

THE GOOD NEWS NETWORK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

THE GOOD NEWS NETWORK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

CONTENT	Pages
Report of the Directors	1 and 2
Independent Auditor's Report	3
Statement of Comprehensive Income	4
Balance Sheet	5
Statement of Changes in Reserve and Fund	6
Statement of Cash Flow	7
Notes to the Financial Statements	8 to 14

THE GOOD NEWS NETWORK LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of The Good News Network Limited (the "Organization") for the year ended 31 December 2010.

Principal activities

The principal activities of the Organization are to spread the complete gospel by preaching and caring for others, by faith in Jesus Christ and by the unity and harmony among Christians.

Results

The deficit of the Organization for the year ended 31 December 2010 and the state of the Organization's affairs at that date are set out in the financial statements on pages 4 to 14.

Reserve and fund

Movements in reserves and funds of the Organization during the year are set out in statement of changes in reserve and fund on page 6. A New Fund "Good News Fund" was set up in 2009.

Property, Plant and Equipment

Movements in property, plant and equipment during the year are out in Note 11 to the financial statement.

Directors

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

FAN Kwok Kwong

SIU Yu Fat

WONG Yuen Ping (Appointed on 1 Jan 2009, retired from office on 1 Jan 2011)

LAW Man Ki (Appointed on 1 Jan 2009, retired from office on 1 Jan 2011)

LING Kin Yan (Appointed on 1 Jan 2009, retired from office on 1 Jan 2011)

YEUNG Yuet Ngor (Appointed on 1 Jan 2009)

KWONG Yuk Ting (Appointed on 1 Jan 2009)

CHAN Chang Huei Yin (Appointed on 1 Jan 2010)

The term of office of director has been amended in the Organization Article of Association on 24 Nov 2009. In accordance with the article 20 of the Organization's Articles of Association, the term of office of directors shall be two years but such member is eligible for re-election at the Annual General Meeting for a maximum term of six consecutive years.

Directors' Interest

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 the acquisition of an interest in the Organization or any other body corporate.

THE GOOD NEWS NETWORK LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Management Contract

No contract concerning the management and administration of the whole or any substantial part of the operation of the Organization was entered into or existed during the year.

Auditors

The financial statements have been audited by Clement K.M. Lee & Company, Certified Public Accountants. A resolution for their re-appointment as auditors of the Organization is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Chairman

Hong Kong, 27 November 2011

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE GOOD NEWS NETWORK LIMITED**

(Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of The Good News Network Limited ("the Organization") set out on pages 4 to 14, which comprise the balance sheet as at 31 December 2010, and the statement of comprehensive income, the statement of changes in reserve and fund and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Organization as at 31 December 2010 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Clement K.M. Lee & Company,
Certified Public Accountants

Hong Kong, 27 November 2011

THE GOOD NEWS NETWORK LIMITED

STATEMENT OF COMPREHENSIVE INCOME (INCLUDING GENERAL OPERATION AND FUND)
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 HK\$	2009 HK\$
Income	5	<u>565,218</u>	<u>494,133</u>
Add: Other Income			
Gain on disposal of T-Shirts	6	33	-
Interest income	5	201	217
Sundry Income	5	<u>356</u>	<u>137</u>
		<u>565,808</u>	<u>494,487</u>
Less: Activities Expenses	7	<u>160,609</u>	<u>202,363</u>
Less: Operating expenses			
Audit fees		5,000	5,000
Bank charges		1,533	1,394
Book & periodics		555	111
Contribution to MPF		18,000	17,703
Cleaning		3,679	3,680
Depreciation		4,939	4,819
Director remuneration		-	-
Donation		3,000	14,038
Electricity		2,141	2,138
Flower		2,980	2,700
Insurance		263	1,482
Postage and courier		54	221
Printing and stationery		4,539	6,429
Rent		79,105	74,618
Repair and maintenance		969	336
Refreshment and fellowship		3,802	1,884
Staff training		-	9,839
Staff salary and allowances		377,686	371,881
Sundry expenses		1,466	1,576
Telephone and communication		5,281	6,482
Transportation		220	95
Travelling expenses		1,926	15,342
Volunteers' allowances		<u>9,150</u>	<u>9,015</u>
		<u>526,288</u>	<u>550,783</u>
Deficit for the year		(121,089)	(258,659)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive deficit for the year		<u>(121,089)</u>	<u>(258,659)</u>

