

**CCM CHRISTIAN MISSION LIMITED
(LIMITED BY GUARANTEE)**

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

CCM CHRISTIAN MISSION LIMITED
(Limited by Guarantee)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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CCM CHRISTIAN MISSION LIMITED
(Limited by Guarantee)

DIRECTORS' REPORT

The directors presented their annual report and the audited financial statements of the Mission for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

During the year, the Mission continued to engage in the provision of religious activities.

BUSINESS REVIEW

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

RESULTS

The result of the Mission for the year ended December 31, 2018 and the state of the Mission's affairs at that date are set out in the financial statements on pages 6 to 29.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 6 to the financial statements.

DIRECTORS

The directors of the Mission during the year and up to the date of this report were:

Chan Hee Luk
Chan Kam Hoi
Law Siu Lun
Lui Kwan Mong
Pang Wing Fuk

In accordance with Article 36 of the Mission's Articles of Association, the term of office of directors shall be three years and at the end of every term of office he or she shall retire from office, but shall be eligible for re-election.

CCM CHRISTIAN MISSION LIMITED
(Limited by Guarantee)

DIRECTORS' REPORT - CONTINUED

DIRECTORS' INTERESTS IN CONTRACTS

Save as transactions disclosed in note 12 to the financial statements for which the directors have beneficial interests, no other contracts of significance in relation to the Mission's business to which the Mission was a party and in which any directors of the Mission had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Mission a party to any arrangement to enable the directors of the Mission to acquire benefits by means of the acquisition of shares in or debentures of the Mission or its associated corporations.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year.

INDEMNITY OF DIRECTORS

During the financial year and up to the date of this report, the Mission has in force indemnity provisions as permitted under section 469 of the Companies Ordinance for the benefit of the directors of the Mission. The permitted indemnity provisions are provided for in the Mission's Articles of Association.

AUDITORS

A resolution will be submitted to the annual general meeting of the Mission to re-appoint Messrs. Ng, Suen, Lau C.P.A. Limited.

On behalf of the Board



Chan Kam Hoi

Hong Kong, - 3 JUL 2019

INDEPENDENT AUDITOR'S REPORT

To the members of
CCM CHRISTIAN MISSION LIMITED
(Incorporated in Hong Kong with liability limited by guarantee)

Opinion

We have audited the financial statements of CCM Christian Mission Limited (the "Mission") set out on pages 6 to 29, which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Mission as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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") 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 Mission 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.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the directors' report, 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. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

To the members of
CCM CHRISTIAN MISSION LIMITED
(Incorporated in Hong Kong with liability limited by guarantee)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs 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 Mission'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 Mission or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mission'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 purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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 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 Mission's internal control.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

To the members of
CCM CHRISTIAN MISSION LIMITED
(Incorporated in Hong Kong with liability limited by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

- 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 Mission'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 Mission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Ng, Suen, Lau C.P.A. Limited
Certified Public Accountants (Practising)

Hong Kong, - 3 JUL 2019

Ng Sau Wa, Sylvia
Practising Certificate Number: P01895

CCM CHRISTIAN MISSION LIMITED
(Limited by Guarantee)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Non-current asset			
Property, plant and equipment	6	19,894,102	20,487,827
Current assets			
Inventories	7	84,665	353,771
Trade receivables		4,134	7,984
Other receivables, deposits and prepayments		837,993	905,664
Time deposits		6,247,219	2,027,992
Bank balances and cash		4,493,410	8,222,703
		<u>11,667,421</u>	<u>11,518,114</u>
Total assets		<u>31,561,523</u>	<u>32,005,941</u>

CCM CHRISTIAN MISSION LIMITED
(Limited by Guarantee)

