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Smart Business Services Limited
Company Secretary

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THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31ST DECEMBER 2003

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(Administration Section)

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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 2003.

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 9 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\$7,153,494.

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

(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.

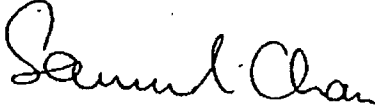
Management contracts

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

A handwritten signature in cursive script, appearing to read "Samuel Chan".

Director

Hong Kong, 11 2 MAY 2004

**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 13 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 Society of 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 2003 and of the group's deficit 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. 12 MAY 2004

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	Note	2003 HK\$	2002 HK\$
Income			
Contributions received		28,385,374	31,262,725
Special contribution		4,704,879	6,599,761
Programme income		1,121,174	2,580,864
Interest income		395,393	352,651
Other income		72,097	22,387
		<u>34,678,917</u>	<u>40,818,388</u>
Expenditure			
Staff costs	6	20,162,080	23,039,789
Conferences and training		580,274	1,415,534
Facilities		4,118,393	4,672,634
Programme expenses		1,571,351	3,403,576
Mission support		5,483,408	8,179,300
Other operating expenses		1,992,435	2,274,937
Donations		1,670,086	107,558
		<u>35,578,027</u>	<u>43,093,328</u>
Deficit for the year	3,5	<u>(899,110)</u>	<u>(2,274,940)</u>

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2003

	Note	2003 HK\$	2002 HK\$
Non-current assets			
Fixed assets	8	121,306	239,984
Other investments	9	7,800,000	7,800,000
		<u>7,921,306</u>	<u>8,039,984</u>
Current assets			
Educational supplies		-	27,914
Accounts receivable		22,072	224,005
Deposits, prepayments and other receivables		1,077,812	1,395,183
Bank balances and cash		17,600,886	17,173,509
		<u>18,700,770</u>	<u>18,820,611</u>
Current liabilities			
Other payables and accruals		3,986,854	3,326,263
		<u>3,986,854</u>	<u>3,326,263</u>
Net current assets		<u>14,713,916</u>	<u>15,494,348</u>
Net assets		<u>22,635,222</u>	<u>23,534,332</u>
Financed by:			
Accumulated funds		22,635,222	23,534,332
		<u>22,635,222</u>	<u>23,534,332</u>

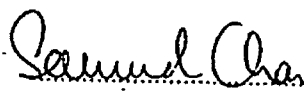
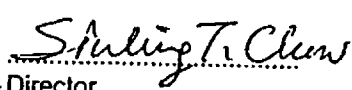
Samuel Chan
Director

Sir Ling T. Chow
Director

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

BALANCE SHEET
AS AT 31ST DECEMBER 2003

	Note	2003 HK\$	2002 HK\$
Non-current assets			
Fixed assets	8	121,306	239,984
Other investments	9	7,800,000	7,800,000
Investment in a subsidiary	10	30,300	1,010,300
		<u>7,951,606</u>	<u>9,050,284</u>
Current assets			
Educational supplies		-	27,914
Accounts receivable		22,072	224,005
Deposits, prepayments and other receivables		1,077,812	1,395,183
Bank balances and cash		17,592,386	16,173,609
		<u>18,692,270</u>	<u>17,820,711</u>
Current liabilities			
Other payables and accruals		3,982,854	3,320,663
		<u>3,982,854</u>	<u>3,320,663</u>
Net current assets		<u>14,709,416</u>	<u>14,500,048</u>
Net assets		<u>22,661,022</u>	<u>23,550,332</u>
Financed by:			
Accumulated funds		22,661,022	23,550,332
		<u>22,661,022</u>	<u>23,550,332</u>



 Director Director

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	2003 HK\$	2002 HK\$
Total funds as at 1st January	23,534,332	25,809,272
Deficit for the year	(899,110)	(2,274,940)
Total funds as at 31st December	<u>22,635,222</u>	<u>23,534,332</u>

