

THE HONG KONG INTERNATIONAL FILM FESTIVAL SOCIETY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH APRIL 2015

(English Version Only)

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of The Hong Kong International Film Festival Society Limited (the “Company”) for the year ended 30th April 2015.

Principal activities

The principal activities of the Company are to promote film culture and arts in Hong Kong.

Results and fund

The results of the Company for the year are set out in the statement of comprehensive income on page 8.

Movements in fund of the Company during the year are set out in the statement of changes in fund on page 9.

Directors

The directors of the Company during the year and up to the date of report are:

Au Man Chu	
Cheung Kin Tung, Marvin	(deceased on 13th September 2014)
Chia Chun Heng, Benny	
Chow Wing Shing, Vincent	
Lam Kin Ngok, Peter	
Lam Sin Lai, Judy	(appointed on 30th October 2014)
Lau Yiu Kuen	
Mak Kwai Wing	(resigned on 12th September 2014)
Roberto Alexandre Vieira Ribeiro	
So Chak Kwong	
To Kei Fung, Johnnie	
Wang Cheung Yue	
Wong Ka Lun	
Wong Ying Wai	

There being no provision in the Company’s Articles of Association for retirement by rotation, all remaining directors continue in office.

Mak Kwai Wing resigned on 12th September 2014 as the director of the Company due to personal reason which is not relating to the affairs of the Company.

Directors’ material interests in transactions, arrangements and contracts that are significant in relation to the Company’s business

No transactions, arrangements and contracts of significance in relation to the Company’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS (CONTINUED)

Directors' interests in the shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations

At no time during the year was the Company a party to any arrangement to enable the directors of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

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 continued its mission to strengthen global appreciation of Asian and Chinese film culture and to promote inspiring films from around the world, enriching the cultural life of Hong Kong through the organisation of the 39th Hong Kong International Film Festival (HKIFF), 13th Hong Kong-Asia Film Financing Forum (HAF), HKIFF Cine Fan year round programme, and other ancillary programmes this year.

During the financial year 2014/15, the Company curated and organised a total of 703 local screenings, with a total attendance of 99,211. The Company conducts audience surveys to understand the needs of audiences and strives for improvements subject to the availability of resources.

The growth of digital delivery platforms and the proliferation of many alternative forms of entertainment have led to drastic changes in viewing habits among the younger generation. Theatre-going among the core demographic of 16 to 35 years old is declining. Such change and decline will impact cultural development in Hong Kong. The Company considers it important to encourage theatrical communal viewing and to nurture the public, especially the young generation in Hong Kong, on world film cultures so as to broaden their social and cultural outlook. Building on its programme of community screenings in the past two years, the Company initiated the Audience Development Strategy Project in the 39th HKIFF with financial support from Create Hong Kong, aiming to make the films accessible and affordable to audiences. The components of the Audience Development Strategy Project include increasing the number of Chinese subtitled films, introduction of low-priced student tickets, and Film+ programme for students. The total number of attendance for the project was 40,918.

With the financial support from the Film Development Fund, the Company also introduced and set up an online library for script and project database (HAF Project Hub) this year. The first of its kind in the community of film project markets, the HAF Project Hub helps filmmakers by expanding the exposure of their projects beyond the singular HAF annual event, and broadening the potential buyer pool for such projects.

The Company complies with the Hong Kong Employment Ordinance and provides a healthy and safe working environment for all of its employees. The Company keeps proper books of accounts and records and prepares financial statements in accordance with Hong Kong Financial Reporting Standards and Hong Kong Companies Ordinance. To ensure openness, fairness and value for money for procurement of resources, the Company's procurement policy and procedures serve as a mechanism to monitor procurement of goods and activities to be made on a fair and unbiased basis. The Company's finances and financial procedures are supervised by a Finance and Audit Committee comprising members of the Company's Board and chaired by the Company's Hon. Treasurer.

