

**THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2004**



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## **THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED**

### **REPORT OF THE DIRECTORS**

The directors submit their report together with the audited accounts for the year ended 31st December 2004.

#### **Principal activities**

The principal activities of the company are the promotion of teachings of the Bible and acting as an investment holding company. The activity of the subsidiary is set out in note 10 to the accounts.

#### **Results**

The results of the group for the year are set out in the consolidated income and expenditure account on page 4 of the accounts.

The Articles of Association of the company prohibit the appropriation of surpluses to the members.

#### **Donations**

Charitable and other donations made by the group during the year amounted to HK\$3,393,632.

#### **Fixed assets**

Details of movements in the fixed assets of the group are set out in note 8 to the accounts.

#### **Directors**

The directors during the year were:

Chan See Kit, Samuel  
To Siu Ling  
Lee Chun Ip, Martin  
Lo Kam Chiu, Kevin

(resigned on 23rd February 2004)

In accordance with Article 3.2 of the company's Articles of Association, all remaining directors retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

#### **Directors' interests**

No contracts of significance in relation to the group's business to which the company or its subsidiary was a party and in which a director of the company 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 company or its subsidiary a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

#### **Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

**Auditors**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

*Samuel Chan*

Director

Hong Kong, 07 MAY 2005

**AUDITORS' REPORT TO THE MEMBERS OF  
THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED**  
(incorporated in Hong Kong and limited by guarantee)

We have audited the accounts on pages 4 to 14 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**Respective responsibilities of directors and auditors**

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts 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.

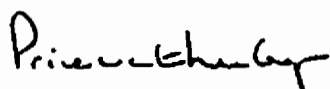
**Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31st December 2004 and of the group's surplus and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 07 MAY 2005

**THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED**

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2004**

	Note	2004 HK\$	2003 HK\$
<b>Income</b>			
Contributions received		24,942,818	28,385,374
Special contributions		2,990,297	4,704,879
Programme income		771,263	1,121,174
Interest income		306,966	395,393
Other income		-	72,097
		<u>29,011,344</u>	<u>34,678,917</u>
<b>Expenditure</b>			
Staff costs	6	16,334,395	20,162,080
Conferences and training		843,352	580,274
Facilities		4,125,409	4,118,393
Programme expenses		922,784	1,571,351
Mission support		2,379,632	5,483,408
Other operating expenses		1,769,059	1,992,435
Donations		1,014,000	1,670,086
		<u>27,388,631</u>	<u>35,578,027</u>
Surplus/(deficit) for the year	3,5	<u>1,622,713</u>	<u>(899,110)</u>

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

CONSOLIDATED BALANCE SHEET  
AS AT 31ST DECEMBER 2004

	Note	2004 HK\$	2003 HK\$
<b>Non-current assets</b>			
Fixed assets	8	121,726	121,306
Other investments	9	9,828,000	7,800,000
		<u>9,949,726</u>	<u>7,921,306</u>
<b>Current assets</b>			
Accounts receivable		-	22,072
Deposits, prepayments and other receivables		837,561	1,077,812
Bank balances and cash		16,438,962	17,600,886
		<u>17,276,523</u>	<u>18,700,770</u>
<b>Current liabilities</b>			
Other payables and accruals		2,968,314	3,986,854
		<u>14,308,209</u>	<u>14,713,916</u>
<b>Net current assets</b>		<u>14,308,209</u>	<u>14,713,916</u>
<b>Net assets</b>		<u>24,257,935</u>	<u>22,635,222</u>
<b>Financed by:</b>			
Accumulated funds		24,257,935	22,635,222
		<u>24,257,935</u>	<u>22,635,222</u>

  
 Director

  
 Director



**THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN FUNDS  
FOR THE YEAR ENDED 31ST DECEMBER 2004**

	2004 HK\$	2003 HK\$
Total funds as at 1st January	22,635,222	23,534,332
Surplus/(deficit) for the year	1,622,713	(899,110)
Total funds as at 31st December	<u>24,257,935</u>	<u>22,635,222</u>

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2004

	Note	2004 HK\$	2003 HK\$
Net cash inflow generated from operations	11	671,844	79,222
Interest received		306,966	395,393
Net cash inflow from operating activities		<u>978,810</u>	<u>474,615</u>
Investing activities			
Purchase of certificates of deposits		(2,028,000)	-
Purchase of fixed assets		(112,734)	(47,238)
Net cash outflow from investing activities		<u>(2,140,734)</u>	<u>(47,238)</u>
(Decrease)/increase in cash and cash equivalents		(1,161,924)	427,377
Cash and cash equivalents at 1st January		<u>17,600,886</u>	<u>17,173,509</u>
Cash and cash equivalents at 31st December		<u>16,438,962</u>	<u>17,600,886</u>
Analysis of the balance of cash and cash equivalents:			
Bank balances and cash		<u>16,438,962</u>	<u>17,600,886</u>

# THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

## NOTES TO THE ACCOUNTS

### 1 Legal status

The company is incorporated under the Hong Kong Companies Ordinance and is limited by guarantee. The liability of the members is limited to HK\$10 each. At 31st December 2004 there were three (2003: four) members.

