

THE HONG KONG INTERNATIONAL FILM FESTIVAL SOCIETY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH APRIL 2016

(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 2016.

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 7.

Movements in fund of the Company during the year are set out in the statement of changes in fund on page 8.

Directors

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

Au Man Chu
Chia Chun Heng, Benny
Chow Wing Shing, Vincent
Lam Kin Ngok, Peter
Lam Sin Lai, Judy
Lau Yiu Kuen
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 directors continue in office.

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.

Directors’ interests in the shares and debentures of the Company or any specified undertaking of the Company

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 in the shares or debentures of the Company or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial

REPORT OF THE DIRECTORS (CONTINUED)

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 40th Hong Kong International Film Festival (“HKIFF”), 14th Hong Kong-Asia Film Financing Forum (“HAF”), HKIFF Cine Fan year round programme, and other ancillary programmes this year.

During the financial year 2015/16, the Company curated and organised a total of 721 local screenings, with a total attendance of 111,131. 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 few years and the Audience Development Strategy Project in the past two years, the Company continued and expanded the Audience Development Strategy Project in 2015/16 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, continued provision of low-priced student tickets and Film+ programme for students at the 40th HKIFF. The Company also introduced year-round programme for schools in Hong Kong, including low-priced student tickets at Cine Fan Summer International Film Festival, Film-in-schools, Cine Fan for Schools, and Student Summer Programme. The total number of attendance for the Audience Development Strategy Project for 2015/16 was 58,990.

With the financial support from the Film Development Fund, the Company also continued the online library for script and project database (“HAF Project Hub”) this year. 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 Honorary Treasurer.

This year has been not easy for the Company. In a challenging economic environment, the Company achieved a surplus of HK\$0.48 million. The Company strives to maintain the quality of film screenings, events and related activities in the face of rising production

REPORT OF THE DIRECTORS (CONTINUED)

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 the audience development strategy project 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 company (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

Wong Ying Wai

Hong Kong, 7 November 2016

7. Financial Report 財政報告

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 2016, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30th April 2016, and of its financial performance and cash flows

7. Financial Report 財政報告

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)

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, 7 November 2016

BALANCE SHEET

(All amounts in Hong Kong dollars unless otherwise stated)

		As at 30th April	
	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	5	73,351	127,220
Rental deposit	7	791,208	-
		<u>864,559</u>	<u>127,220</u>
Current assets			
Other receivables, deposits and prepayments	7	7,893,789	6,008,771
Cash and cash equivalents	8	3,386,677	7,322,286
		<u>11,280,466</u>	<u>13,331,057</u>
Total assets		<u><u>12,145,025</u></u>	<u><u>13,458,277</u></u>
FUND			
Accumulated fund	9	<u>6,970,231</u>	<u>6,487,112</u>
LIABILITIES			
Current and total liabilities			
Other payables and accruals	10	<u>5,174,794</u>	<u>6,971,165</u>
Total fund and liabilities		<u><u>12,145,025</u></u>	<u><u>13,458,277</u></u>

The notes on pages 10 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 7 November 2016 and were signed on its behalf.

Wong Ying Wai

Lam Sin Lai, Judy

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Hong Kong dollars unless otherwise stated)

		Year ended 30th April	
	Note	2016	2015
Income			
Grants from Commerce and Economic Development Bureau		12,285,000	11,910,000
Ticket proceeds		5,870,731	5,179,876
Commercial and individual sponsorships		6,276,870	5,919,277
Other public sector subvention		10,420,399	9,473,135
Service fee income		1,929,500	1,489,000
Other income	11	1,465,399	892,314
		<u>38,247,899</u>	<u>34,863,602</u>
Expenditure			
Production expenses		22,778,746	21,559,816
Payroll and related expenses	12	8,244,085	7,853,509
Marketing expenses		3,352,727	3,213,899
Other operating expenses	13	3,389,222	3,336,965
		<u>37,764,780</u>	<u>35,964,189</u>
Surplus/(deficit) for the year		483,119	(1,100,587)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		<u>483,119</u>	<u>(1,100,587)</u>

