and bank balances		344,585.71	462,522.38
		<u>586,202.02</u>	<u>657,453.63</u>
Total assets		<u>602,427.66</u>	<u>689,368.11</u>
Reserves and liabilities			
<i>Reserves</i>			
Accumulated deficits		(1,652,506.36)	(1,443,905.79)
		<u>(1,652,506.36)</u>	<u>(1,443,905.79)</u>
<i>Current liabilities</i>			
Amount due to a director	4	381,590.88	159,816.46
Amount due to a related association	5	1,837,017.94	1,654,001.49
Accounts payable and accruals		36,325.20	319,455.95
		<u>2,254,934.02</u>	<u>2,133,273.90</u>
Total reserves and liabilities		<u>602,427.66</u>	<u>689,368.11</u>

The financial statements on pages 6 to 15 were approved and authorized for issue by the board of directors on and are signed on its behalf by:

1-6 FEB 2013



 Director



 Director

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

Tree Of Life Missionary Network Limited
生命樹宣教網絡有限公司

Statement of changes in funds and reserves

For the year ended December 31, 2011

	Accumulated <u>deficits</u> HK\$
Balance at January 1, 2010	(968,278.30)
Deficit for the year	<u>(475,627.49)</u>
Balance at December 31, 2010	(1,443,905.79)
Deficit for the year	<u>(208,600.57)</u>
Balance at December 31, 2011	<u><u>(1,652,506.36)</u></u>

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

Tree Of Life Missionary Network Limited
生命樹宣教網絡有限公司

Statement of cash flows

For the year ended December 31, 2011

	<u>2011</u> HK\$	<u>2010</u> HK\$
Operating activities		
Deficit for the year	(208,600.57)	(475,627.49)
Adjustments for:-		
Depreciation	28,961.84	26,307.24
Bank interest income	(43.60)	(1.78)
Operating deficit before movements in working capital	(179,682.33)	(449,322.03)
Decrease in rental and utilities deposit	(13,480.00)	-
(Increase) / decrease in payment in advance	(33,205.06)	6,747.45
Increase / (decrease) in amount due to a director	221,774.42	(95,220.40)
Increase in amount due to a related association	183,016.45	484,341.72
(Decrease) in accounts payable and accrual	(283,130.75)	(39,045.87)
Net cash used in operations	<u>(104,707.27)</u>	<u>(92,499.13)</u>
Investing activities		
Purchase of property, plant and equipment	(13,273.00)	-
Net cash used in investing activities	<u>(13,273.00)</u>	<u>-</u>
Cash flows from financing activities		
Bank interest income	43.60	1.78
Net cash generated from financing activities	<u>43.60</u>	<u>1.78</u>
Net decrease in cash and cash equivalents	(117,936.67)	(92,497.35)
Cash and cash equivalents at beginning of the year	462,522.38	555,019.73
Cash and cash equivalents at end of the year	<u>344,585.71</u>	<u>462,522.38</u>
Analysis of cash and cash equivalents		
Cash and bank balances	<u>344,585.71</u>	<u>462,522.38</u>

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

Tree Of Life Missionary Network Limited

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Notes to the financial statements

For the year ended December 31, 2011

1) *General*

Tree Of Life Missionary Network Limited is a company, limited by guarantee and not having a share capital, incorporated in Hong Kong under the Companies Ordinance (Chapter 32). The registered office is disclosed in the "Corporate data" section to this annual report. The principal activities of the Association are to spread the Gospel of Jesus Christ.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Association.

2) *Summary of significant accounting policies*

These financial statements are prepared by the Association in accordance with the HKFRS for Private Entities issued by the HKICPA. These financial statements have been prepared under the disclosure requirements of the Hong Kong Companies Ordinance and the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below.

a) *Revenue recognition*

Revenue is recognized when the amount can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Association.

Donation received is recognized upon receipt.

Interest income is recognized on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

b) *Leasing*

Rentals payable under operating leases are charged to the statement of comprehensive income in case on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

c) *Property, plant and equipment*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Where the Association acquires leasehold land for own use under a finance lease, the prepaid cost included in property, plant and equipment on initial recognition represents the fair value of the leasehold land, or if lower, the present value of the minimum lease payments, determined at the inception of the lease and any initial direct costs of the lessee (incremental costs that are directly attributable to negotiating and arranging a lease).