STATEMENT OF FINANCIAL POSITION - CONTINUED

AS AT DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

	<u>2018</u>	<u>2017</u>
RESERVES AND LIABILITIES		
Reserves		
General fund	3,162,357	4,699,042
Medical fund	136,696	129,647
Hong Kong missionaries fund	5,010,028	4,190,112
Hong Kong field fund	1,466,810	1,235,519
Theology scholarship fund	608,320	501,236
Missionary emergency medical fund	144,331	144,331
Property fund	19,801,388	20,351,427
Thomas Wang cross cultural memorial fund	371,515	-
	<u>30,701,445</u>	<u>31,251,314</u>
Current liabilities		
Other payables and accruals	<u>860,078</u>	<u>754,627</u>
Total reserves and liabilities	<u><u>31,561,523</u></u>	<u><u>32,005,941</u></u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

Approved on behalf of the Board by:



Chan Kam Hoi



Pang Wing Fuk

CCM CHRISTIAN MISSION LIMITED
(Limited by Guarantee)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Revenue			
Donation	8	16,397,890	16,379,908
Designated donation	9	800,805	1,058,014
Other revenue			
Administrative charge income		429,888	375,480
Exchange gain		1,472	668
Interest income		44,558	20,320
Seminar income		46,696	52,126
Short term mission team income		82,394	74,680
Sundry income		2,500	1,803
(Deficit)/surplus from bookroom	10	(281,671)	26,708
		<u>17,524,532</u>	<u>17,989,707</u>

CCM CHRISTIAN MISSION LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Expenditure			
Annual report and Thanksgiving gift		78,009	73,605
Auditors' remuneration		28,980	28,582
Bank charges		6,810	5,976
Book and evangelise tool expenses		17,511	7,449
Book exhibition		50	1,050
Building management fee		187,020	182,076
Cleaning		40,180	38,750
Computer software		1,220	15,354
Depreciation		595,085	597,064
Designated donation expenses		800,805	1,058,014
Gospel lunch meeting		13,517	12,443
Government rent and rates		89,420	94,640
HK Field expenses		456,334	442,668
Hospitality		8,313	15,130
Impairment loss on trade and other receivables		115,620	-
Insurance		32,866	32,406
Legal and professional fee		-	600
Loss on disposal of property, plant and equipment		1,840	-
Medical expenses		76,245	75,264
Membership fee		3,200	3,200
Mission expenses		176,892	25,290
Missionary expenses	11	6,429,146	5,887,144
Newspaper		3,296	3,186
Office expenses		1,779	1,780
Postage		31,836	27,453
Printing and stationery		24,670	20,314
Provident fund expenses		322,069	298,366
Publishing expenses		4,113,427	3,836,918
Repairs and maintenance		95,686	51,813
Retreat camp expenses		15,700	9,751
Salaries and allowance		4,032,304	3,708,967
Seminar expenses		39,756	53,580
Short term mission		80,592	75,712
Sundry expenses		26,947	36,961
Thomas Wang cross cultural memorial fund expenses		6,642	-
Telephone, light and power		109,165	102,367
Training expenses		8,078	-
Transportation		2,341	2,380
Volunteer expenses		1,050	505
		<u>18,074,401</u>	<u>16,826,758</u>
(Deficit)/surplus and total comprehensive income for the year		<u>(549,869)</u>	<u>1,162,949</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

CCM CHRISTIAN MISSION LIMITED
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STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

	General fund	Medical fund	Hong Kong missionaries fund	Hong Kong field fund	Theology scholarship fund	Missionary emergency medical fund	Property fund	Thomas Wang cross cultural memorial fund	Total
As at 01.01.2017	4,125,862	116,087	3,231,378	1,042,548	526,693	144,331	20,901,466	-	30,088,365
Total comprehensive income for the year	674,849	(88,109)	958,734	192,971	(25,457)	-	(550,039)	-	1,162,949
Transfer of funds	(101,669)	101,669	-	-	-	-	-	-	-
As at 31.12.2017 and 01.01.2018	4,699,042	129,647	4,190,112	1,235,519	501,236	144,331	20,351,427	-	31,251,314
Total comprehensive income for the year	(1,248,531)	(81,105)	819,916	231,291	107,084	-	(550,039)	171,515	(549,869)
Transfer of funds	(288,154)	88,154	-	-	-	-	-	200,000	-
As at 31.12.2018	3,162,357	136,696	5,010,028	1,466,810	608,320	144,331	19,801,388	371,515	30,701,445

