

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018



CPA LIMITED

潘展聰會計師行有限公司

HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2018

The directors submit their annual report together with the audited financial statements for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

Hong Kong Association of Christian Music Ministry Limited (“the Association”) is an approved charitable institution with principal activities in the production and proclamation of Christian music.

DIRECTORS

Directors of the Association during the year and up to the date of this report were:

Mr. Lee Hin Yiu
Mr. Leung Ming Yuen
Ms. So Yu Hung, Ivy
Mr. Lau Sui Ming, Casper
Mr. Tong Kui Wang, Kenny

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

BUSINESS REVIEW

The Association falls within reporting exemption for the financial year. Accordingly, the Association is exempted from preparing a business review.

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HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2018

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AUDITORS

Philip Poon & Partners CPA Limited are the Association's retiring auditors who, being eligible, offer themselves for re-appointment.

FOR AND ON BEHALF OF THE BOARD



LEE HIN YIU
CHAIRMAN

Hong Kong
August 12, 2019



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
(Incorporated in Hong Kong with limited by guarantee)

Qualified Opinion

We have audited the financial statements of Hong Kong Association of Christian Music Ministry Limited ("the Association") set out on pages 8 to 18, which comprise the statement of financial position as at December 31, 2018, and the income statement and statement of changes in members' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements of the Association are prepared, in all material respects, in accordance with the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

We have been unable to obtain adequate documentary evidence for checking the valuation of the closing inventories. In consequence, we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the valuation of the Association's inventories, appearing in the statement of financial position at \$603,622. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the recorded inventories were free from material misstatements.

We conducted our audit 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 Small and Medium-sized Entity Financial Reporting Standard" issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HONG KONG ASSOCIATION OF CHRISTIAN
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(Incorporated in Hong Kong with limited by guarantee)

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Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the financial statements, which indicates that the Association's total liabilities exceeded its total assets by \$1,812,419 as at December 31, 2018. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and financial statements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Association's closing inventories as at December 31, 2018. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

...../To be continued



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
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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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
(Incorporated in Hong Kong with limited by guarantee)

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We 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 we identify during our audit.

Report on Other Matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the inventories as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

Philip Poon & Partners CPA Limited
Mr. Poon Chin Chung, Philip
Practising Certificate No.: P01748

Certified Public Accountants
Hong Kong
August 12, 2019

HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
(LIMITED BY GUARANTEE)
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
		\$	\$
INCOME			
Bank interest income		--	61
Copyright and royalty income		383,951	436,550
Foreign exchange gain		--	430
Membership fee		1,300	1,400
Offering		1,958,926	1,450,159
Rental income		9,000	10,960
Surplus from other activities	5	15,817	115,469
Surplus from products sales	6	177,014	174,752
Sundry income		91,842	56,674
Training course income		914,159	621,237
		<u>3,552,009</u>	<u>2,867,692</u>
		-----	-----
LESS: EXPENDITURE			
Operating expenses	7	3,347,285	2,769,098
Depreciation	10	26,523	20,120
		<u>3,373,808</u>	<u>2,789,218</u>
		-----	-----
SURPLUS FOR THE YEAR		<u>178,201</u>	<u>78,474</u>
		=====	=====

The notes on pages 11 to 18 form part of these financial statements.

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	<u>NOTE</u>	<u>2018</u> \$	<u>2017</u> \$
NON-CURRENT ASSETS			
Plant and equipment	10	68,442	36,620
		-----	-----
CURRENT ASSETS			
Inventories	11	603,622	614,483
Trade receivables		38,918	67,914
Other accounts receivable		139,946	302,394
Prepayments and deposits		155,228	156,526
Bank balances and cash		800,283	268,821
		<u>1,737,997</u>	<u>1,410,138</u>
		-----	-----
CURRENT LIABILITIES			
Trade payables		1,038,215	861,236
Accruals		72,647	69,248
Loan payables	12	2,403,844	2,403,844
Sundry creditors		79,152	78,050
Amount due to a director	13	25,000	25,000
		<u>3,618,858</u>	<u>3,437,378</u>
		-----	-----
NET CURRENT LIABILITIES		<u>(1,880,861)</u>	<u>(2,027,240)</u>
		-----	-----
NET LIABILITIES		<u>(1,812,419)</u>	<u>(1,990,620)</u>
		=====	=====
MEMBERS' EQUITY			
Accumulated funds		(2,804,529)	(2,982,730)
Michael's funds		100,000	100,000
Ministry development funds		892,110	892,110
		<u>(1,812,419)</u>	<u>(1,990,620)</u>
		=====	=====

Approved and authorised for issue by the board of the directors on August 12, 2019



LEE HIN YIU
CHAIRMAN



LEUNG MING YUEN
DIRECTOR

The notes on pages 11 to 18 form part of these financial statements.

