

HAPPY TREE SOCIAL SERVICES LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER, 2021

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HAPPY TREE SOCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December, 2021.

Principal activities

The principal activities of the Association are to provide services for orphans and AIDS caring.

Financial statements

The results of the Association for the year ended 31st December, 2021 and the state of affairs of the Association as at that date are set out in the financial statements on pages 4 to 10.

Property, plant and equipment

Details of movements during the year in the property, plant and equipment to the Association are set out in note 6 to the financial statements.

Charitable donations

Donations made by the Association during the year for charitable purposes amounting to HK\$ 3,637,280 (2020: HK\$3,135,749).

Directors

The directors of the Association during the year and up to the date of this report are:

Wong Hak Kun, Jerry
Ma Wai Pui

In accordance with the Association's articles of Association, one-third of the current directors retire from office and, being eligible, offer themselves for re-election.

Directors' interests in contracts

No contract of significance in relation to the Association's operation to which the Association was a party, and in which a director of the Association had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

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

Auditor

A resolution for the reappointment of K. L. Lam, C.P.A. (Practising), as auditor of the Association is to be proposed at the forthcoming annual general meeting.

For and on behalf of the Board



Chairman

Hong Kong, 28th December, 2022

K. L. LAM

Certified Public Accountant (Practising)
Room B, 22/F., Nathan Commercial Building,
430-436 Nathan Road, Kowloon.
Tel : 2851 3811 Fax : 3579 3855

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAPPY TREE SOCIAL SERVICES LIMITED (incorporated in Hong Kong with limited liability)

Disclaimer of opinion

I was engaged to audit the financial statements of Happy Tree Social Services Limited ("Association") set out on pages 4 to 10, which comprise the statement of financial position as at 31st December, 2021, and the statement of income and changes in general fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

I do not express an opinion on the financial statements of the Association. Because of the significance of the matter described in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In all other respects, in my opinion the financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

The evidence available to me was limited because there were no sufficient title documents registered for the land and buildings in Cambodia as mentioned in Note 6 to the financial statements. Therefore, there were no practicable alternative auditing procedures that I could apply to ascertain the ownership and the net book value of the overseas land and buildings of HK\$3,195,312 and the reasonableness for relevant depreciation of HK\$126,362 made during the year and the consequential effects upon the result for the year and statement of the financial position at 31st December, 2021.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report set out on page 1 and detailed income statement set out on page 11, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements in accordance with the SME-FRS issued by the HKICPA 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.

In preparing the financial statements, the directors are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

K. L. LAM

Certified Public Accountant (Practising)

Room B, 22/F., Nathan Commercial Building,
430-436 Nathan Road, Kowloon.
Tel : 2851 3811 Fax : 3579 3855

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAPPY TREE SOCIAL SERVICES LIMITED

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements

My responsibility is to conduct an audit of the Association's financial statements in accordance with Hong Kong Standards on Auditing ("HKSA's") and with reference to Practice Note 900 (Revised), Audit of Financial Statements Prepared in Accordance with the SME-FRS issued by the HKICPA and issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Association in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and I have fulfilled my other ethical responsibilities in accordance with the Code.

As part of an audit in accordance with HKSA's, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Certified Public Accountant (Practising)

Hong Kong, 28th December, 2022

HAPPY TREE SOCIAL SERVICES LIMITED
STATEMENT OF INCOME AND CHANGES IN GENERAL FUND
FOR THE YEAR ENDED 31ST DECEMBER, 2021

(Expressed in Hong Kong dollars)

	NOTE	2021 HK\$	2020 HK\$
Revenues	2 (a) & 3	7,646,871	8,178,263
Administrative and other operating expenses		<u>(7,728,170)</u>	<u>(6,881,035)</u>
(Deficit) / Surplus for the year	4	(81,299)	1,297,228
General fund brought forward		<u>7,899,517</u>	<u>6,602,289</u>
General fund carried forward		<u><u>7,818,218</u></u>	<u><u>7,899,517</u></u>

The accompanying accounting policies and explanatory notes form an integral part of, and should be read in conjunction with, these financial statements.