The notes on pages 10 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 2014	7,587,699
Total comprehensive loss	
- Deficit for the year	(1,100,587)
- Other comprehensive income	-
	<hr/>
Balances at 30th April 2015 and 1st May 2015	6,487,112
Total comprehensive income	
- Surplus for the year	483,119
- Other comprehensive income	-
	<hr/>
Balance at 30th April 2016	<u><u>6,970,231</u></u>

The notes on pages 10 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	2016	2015
Cash flows from operating activities			
Net cash used in operating activities	16(a)	(3,921,716)	(568,207)
Cash flows from investing activities			
Interest received	11	2,657	169
Proceeds from disposal of property, plant and equipment	16(b)	360	100
Purchases of property, plant and equipment	5	(16,910)	(112,948)
Net cash used in investing activities		(13,893)	(112,679)
Net decrease in cash and cash equivalents		(3,935,609)	(680,886)
Cash and cash equivalents at beginning of the year		7,322,286	8,003,172
Cash and cash equivalents at end of the year	8	<u>3,386,677</u>	<u>7,322,286</u>

The notes on pages 10 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 2016 (2015: 12 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 all applicable Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement 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 beginning on 1st May 2015

The following Amendments have been adopted by the Company for the first time

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)

for the Company's financial year beginning on 1st May 2015:

Amendments from annual improvements to HKFRSs – 2010-2012 Cycle, on HKAS 16, "Property, plant and equipment" and HKAS 24, "Related party disclosures".

Amendments from annual improvements to HKFRSs – 2011-2013 Cycle, on HKFRS 13 "Fair value measurement".

The adoption of the above Amendments has resulted in certain additional disclosures. Other than that, the Amendments are either 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 beginning on or after 1st May 2016.

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 beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1st May 2016
HKAS 16 (Amendment)	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 2018
HKFRS 16	Leases	1st May 2019
HKFRSs (Amendment)	Annual Improvements 2014	1st May 2016

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.

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Foreign currency translation (Continued)

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.

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

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 (Continued)

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

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)

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 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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.10 Employee benefits (Continued)

(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 services to the Company to the balance sheet date.

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 film is shown.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.12 Revenue and other income recognition (Continued)

(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.

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, reputable donors and cash at banks.

In respect of receivables from the government agencies and reputable donors, in the opinion of the directors, the credit risk 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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

3 Financial and fund risk management (Continued)

3.1 Financial risk factors (Continued)

(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:

	2016	2015
Less than one year (note 10)	<u>4,480,533</u>	<u>4,091,312</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 and no sensitivity analysis is performed.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

4 Critical accounting estimates and judgements

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.

5 Property, plant and equipment

	Leasehold improve- ments	Office and other equipment	Furniture and fixtures	Total
At 1st May 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	-	129,965	-	129,965
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	-	127,220	-	127,220
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	-	127,220	-	127,220
Year ended 30th April 2016				
Opening net book amount	-	127,220	-	127,220
Additions	-	16,910	-	16,910
Disposals (note 16(b))	-	-	-	-
- Cost	-	(52,596)	-	(52,596)
- Accumulated depreciation	-	52,596	-	52,596
Depreciation charge (note 13)	-	(70,779)	-	(70,779)
Closing net book amount	-	73,351	-	73,351
At 30th April 2016				
Cost	637,590	2,026,039	130,287	2,793,916
Accumulated depreciation	(637,590)	(1,952,688)	(130,287)	(2,720,565)
Net book amount	-	73,351	-	73,351

Depreciation expense of HK\$70,779 (2015: HK\$115,693) 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:

	2016	2015
Financial assets - loans and receivables		
Other receivables (note 7)	7,321,248	5,037,100
Deposits (note 7)	818,200	728,226
Cash and cash equivalents (note 8)	3,386,677	7,322,286
	<u>11,526,125</u>	<u>13,087,612</u>
Financial liabilities - other financial liabilities at amortised cost		
Other payables and accruals (note 10)	<u>4,480,533</u>	<u>4,091,312</u>

7 Other receivables, deposits and prepayments

	2016	2015
Other receivables	7,321,248	5,037,100
Deposits	818,200	728,226
Prepayments	545,549	243,445
	<u>8,684,997</u>	<u>6,008,771</u>
Less: non-current rental deposit	(791,208)	-
Current portion	<u>7,893,789</u>	<u>6,008,771</u>

