

OPEN DOORS HONG KONG LIMITED

2018

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2018

**OPEN DOORS HONG KONG LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER, 2018**

The directors of Open Doors Hong Kong Limited (the "Organization") have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December, 2018.

PRINCIPAL ACTIVITY

The principal activity of the Organization is to serve persecuted Christians and churches worldwide.

The charitable activities of the Organization comprise:

Generating funds to enable:

a). Provision of Bibles and Christian literature

Persecuted believers are hungry for Bibles and Christian literature. Open Doors works to meet this need through writing, translating, printing and distributing a wide range of items in various languages, including children's Bibles, MP3 Bibles and discipleship literature.

b). Training in leadership and discipleship

Few leaders in the persecuted church have had any theological education. Open Doors offers training in effective church leadership and discipling others, all in the context of helping believers to grow in their faith and understanding, and to stand strong through the storm of persecution.

c). Sustaining lives and supporting livelihoods

Persecution often means that families lose their breadwinner to imprisonment or death; violence forces them to flee or lose their livelihoods; discrimination makes employment difficult. Open Doors brings practical support to families, to widows, to orphans, to the victims of violence or natural disaster.

d). Raising awareness and encouraging prayer publications and resources both printed and digital, are produced for Christians, alerting them to the needs of the persecuted church and providing specific information to encourage prayerful action.

These activities are supported through direct expenditure in Hong Kong and through making grants to the worldwide ministry of Open Doors International for allocation to projects which meet the objectives of the Organization.

OPEN DOORS HONG KONG LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

BUSINESS REVIEW

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

FINANCIAL STATEMENTS

The results of the Organization for the year ended 31st December, 2018 and the state of the Organization's affairs as at that date are set out in the attached financial statements.

DIRECTORS

The directors of the Organization during the financial period and up to the date of this report are:-

Mr. Peter Morris Wilson

Mr. Kwan Siu Man

DIRECTORS' INTEREST

None of the directors had a beneficial interest, either directly or indirectly, in any significant contract to which the Organization was a party at the end of the year or at any time during the year.

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

AUDITORS

The financial statements have been audited by Messrs. Dave Kwok & Co., Certified Public Accountants.

On behalf of the Board,



Chairman

10 APR 2019

DAVE KWOK & CO.

Certified Public Accountants

Principal: Dave S. N. Kwok

郭嘯南會計師事務所
灣仔謝斐道三百四十六號
保如大廈十三樓G室
會計師：郭嘯南

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPEN DOORS HONG KONG LIMITED (incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Open Doors Hong Kong Limited ("the Organization") set out on pages 5 to 11, which comprise the statement of financial position as at 31st December, 2018, the statement of comprehensive income 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 Organization as at 31st December, 2018, and of its financial performance for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for PE") 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 ("HKSAs") 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 my/our report. We are independent of the Organization 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 my/our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report set out on pages 1 to 2, 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.

Responsibilities of the Directors 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 PE 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 Organization'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 Organization or to cease operations, or has/have no realistic alternative but to do so.

DAVE KWOK & CO.

Certified Public Accountants

Principal: Dave S. N. Kwok

郭嘯南會計師事務所
灣仔謝斐道三百四十六號
保如大廈十三樓G室
會計師：郭嘯南

INDEPENDENT AUDITOR'S REPORT

(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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. 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. 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 Organization'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 Organization'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 Organization 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.



DAVE KWOK & CO.