CCM CHRISTIAN MISSION LIMITED
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Hong Kong Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash receipts from sale of books	90,462	132,061
Cash receipts from donors and customers	17,761,645	17,942,679
Cash payments to missionaries, staff and suppliers	<u>(17,403,531)</u>	<u>(16,665,492)</u>
Net cash generated from operating activities	<u>448,576</u>	<u>1,409,248</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,200)	(118,140)
(Increase)/decrease in time deposits with original maturity over three months at inception	(4,219,227)	1,233,949
Interest income received	<u>44,558</u>	<u>20,320</u>
Net cash (used in)/generated from investing activities	<u>(4,177,869)</u>	<u>1,136,129</u>
Net (decrease)/increase in cash and cash equivalents	<u>(3,729,293)</u>	<u>2,545,377</u>
Cash and cash equivalents at beginning of the year	<u>8,222,703</u>	<u>5,677,326</u>
Cash and cash equivalents at end of the year	<u><u>4,493,410</u></u>	<u><u>8,222,703</u></u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u><u>4,493,410</u></u>	<u><u>8,222,703</u></u>

CCM CHRISTIAN MISSION LIMITED
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

1. GENERAL

The Mission was incorporated under the Hong Kong Companies Ordinance on October 2, 1979 as a company limited by guarantee and not having a share capital. The liability of each member is limited to the extent of HK\$100. The address of its registered office is 9/F., Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.

The principal activities of the Mission are to engage in the provision of religious activities.

2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The Mission's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance.

Application of new and amended standards and interpretations issued

In the current year, the Mission has applied, for the first time, the following new and amended standards and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Annual Improvements Project HKFRS 1 and HKAS 28 (amendments)	<i>Annual Improvements 2014-2016 Cycle</i>
HKFRS 2 (amendments)	<i>Classification and Measurement of Share-based Payment Transactions</i>
HKFRS 4 (amendments)	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
HKFRS 15 (amendments)	<i>Clarifications to HKFRS 15</i>
HKAS 40 (amendments)	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>

A summary of the changes in accounting policies resulting from the Mission's application of these HKFRSs is set out in note 4.

The Mission has not early applied any new HKFRSs that have been issued but are not yet effective. The details are set out in note 16.

CCM CHRISTIAN MISSION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention. A summary of the significant accounting policies adopted by the Mission is set out in below.

a. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight line method, at the following rates per annum:

Leasehold land and building	Over the remaining term of lease
Leasehold improvement	20%
Furniture and equipment	20%

The residual value and the useful life of an asset are reviewed at least at each financial year-end.

The Mission assesses at each reporting date whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Mission estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in profit or loss.

Gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

CCM CHRISTIAN MISSION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Hong Kong Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is assigned by using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

c. Trade and other receivables, contract assets and contract liabilities

A receivable is recognised when the Mission's right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Mission has an unconditional right to consideration, the amount is presented as a contract asset. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

A contract asset is recognised when the Mission recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional. A contract liability is recognised when the customer pays consideration, or has an unconditional right to consideration (in such case, a corresponding receivable is recognised), before the Mission recognises the related revenue.

Upon entering into a contract with a customer, the Mission obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

CCM CHRISTIAN MISSION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

c. Trade and other receivables, contract assets and contract liabilities - Continued

Before 2018, at the end of each reporting period, the Mission assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

d. Impairment of financial assets

For trade receivables, the Mission applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, the Mission has assessed that the expected credit losses for these receivables are not material under the 12 months expected.

e. Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, bank overdrafts which are repayable on demand form an integral part of the Mission's cash management are included as a component of cash and cash equivalents.

f. Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

CCM CHRISTIAN MISSION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

g. Revenue and other income recognition

After the adoption of HKFRS 15, the Mission recognises revenue from contracts with customers when (or as) the Mission satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Mission recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation. Further details of the Mission's revenue and other income recognition policies are as follows:

Donation income

Donations are recognised as income upon actual receipt of money.