The other cost of such items of property, plant and equipment comprises the following:

- i) the purchase price, including legal and brokerage fees, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

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Notes to the financial statements (continued)

For the year ended December 31, 2011

2) Summary of significant accounting policies (continued)

c) Property, plant and equipment (continued)

The other cost of such items of property, plant and equipment comprises the following (continued) :

- ii) any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management;
- iii) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Assets held under finance leases, for which there is no reasonable certainty that the Association will obtain ownership at the end of the lease term, are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant lease. The following annual rates are used for the depreciation of property, plant and equipment:

	<u>Rate</u>	<u>Basis</u>
Furniture, fixtures and equipment	20%	Straight line basis

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d) Impairment of non-financial assets, other than inventories

At each reporting date, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Foreign currency transactions

- i) Functional and presentation currency

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the Association operates (the functional currency). These financial statements are presented in Hong Kong dollars, which is the Association's functional presentation currency.

Tree Of Life Missionary Network Limited

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Notes to the financial statements (continued)

For the year ended December 31, 2011

2) Summary of significant accounting policies (continued)

e) Foreign currency transactions (continued)

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance costs". All other foreign exchange gains and losses are presented in profit or loss within "other income" or "other expenses".

f) Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- I) A person or a close member of that person's family is related to the Association if that person:
 - i) is a member of the key management personnel of the Association or of a parent of the Association;
 - ii) has control over the Association; or
 - iii) has joint control or significant influence over the reporting entity or has significant voting power in it.
- II) An entity is related to the Association if any of the following conditions applies:
 - i) the entity and the Association are members of the same entity (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii) either entity is an associate or joint venture of the other entity (or of a member of a entity of which the other entity is a member);
 - iii) both entities are joint ventures of a third entity;
 - iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v) the entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan;
 - vi) the entity is controlled or jointly controlled by a person identified in (I);
 - vii) a person identified in (I) (i) has significant voting power in the entity.

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Notes to the financial statements (continued)

For the year ended December 31, 2011

2) *Principal accounting policies (continued)*

g) Accounts payables

Accounts payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

h) Accounts receivables

Accounts receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables.

i) Impairment of financial assets

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset, at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

k) Employee benefit obligations

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

l) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when there is 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.

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.

Tree Of Life Missionary Network Limited
生命樹宣教網絡有限公司

Notes to the financial statements (continued)

For the year ended December 31, 2011

3) Property, plant and equipment

<u>December 31, 2011</u>	Furniture, fixtures and equipment HK\$
At cost	
At 1/1/2011	131,536.20
Additions	<u>13,273.00</u>
At 31/12/2011	<u>144,809.20</u>
Aggregate depreciation	
At 1/1/2011	99,621.72
Charge for the year	<u>28,961.84</u>
At 31/12/2011	<u>128,583.56</u>
Carrying amount	
At 31/12/2011	<u>16,225.64</u>
<u>December 31, 2010</u>	
At cost	
At 1/1/2010	<u>131,536.20</u>
At 31/12/2010	<u>131,536.20</u>
Aggregate depreciation	
At 1/1/2010	73,314.48
Charge for the year	<u>26,307.24</u>
At 31/12/2010	<u>99,621.72</u>
Carrying amount	
At 31/12/2010	<u>31,914.48</u>

4) Amount due to a director

Amount due to a director is unsecured, interest free and has no fixed terms of repayment.

5) Amount due to a related association

Amount due to a related association is unsecured, interest free and has no fixed terms of repayment.

Tree Of Life Missionary Network Limited

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Notes to the financial statements (continued)

For the year ended December 31, 2011

6) *Directors' remuneration*

As stipulated in Clause 35 of the Articles of Association, all directors shall act without remuneration.

7) *Income tax expense*

The Association is exempted from profits tax under Section 88 of Inland Revenue Ordinance.

8) *Employee benefit obligations*

The Association operates a Mandatory Provident Fund Scheme (the MPF scheme) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.