### 2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

#### (b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The company has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

#### (c) Consolidation

The consolidated accounts include the accounts of the company and its subsidiary made up to 31st December. Subsidiaries are those entities in which the company, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

In the company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

#### (d) Revenue recognition

Contributions are recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

All other income is recognised on an accruals basis.

# THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

## NOTES TO THE ACCOUNTS

### 2 Principal accounting policies (Continued)

#### (e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture, fixtures and equipment	20%
Computer equipment and software	33 1/3%

#### (f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income and expenditure account on a straight-line basis over the lease periods.

#### (g) Other investments

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the income and expenditure account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the income and expenditure account as an expense immediately.

#### (h) Employee benefits

##### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

##### (ii) Pension obligations

The company has established a mandatory provident fund scheme ("MPF scheme") in Hong Kong. The assets of the MPF scheme are held in separate trustee-administered funds. Both the company and the employees are required to make contributions based on a fixed percentage of the employees' relevant income. The company's contributions to the MPF scheme are expensed as incurred.

# THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

## NOTES TO THE ACCOUNTS

### 2 Principal accounting policies (Continued)

#### (i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income and expenditure account.

### 3 Surplus/(deficit) for the year

Surplus/(deficit) for the year is stated after charging the following:

	2004 HK\$	2003 HK\$
Auditors' remuneration	47,693	46,000
Depreciation of fixed assets	112,314	165,916
	<u>160,007</u>	<u>211,916</u>

### 4 Taxation

The company is exempt from profits tax under Section 88 of the Hong Kong Inland Revenue Ordinance as it is a charitable institution.

No provision for Hong Kong profits tax has been made for the subsidiary as the subsidiary did not derive any taxable income for the year.

### 5 Surplus/(deficit) for the year

The surplus for the year is dealt with in the accounts of the company to the extent of HK\$1,632,813 (2003: deficit HK\$889,310).

### 6 Staff costs

	2004 HK\$	2003 HK\$
Salaries	15,268,125	17,798,871
Termination benefits	63,251	56,778
Pension costs - MPF scheme	1,324,938	1,522,662
(Write-back of provision)/provision for long service payment	(321,919)	783,769
	<u>16,334,395</u>	<u>20,162,080</u>

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

NOTES TO THE ACCOUNTS

7 Directors' emoluments

In accordance with the company's Memorandum and Articles of Association, the directors are not entitled to remuneration for their services rendered to the company (2003: Nil).

8 Fixed assets

	<u>Group and Company</u>		
	Furniture, fixtures and equipment HK\$	Computer equipment and software HK\$	Total HK\$
Cost			
At 1st January 2004	217,495	1,572,323	1,789,818
Additions	-	112,734	112,734
Disposals	(3,100)	(6,590)	(9,690)
At 31st December 2004	<u>214,395</u>	<u>1,678,467</u>	<u>1,892,862</u>
Accumulated depreciation			
At 1st January 2004	203,527	1,464,985	1,668,512
Charge for the year	5,706	106,608	112,314
Disposals	(3,100)	(6,590)	(9,690)
At 31st December 2004	<u>206,133</u>	<u>1,565,003</u>	<u>1,771,136</u>
Net book value			
At 31st December 2004	<u>8,262</u>	<u>113,464</u>	<u>121,726</u>
At 31st December 2003	<u>13,968</u>	<u>107,338</u>	<u>121,306</u>

9 Other investments

	<u>Group and Company</u>	
	2004 HK\$	2003 HK\$
Held-to-maturity securities - unlisted investment, at cost	<u>9,828,000</u>	<u>7,800,000</u>

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

NOTES TO THE ACCOUNTS

10 Investment in a subsidiary

	<u>Company</u>	
	2004 HK\$	2003 HK\$
Unlisted shares, at cost (note a)	10,000	10,000
Amount due from a subsidiary (note b)	22,300	20,300
	<u>32,300</u>	<u>30,300</u>

(a) Details of the subsidiary at 31st December 2004 are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Particulars of issued share capital</u>	<u>Interest held directly</u>
Dragon Fund International Investment Limited	Hong Kong	Inactive during the year	10,000 ordinary shares of HK\$1 each	100%

(b) The amount due is unsecured, interest-free and has no fixed terms of repayment.

11 Reconciliation of surplus/(deficit) for the year to net cash inflow from operating activities

	2004 HK\$	2003 HK\$
Surplus/(deficit) for the year	1,622,713	(899,110)
Depreciation	112,314	165,916
Interest income	(306,966)	(395,393)
	<u>1,428,061</u>	<u>(1,128,587)</u>
Surplus/(deficit) for the year before working capital changes	1,428,061	(1,128,587)
Decrease in accounts receivable, deposits, prepayments and other receivables	262,323	547,218
(Decrease)/increase in other payables and accruals	(1,018,540)	660,591
	<u>671,844</u>	<u>79,222</u>
Net cash inflow generated from operations	<u>671,844</u>	<u>79,222</u>

**THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED**

**NOTES TO THE ACCOUNTS**

**12 Operating lease commitments**

At 31st December 2004, the company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<u>Group and Company</u>	
	2004	2003
	HK\$	HK\$
Not later than one year	721,000	1,022,000
Later than one year and not later than five years	232,000	361,000
	<u>953,000</u>	<u>1,383,000</u>

**13 Approval of accounts**

The accounts were approved by the board of directors on **07 MAY 2005**