Certified Public Accountants

Hong Kong,

Kwok Siu Nam Dave

Practising Certificate Number: P1450

OPEN DOORS HONG KONG LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Schedule	2018 HK\$	2017 HK\$
INCOME			
Donation Received		1,440,252.77	930,732.96
Exchange Gain		-	22,849.51
Grants made by Open Doors International		2,049,140.39	1,764,557.60
Other Income		<u>21,124.07</u>	<u>2,609.76</u>
		<u>3,510,517.23</u>	<u>2,720,749.83</u>
LESS:			
EXPENDITURES			
Ministry to the persecuted churches			
Grants made to the worldwide ministry of Open Doors		219,668.78	459,817.40
Awareness & Motivation	1	2,367,560.93	1,488,308.11
Supporting the ministry to the persecuted church			
Fundraising	2	224,139.15	144,615.33
Administration	3	313,868.42	191,490.14
		<u>3,125,237.28</u>	<u>2,284,230.98</u>
TOTAL COMPREHENSIVE INCOME			
FOR THE YEAR		<u>385,279.95</u>	<u>436,518.85</u>

OPEN DOORS HONG KONG LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2018

	2018 HK\$	2017 HK\$
CURRENT ASSETS		
Cash and Bank Balance	670,899.94	329,980.19
Deposit	105,400.00	105,550.00
Other Receivables	10,320.00	2,655.26
Prepayment	27,644.70	31,475.21
	<u>814,264.64</u>	<u>469,660.66</u>
CURRENT LIABILITIES		
Accrued Expenses	<u>11,270.52</u>	<u>51,946.49</u>
NET ASSETS	<u>802,994.12</u>	<u>417,714.17</u>
Representing:		
ACCUMULATED FUNDS		
Balance brought forward	417,714.17	(18,804.68)
Surplus for the year	385,279.95	436,518.85
	<u>802,994.12</u>	<u>417,714.17</u>

The annexed notes form an integral part of these financial statements.

Approved by the Board of Directors on

10 APR 2019

P. Wilson

DIRECTOR

Kwan Yau Man

DIRECTOR

OPEN DOORS HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

1. REPORTING ENTITY

Open Doors Hong Kong Limited ("the Organization") is a Company incorporated in Hong Kong under Predecessor Companies Ordinance with limited liability. At the date of issue of these financial statements, the registered office of the Organization is located in Hong Kong. The Organization is a non-profit Christian organization.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements comply with all applicable sections of the Hong Kong Financial Reporting Standard for Private Entities (HKFRSPE) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and have been prepared under the accrual basis of accounting.

The Organization falls within reporting exemption for the reporting period under section 359(1) of the Hong Kong Companies Ordinance. Nevertheless, the Directors have acknowledged that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by HKFRSPE.

These financial statements present financial information of the Organization. The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements.

Measurement basis

The measurement basis used in the preparation of the financial statement is historical cost.

Revenue recognition

Revenue represents donation received by the Organization. Income is recognised when it is probable that the economic benefits will flow to the Organization and when the revenue can be measured reliably.

Interest income is recognised when it is received.

OPEN DOORS HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

Impairment of assets

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

3. TAXATION

No profits tax has been provided as the Organization is a charitable institution and exempted from such tax under Section 88 of the Inland Revenue Ordinance.

4. DIRECTORS' REMUNERATION

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

	2018	2017
Fee	-	-
Other emoluments	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

5. FINANCIAL RISK MANAGEMENT

The Organization has no significant exposure to the variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk.

OPEN DOORS HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

6. COMPOSITION OF COSTS

Expenses for the Organization are grouped in functional categories as either ministry or supporting service. Supporting service expenses are further broken down into funding raising and administration. Expenses which can be identified specifically with a particular functional objective is directly applied to one of these functional categories. Common costs which cannot be identified to a specific functional objective is applied indirectly through an allocation process.

7. COST ALLOCATION BASES

Common costs are allocated to functional categories according to the purpose for which they are incurred. The Organization has adopted the following cost allocation methodologies.

- Staff cost allocation is based on the primary function of each staff member.
- Travel expenses allocation is based on the purposes of each travel.
- Information technology and office expenses allocation are based on the usage of each functional category.
- Rental, utilities and occupancy allocation is based on the square footage of each function category.