The carrying values of other receivables, deposits and prepayments approximate their fair values as at 30th April 2016 and 2015 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

	2016	2015
Cash at banks and in hand	<u>3,386,677</u>	<u>7,322,286</u>
Maximum exposure to credit risk	<u>3,376,677</u>	<u>7,312,286</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:

	2016	2015
Hong Kong dollars	1,323,308	3,242,904
Renminbi	48,549	1,584,152
United States dollars	1,427,976	1,477,983
European dollars	268,035	908,381
Pounds sterling	215,152	-
Australian dollars	103,051	108,322
Japanese yen	606	544
	<u>3,386,677</u>	<u>7,322,286</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 2016 was HK\$1,140,411 (2015: HK\$657,292). Accordingly the total accumulated fund of the Company as at 30th April 2016 was HK\$6,970,231 (2015: HK\$6,487,112).

10 Other payables and accruals

	2016	2015
Other payables and accruals	4,480,533	4,091,312
Receipt in advance	97,302	2,456,210
Provision for unutilised annual leave	588,893	423,643
Provision for long service payments	8,066	-
	<u>5,174,794</u>	<u>6,971,165</u>

The carrying values of other payables and accruals approximate their fair values as at 30th April 2016 and 2015 and are denominated in Hong Kong dollars.

11 Other income

	2016	2015
Interest income	2,657	169
Submission fee income	693,562	442,807
Sundry income	769,180	449,338
	<u>1,465,399</u>	<u>892,314</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

12 Employee benefit expense

	2016	2015
Wages, salaries and bonus	12,479,032	11,607,211
Unutilised annual leave	165,250	158,510
Long service payments	8,066	(10,668)
Pension costs - MPF scheme	399,564	383,830
Other allowances and benefits	195,784	193,714
	<u>13,247,696</u>	<u>12,332,597</u>

Employee benefit expense in relation to projects run by the Company of HK\$5,003,611 (2015: HK\$4,479,088) has been charged and included in production expenses of which HK\$2,583,891 (2015: HK\$2,386,192), HK\$1,209,905 (2015: HK\$1,219,474), HK\$455,962 (2015: HK\$227,907) and HK\$67,025 (2015: HK\$73,438) incurred for the projects of Hong Kong - Asia Film Financing Forum, Hong Kong International Film Festival ("HKIFF") Cine Fan Programme, Audience Development Strategy Programme and Community Screening Programme respectively.

13 Other operating expenses

	2016	2015
Operating lease rentals for office premises	2,294,442	2,068,429
Depreciation of property, plant and equipment (note 5)	70,779	115,693
Auditor's remuneration	110,000	106,000
Legal and professional fee	32,565	45,775
Exchange difference	86,612	195,217
Others	794,824	805,851
Total	<u>3,389,222</u>	<u>3,336,965</u>

14 Benefits and interests of directors

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance (Cap. 622) and Part 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G):

- (a) During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services (equivalent to key management compensation) were paid or made, directly or indirectly, to the directors; nor are any payable (2015: nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: nil).
- (b) No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Hong Kong dollars unless otherwise stated)

14 Benefits and interests of directors (Continued)

business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: 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 operating activities

	2016	2015
Surplus/(deficit) for the year	483,119	(1,100,587)
Adjustments for:		
- Depreciation (note 5)	70,779	115,693
- Interest income (note 11)	(2,657)	(169)
- Gain on disposal of property, plant and equipment (note 16(b))	(360)	(100)
Changes in working capital:		
- Other receivables, deposits and prepayments	(2,676,226)	(305,107)
- Other payables and accruals	(1,796,371)	722,063
Net cash used in operating activities	<u>(3,921,716)</u>	<u>(568,207)</u>

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

	2016	2015
Net book amount (note 5)	-	-
Gain on disposal of property, plant and equipment (note 16(a))	360	100
Proceeds from disposal of property, plant and equipment	<u>360</u>	<u>100</u>

17 Operating lease commitments

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

	2016	2015
No later than 1 year	3,070,408	1,076,922
Later than 1 year and no later than 5 years	4,271,872	-
	<u>7,342,280</u>	<u>1,076,922</u>