This year has been difficult for the Company. In a challenging economic environment, the Company suffered a deficit of over HK\$1 million. The Company strives to maintain the quality of film shows and

REPORT OF THE DIRECTORS (CONTINUED)

related activities in the face of rising production costs. As such, more financial support from the Government and the commercial sectors are needed.

Looking ahead, the Company will continue efforts in promoting international appreciation of Asian, Hong Kong and Chinese film culture; to introduce world cinema to Hong Kong audiences; to underline Hong Kong's key position in the international film community, as well as making world cinema accessible and affordable to the public. With the continued financial support from the public and commercial sector, we will continue to organise free community screenings and expand the audience development project initiated in 39th HKIFF next year.

Permitted indemnity provisions

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated corporation (if made by the Company).

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Wilfred Wong, GBS, JP

Hong Kong, 20 October 2015

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE HONG KONG INTERNATIONAL FILM FESTIVAL SOCIETY LIMITED**
(Incorporated in Hong Kong under the Companies Ordinance and limited by guarantee)

We have audited the financial statements of The Hong Kong International Film Festival Society Limited (the "Company") set out on pages 7 to 24, which comprise the balance sheet as at 30th April 2015, and the statement of comprehensive income, the statement of changes in fund and the statement of cash flows 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 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.

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 judgement, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE HONG KONG INTERNATIONAL FILM FESTIVAL SOCIETY LIMITED (CONTINUED)**
(Incorporated in Hong Kong under the Companies Ordinance and limited by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30th April 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 October 2015

BALANCE SHEET

(All amounts in Hong Kong dollars unless otherwise stated)

		As at 30th April	
	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	127,220	129,965
Rental deposit	7	-	700,854
		<u>127,220</u>	<u>830,819</u>
Current assets			
Other receivables, deposits and prepayments	7	6,008,771	5,002,810
Cash and cash equivalents	8	7,322,286	8,003,172
		<u>13,331,057</u>	<u>13,005,982</u>
Total assets		<u><u>13,458,277</u></u>	<u><u>13,836,801</u></u>
FUND			
Accumulated fund	9	<u>6,487,112</u>	<u>7,587,699</u>
LIABILITIES			
Current and total liabilities			
Other payables and accruals	10	<u>6,971,165</u>	<u>6,249,102</u>
Total fund and liabilities		<u><u>13,458,277</u></u>	<u><u>13,836,801</u></u>

The notes on pages 11 to 24 are an integral part of these financial statements.

The financial statements on pages 7 to 24 were approved by the Board of Directors on 20 October 2015 and were signed on its behalf.

Dr. Wilfred Wong, GBS, JP

Dr. Judy Tsui

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Hong Kong dollars unless otherwise stated)

	Note	Year ended 30th April	
		2015	2014
Income			
Grants from Commerce and Economic Development Bureau		11,910,000	12,290,000
Ticket proceeds		5,179,876	5,219,844
Commercial and individual sponsorships		5,919,277	4,852,072
Donation from the Hong Kong Jockey Club Charities Trust		-	386,426
Other public sector subvention		9,473,135	6,197,434
Service fee income		1,489,000	2,518,300
Other income	11	892,314	756,946
		<u>34,863,602</u>	<u>32,221,022</u>
Expenditure			
Production expenses		21,559,816	18,946,800
Payroll and related expenses	12	7,853,509	7,938,431
Marketing expenses		3,213,899	2,590,143
Other operating expenses	13	3,336,965	2,986,816
		<u>35,964,189</u>	<u>32,462,190</u>
Deficit for the year		(1,100,587)	(241,168)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		<u>(1,100,587)</u>	<u>(241,168)</u>

The notes on pages 11 to 24 are an integral part of these financial statements.