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

THE GOOD NEWS NETWORK LIMITED

**BALANCE SHEET (INCLUDING GENERAL OPERATION AND FUND)
AS AT 31 DECEMBER 2010**

	Notes	<u>2010</u>	<u>2009</u>
		HK\$	HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	<u>7,340</u>	<u>11,681</u>
CURRENT ASSETS			
Inventory	12	5,926	8,503
Deposits and prepayment		13,376	18,523
Other receivable		2,610	-
Cash and bank balances		<u>88,571</u>	<u>207,554</u>
		<u>110,483</u>	<u>234,580</u>
CURRENT LIABILITIES			
Accrual		<u>13,296</u>	<u>20,645</u>
NET CURRENT ASSETS			
		<u>97,187</u>	<u>213,935</u>
NET ASSETS			
		<u>104,527</u>	<u>225,616</u>
RESERVE AND FUND			
Good News Fund		52,246	60,662
Accumulated reserve		52,281	164,954
		<u>104,527</u>	<u>225,616</u>

The financial statements were approved and authorised for issue by the Board of directors on 27 November 2011 and are signed on its behalf by:

.....
Fan Kwok Kwong
Director

.....
Siu Yu Fat
Director

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

THE GOOD NEWS NETWORK LIMITED

**STATEMENT OF CHANGES IN RESERVE AND FUND
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Accumulated Reserve <u>HK\$</u>	Good News Fund <u>HK\$</u>	Total <u>HK\$</u>
As at 1 January 2008	551,361	-	551,361
Total Comprehensive deficit for the year ended 31 December 2008	(67,086)	-	(67,086)
As at 1 January 2009	484,275	-	484,275
Transfer to Good News Fund from Reserve	(70,000)	70,000	-
Total Comprehensive deficit for the year ended 31 December 2009	(249,321)	(9,338)	(258,659)
As at 1 January 2010	164,954	60,662	225,616
Transfer to Good News Fund from Reserve	(85,810)	85,810	-
Transfer back to Reserve from Good News Fund	85,926	(85,926)	-
Over pyament to The Goods News Network Limited for settlement of expenses	179	(179)	-
Total Comprehensive deficit for the year ended 31 December 2010	(112,968)	(8,121)	(121,089)
As at 31 December 2010	<u>52,281</u>	<u>52,246</u>	<u>104,527</u>

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

THE GOOD NEWS NETWORK LIMITED

**STATEMENT OF CASH FLOW (INCLUDING GENERAL OPERATION AND FUND)
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
Operating Activities		
Total comprehensive deficit for the year	(121,089)	(258,659)
Adjustment for		
Depreciation	4,939	4,819
Interest income	(201)	(217)
	<u> </u>	<u> </u>
Operating deficit before movements in working capital	(116,351)	(254,057)
Decrease in inventory	2,577	143
Decrease/(increase) in deposit and prepayment	5,147	(6,157)
(Increase)/decrease in other receivable	(2,610)	24
(Decrease)/increase in accrual	(7,349)	3,311
	<u> </u>	<u> </u>
Net cash generated from Operating Activities	(118,586)	(256,736)
Investing Activities		
Interest received	201	217
Increase in property, plant and equipment	(598)	-
	<u> </u>	<u> </u>
Net change in cash and cash equivalents	(118,983)	(256,519)
Cash and cash equivalent at beginning	<u>207,554</u>	<u>464,073</u>
	<u>88,571</u>	<u>207,554</u>
Closing Cash and Cash Equivalents Represent:		
Cash and bank balances	88,571	107,554
Fixed deposits	-	100,000
	<u> </u>	<u> </u>
	<u>88,571</u>	<u>207,554</u>

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

THE GOOD NEWS NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Organization Information

The Good News Network Limited (the "Organization") is incorporated in Hong Kong with limited liability by guarantee. The registered address of the Organization is located at Unit 1610, 16/F, Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, N.T., Hong Kong.

