



范陳會計師行有限公司
Fan, Chan & Co. Limited
Certified Public Accountants
Hong Kong



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CHINESE MISSION SEMINARY LIMITED
中國宣道神學院有限公司

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

CONTENTS

	PAGE
DIRECTORS' REPORT	1 - 2
INDEPENDENT AUDITOR'S REPORT	3 - 5
STATEMENT OF INCOME OR EXPENDITURE AND OTHER COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7 - 8
STATEMENT OF CASH FLOWS	9
STATEMENT OF CHANGES IN RESERVE FUNDS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 21

范陳會計師行有限公司
FAN, CHAN & CO. LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

The directors present herewith their report and the audited financial statements for the year ended 30 June, 2020.

Principal activities

The principal activities of Chinese Mission Seminary Limited ("the Company") are acting as a religious and charitable character for the purpose of developing church activities and training of Christians in Hong Kong, and for the mutual benefits of people who embrace the Christian faith.

Financial statements

The financial performance of the Company for the year ended 30 June, 2020 and the state of affairs of the Company at that date are set out in the financial statements on pages 6 to 21.

Directors

The directors who held office during the year and up to the date of this report were:

Chan Wing Chau	陳永就
Lo Tat Cheong, Bolton	盧達昌
Lui Hing Hung, Otto	呂慶雄
So Kuen Leung	蘇權良
Wong Wing Keung	黃永強
Yeung Chik Hing	楊積慶

In accordance with the provisions of the Company's Articles of Association, all directors retire, and being eligible, offer themselves for re-election.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Business review

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

Auditor

During the year, Messrs. Fan, Chan & Co. resigned as auditor of the Company and Fan, Chan & Co. Limited were appointed by the directors to fill the casual vacancy so arising. A resolution to reappoint Fan, Chan & Co. Limited as auditor of the Company will be put forth at the forthcoming annual general meeting.

For and on behalf of the Board



Yeung Chik Hing
Chairman
Dated, 6 January, 2021



范陳會計師行有限公司
Fan, Chan & Co. Limited

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINESE MISSION SEMINARY LIMITED
中國宣道神學院有限公司

(incorporated in Hong Kong limited by guarantee)

Opinion

We have audited the financial statements of Chinese Mission Seminary Limited ("the Company") set out on pages 6 to 21, which comprise the statement of financial position as at 30 June, 2020, and the statement of income or expenditure and other comprehensive income, statement of cash flows and statement of changes in reserve funds 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 Company as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") 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 Company 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.

Other Matters

The financial statements for the year ended 30 June, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 15 January 2020.

Other Information

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.



范陳會計師行有限公司
Fan, Chan & Co. Limited

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINESE MISSION SEMINARY LIMITED
中國宣道神學院有限公司

(incorporated in Hong Kong limited by guarantee)

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

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

Those charged with governance are responsible for overseeing the Company'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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



范陳會計師行有限公司
Fan, Chan & Co. Limited

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINESE MISSION SEMINARY LIMITED
中國宣道神學院有限公司

(incorporated in Hong Kong limited by guarantee)

- 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 Company'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 Company 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.

Fan Chan & Co

Fan, Chan & Co. Limited
Certified Public Accountants
Yun Lok Ming
Practising Certificate Number P04458

Hong Kong, 6 January, 2021

STATEMENT OF INCOME OR EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2020