8. AWARENESS AND MOTIVATION

This represents costs incurred for the purpose of promoting the awareness of worldwide Christian persecution and to motivate, mobilize and educate churches in Hong Kong and worldwide to identify with and become more involved in assisting persecuted churches.

This item composes costs of:

- Team members travelling to restricted countries to minister to persecuted churches.
- Coordinating and hosting conferences, prayer events and public meetings including international speaker tours conducted in Hong Kong and other countries.
- Educating and mobilizing Christians as well as the public through marketing, campaigns including advocacy and encouragement letter writing to persecuted Christians.
- Building and strengthening relationships and partnerships with church groups and Christians.
- Allocation of common costs which includes staff costs, travel, information technology, office expenses, rental and utilities.

OPEN DOORS HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

9. GRANTS MADE TO THE WORLDWIDE MINISTRY OF OPEN DOORS

This represents funds contributed to Open Doors International for allocation to projects which meet the objectives of the Organization. In 2018, HK\$219,668.78 has been sent to enable provision of Bibles and Christian literature, training in leadership and discipleship, sustaining lives and supporting livelihoods.

10. FUNDRAISING

This represents expenses associated with publicizing and conducting fundraising campaigns, maintaining donor mailing lists and any other activities that involve retaining donors to make voluntary contributions to the Organization.

This item composes costs of:

- Designing, writing and translating donation package which associated with acquiring and retaining donors to make voluntary contribution.
- Printing and postage of fundraising materials.
- Meeting costs with major and regular donors.
- Allocation of common costs which includes staff costs, travel, information technology, office expenses, rental and utilities.

11. ADMINISTRATION

This represents expenses associated with the overall operational and management expenses incurred for common objectives that benefit multiple functions of the Organization.

This item composes costs of:

- Accounting, audit fee, board-related expenses, depreciation, general management, printing of general items, regulatory costs, stationery and supporter care.
- Allocation of common costs which includes staff costs, travel, information technology, office expenses, rental and utilities.

OPEN DOORS HONG KONG LIMITED
SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	2018 HK\$	2017 HK\$
1. AWARENESS & MOTIVATION		
Staff costs		
Salaries, Wages and other Benefits	1,674,627.84	906,857.83
Contributions to MPF	59,442.50	25,012.08
Fringe Benefit & Orientations	2,147.96	1,709.04
Insurance	13,893.90	28,003.43
Other items		
Event Expenses	226,510.80	123,044.06
Advertising	7,092.08	17,879.30
I.T. Cost	26,244.99	89,630.13
Rental, Utilities and Occupancy	213,062.94	87,444.15
Office Expenses	10,388.84	31,655.35
Travelling	134,149.08	177,072.74
	<u>2,367,560.93</u>	<u>1,488,308.11</u>
2. FUNDRAISING		
Staff costs		
Salaries, Wages and other Benefits	104,531.96	95,416.07
Contributions to MPF	11,700.00	1,025.00
Fringe Benefit & Orientations	2,147.96	239.99
Insurance	13,893.90	1,148.44
Other items		
Rental, Utilities and Occupancy	54,879.85	21,861.04
Office Expenses	7,142.01	9,529.95
I.T. Cost	29,843.47	15,394.84
	<u>224,139.15</u>	<u>144,615.33</u>
3. ADMINISTRATION		
Staff costs		
Salaries, Wages and other Benefits	157,850.00	81,400.00
Contributions to MPF	10,952.50	4,070.00
Fringe Benefit & Orientations	2,147.96	959.97
Insurance	22,055.25	5,658.39
Other items		
Exchange Loss	18,384.86	-
Rental, Utilities and Occupancy	54,879.85	21,861.04
Office Expenses	26,394.35	14,669.24
I.T. Cost	7,990.70	21,881.45
Travelling	471.95	369.00
Board Meeting Expenses	-	34,463.05
Auditors' Remuneration	4,000.00	4,000.00
Legal & Professional Fee	8,741.00	2,158.00
	<u>313,868.42</u>	<u>191,490.14</u>