The principal activities of the Organization are to spread the complete gospel by preaching and caring for others, by faith in Jesus Christ and by the unity and harmony among Christians. The liability of the members is limited. If upon the winding up or dissolution of the Organization there remains, after the satisfaction of all debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the organization, but shall be given or transferred to some other institution or institutions, having objects similar to the objects of the Organization.

2 Statement of compliance with Hong Kong Financial Reporting Standards

The Organization'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 (HKICPA), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies is set out in note 3.

In the current year, the Organization has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective [or available for early adoption] for accounting periods beginning on or after 1 January 2010. A summary of the changes in accounting policies resulting from the Organization's application of these HKFRSs is set out in note 4.

3 Summary of Significant Accounting Policies

(a) Basis of preparation

The measurement basis used in preparing the financial statements is historical cost.

(b) Property, plant & equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Leasehold improvement	20%
Furniture fixtures and equipment	20%

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

The Organization 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 Organization 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.

THE GOOD NEWS NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

(c) Inventory

Inventories are measured at the lower of cost and net realizable 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. Inventories are not for sale, but used for Organization activities only.

(d) Cash and cash equivalent

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 cash which 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 Organization's cash management are included as a component of cash and cash equivalents.

(e) Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Organization and when the revenue can be measured reliably, on the following bases:

Donation income, offering income, activities income and interest income are recognized on cash receipt basis.

(f) Mandatory Provident Fund

Contributions to mandatory provident fund are recognized as an expense in the income statement as incurred.

(g) Related Parties

For the purposed of these financial statements, a party is considered to be related to the Organization if:

- i. directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Organization, has an interest in the Organization that gives it significant influence over the Organization, or has joint control over the Organization;
- ii. the party is a member of the key management personnel of the Organization;
- iii. the party is a close member of the family of any individual referred to (i) and (ii);
- iv. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (ii) or (iii); or
- v. the party is a post-employment benefit plan for the benefit of employees of the Organization, or of any entity that is a related party of the Organization.

THE GOOD NEWS NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Changes in accounting policies

In the current year, the Organization has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2010, including:

- HKRFSs (Amendments) Improvements to HKRFSs issued in 2010
- HKAS 24 (revised in 2009) Related party disclosures
- Amendments to HKFRS 7 Financial instrument: disclosures – Improving disclosure about financial instruments

The application of the new and revised HKFRSs has no material effects on the Organization's financial performance, positions and comparative figures.

5 Income and Other Income

	<u>2010</u> HK\$	<u>2009</u> HK\$
Income		
Personal offering	58,620	75,350
Personal offering (to Good News Fund)	3,000	400
Church offering	250,958	177,200
Sundry offering	2,825	56,126
Activities donation	249,015	181,457
Activities income	<u>800</u>	<u>3,600</u>
	565,218	494,133
Other Income		
Gain on sale of T-Shirt	33	-
Bank interest income	201	217
Sundry income	<u>356</u>	<u>137</u>
	<u>565,808</u>	<u>494,487</u>

THE GOOD NEWS NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6 Gain on disposal of T-Shirts

	<u>2010</u> HK\$	<u>2009</u> HK\$
Sale of T-Shirts	2,610	-
Cost of T-Shirts	<u>(2,577)</u>	<u>-</u>
Gain on Disposal of T-Shirts	<u><u>33</u></u>	<u><u>-</u></u>