STATEMENT OF CHANGES IN FUND

(All amounts in Hong Kong dollars unless otherwise stated)

	Accumulated fund
Balance at 1st May 2013	7,828,867
Total comprehensive loss	
- Deficit for the year	(241,168)
- Other comprehensive income	-
	<hr/>
Balances at 30th April 2014 and 1st May 2014	7,587,699
Total comprehensive loss	
- Deficit for the year	(1,100,587)
- Other comprehensive income	-
	<hr/>
Balance at 30th April 2015	<u><u>6,487,112</u></u>

The notes on pages 11 to 24 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts in Hong Kong dollars unless otherwise stated)

		Year ended 30th April	
	Note	2015	2014
Cash flows from operating activities			
Net cash (used in)/generated from operating activities	16(a)	(568,207)	576,888
Cash flows from investing activities			
Interest received	11	169	269
Proceeds from disposal of property, plant and equipment	16(b)	100	400
Purchases of property, plant and equipment	5	(112,948)	(38,260)
Net cash used in investing activities		(112,679)	(37,591)
Net (decrease)/increase in cash and cash equivalents			
		(680,886)	539,297
Cash and cash equivalents at beginning of the year		8,003,172	7,463,875
Cash and cash equivalents at end of the year	8	<u>7,322,286</u>	<u>8,003,172</u>

The notes on pages 11 to 24 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

1 General information

The Hong Kong International Film Festival Society Limited (the “Company”) is a company incorporated on 26th February 2004 under the Hong Kong Companies Ordinance and is limited by guarantee.

The Company was incorporated to organise and manage the Hong Kong International Film Festival and other additional events with funding from the Commerce and Economic Development Bureau and other public and private bodies, to consolidate Hong Kong as a hub for creating exchange in the international film scene, and to promote communication and cooperation among film artists in and beyond Hong Kong.

The address of its registered office is 4/F & 5/F, Central Tower, No. 28 Queen’s Road Central, Hong Kong.

Under the provisions of the Memorandum of Association, every member of the Company undertakes to contribute to the assets of the Company, in the event of its being wound up while he is a member, or within one year after he ceased to be a member, for payment of the debtors and liabilities of the Company contracted before he ceased to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding one hundred Hong Kong dollars (HK\$100). There are 12 members at 30th April 2015 (2014: 13 members).

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Compliance Statement

Paragraph 4(a) of Part 1 of Schedule 4 requires that the financial statements for a financial year must state whether they have been prepared in accordance with applicable accounting standards within the meaning of section 380. Those accounting standards that are applicable to the financial statements are those as are, in accordance with their terms, relevant to Company’s circumstances and to the financial statements. For Hong Kong incorporated companies, the applicable accounting standards are HKFRS, as they are only accounting standards which are issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The preface to HKFRS (Revised 2015), paragraph 25B makes clear that a Hong Kong incorporated company will be in breach of section 380(4)(b) unless the statutory financial statements of the Company contains an explicit and unreserved statement of compliance with HKFRS as issued by the HKICPA. This statement may be in addition to a statement of compliance with a basis or standard of accounting other than HKFRSs provided the financial statements satisfy the requirements of both accounting frameworks.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

- (a) New standards, amendments and interpretations to existing HKFRS (collectively, the “Amendments”) effective for the Company’s accounting year commencing on 1st May 2014

The following Amendments have been adopted by the Company for the first time for the Company’s financial year beginning on 1st May 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. This amendment does not have a significant effect on these financial statements.

Amendment to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures of the recoverable amount of cash-generating units which had been included in HKAS 36 by the issue of HKFRS 13 “Fair value measurement”. It also enhanced the disclosures of information about the recoverable amount of impaired assets if the amount is based on fair value less costs of disposal. This amendment did not have a significant effect on these financial statements.

Other Amendments which are effective for the Company’s financial year beginning on 1st May 2014 are not material or relevant to the Company.

