

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019



CPA LIMITED
潘展聰會計師行有限公司

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(EXPRESSED IN THE NEAREST HONG KONG DOLLARS)

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2019

The directors submit their annual report together with the audited financial statements for the year ended December 31, 2019.

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
(LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2019

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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
September 2, 2020



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

(Incorporated in Hong Kong and 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 17, which comprise the statement of financial position as at December 31, 2019, 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 \$594,780. 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 (“HKSAs”) 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
MUSIC MINISTRY LIMITED
(Incorporated in Hong Kong and 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 has net current liabilities and net liabilities of \$1,325,742 and \$1,238,961 respectively as at December 31, 2019. 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, 2019. 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

(Incorporated in Hong Kong and limited by guarantee)

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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 and 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
HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
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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.

Certified Public Accountants
Hong Kong
September 2, 2020

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

HONG KONG ASSOCIATION OF CHRISTIAN

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>NOTE</u>	<u>2019</u>	<u>2018</u>
		<u>\$</u>	<u>\$</u>
INCOME			
Bank interest income		184	--
Copyright and royalty income		494,741	383,951
Membership fee		1,900	1,300
Offering		2,080,613	1,958,926
Rental income		105,900	9,000
Surplus from other activities	4	77,896	15,817
Surplus from products sales	5	167,101	177,014
Sundry income		49,102	91,842
Training course income		1,245,724	914,159
		<u>4,223,161</u>	<u>3,552,009</u>
		-----	-----
LESS: EXPENDITURE			
Operating expenses	6	3,626,052	3,347,285
Depreciation	9	23,651	26,523
		<u>3,649,703</u>	<u>3,373,808</u>
		-----	-----
SURPLUS FOR THE YEAR		<u>573,458</u>	<u>178,201</u>

The notes on pages 11 to 17 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, 2019

	<u>NOTE</u>	<u>2019</u> \$	<u>2018</u> \$
NON-CURRENT ASSETS			
Plant and equipment	9	86,781	68,442
CURRENT ASSETS			
Inventories	10	594,780	603,622
Trade receivables		8,639	38,918
Other accounts receivable		124,294	139,946
Prepayments and deposits		183,153	155,228
Bank balances and cash		944,139	800,283
		<u>1,855,005</u>	<u>1,737,997</u>
CURRENT LIABILITIES			
Trade payables		573,602	1,038,215
Accruals		77,187	72,647
Loan payables	11	2,403,844	2,403,844
Sundry creditors		101,114	79,152
Amount due to a director	12	25,000	25,000
		<u>3,180,747</u>	<u>3,618,858</u>
NET CURRENT LIABILITIES		<u>(1,325,742)</u>	<u>(1,880,861)</u>
NET LIABILITIES		<u>(1,238,961)</u>	<u>(1,812,419)</u>
MEMBERS' EQUITY			
Accumulated funds		(2,231,071)	(2,804,529)
Michael's funds		100,000	100,000
Ministry development funds		892,110	892,110
		<u>(1,238,961)</u>	<u>(1,812,419)</u>

Approved and authorised for issue by the board of the directors on September 2, 2020



LEE HIN YIU
CHAIRMAN



LEUNG MING YUEN
DIRECTOR

The notes on pages 11 to 17 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, 2019

	Accumulated <u>funds</u> \$	Michael's <u>funds</u> \$	Ministry development <u>funds</u> \$	<u>Total</u> \$
Balance at beginning of year	(2,804,529)	100,000	892,110	(1,812,419)
Surplus for the year	573,458	--	--	573,458
Balance at end of year	<u>(2,231,071)</u>	<u>100,000</u>	<u>892,110</u>	<u>(1,238,961)</u>

The notes on pages 11 to 17 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, 2019

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

Notwithstanding the Association has net current liabilities and net liabilities of \$1,325,742 and \$1,238,961 respectively as at December 31, 2019. 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 funds 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

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(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. 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.
- (iv) Rental income is recognised on a time proportion basis over the lease terms.