7 Activity Expenses

Activities	<u>2010</u> HK\$	<u>2009</u> HK\$
516 Community Blessing action	437	-
CALL 2 ALL	-	10,761
Carnival	2,000	-
Church growth seminar	-	600
Church Networking activities	6,062	11,830
Good News Fund - Rice Dumplings for the Elderly	2,000	-
Good News Fund - Kwai Tsing Seminar	1,000	-
JC ONE	530	159,312
Jesus Love Community action	-	1,260
Love@Everyone Advances Evangelization Carnival	143,175	-
Promotion expenses	-	500
T-shirt for activities	-	143
Tsuen Wan Prayer	5,405	-
Youth Network activity	<u>-</u>	<u>17,957</u>
	<u><u>160,609</u></u>	<u><u>202,363</u></u>

THE GOOD NEWS NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Organization has the following transactions with related party:

Related party transaction

<u>Church/Person</u>	<u>Related party relationship</u>	<u>Type of transaction</u>	<u>2010</u> HK\$	<u>2009</u> HK\$
Tsuen Wan Baptist Church	The director Wong Yuen Ping is its Pastor	Donation received	59,775	14,000
The Praise Assembly Ltd Tsuen Wan	The director Ling Kin Yan and Yeung Yuet Ngor are its Leaders	Donation received & Activities income	95,190	49,650
Kei Yam Alliance Church	The director Siu Yu Fat is its Pastor	Donation received Activities income	7,000 -	- 2,000
Christian & Missionary Alliance Tak Tsuen Church	Common director : Fan Kwok Kwong	Donation received Activities income	3,000 -	- 7,988
Wong Yuen Ping	Director	Donation received	200	-
Urban Peacemaker Evangelistic Fellowship Ltd	The director Kwong Yuk Ting is its Minister	Activities income Sharing activity expenses	1,100 -	- 7,838
Chan Chang Huei Yin	Director	Donation received	1,500	-
德慧文化圖書有限公司	Common director: Chan Chang Huei Yin	Rental payment	6,000	6,000

9 Taxation

The Organization is exempted from Hong Kong profits tax under section 88 of the Inland Revenue Ordinance.

10 Directors' remuneration

Remuneration of the directors disclosed pursuant to Section 161 of the Companies Ordinance:-

	<u>2010</u> HK\$	<u>2009</u> HK\$
Fees	Nil	Nil
Other emoluments	Nil	Nil

THE GOOD NEWS NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Property, Plant and Equipment

	<u>Leasehold improvement</u> HK\$	<u>Furniture, fixtures and equipment</u> HK\$	<u>Total</u> HK\$
Cost or valuation:			
At 1 January 2010	1,300	22,795	24,095
Additions during the year	-	598	598
	<hr/>	<hr/>	<hr/>
At 31 December 2010	1,300	23,393	24,693
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
At 1 January 2010	780	11,634	12,414
Charge for the year	260	4,679	4,939
	<hr/>	<hr/>	<hr/>
At 31 December 2010	1,040	16,313	17,353
	<hr/>	<hr/>	<hr/>
Net Book Value:			
As at 31 December 2010	<u>260</u>	<u>7,080</u>	<u>7,340</u>
As at 31 December 2009	<u>520</u>	<u>1,161</u>	<u>11,681</u>

12 Inventory

Inventory are the remaining T- Shirts used in the Organization activities.

13 Financial Risk Management

The Organization activities expose it to certain financial risk: liquidity risk, interest rate risk and market risk. The Organization's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Organization's financial performance.

(a) Liquidity risk

The Organization manages its fund conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

(b) Interest rate risk

As the Organization has no significant interest-bearing assets, the Organization's results and operating cash flows are substantially independent of changes in market interest rates.

(c) Market risk

As the Organization is a non-profit making organization, it does not expose to market risk.

THE GOOD NEWS NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Operating lease commitment

The minimum rent payables under non-cancelable operating leases are as follows:

	<u>2010</u>	<u>2009</u>
	HK\$	HK\$
Within 1 year	73,176	73,176
Within 2 to 5 years	4,776	77,952
After 5 years	-	-
	<u>77,952</u>	<u>151,128</u>

15 Approval of financial statements

These financial statements were authorised for issue by the Organization's Board of Directors on 27 Nov 2011.