HAPPY TREE SOCIAL SERVICES LIMITED

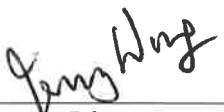
STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2021

(Expressed in Hong Kong dollars)

	NOTE	2021 HK\$	2020 HK\$
Property, plant and equipment	6	3,229,322	3,359,075
Current Assets			
Rental and utilities deposits		21,748	110,193
Payments in advance		21,668	12,690
Amount due from a related Association	7	3,344,007	2,948,949
Cash at bank and in hand		1,216,109	1,500,789
		<u>4,603,532</u>	<u>4,572,621</u>
Current Liabilities			
Accounts payable and accrued expenses		14,636	32,179
		<u>14,636</u>	<u>32,179</u>
Net Current Assets		<u>4,588,896</u>	<u>4,540,442</u>
Net Assets		<u>7,818,218</u>	<u>7,899,517</u>
Represented by:			
General fund		<u>7,818,218</u>	<u>7,899,517</u>

Approved and authorised for issue by the board of directors on 28th December, 2022



Director
Wong Hak Kun, Jerry



Director
Ma Wai Pui

The accompanying accounting policies and explanatory notes form an integral part of, and should be read in conjunction with, these financial statements.

HAPPY TREE SOCIAL SERVICES LIMITED

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. General

The Association was incorporated in Hong Kong under the Companies Ordinance and is limited by guarantee and not having a share capital. Its registered office and principal place of business is situated at Room 533, 5/F, Shing Yip Industrial Building, 19-21 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Association is a non-profit making Association and its principal activities are to provide services for orphans and AIDS caring.

2. Summary of significant accounting policies

Basis of preparation of the financial statements

The Association qualifies for the reporting exemption as a small private company under section 359(1)(a) of the Hong Kong Companies Ordinance, Cap. 622 and is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants. These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Association is a going concern basis. The measurement base adopted is the historical cost convention.

(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 Association.

- (i) Donations received is recognised upon receipt.
- (ii) Interest income is recognised as it accrues using the effective interest method.

(b) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost of plant and equipment on a systematic basis over its estimated useful life using the straight-line method. The principal annual rate used for depreciation are as follows:

Freehold land	Nil
Buildings	5%
Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Motor vehicles	20%

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income on the date of retirement or disposal.

(c) Accounts receivable

Accounts receivable are recognized initially at the transaction price. They are subsequently measured at amortised 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.

2. Summary of significant accounting policies (continued)

(d) Accounts payable

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

(e) Impairment of assets

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 is estimated and compared with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

(g) Translation and balances

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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".

(h) Employee benefits

(i) Salaries, bonuses and leave benefits

Employee entitlements to salaries, annual bonuses, paid annual leave, leave passage and the cost to the Association of non-monetary benefits are recognised when they accrue to employee. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date, if employees are entitled to a cash payment for the unused leave.

(ii) Mandatory Provident Funds, ("MPF")

Under the "MPF", the Association has set up a MPF scheme for employees by participation in a master trust scheme provided by an independent MPF service provider to comply with requirements under the MPF Ordinance. Contributions paid and payable by the Association to the schemes are charged to the income statement.

(i) Taxation

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

2. Summary of significant accounting policies (continued)

(j) Related Associations

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

- (a) 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.
- (b) 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 (a).
 - (vii) a person identified in (a)(i) has significant voting power in the entity.
 - (viii) The entity, or any member of a Association of which it is a part, provides key management personnel services to the Association or to the Association's parent.

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

3. Revenues

	2021	2020
	HK\$	HK\$
Donations received	7,079,487	7,278,338
Activity income	91,627	68,665
Administrative fee income	471,743	329,800
Subsidy under Employment Support Scheme	---	468,146
Exchange gain	4,013	7,711
Bank interest income	1	3
Gain on disposal of motor vehicle	---	25,600
Total revenue	<u>7,646,871</u>	<u>8,178,263</u>

4. (Deficit) / Surplus for the year

	2021	2020
	HK\$	HK\$
(Deficit) / Surplus for the year is arrived at after charging:		
Audit fee	14,000	14,000
Depreciation	147,393	163,185
Donations	3,637,280	3,135,749
Staff cost	2,632,250	2,467,000
Mandatory provident fund	128,942	120,350
Operating leases on properties	144,000	152,300