- (b) Amendments that are not yet effective and have not been early adopted by the Company

Certain Amendments have been published that are mandatory for the Company’s accounting periods commencing on or after 1st May 2015, and have not been early adopted in these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

The following Amendments are relevant and applicable to the Company; however, they have not been early adopted in these financial statements:

		Effective for the Company’s accounting periods commencing on
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1st May 2015
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1st May 2015
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1st May 2016
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation	1st May 2016
HKFRS 9	Financial Instruments	1st May 2018
HKFRS 15	Revenue from Contracts with Customers	1st May 2017

The Company has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial position and considered that these Amendments would not have a significant impact on the Company’s results of operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (c) New Hong Kong Companies Ordinance (Cap.622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the financial statements.

2.2 Foreign currency translation

- (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

- (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	shorter of 3 years or the unexpired period of the lease
Office and other equipment	3 years
Furniture and fixtures	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating expenses in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.4 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Receivables

Receivables are amounts due from donors and customers for services performed in the ordinary course of business. If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7 Impairment of financial assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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 (such as an

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.7 Impairment of financial assets carried at amortised cost (Continued)

improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.9 Payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Pension obligations

The Company has established a mandatory provident fund scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held in separate trustee-administered funds.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(c) Long service payments

The Company's employees have to complete a required number of years of service to the Company in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Company is liable to make such payments in the event that such termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments 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 service to the Company to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.12 Revenue and other income recognition

(a) Grants and subvention

Grants and subvention are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate, and there is reasonable assurance that the grants and subvention will be received and the Company will comply with all attached conditions.

(b) Ticket sales

Proceeds from ticket sales are recognised when the sales take place.

(c) Sponsorship and specific donations

Sponsorship and specific donations are recognised when the launch of the related programmes and events are considered probable and the right to receive is established.

(d) Service and submission fee income

Service and submission fee income are recognised when such services are rendered.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Sundry income

Sundry income is accounted for on an accruals basis.

2.13 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

3 Financial and fund risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Foreign exchange risk

Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. As majority of the Company's transactions, recognised assets and liabilities are denominated in Hong Kong dollars, the directors are of the opinion that the Company does not have significant foreign exchange risk. Accordingly, no sensitivity analysis is performed.

(b) Credit risk

The Company's credit risk is primarily attributable to the receivables from the government agencies and reputable donors. In the opinion of the directors, the credit risk in respect of the receivables is considered to be low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(c) Liquidity risk

The liquidity of the Company is adequately managed and monitored by maintaining sufficient cash balance and funding to meet its liabilities as and when they fall due and to continue operating for the foreseeable future. The directors are of the opinion that the Company does not have significant liquidity risk.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30th April, the ageing analysis of other payables and accruals are as follows:

	2015	2014
Less than one year (note 10)	<u>4,091,312</u>	<u>4,239,165</u>

(d) Cash flow interest rate risk

Other than cash at banks carrying at market rates, the Company has no significant interest-bearing assets and liabilities. The interest income derived therefrom is relatively insignificant to the Company's operations. Accordingly, the Company's cash flow interest rate risk is considered to be low by the directors, no sensitivity analysis is performed.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

3 Financial and fund risk management (Continued)

3.2 Fund risk management

The Company's objectives when managing fund are to safeguard the Company's ability to continue as a going concern in order to provide funding for promoting film culture and arts in Hong Kong. The Company's overall strategy remains unchanged from prior year. The source of fund of the Company is its accumulated fund.

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Company has no financial instruments measured on the three-level hierarchy basis in the balance sheet.

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of income and expenditure within the next financial year are discussed below.