Sales of goods

Revenue from the sales of good is recognised when the Mission has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods.

Interest income

Interest income is recognised as other income as it accrues using the effective interest method.

Before the adoption of HKFRS 15, revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Mission. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the Mission and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognised as follows:

Donation income

Donations are recognised as income upon actual receipt of money.

Sales of goods

Sale of books is recognised as income while the goods are delivered and title has been passed.

Interest income

Interest income is recognised using the effective interest method.

CCM CHRISTIAN MISSION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in Hong Kong Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

h. Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At each year end date, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in profit or loss.

i. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Mission. All other leases are classified as operating leases.

i) *Leases of land and building*

When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in the same way as leases of other assets.

Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Hong Kong Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

i. Leases - Continued

ii) *Operating leases*

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

j. Employee benefits

Pension scheme

The Mission operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, and another defined contribution retirement scheme under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for those employees who are eligible to participate in the schemes. The Mission's contributions are made to the MPF Scheme based on a percentage of the employees' relevant income and to the ORSO Scheme based on a percentage of the employees' basic salaries. These contributions are charged to the profit or loss as the Mission become payable in accordance with the Schemes. The assets of the MPF Scheme are held separately from those of the Mission in an independently administrated trust fund. The Mission's employer contributions vest fully with the employees when contributed into the ORSO and MPF Scheme.

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4. CHANGES IN ACCOUNTING POLICIES

Adoption of new and revised HKFRSs

In 2018, the Mission has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after January 1, 2018 and are relevant to the Mission's financial statements, including:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The effects of the application of these HKFRSs are summarised below.

a. HKFRS 9 "Financial Instruments" - Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from January 1, 2018 only resulted in changes in accounting policies. No material adjustments were made to the amounts recognised in the financial statements.

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Mission's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost. The Mission's receivables are subject to HKFRS 9's new expected credit loss model. The Mission was required to revise its impairment methodology under HKFRS 9. The directors of the Mission consider that there is no material impact of the change in impairment methodology on the Mission's reserves.

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4. CHANGES IN ACCOUNTING POLICIES - Continued

Adoption of new and revised HKFRSs - continued

b. HKFRS 15 “Revenue from Contracts with Customers”

Before 2018, the Mission applied HKAS 18, *Revenue* and its revenue was measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Mission and, provided that it was probable that the economic benefits associated with the revenue transaction would flow to the Mission and the revenue and the costs, if any, in respect of the transaction could be measured reliably, revenue was recognised when the Mission had delivered the goods to the customers and the customer had accepted the goods together with the risks and rewards of ownership of the goods.

From 2018, after the adoption of HKFRS 15, which replaces HKAS 18, the Mission recognises revenue from contracts with customers when (or as) the Mission satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Mission recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation.

The adoption of HKFRS 15 has resulted in changes in accounting policies. The Mission has applied HKFRS 15 retrospectively with the cumulative effect of initially applying HKFRS 15 recognised at the date of initial application and taken the transitional provisions in HKFRS 15 not to restate comparative information. The adoption of HKFRS 15 does not have any material effects on the Mission’s financial performance and positions.

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

Estimates and judgment used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment

The Mission's management determines the estimated useful lives and related depreciation for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. Management will reassess the estimates by the reporting date.

Critical judgements in applying the Mission's accounting policies

Significant increase in credit risk

HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Mission takes into account qualitative and quantitative reasonable and supportable forward looking information.