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Accumulated funds \$	Michael's funds \$	Ministry development funds \$	Total \$
Balance at beginning of year	(2,982,730)	100,000	892,110	(1,990,620)
Surplus for the year	178,201	--	--	178,201
Balance at end of year	<u>(2,804,529)</u>	<u>100,000</u>	<u>892,110</u>	<u>(1,812,419)</u>

The notes on pages 11 to 18 form part of these financial statements.

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. CORPORATE INFORMATION

Hong Kong Association of Christian Music Ministry Limited (“the Association”) is a company incorporated in Hong Kong and limited by guarantee. Under the provision of the Association’s Memorandum and Articles of Association, every member shall, in the event of the Association being wound up, contribute such amount as may be required to meet the liabilities of the Association but not exceeding the sum of \$25 each. The address of its registered office is Unit B, 7/F., Chiap King Industrial Building, 114 King Fuk Street, San Po Kong, Kowloon, Hong Kong.

The principal activities of the Association are in the production and proclamation of Christian music.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Association qualifies for the reporting exemption as a small guarantee company under section 359(1)(a) of the Hong Kong Companies Ordinance and is therefore entitled to prepare and present its annual financial statements in accordance with the Small and Medium-sized Entity Reporting Standard (“SME-FRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These financial statements have been prepared in accordance with SME-FRS.

These financial statements comply with all applicable sections of SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Association is a going concern.

(b) Basis of measurement

The measurement base used in preparing these financial statements is historical cost convention.

(c) Going concern

The Association’s total liabilities exceeded its total assets by \$1,812,419 as at December 31, 2018. The directors satisfied that the Association will be able to meet its financial obligations as they fall due for the foreseeable future because the major fund provider has undertaken to maintain the Association in operational existence. Accordingly, these financial statements have been prepared on a going concern.

HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

3. TRANSITION TO THE SME-FRS

The Association's financial statements for the year ended December 31, 2018 are its first annual financial statements prepared under accounting policies that comply with the SME-FRS issued by the HKICPA. The Association applied Hong Kong Financial Reporting Standards issued by the HKICPA to prepare its financial statements prior to the application of the SME-FRS.

The Association's date of transition is January 1, 2018 and the Association prepared its opening statement of financial position in compliance with the SME-FRS at that date.

The Association has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the SME-FRS when preparing these financial statements in accordance with the SME-FRS. There is no material impact on the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

(a) Revenue recognition

Revenue is recognised as income when it is probable that the economic benefits will flow to the Association and when the revenue can be measured reliably, on the following bases:

- (i) Offering income is recognised when cash is received and includes all sum received up to the end of the reporting period.
- (ii) Interest income is recognised on a time proportion basis by reference to the principal amounts outstanding and the interest rates applicable.
- (iii) Copyright and royalty income are recognised on a cash receipt basis.

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciation amount of an item of plant and equipment is allocated on a systematic basis over its estimated useful life using the straight-line method. The principal annual rates used for depreciation are as follows:

Furniture, fixtures and office equipment	20%
Sound equipment	20%

(c) Impairment of assets

An assessment is made at the end of each reporting period to determine whether there is any indication of impairment or reversal of previous impairment, including items of plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognised for the asset in prior years.

(d) Inventories

Inventories are stated at the lower of cost (using a first-in-first-out basis) and net realisable value. In arriving at net realisable value an allowance has been made for deterioration and obsolescence.

(e) Trade and other receivables

Trade and other receivables are stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to the income statement.

HONG KONG ASSOCIATION OF CHRISTIAN
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign exchange

Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong dollars using exchange rates applicable at the end of the reporting period. Gains and losses on foreign exchange are recognised in the income statement.

(g) 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.