Fair values of non-cash sponsorships and the corresponding advertisement costs

The Company has received certain non-cash sponsorships from various third parties during the year. However, no revenue and corresponding advertisement cost has been recognised for these non-cash sponsorships as the directors are of the view that the fair values of these sponsorships and the corresponding advertisement costs cannot be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

5 Property, plant and equipment

	Leasehold improve- ments	Office and other equipment	Furniture and fixtures	Total
At 1st May 2013				
Cost	637,590	2,003,255	130,287	2,771,132
Accumulated depreciation	(635,823)	(1,734,167)	(126,144)	(2,496,134)
Net book amount	<u>1,767</u>	<u>269,088</u>	<u>4,143</u>	<u>274,998</u>
Year ended 30th April 2014				
Opening net book amount	1,767	269,088	4,143	274,998
Additions	-	38,260	-	38,260
Disposals (note 16(b))	-	(16,042)	-	(16,042)
- Cost	-	(84,600)	-	(84,600)
- Accumulated depreciation	-	68,558	-	68,558
Depreciation charge (note 13)	(1,767)	(161,341)	(4,143)	(167,251)
Closing net book amount	<u>-</u>	<u>129,965</u>	<u>-</u>	<u>129,965</u>
At 30th April 2014				
Cost	637,590	1,956,915	130,287	2,724,792
Accumulated depreciation	(637,590)	(1,826,950)	(130,287)	(2,594,827)
Net book amount	<u>-</u>	<u>129,965</u>	<u>-</u>	<u>129,965</u>
Year ended 30th April 2015				
Opening net book amount	-	129,965	-	129,965
Additions	-	112,948	-	112,948
Disposals (note 16(b))	-	-	-	-
- Cost	-	(8,138)	-	(8,138)
- Accumulated depreciation	-	8,138	-	8,138
Depreciation charge (note 13)	-	(115,693)	-	(115,693)
Closing net book amount	<u>-</u>	<u>127,220</u>	<u>-</u>	<u>127,220</u>
At 30th April 2015				
Cost	637,590	2,061,725	130,287	2,829,602
Accumulated depreciation	(637,590)	(1,934,505)	(130,287)	(2,702,382)
Net book amount	<u>-</u>	<u>127,220</u>	<u>-</u>	<u>127,220</u>

Depreciation expense of HK\$115,693 (2014: HK\$167,251) has been charged in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

6 Financial instruments by category

The Company's financial instruments include the following:

	2015	2014
Financial assets - loans and receivables		
Other receivables (note 7)	5,037,100	4,770,934
Deposits (note 7)	728,226	726,106
Cash and cash equivalents (note 8)	7,322,286	8,003,172
	<u>13,087,612</u>	<u>13,500,212</u>
Financial liabilities - other financial liabilities at amortised cost		
Other payables and accruals (note 10)	<u>4,091,312</u>	<u>4,239,165</u>

7 Other receivables, deposits and prepayments

	2015	2014
Other receivables	5,037,100	4,770,934
Deposits	728,226	726,106
Prepayments	243,445	206,624
	<u>6,008,771</u>	<u>5,703,664</u>
Less: non-current rental deposit	-	(700,854)
	<u>6,008,771</u>	<u>5,002,810</u>

The carrying values of other receivables, deposits and prepayments approximate their fair values as at 30th April 2015 and 2014 and are denominated in Hong Kong dollars.

Other receivables, deposits and prepayments do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial assets within other receivables and deposits mentioned above. The Company does not hold any collateral as security.

8 Cash and cash equivalents

	2015	2014
Cash at banks and in hand	<u>7,322,286</u>	<u>8,003,172</u>
Maximum exposure to credit risk	<u>7,312,286</u>	<u>7,993,172</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

8 Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	2015	2014
Hong Kong dollars	3,242,904	4,822,547
Renminbi	1,584,152	-
United States dollars	1,477,983	2,200,583
European dollars	908,381	850,627
Australian dollars	108,322	126,710
Japanese yen	544	2,705
	<u>7,322,286</u>	<u>8,003,172</u>

9 Accumulated fund

Prior to 1st May 2009, the Company was funded by the Hong Kong Arts Development Council and the accumulated fund from 26th February 2004 (date of incorporation) to 30th April 2009 was HK\$5,829,820. Since 1st May 2009, the Company has been funded by the Commerce and Economic Development Bureau and the accumulated fund from 1st May 2009 to 30th April 2015 was HK\$657,292 (2014: HK\$1,757,879). Accordingly the total accumulated fund of the Company as at 30th April 2015 was HK\$6,487,112 (2014: HK\$7,587,699).