	2020 HK\$	2019 HK\$
Income		
Course and tuition fee	2,671,079	3,274,138
Donation received	9,646,816	6,616,171
Miscellaneous	244,602	854,937
	12,562,497	10,745,246
Direct expenditure		
Faculty salaries	(5,431,056)	(5,744,683)
Tuition and course expenses	(522,025)	(804,026)
	(5,953,081)	(6,548,709)
Other income		
Bank interest income	99,154	48,374
Coupon interest from other financial assets/ available-for-sale financial assets	435,982	393,888
Dividend income from other financial assets/ available-for-sale financial assets	121,608	106,091
Gain on disposal of property, plant and equipment	4,165,429	-
	4,822,173	548,353
Administrative expenses		
Auditor's remuneration	(13,500)	(13,500)
Bank charges	(54,426)	(137,620)
Depreciation	(290,475)	(298,139)
Electricity and water	(78,334)	(139,328)
Fair value loss on other financial assets	(499,876)	(32,887)
Government rent and rates	(35,796)	(48,692)
Insurance	(33,985)	(30,713)
Library books	(105,997)	(106,984)
Mandatory provident fund contributions	(384,077)	(425,331)
Messing	(20,758)	(106,707)
Mission expenses	(494,690)	(573,175)
Operating leases rental	(426,600)	(662,667)
Postage and stamp	(80,453)	(94,320)
Printing and stationery	(123,816)	(112,282)
Provision for long service payment	(16,609)	(37,493)
Reclassification from available-for-sale investment fair value reserve	(799,498)	(766,611)
Repairs and maintenance	(95,881)	(85,524)
Salaries and allowances	(3,093,550)	(3,415,960)
Sundry expenses	(160,212)	(272,139)
Telephone and fax	(22,474)	(19,690)
Travelling and transportation	(2,900)	(3,046)
	(6,833,907)	(7,382,808)
Surplus/(deficit) for the year	4,597,682	(2,637,918)
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale investments: net movement in fair value reserve	799,498	766,611
Other comprehensive income for the year, net of tax	799,498	766,611
Surplus/(deficit) and total comprehensive income/(expense) for the year transferred to General Fund	5,397,180	(1,871,307)

CHINESE MISSION SEMINARY LIMITED
中國宣道神學院有限公司

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2020

	Note	2020 HK\$	2019 HK\$
Non-current assets			
Property, plant and equipment	(7)	5,157,378	5,364,642
Other financial assets/available-for-sale financial assets	(8)	10,433,385	10,441,924
		15,590,763	15,806,566
Current assets			
Other receivables	(9)	298,680	227,492
Cash and cash equivalents	(10)	17,409,038	14,105,442
		17,707,718	14,332,934
Current liabilities			
Other payables	(11)	1,246,489	643,648
Net current assets		16,461,229	13,689,286
Total assets less current liabilities		32,051,992	29,495,852
Non-current liabilities			
Provision for long service payment	(12)	703,839	762,230
Net assets		31,348,153	28,733,622

CHINESE MISSION SEMINARY LIMITED
中國宣道神學院有限公司

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE, 2020

	Note	2020 HK\$	2019 HK\$
Net assets		31,348,153	28,733,622
Equity			
Reserve funds			
General fund	(13)	1,069,628	58,505
Campus development fund	(13)	27,900,901	26,263,345
JC foundation fund	(13)	881,980	921,380
Scholarship fund	(13)	265,082	229,357
Short-term mission trip fund	(13)	98,204	211,243
"Lay Training of Theology for Women" tuition assistance fund	(13)	33,426	33,426
LSH field operation fund	(13)	1,000,000	1,000,000
Nethersole fund	(13)	98,932	16,366
Total reserve funds		31,348,153	28,733,622

The financial statements were approved and authorised for issue by the Board of Directors on 6 January, 2021 and are signed on its behalf by:



Yeung Chik Hing
Director



Lo Tat Cheong, Bolton
Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE, 2020

	2020 HK\$	2019 HK\$
Operating activities		
Surplus/(deficit) for the year	4,597,682	(2,637,918)
Adjustments for:		
Depreciation	290,475	298,139
Fair value loss on other financial assets	499,876	32,887
Reclassification from available-for-sale financial investment fair value reserve	799,498	766,611
Gain on disposal of property, plant and equipment	(4,165,429)	-
Bank interest income	(99,154)	(48,374)
Operating surplus/(deficits) before changes in working capital	1,922,948	(1,588,655)
(Increase)/decrease in other receivables	(71,188)	140,714
Increase/(decrease) in other payables	602,841	(36,620)
Decrease in loan from a creditor	-	(100,000)
(Decrease)/increase in provision for long service payment	(58,391)	35,717
Cash flow generated from/(used in) operating activities	2,396,210	(1,548,844)
Investing activities		
Interest received	99,154	48,374
Purchase of property, plant and equipment	(122,767)	(19,994)
Proceeds from sale of property, plant and equipment	4,204,985	-
Decrease/(increase) in other financial assets/ available-for-sale financial assets	8,539	(345,528)
Cash flow generated from/(used in) investing activities	4,189,911	(317,148)
Financing activities		
Fund generated	(3,282,525)	2,582,455
Cash flow (used in)/generated from financing activities	(3,282,525)	2,582,455
Net increase in cash and cash equivalents	3,303,596	716,463
Cash and cash equivalents at the beginning of the year	14,105,442	13,388,979
Cash and cash equivalents at the end of the year	17,409,038	14,105,442