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6. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold land and building</u>	<u>Leasehold improvement</u>	<u>Furniture and equipment</u>	<u>Total</u>
<u>Cost</u>				
As at 01.01.2017	24,751,736	1,235,155	473,205	26,460,096
Additions	-	-	118,140	118,140
As at 31.12.2017 and 01.01.2018	24,751,736	1,235,155	591,345	26,578,236
Additions	-	-	3,200	3,200
Disposal	-	-	(2,300)	(2,300)
As at 31.12.2018	24,751,736	1,235,155	592,245	26,579,136
<u>Accumulated depreciation</u>				
As at 01.01.2017	3,850,270	1,235,155	407,920	5,493,345
Charge for the year	550,039	-	47,025	597,064
As at 31.12.2017 and 01.01.2018	4,400,309	1,235,155	454,945	6,090,409
Charge for the year	550,039	-	45,046	595,085
Eliminated on disposal	-	-	(460)	(460)
As at 31.12.2018	4,950,348	1,235,155	499,531	6,685,034
<u>Net book value</u>				
As at 31.12.2018	19,801,388	-	92,714	19,894,102
As at 31.12.2017	20,351,427	-	136,400	20,487,827

7. INVENTORIES

	<u>2018</u>	<u>2017</u>
Books for re-sales	396,396	353,771
Less: Impairment	(311,731)	-
	84,665	353,771

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8.	<u>DONATION</u>	<u>2018</u>	<u>2017</u>
	General donation	4,688,317	5,671,579
	Salary and staff expenses donation	223,986	285,960
	Literature donation	2,494,605	2,173,820
	Book donation	109,551	99,969
	Mission donation	678,576	667,206
	HK Missionary & HK Field donation	8,174,530	7,399,314
	Gospel lunch donation	24,325	77,060
	Returness Concern Group donation	-	5,000
	Macau donation	4,000	-
		<u>16,397,890</u>	<u>16,379,908</u>
9.	<u>DESIGNATED DONATION</u>	<u>2018</u>	<u>2017</u>
	CCM family	<u>800,805</u>	<u>1,058,014</u>
10.	<u>(DEFICIT)/SURPLUS FROM BOOKROOM</u>	<u>2018</u>	<u>2017</u>
	Sales	<u>86,612</u>	<u>125,895</u>
	Cost of sales		
	Opening inventories	353,771	381,402
	Purchases	53,135	16,075
	Closing inventories	<u>(396,396)</u>	<u>(353,771)</u>
		10,510	43,706
	Other direct cost	46,042	55,481
	Impairment loss on inventories	<u>311,731</u>	<u>-</u>
		<u>368,283</u>	<u>99,187</u>
	(Deficit)/surplus from bookroom	<u>(281,671)</u>	<u>26,708</u>

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11. <u>MISSIONARY EXPENSES</u>	<u>2018</u>	<u>2017</u>
Medical fund	47,398	56,746
Hong Kong missionaries fund	6,343,595	5,713,536
Theology scholarship fund	38,153	116,862
	<u>6,429,146</u>	<u>5,887,144</u>

12. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance is as follows:

	<u>2018</u>	<u>2017</u>
Directors' fee	-	-
Other emoluments	-	-
Contributions to defined contribution plan	-	-
	<u>-</u>	<u>-</u>

13. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Mission is a charitable institution under Section 88 of the Inland Revenue Ordinance (Chapter 112) and is therefore exempted from taxes levied under this Ordinance.

14. CAPITAL DISCLOSURES

The Mission's objectives when managing capital are to safeguard the Mission's ability to continue as a going concern.

The Mission manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Mission may try to cover expenditures with income. No changes were made in the objectives, policies and processes during the year.

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15. FINANCIAL INSTRUMENTS

The Mission has classified the following financial assets and financial liabilities in the following categories:

Financial assets at amortised costs (2018)/loans and receivables (2017)

	<u>2018</u>	<u>2017</u>
Trade receivables	4,134	7,984
Other receivables, deposits and prepayments	837,993	905,664
Time deposits	6,247,219	2,027,992
Bank balances and cash	4,493,410	8,222,703
	<u>11,582,756</u>	<u>11,164,343</u>

The Mission has classified the following financial liability as “financial liabilities at amortised cost”.