10 Other payables and accruals

	2015	2014
Other payables and accruals	4,091,312	4,239,165
Receipt in advance	2,456,210	1,734,136
Provision for unutilised annual leave	423,643	265,133
Provision for long service payments	-	10,668
	<u>6,971,165</u>	<u>6,249,102</u>

The carrying values of other payables and accruals approximate their fair values as at 30th April 2015 and 2014 and are denominated in Hong Kong dollars.

11 Other income

	2015	2014
Interest income	169	269
Submission fee income	442,807	451,551
Sundry income	449,338	305,126
	<u>892,314</u>	<u>756,946</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

12 Employee benefit expense

	2015	2014
Wages, salaries and bonus	11,607,211	12,403,877
Unutilised annual leave	158,510	(135,528)
Long service payments	(10,668)	(17,748)
Pension costs - MPF scheme	383,830	388,511
Other allowances and benefits	193,714	169,698
	<u>12,332,597</u>	<u>12,808,810</u>

Employee benefit expense in relation to projects run by the Company of HK\$4,479,088 (2014: HK\$4,870,379) has been charged and included in production expenses of which HK\$2,386,192 (2014: HK\$2,419,835), HK\$nil (2014: HK\$279,959), HK\$1,219,474 (2014: HK\$968,981), HK\$227,907 (2014: HK\$nil) and HK\$73,438 (2014:HK\$nil) incurred for the projects of Hong Kong - Asia Film Financing Forum, Jockey Club Cine Academy, HKIFF Cine Fan Programme, Audience Development Strategy Programme and Community Screening Programme respectively.

13 Other operating expenses

	2015	2014
Operating lease rentals for office premises	2,068,429	1,988,563
Depreciation of property, plant and equipment (note 5)	115,693	167,251
Auditor's remuneration	106,000	101,000
Legal and professional fee	45,775	16,005
Exchange difference	195,217	34,242
Others	805,851	679,755
Total	<u>3,336,965</u>	<u>2,986,816</u>

14 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap.622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G))

(a) Directors' emoluments (equivalent to key management compensation)

None of the directors received or will receive any fees or other emoluments in respect of their services to the Company during the year (2014: nil).

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

14 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap.622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) (Continued)

- (c) Consideration provided to third parties for making available directors' services

During the year ended 30th April 2015, the Company does not pay consideration to any third parties for making available directors' services (2014: nil).

- (d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

As at 30th April 2015, there are no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such directors (2014: nil).

- (e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: nil).

15 Taxation

The Company is an approved charitable institution and exempted from tax under section 88 of the Inland Revenue Ordinance.

16 Notes to the statement of cash flows

- (a) Net cash (used in)/generated from operating activities

	2015	2014
Deficit for the year	(1,100,587)	(241,168)
Adjustments for:		
- Depreciation (note 5)	115,693	167,251
- Interest income (note 11)	(169)	(269)
- (Gain)/loss on disposal of property, plant and equipment (note 16(b))	(100)	15,642
Changes in working capital:		
- Other receivables, deposits and prepayments	(305,107)	2,509,172
- Other payables and accruals	722,063	(1,873,740)
Net cash (used in)/generated from operating activities	<u>(568,207)</u>	<u>576,888</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

16 Notes to the statement of cash flows (Continued)

- (b) In the statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2015	2014
Net book amount (note 5)	-	16,042
Gain/(loss) on disposal of property, plant and equipment (note 16(a))	100	(15,642)
	<u>100</u>	<u>(15,642)</u>
Proceeds from disposal of property, plant and equipment	<u>100</u>	<u>400</u>

17 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

	2015	2014
No later than 1 year	1,076,922	2,638,988
Later than 1 year and no later than 5 years	-	1,065,933
	<u>1,076,922</u>	<u>3,704,921</u>