STATEMENT OF CHANGES IN RESERVE FUNDS
FOR THE YEAR ENDED 30 JUNE, 2020

	General fund HK\$	Campus development fund HK\$	JC foundation fund HK\$	Scholarship fund HK\$	Short-term mission trip fund HK\$	"Lay Training of Theology for Women" assistance fund HK\$	LSH field operation fund HK\$	Nethersole fund HK\$	Available-for-sale investments fair value reserve HK\$	Total HK\$
At 1 July, 2018	3,126,921	23,248,991	905,781	133,657	302,622	38,226	1,000,000	-	(766,611)	27,989,587
Deficit and total comprehensive expense for the year	(2,637,918)	-	-	-	-	-	-	-	766,611	(1,871,307)
Donation received	-	270,500	18,599	120,700	126,100	-	-	200,000	-	735,899
Proceeds received from third party	-	2,570,000	-	-	-	-	-	-	-	2,570,000
Other income	-	400	-	-	-	-	-	-	-	400
Expenses	-	(257,044)	(3,000)	(25,000)	(217,479)	(4,800)	-	(183,634)	-	(690,957)
Fund transfer between funds	(430,498)	430,498	-	-	-	-	-	-	-	-
At 30 June, 2019	58,505	26,263,345	921,380	229,357	211,243	33,426	1,000,000	16,366	-	28,733,622
At 1 July, 2018	58,505	26,263,345	921,380	229,357	211,243	33,426	1,000,000	16,366	-	28,733,622
Surplus and total comprehensive income for the year	5,397,180	386,167	18,600	62,725	-	-	-	-	-	5,397,180
Donation received	-	-	-	-	-	-	-	200,000	-	667,492
Proceeds received from third party	(3,749,751)	758,115	-	-	-	-	-	-	-	(2,991,636)
Other income	-	-	-	-	29	-	-	-	-	29
Expenses	-	(143,032)	(58,000)	(27,000)	(113,068)	-	-	(117,434)	-	(458,534)
Fund transfer between funds	(636,306)	636,306	-	-	-	-	-	-	-	-
At 30 June, 2019	1,069,628	27,900,901	881,980	265,082	98,204	33,426	1,000,000	98,932	-	31,348,153

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

1. General information

Chinese Mission Seminary Limited ("the Company") is a private limited company incorporated in Hong Kong. The address of Company's registered office and principal place of operation is located at 130 Hung Uk, Yuen Long, New Territories.

The Company is incorporated under the Hong Kong Companies Ordinance and is limited by guarantee. Under the provisions of the Company's memorandum of association, every member shall, in the event of the Company being wound up, contribute such amount as may be required to meet the liabilities of the Company, but not exceeding HK\$100 for each member.

The financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

During the year, the principal activities of the Company are acting as a religious and charitable character for the purpose of developing church activities and training of Christians in Hong Kong, and for the mutual benefits of people who embrace the Christian faith.

2. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard of Private Entities (HKFRS for PE) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the accrual basis of accounting and on the basis that the Company is a going concern. They have been prepared under the historical cost convention, except for the other financial assets, which are stated at their fair value, as explained in the respective accounting policy as set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is shown net of discounts, rebates, returns, sales-related taxes and after eliminating sales within the Company.

Revenue is recognised in profit or loss provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, as follows:

- (i) Donations received and course and tuition fee received are recorded on cash basis. Donations received for specific purposes are credited to funds designated for specific purpose.
- (ii) Interest income is recognised as it accrues using the effective interest method.
- (iii) Dividend income is recognised when the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

2. Basis of preparation and accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at initial recognition at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost comprises purchase price, conversion cost and estimated cost of dismantling and restoration. Expenditure such as repairs and maintenance, overhaul costs and borrowing costs are normally charged to profit or loss when they are incurred. Where expenditure has resulted in increases in the future economic benefits from the use of the property, plant and equipment, the expenditure is capitalised.