	<u>2018</u>	<u>2017</u>
Other payables and accruals	860,078	754,627

The Mission is exposed to credit risk, liquidity risk and market risk (interest rate risk) arising in the normal course of its business and financial instruments. The Mission’s risk management objectives, policies and processes mainly focus on minimising the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

a. Credit risk

The Mission is exposed to credit risk on financial assets, mainly attributable to trade and other receivables and bank balances. The Mission would sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. The management has policy to place the money in licensed bank.

<u>Summary quantitative data</u>	<u>2018</u>	<u>2017</u>
Trade receivables	4,134	7,984
Other receivables, deposits and prepayments	837,993	905,664
Time deposits	6,247,219	2,027,992
Bank balances	4,455,221	8,181,857
	<u>11,544,567</u>	<u>11,123,497</u>

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15. FINANCIAL INSTRUMENTS - Continued

a. Credit risk - Continued

The Mission's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Mission has significant exposure to individual customers. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Mission measures loss allowances for trade and other receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As the Mission's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Mission's different customer bases.

At December 31, 2017 and 2018, the Mission has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial assets.

The following table provides information about the Mission's exposure to credit risk and expected credit losses for trade and other receivables as at December 31, 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
Past due up to:			
- 30 days	5%	3,066	153
- 31 to 90 days	20%	417	84
- 91 to 180 days	35%	-	-
- 180 days to 1 year	65%	177,512	115,383
- Over 1 year	100%	-	-
		<u>180,995</u>	<u>115,620</u>

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Mission's view of economic conditions over the expected lives of the receivables.

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15. FINANCIAL INSTRUMENTS - Continued

b. Liquidity risk

In the management of liquidity risk, the Mission manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

c. Market risk

Interest rate risk

The Mission's exposure on fair value interest rate risk mainly arises from its interest-bearing borrowings with the banks. It is a common practice in Hong Kong to have floating rate borrowings with the banks.

In order to manage the cash flow interest rate risk, the Mission will repay the corresponding borrowings when it has surplus funds.

<u>Summary quantitative data</u>	<u>2018</u>	<u>2017</u>
Floating-rate financial assets		
Cash at bank	4,455,221	8,181,857
Time deposits	6,247,219	2,027,992
Net interest-bearing assets	<u>10,702,440</u>	<u>10,209,849</u>

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16. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2018

The Mission has not early adopted the following new and amended HKFRSs and interpretations that have been issued but are not yet effective.

Annual Improvements Project (amendments)	<i>Annual Improvements 2015-2017 Cycle¹</i>
HKAS 19 (amendments)	<i>Plan Amendment, Curtailment or Settlement¹</i>
HKAS 28 (amendments)	<i>Long-term Interests in Associates and Joint Ventures¹</i>
HKFRS 9 (amendments)	<i>Prepayment Features with Negative Compensation¹</i>
HKFRS 16	<i>Leases¹</i>
HKFRS 17	<i>Insurance Contracts²</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments¹</i>
Conceptual Framework for Financial Reporting 2018	<i>Revised Conceptual Framework for Financial Reporting³</i>
HKFRS 10 and HKAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after January 1, 2021

³ Effective for annual periods beginning on or after January 1, 2020

⁴ Effective for annual periods beginning on or after a date to be determined by the IASB

The Mission has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs, except for HKFRS 16 as set out below, would not have a significant impact on the Mission's financial statements in the year of initial application.

HKFRS 16 introduces significant changes on lessee accounting including the requirements of a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. Both the asset and the liability are initially measured on a present value basis. Right-of-use assets are recognised under property, plant and equipment and are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

The Mission previously charged the operating leases payments to the statements of profit or loss and other comprehensive income on a straight-line basis over the lease term. With the adoption of HKFRS 16, all leases with a term or a remaining term of more than 12 months, unless the underlying asset is of low value, are recognised as right-of-use assets and lease liabilities. The adoption has no impact on the Mission's net assets.

The Mission will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

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17. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved and authorised to issue by the Board of Directors on **- 3 JUL 2019**