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	Note	2003 HK\$	2002 HK\$
Net cash inflow generated from operations	11	79,222	557,744
Interest received		395,393	352,651
Net cash inflow from operating activities		<u>474,615</u>	<u>910,395</u>
Investing activities			
Purchase of guaranteed notes		-	(7,800,000)
Purchase of fixed assets		(47,238)	(111,038)
Net cash outflow from investing activities		<u>(47,238)</u>	<u>(7,911,038)</u>
Increase/(decrease) in cash and cash equivalents		427,377	(7,000,643)
Cash and cash equivalents at 1st January		<u>17,173,509</u>	<u>24,174,152</u>
Cash and cash equivalents at 31st December		<u>17,600,886</u>	<u>17,173,509</u>
Analysis of the balance of cash and cash equivalents:			
Bank balances and cash		<u>17,600,886</u>	<u>17,173,509</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 2003 there were five (2002: five) 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 Society of Accountants.

(b) 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.

(c) 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.

(d) 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%

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

NOTES TO THE ACCOUNTS

2 Principal accounting policies (Continued)

(e) 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 which is 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.

(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 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 period.

(g) 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. All exchange differences are dealt with in the income and expenditure account.

(h) Educational supplies

Educational supplies are carried at cost less provision for impairment losses.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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

3 Deficit for the year

Deficit for the year is stated after charging the following:

	2003 HK\$	2002 HK\$
Auditors' remuneration	42,000	42,000
Depreciation of fixed assets	165,916	217,610
	<u>165,916</u>	<u>217,610</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 Deficit for the year

The deficit for the year is dealt with in the accounts of the company to the extent of HK\$889,310 (2002: deficit HK\$2,258,940).

6 Staff costs

	2003 HK\$	2002 HK\$
Salaries	17,798,871	19,128,231
Termination benefits	56,778	384,829
Pension costs - MPF scheme	1,522,662	680,563
Provision for long service payment	783,769	2,846,166
	<u>20,162,080</u>	<u>23,039,789</u>

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 (2002: Nil).

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

NOTES TO THE ACCOUNTS

8 Fixed assets

	<u>Group and Company</u>		
	Furniture, fixtures and equipment HK\$	Computer equipment and software HK\$	Total HK\$
Cost			
At 1st January 2003	376,707	1,944,449	2,321,156
Additions	-	47,238	47,238
Disposals	(159,212)	(419,364)	(578,576)
At 31st December 2003	<u>217,495</u>	<u>1,572,323</u>	<u>1,789,818</u>
Accumulated depreciation			
At 1st January 2003	357,033	1,724,139	2,081,172
Charge for the year	5,706	160,210	165,916
Disposals	(159,212)	(419,364)	(578,576)
At 31st December 2003	<u>203,527</u>	<u>1,464,985</u>	<u>1,668,512</u>
Net book value			
At 31st December 2003	<u>13,968</u>	<u>107,338</u>	<u>121,306</u>
At 31st December 2002	<u>19,674</u>	<u>220,310</u>	<u>239,984</u>

9 Other investments

	<u>Group and Company</u>	
	2003 HK\$	2002 HK\$
Held-to-maturity securities - unlisted investment, at cost	<u>7,800,000</u>	<u>7,800,000</u>

THE HONG KONG CHURCH OF CHRIST COMPANY LIMITED

NOTES TO THE ACCOUNTS

10 Investment in a subsidiary

	Company	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost (note a)	10,000	10,000
Amount due from a subsidiary (note b)	20,300	1,000,300
	30,300	1,010,300

(a) Details of the subsidiary at 31st December 2003 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 deficit for the year to net cash inflow from operating activities

	2003 HK\$	2002 HK\$
Deficit for the year	(899,110)	(2,274,940)
Depreciation	165,916	217,610
Interest income	(395,393)	(352,651)
Deficit for the year before working capital changes	(1,128,587)	(2,409,981)
Decrease/(increase) in educational supplies, accounts receivable, deposits, prepayments and other receivables	547,218	(301,062)
Increase in other payables and accruals	660,591	3,268,787
Net cash inflow generated from operations	79,222	557,744

12 Operating lease commitments

At 31st December 2003, the company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group and Company	
	2003 HK\$	2002 HK\$
Not later than one year	1,022,000	1,104,097
Later than one year and not later than five years	361,000	-
	1,383,000	1,104,097

13 Approval of accounts

The accounts were approved by the board of directors on 12 MAY 2004