The residual values and useful lives of the property, plant and equipment are reviewed when there are indications that the residual value or useful life of an asset has been a significant change since the end of previous reporting period. If necessary, the residual value, depreciation method or useful life of that asset is amended prospectively to reflect the new expectation. Depreciation is calculated using the straight-line method to write off the depreciable amount of each property, plant and equipment to profit or loss unless it is included in the carrying amount of another asset over its estimated useful life. The following estimated useful lives are used for the depreciation of property, plant and equipment.

Leasehold land	Over unexpired lease term
Buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	5 years
Furniture and equipment	5 years

On disposal or retirement, the cost together with associated accumulated depreciation and impairment losses, if any, of the property, plant and equipment are derecognised and any gain or loss resulting from the disposal is recognised in profit or loss.

Impairment of non-financial assets

At each reporting date, property, plant and equipment is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Company's contractual rights to future cash flows from the financial asset expire or when the Company transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

2. Basis of preparation and accounting policies (continued)

Financial assets

Financial assets are recognised in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at transaction price, include transaction costs for financial assets not at fair value through profit or loss, unless the arrangement constitutes, in effect, a financing transaction.

After initial recognition, financial assets are classified into one of three categories: financial assets measured at fair value through profit or loss, financial assets that are debt instruments measured at amortised cost, and financial assets that are equity instruments measured at cost less impairment.

(i) Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets are classified as at fair value through profit or loss when the financial assets are within the scope of Section 12 of the HKFRS for Private Entities or if the financial assets are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort.

Changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available for an equity instrument that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date that instrument was reliably measurable is treated as the cost of the instrument, and it is measured at this cost amount less impairment until a reliable measure of fair value becomes available.

(ii) Financial Assets that are Debt Instruments Measured at Amortised Cost

After initial recognition, debt instruments are measured at amortised cost using the effective interest method. Debt instruments that are classified as current assets are measured at the undiscounted amount of the cash or other consideration expected to be received.

Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or, when appropriate, a shorter period, to the carrying amount of the financial assets.

(iii) Financial Assets that are Equity Instruments Measured at Cost Less Impairment

Investments in non-convertible preference shares and non-puttable ordinary or preference shares that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, are measured at cost less impairment.

2. Basis of preparation and accounting policies (continued)

Financial assets (continued)

(iv) Impairment of Financial Assets

At the end of each reporting period, the Company assess whether there is any objective evidence that financial assets that are measured at cost or amortised cost, are impaired.

Objective evidence could include:

- significant financial difficulty of the issuer or obligor.
- a breach of contract.
- the lender granting to the borrower a concession that the lender would not otherwise consider.
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

Impairment losses, in respect of financial assets carried at amortised cost are measured as the differences between the assets' carrying amounts and the present values of their estimated cash flows discounted at the assets' original effective interest rate.

If there is objective evidence that impairment losses have been incurred on financial assets carried at cost less impairment, the amount of any impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately. If, in later periods, the amount of any impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

(v) Derecognition of Financial Assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are settled, or the Company transfer to another party substantially all of the risks and rewards of ownership of the financial assets.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses are recognised in profit or loss in the period of the transfer.

2. Basis of preparation and accounting policies (continued)

Other receivables

Other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Other payables

Other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) is a member of the key management personnel of the Company or of a parent of the Company;
 - (ii) has control over the Company; or
 - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of a third entity.
 - (iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant voting power in the entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

2. Basis of preparation and accounting policies (continued)

Employee benefit obligations

Salaries, bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Provision for long service payment is recognised in respect of probable future long services payment expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Company at the end of the reporting period.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease

3. Key sources of estimation uncertainty

Property, plant and equipment and depreciation

The Company determines the estimated useful lives and related depreciation charges for the Company's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Company will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write-down technologically obsolete or non-strategic assets that have been abandoned or sold.

Valuation of other financial assets

The Company determines that other financial assets are impaired when there has been a significant or prolonged decline in the recoverable amount below its cost. The determination of when a decline in recoverable amount below its cost is not recoverable within a reasonable time period is judgmental by nature, so profit and loss could be affected by differences in this judgement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

4. Taxation

Under Section 88 of the Inland Revenue Ordinance, the Company is exempt from Hong Kong profits tax.