(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%

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MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

HONG KONG ASSOCIATION OF CHRISTIAN

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

4. SURPLUS FROM OTHER ACTIVITIES

	<u>2019</u>	<u>2018</u>
	\$	\$
Overseas and China Ministry Exhibition	76,693	68,518
Rally	(40,691)	(60,796)
	41,894	8,095
Surplus from other activities	<u>77,896</u>	<u>15,817</u>

5. SURPLUS FROM PRODUCTS SALES

	<u>2019</u>	<u>2018</u>
	\$	\$
Sale of merchandise, sound track and other products	588,940	682,414
Cost of sales:		
Inventories at beginning of year	603,622	614,483
Direct production costs	152,481	251,924
Inventories at end of year	(594,780)	(603,622)
	<u>161,323</u>	<u>262,785</u>
Gross profit	<u>427,617</u>	<u>419,629</u>
Production overheads:		
Copyright and royalties	219,397	194,977
Distribution costs	14,068	30,795
Promotion	27,051	16,843
	<u>260,516</u>	<u>242,615</u>
Surplus from products sales	<u>167,101</u>	<u>177,014</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

6. OPERATING EXPENSES

	<u>2019</u>	<u>2018</u>
	\$	\$
Accounting and secretarial fee	705	105
Auditors' remuneration	13,500	13,600
Bank charges	25,259	24,291
Computer expense	13,708	10,323
Cleaning	31,216	22,200
Electricity, gas and water	37,343	27,253
Entertainment	4,824	1,986
Foreign exchange loss	2,952	44,400
Impairment losses on trade receivables	260	14,517
Insurance	50,310	50,840
Internet	4,932	5,769
Mandatory provident fund contribution	97,570	102,749
Membership fee	1,200	1,200
Ministry expenses	36,078	9,657
Postage, stamps and parcels	3,628	6,039
Printing and stationery	16,733	21,407
Rent, rates and management fee	572,052	418,764
Repairs and maintenance	20,334	13,774
Salaries, wages and allowance	1,954,912	2,041,952
Staff messing	--	300
Sundries	36,203	4,618
Telephone and fax	9,646	7,902
Training courses	689,759	503,205
Travelling expenses	2,928	434
	<u>3,626,052</u>	<u>3,347,285</u>

7. 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

MUSIC MINISTRY LIMITED

(LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

8. 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 (2018: Nil).

9. PLANT AND EQUIPMENT

	<u>Furniture, fixtures and office equipment</u>	<u>Sound equipment</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Cost:</u>			
At January 1, 2019	1,175,998	155,654	1,331,652
Additions	25,990	16,000	41,990
At December 31, 2019	<u>1,201,988</u>	<u>171,654</u>	<u>1,373,642</u>
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<u>Accumulated depreciation and impairment losses:</u>			
At January 1, 2019	1,147,990	115,220	1,263,210
Depreciation charge for the year	11,873	11,778	23,651
At December 31, 2019	<u>1,159,863</u>	<u>126,998</u>	<u>1,286,861</u>
	-----	-----	-----
<u>Carrying amount:</u>			
At January 1, 2019	<u>28,008</u>	<u>40,434</u>	<u>68,442</u>
At December 31, 2019	<u>42,125</u>	<u>44,656</u>	<u>86,781</u>
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HONG KONG ASSOCIATION OF CHRISTIAN
MUSIC MINISTRY LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

10. INVENTORIES

	<u>2019</u>	<u>2018</u>
	\$	\$
Finished goods	594,780	603,622
	<u>594,780</u>	<u>603,622</u>

11. LOAN PAYABLES

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

12. AMOUNT DUE TO A DIRECTOR

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

13. OPERATING LEASE COMMITMENTS

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Not later than one year	647,880	192,000
Later than one year	323,940	--
	<u>971,820</u>	<u>192,000</u>