

THE CHINA HOLINESS CHURCH
REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to Members their Report on the affairs of the Church together with the audited accounts for the year ended 31st August, 2019.

Principal Activities

The Church is a charitable institution approved by the Inland Revenue Department of Hong Kong and therefore tax exempted.

The principal activities of the Church is gospel preaching.

Accounts

Surplus of the Church for the year ended 31st August, 2019 and the state of affairs at that date are set out in the annexed audited accounts.

Directors

The present Directors are:-

Lai Pak Tim, Ip Wai Man Raymond, Chiu Kin Ming,
Mou Pui Wan Miranda, Wong Moon Sheung,
Chung Ching Sze, Chan Wing Sze
Chow Man Wai and Chu Man Shun

Movement of Directors during year:-

Messrs. Chan Chung Yiu and Leung Po Chiu due to retire after 6 years' appointment in accordance with Article 14(b) retire on 31.3.2019.

Messrs. Chow Man Wai and Chu Man Shun were appointed to the Board on 1.4.2019.

Md. Mou Pui Wan Maranda due to retire after 2 years' service in accordance with Article 14(a) and being eligible, offer herself for re-election.

Messrs. Lai Pak Tim, Ip Wai Man Raymond, Chiu Kin Ming, Wong Moon Sheung, Chung Ching Sze and Chan Wing Sze not subject to bi-annually rotation or retirement, continue to be Directors for the ensuing year.

No contract of significance to which the Church was a party and in which a Director had a material interest subsisted at the end or any time during the year under review.

Non-Current Assets

Movement of Non-Current Assets is shown in note 2 to the accounts.

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REPORT OF THE DIRECTORS

Donation

Charitable donation made during year amounted to \$165,222.60. (2018: \$139,833.80)

Permitted Indemnity Provision

Pursuant to S. 469 of the Companies Ordinance, Chapter 622, every Director or other officer shall be entitled to be indemnified out of the assets or funds of the Church against all losses or liabilities which he may sustain or incur in or about incurred the execution of the duties of his office or otherwise in relation thereto. At no time during the year and at the time of approval of this report, neither insurance nor reserve has been arranged to indemnify the Directors.

Auditors

The accounts for the year under review have been audited by Messrs. S. Y. Leung & Co., C. P. A. (Practising), who retire and offer themselves for re-appointment.

On behalf of the Board:



Chairman

Hong Kong, - 5 FEB 2020

INDEPENDENT AUDITORS'S REPORT TO THE MEMBERS OF
THE CHINA HOLINESS CHURCH
(INCORPORATED AS A COMPANY LIMITED BY GUARANTEE AND
NOT HAVING A SHARE CAPITAL)

Opinion

We have audited the financial statements of The China Holiness Church ("the Church") set out on pages 5 to 10, which comprise the statement of financial position as at 31st August, 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Church 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 Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 Church 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 opinion.

Responsibilities of Directors 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 Church'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 Church or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Church's financial reporting process:

INDEPENDENT AUDITORS'S REPORT TO THE MEMBERS OF
THE CHINA HOLINESS CHURCH
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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. We report our opinion solely to you, as a body, and for no other purpose. 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.

As part of an audit in accordance with HKSA's, we exercise professional judgment 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 omission, misrepresentation, 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 Church'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 Church'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 Church to cease to continue as a going concern.

We communicate with the directors 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.



S. Y. LEUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
Hong Kong, - 5 FEB 2020

THE CHINA HOLINESS CHURCH
STATEMENT OF INCOME AND RETAINED SURPLUS
FOR THE YEAR ENDED 31ST AUGUST, 2019

	2019	2018
Income:-		
Monthly Subscription	\$2,650,864.00	\$2,653,035.00
Other Offering	224,185.60	240,449.00
Sundry Income	9,768.70	23,343.50
Interest Received	57,662.72	34,698.81
Anniversary Dinner & Gathering Surplus/(Deficit)	2,541.60	6,903.90
	<u>2,945,022.62</u>	<u>2,958,430.21</u>
Expenditure:-		
Audit Fee	7,000.00	7,000.00
Depreciation	20,622.01	15,400.21
Donation	165,222.60	139,833.80
Gifts & Entertainment	6,158.00	5,500.00
Group Allowance & Staff Training	426,080.70	468,013.10
Insurance	7,849.28	7,420.88
Mandatory Provident Fund	75,747.00	72,922.05
Postage, Printing & Stationery	27,565.56	27,596.42
Staff Salaries	1,614,940.00	1,458,441.00
Sundry Expenses	25,761.30	15,595.80
Telephone & Internet	8,495.00	13,035.00
Water, Electricity & Gas	21,622.00	21,063.00
	<u>2,407,063.45</u>	<u>2,251,821.26</u>
Surplus for Year	537,959.17	706,608.95
General Fund as at 31.8.2018 b/f	4,933,711.76	4,227,102.81
General Fund as at 31.8.2019 c/f	<u>\$5,471,670.93</u>	<u>\$4,933,711.76</u>

The Notes on pages 6 to 9 form an integral part of these Financial Statements.