Reconciliation between taxation charge and surplus/(deficit) for the year as follows:

	2020 HK\$	2019 HK\$
Surplus/(deficit) for the year	4,597,682	(2,637,918)
Notional tax at the applicable rate of 16.5%	758,617	(435,256)
Tax effect of non-taxable income	(2,868,470)	(1,863,444)
Tax effect of non-deductible expenses	2,109,853	2,298,700
Taxation charge	-	-

5. Other comprehensive income

Each component of other comprehensive income and its related tax effects

	Before tax amount HK\$	2020 Tax expense/ Credit HK\$	Net of tax amount HK\$
Available-for-sale investments: net movement in fair value reserve	799,498	-	799,498

	Before tax amount HK\$	2019 Tax expense/ credit HK\$	Net of tax amount HK\$
Available-for-sale investments: net movement in fair value reserve	766,611	-	766,611

6. Benefits and interests of directors

The directors received no remuneration for their services to the Company during the year (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

7. Property, plant and equipment

	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost				
At 1 July, 2019	9,363,515	4,398,045	3,562,326	17,323,886
Additions	-	57,223	65,544	122,767
Disposals	(58,965)	-	(4,900)	(63,865)
At 30 June, 2020	9,304,550	4,455,268	3,622,970	17,382,788
Accumulated depreciation				
At 1 July, 2019	4,226,155	4,395,674	3,337,415	11,959,244
Charge for the year	187,522	12,716	90,237	290,475
Disposals	(21,369)	-	(2,940)	(24,309)
At 30 June, 2020	4,392,308	4,408,390	3,424,712	12,225,410
Carrying amount				
At 30 June, 2020	4,912,242	46,878	198,258	5,157,378

8. Other financial assets/available-for-sale financial assets

	2020 HK\$	2019 HK\$
Equity investments stated at fair value	169,927	211,611
Debt and other investments stated at fair value	10,263,458	10,230,313
	10,433,385	10,441,924

At the date of transition, the Company reclassified the investments from available-for-sale financial assets to financial assets at FVPL. Details are set out in note 2.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

9. Other receivables

	2020 HK\$	2019 HK\$
Other receivables	17,264	18,505
Prepayments	162,766	52,337
Deposits	118,650	156,650
	298,680	227,492

10. Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances held by the Company, of which HK\$77,349 are held by a director on behalf of the Company (as at 30 June, 2019: of which HK\$29,920 were held by a staff and a director on behalf of the Company).

11. Other payables

	2020 HK\$	2019 HK\$
Accrued expenses	74,340	83,695
Deposits received	483,493	25,000
Temporary received	625,604	488,344
Other payables	63,052	46,609
	1,246,489	643,648

12. Provision for long service payment

	HK\$
At 1 July, 2019	762,230
Additional provisions recognised	16,609
Provision utilised	(75,000)
	703,839
At 30 June, 2020	703,839

13. Reserve funds

Nature and purpose of reserve funds

- i. **General Fund**
General fund is used for funding administrative and other operating expenses in the years when appropriations of net investment surplus of various funds and other sources are insufficient to cover general administrative expenses.
- ii. **Campus Development Fund**
The fund is reserved for new campus development and anything related to the extension of seminary.
- iii. **JC Foundation Fund**
It is a Memorial Fund of the founder of our seminary, Jonathan Chao. This fund is to promote the Three-fold Visions advocated by Rev. Jonathan Chao through financing theological education, professorship, faculty development and public seminars or projects.
- iv. **Scholarship Fund**
The fund is used to support full-time students in our seminary who has financial difficulties, but with the passion to pursue the chance of theological education.
- v. **Short-Term Mission Trip Fund**
The fund is used to support full time students in our seminary who will join any short-term mission trip.
- vi. **“Lay Training of Theology for Women” Tuition Assistance Fund**
The fund is used to support the women students who want to take the short-term theological courses organized by our Lay Training department but have difficulties in paying the tuition fee.
- vii. **LSH field operation fund**
The fund is for the daily operation and maintenance of the LSH field. The LSH field is to be used by the seminary.
- viii. **Nethersole fund**
The fund is for running a Christianity Master Program offered by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2020

14. Operating lease arrangements

The Company leases its tuition and students' boarding houses under operating leases. These leases typically run for an initial lease term of 2 to 5 years. These leases also require the tenant to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At 30 June 2020, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2020 HK\$	2019 HK\$
Within one year	82,300	123,527
In the second to fifth years, inclusive	116,000	144,000
Later than five years	-	20,000
	<hr/> 198,300	<hr/> 287,527