5. Directors' remuneration

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap 622) is as follows:-

	2021 HK\$	2020 HK\$
Fees and other emoluments	---	---

6. Property, plant and equipment

	Overseas land and Buildings HK\$	Furniture, fixtures and Equipment HK\$	Leasehold Improvement HK\$	Motor Vehicles HK\$	Total HK\$
Cost					
At 1st January, 2021	4,405,022	754,878	36,180	233,200	5,429,280
Additions	---	17,640	---	---	17,640
At 31st December, 2021	<u>4,405,022</u>	<u>772,518</u>	<u>36,180</u>	<u>233,200</u>	<u>5,446,920</u>
Accumulated depreciation					
At 1st January, 2021	1,083,348	731,949	21,708	233,200	2,070,205
Charge for the year	126,362	13,795	7,236	---	147,393
At 31st December, 2021	<u>1,209,710</u>	<u>745,744</u>	<u>28,944</u>	<u>233,200</u>	<u>2,217,598</u>
Net Book Value					
At 31st December, 2021	<u>3,195,312</u>	<u>26,774</u>	<u>7,236</u>	<u>---</u>	<u>3,229,322</u>
At 31st December, 2020	<u>3,321,674</u>	<u>22,929</u>	<u>14,472</u>	<u>---</u>	<u>3,359,075</u>

Notes:

- (a) The overseas land and buildings are located in Cambodia and are registered in the name of third parties on behalf of the Association.
- (b) Certain motor vehicles are registered in the name of third parties on behalf of the Association.

7. Amount due from a related Association

The amount due from a related Associations is interest-free, unsecured and with no fixed terms of repayment. At 31st December, 2021, no provision was considered for this amount by the directors of the Association.

8. Related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the company has the following material transactions with related parties during year:

	2021 HK\$	2020 HK\$
Donations paid a related Association (Note a)	2,719,002	2,614,989
Administrative fee income (Note b)	471,743	329,800

Note (a) The Association has significant influence in the charitable Association in Cambodia.

(b) Administration fee income is received from a related Association with common directorship.

9. Approval of financial statements

These financial statements are authorized for issue by the Association's board of directors on 28th December, 2022.

(For management purposes only)

HAPPY TREE SOCIAL SERVICES LIMITED
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2021
(Expressed in Hong Kong dollars)

	2021	2020
	HKS	HKS
Revenue		
Donations received	7,079,487	7,278,338
Activity income	91,627	68,665
Administrative income	471,743	329,800
Subsidy under Employment Support Scheme	---	468,146
Exchange gain	4,013	7,711
Bank interest income	1	3
Gain on disposal of motor vehicle	---	25,600
	<u>7,646,871</u>	<u>8,178,263</u>
Administrative and other operating expenses:		
Audit fee	14,000	14,000
Bank charges	14,556	11,788
Cleaning fee	14,895	12,244
Depreciation	147,393	163,185
Donations	3,637,280	3,135,749
Entertainment and messing	821	1,486
Insurance	90,806	59,051
Local travelling	234	40,216
Mandatory provident fund	128,942	120,350
Activities expenses	110,209	38,411
Ministry expenses	577,178	426,272
Ministry salaries	928,500	876,000
Overseas travelling	---	2,490
Postages	26,211	44,041
Printing and stationery	25,467	21,004
Promotion expenses	19,419	20,402
Rent, rates and building management fee	144,000	178,460
Repairs and maintenance	14,660	15,370
Salaries and allowances	1,703,750	1,591,000
Staff welfare	64,295	40,265
Sundry expenses	29,490	47,516
Telephone, fax and internet charge	13,517	12,978
Water and electricity	22,547	8,757
	<u>7,728,170</u>	<u>6,881,035</u>
(Deficit) / Surplus for the year transferred to General Fund	<u>(81,299)</u>	<u>1,297,228</u>

The above financial information relating to the year ended 31st December, 2021 does not constitute the Association's specified financial statements for the year as defined in section 436 of the Hong Kong Companies Ordinance but is derived therefrom. The Association is not required to deliver its specified financial statements to the Registrar of Companies and has not done so. An auditor's report has been prepared on the specified financial statements for the year ended 31st December, 2021. The auditor's report was qualified and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.