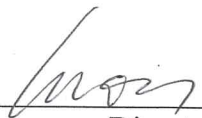
THE CHINA HOLINESS CHURCH
STATEMENT OF FINANCIAL POSITION
AS AT 31ST AUGUST, 2019

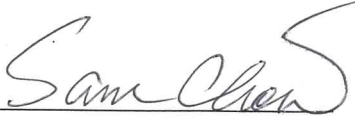
	2019	2018
<u>ASSETS/(LIABILITIES)</u>		
Non-Current Assets:-		
Property, Plant & Equipment (Note 2)	\$ 325,659.82	\$ 312,281.73
Investment in Overseas Bond, at market value	264,023.61	278,701.59
	<u>589,683.43</u>	<u>590,983.32</u>
Current Assets:-		
Temporary Payment & Accounts Receivable	14,240.00	-
Cash & Bank Balances	7,401,099.83	7,081,704.46
	<u>7,415,339.83</u>	<u>7,081,704.46</u>
Current Liabilities:-		
Accounts Payable & Accruals	23,493.10	25,051.50
Temporary Receipts	158,430.00	161,563.00
	<u>181,923.10</u>	<u>186,614.50</u>
Net Current Assets	<u>7,233,416.73</u>	<u>6,895,089.96</u>
<u>NET ASSETS</u>	<u><u>\$7,823,100.16</u></u>	<u><u>\$7,486,073.28</u></u>

ACCUMULATED FUND

General Fund	\$5,471,670.93	\$4,933,711.76
Church & Executive Fund	484,650.18	555,641.78
Special Offering Fund	1,240,442.43	1,312,926.48
Education Development Fund	524,431.21	566,618.85
Scholarship Fund	59,200.45	73,200.45
Activities Support Fund	42,704.96	43,973.96
	<u>\$7,823,100.16</u>	<u>\$7,486,073.28</u>

Approved and Authorised for Issue by Board of Directors on **- 5 FEB 2020**


Director


Director



The Notes on pages 6 to 9 form an integral part of these Financial Statements.

THE CHINA HOLINESS CHURCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST, 2019

1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:-

The Church qualifies for the reporting exemption as a small private company under section 359(1)(a) of the Companies Ordinance (Cap. 622) 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 Company is a going concern. The measurement base adopted is the historical cost convention.

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

(a) Reporting Currency

The reporting currency of the Church is Hong Kong Dollars, which is the currency of the primary economic environment in which the Church operates.

(b) Property, Plant and Equipment

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the Income Statements in the period in which it is incurred.

The cost of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives as follows:-

Buildings	Depreciation by 42 years
Furniture & Fixtures	20% p. a.

THE CHINA HOLINESS CHURCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST, 2019

1. Principal Accounting Policies (Continued)

(c) Cash Equivalents

Cash equivalents are short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Impairment of Assets

Assets that are subject to amortization are reviewed annually to determine whether there is any indication of impairment or reversal of previous impairment. In the event that any asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount or there is any indication that an impairment loss previously recognised may no longer exist or may have decreased, however, not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation) had no impairment losses been recognised for the asset in prior years.

(e) Employee Benefit

Contribution to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance is recognised as an expense in the Income Statement as incurred.

Employee entitlement to sick, annual leaves, maternity leave and long services payments are recognised when they are incurred. No provision has been made for such benefits.

(f) Related Parties

A party is considered to be related if directly, or indirectly through one or more intermediaries, the party has an interest in the entity that gives it significant influence over the entity. Parties are also considered to be related if the party controls, is controlled by, or is under common control with, or has joint control over the entity.

THE CHINA HOLINESS CHURCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST, 2019

1. Principal Accounting Policies (Continued)

(g) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Church has a legal or constructive obligation arising as a result of a past event, it is probable that any outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Contingent liabilities are not recognised in the Financial Statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

(h) Revenue Recognition

Subscriptions and offering and bank interest are recognised on actual receipt basis.

THE CHINA HOLINESS CHURCH
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST AUGUST, 2019

2. Property, Plant & Equipment

	<u>Church & School Bldg.</u>	<u>Church Furniture & Fixtures</u>	<u>Church Fixtures</u>	<u>Total</u>
At Cost:-				
At 31.8.2018	\$438,665.40	\$333,051.50	\$377,894.35	\$1,149,611.25
Addition	-	34,000.10	-	34,000.10
At 31.8.2019	<u>438,665.40</u>	<u>367,051.60</u>	<u>377,894.35</u>	<u>1,183,611.35</u>
Depreciation:-				
At 31.8.2018	135,777.33	323,657.84	377,894.35	837,329.52
Created D. Y.	10,444.41	10,177.60	-	20,622.01
At 31.8.2019	<u>146,221.74</u>	<u>333,835.44</u>	<u>377,894.35</u>	<u>857,951.53</u>
Balance:-				
At 31.8.2019	<u>\$292,443.66</u>	<u>\$ 33,216.16</u>	<u>\$ -</u>	<u>\$ 325,659.82</u>
At 31.8.2018	<u>\$302,888.07</u>	<u>\$ 9,393.66</u>	<u>\$ -</u>	<u>\$ 312,281.73</u>

3. None of the directors received any remuneration in respect of their services rendered to the Church during the current year nor in previous years.

4. Taxation

The Church is exempted under Section 88 of the Inland Revenue Ordinance for the tax purpose.