5. SURPLUS FROM OTHER ACTIVITIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Overseas and China Ministry Exhibition	68,518	175,133
Rally	(60,796)	(69,340)
	8,095	9,676
Surplus from other activities	<u>15,817</u>	<u>115,469</u>

HONG KONG ASSOCIATION OF CHRISTIAN
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. SURPLUS FROM PRODUCTS SALES

	<u>2018</u>	<u>2017</u>
	\$	\$
Sale of merchandise, sound track and other products	682,414	680,199
	-----	-----
Cost of sales:		
Inventories at beginning of year	614,483	425,331
Direct production costs	251,924	474,719
Inventories at end of year	(603,622)	(614,483)
	-----	-----
	262,785	285,567
	-----	-----
Gross profit	419,629	394,632
	-----	-----
Production overheads:		
Copyright and royalties	194,977	166,216
Distribution costs	30,795	36,396
Promotion	16,843	17,268
	-----	-----
	242,615	219,880
	-----	-----
Surplus from products sales	177,014	174,752
	=====	=====

HONG KONG ASSOCIATION OF CHRISTIAN
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

7. OPERATING EXPENSES

	<u>2018</u>	<u>2017</u>
	\$	\$
Accounting and secretarial fee	105	705
Audio and studio expenses	--	911
Auditors' remuneration	13,600	12,500
Bank charges	24,291	12,392
Computer expense	10,323	6,413
Cleaning	22,200	22,200
Electricity, gas and water	27,253	27,529
Entertainment	1,986	1,938
Foreign exchange loss	44,400	--
Impairment losses on trade receivables	14,517	--
Insurance	50,840	50,022
Internet	5,769	5,053
Mandatory provident fund contribution	102,749	79,331
Membership fee	1,200	1,200
Ministry expenses	9,657	--
Outreach	--	11,915
Postage, stamps and parcels	6,039	3,420
Printing and stationery	21,407	21,215
Rent, rates and management fee	418,764	406,764
Repairs and maintenance	13,774	18,866
Salaries, wages and allowance	2,041,952	1,672,712
Staff messing	300	728
Sundries	4,618	3,415
Telephone and fax	7,902	34,411
Training courses	503,205	375,064
Travelling expenses	434	394
	<u>3,347,285</u>	<u>2,769,098</u>

8. TAXATION

The Association is a charitable organisation and is exempted from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance.

HONG KONG ASSOCIATION OF CHRISTIAN
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FOR THE YEAR ENDED DECEMBER 31, 2018

9. DIRECTORS' REMUNERATION

Remuneration of the directors of the Association disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

The directors received no remuneration for their services to the Association during the year (2017: Nil).

10. PLANT AND EQUIPMENT

	<u>Furniture, fixtures and office equipment</u>	<u>Sound equipment</u>	<u>Total</u>
	\$	\$	\$
<u>Cost:</u>			
At January 1, 2018	1,167,733	105,574	1,273,307
Additions	8,265	50,080	58,345
At December 31, 2018	<u>1,175,998</u>	<u>155,654</u>	<u>1,331,652</u>
<u>Accumulated depreciation and impairment losses:</u>			
At January 1, 2018	1,131,968	104,719	1,236,687
Depreciation charge for the year	16,022	10,501	26,523
At December 31, 2018	<u>1,147,990</u>	<u>115,220</u>	<u>1,263,210</u>
<u>Carrying amount:</u>			
At January 1, 2018	<u>35,765</u>	<u>855</u>	<u>36,620</u>
At December 31, 2018	<u>28,008</u>	<u>40,434</u>	<u>68,442</u>

HONG KONG ASSOCIATION OF CHRISTIAN
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NOTES TO THE FINANCIAL STATEMENTS
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11. INVENTORIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Finished goods	603,622	614,483
	<u>603,622</u>	<u>614,483</u>

12. LOAN PAYABLES

The loan payables are unsecured, interest free and have no fixed repayment term.

13. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and has no fixed repayment term.

14. OPERATING LEASE COMMITMENTS

The Association had the following total future minimum lease payments payable under non-cancellable operating leases:

	<u>2018</u>	<u>2017</u>
	\$	\$
Not later than one year	192,000	372,000
Later than one year	--	192,000
	<u>192,000</u>	<u>564,000</u>
	<u>192,000</u>	<u>564,000</u>

15. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of initial application of the SME-FRS. Further details are disclosed in note 3.