

**DRAFT**

名仕會計師事務所有限公司  
**DOUGLAS CPA (PRACTISING) LIMITED**

*Certified Public Accountants  
Hong Kong*

HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED  
(COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2020

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### REPORTS AND FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30TH JUNE, 2020

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## **HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED**

### **DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June, 2020.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is promoting and supporting the development of arts administration in Hong Kong.

#### **THE STATE OF THE COMPANY'S AFFAIRS**

The state of the Company's affairs as at 30th June, 2020 are set out in the financial statements on pages 6 to 14.

#### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in property, plant and equipment of the Company are set out in note 7 to the financial statements.

#### **DIRECTORS**

The directors of the Company during the year and up to the date of this report were as follows:

Ms. CHIN Man Wah, Celina	
Ms. CHUNG Kun Yee	
Ms. CHUNG Siu Mui, Ribble	
Ms. LAI Man Yee, Vennie	
Ms. LAM Suk Yee, Connie	
Mr. MOK Kin Wai, Patrick	
Mr. TAM Siu Man, Paul	
Mr. TSUI Tak Wai, David	
Ms. YU Kit Yee, Flora	
Ms. LEE Lena	(Appointed on 3rd December, 2019)
Ms. YIU Yun Man Mandy	(Appointed on 13th May, 2020)

In accordance with Articles 23 of the Company's Article of Association, a director shall hold office until the conclusion of the next Annual General Meeting of the year in which election of directors is held but shall be eligible for re-election.

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### DIRECTORS' REPORT

#### 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.

#### 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 or an associated company.

#### AUDITORS

During the financial year, Golden Mark & Company, Certified Public Accountants resigned and Douglas CPA (Practising) Limited was appointed as auditors of the Company. A resolution for the re-appointment as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

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Ms. LAI Man Yee, Vennie  
Chairman

Hong Kong : 20th January, 2021

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED**

**(incorporated in Hong Kong with limited liability**

**limited by guarantee and not having a share capital)**

## **Opinion**

We have audited the financial statements of Hong Kong Arts Administrators Association Limited ("the Company") set out on pages 6 to 14, which comprise the statement of financial position as at 30th June, 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Company are prepared, in all material respects, in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") and with reference to Practice Note 900 (Revised) "Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard" issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED**

**(incorporated in Hong Kong with limited liability**

**limited by guarantee and not having a share capital)**

**Other information - continued**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of directors and those charged with governance for the financial statements**

The directors are responsible for the preparation of the financial statements in accordance with the SME-FRS issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED**

**(incorporated in Hong Kong with limited liability**  
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**Auditor's responsibilities for the audit of the financial statements - continued**

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Douglas CPA (Practising) Limited  
Certified Public Accountants

Hong Kong : 20th January, 2021

Tsang Kwong Yip  
Practising Certificate No.: P04076

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### INCOME STATEMENT

#### FOR THE YEAR ENDED 30TH JUNE, 2020

	<u>Notes</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Revenue	3	1,507,591.29	2,873,779.99
Expenditure		<u>(1,501,760.57)</u>	<u>(2,838,292.87)</u>
Surplus before taxation	4	5,830.72	35,487.12
Income tax expense	6	<u>-</u>	<u>-</u>
Surplus for the year		<u><u>5,830.72</u></u>	<u><u>35,487.12</u></u>

The annexed notes form part of these financial statements.



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## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### STATEMENT OF FINANCIAL POSITION AT 30TH JUNE, 2020

	<u>Notes</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	7	<u>204.00</u>	<u>3,166.00</u>
<b>CURRENT ASSETS</b>			
Accounts and other receivables		245,890.00	243,478.02
Deposits and prepayment		108,029.65	61,230.00
Cash and bank balances		<u>630,310.60</u>	<u>201,789.40</u>
		<u>984,230.25</u>	<u>506,497.42</u>
<b>CURRENT LIABILITIES</b>			
Accruals and other payable		48,789.81	43,248.25
Income received in advance		<u>593,373.55</u>	<u>129,975.00</u>
		<u>642,163.36</u>	<u>173,223.25</u>
<b>NET CURRENT ASSETS</b>		<u>342,066.89</u>	<u>333,274.17</u>
<b>NET ASSETS</b>		<u>342,270.89</u>	<u>336,440.17</u>
<b>TOTAL EQUITY</b>			
Accumulated surplus	8	<u>342,270.89</u>	<u>336,440.17</u>

The annexed notes form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 20th January, 2021

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Mr. MOK Kin Wai, Patrick  
Director

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Ms. LAI Man Yee Vennie  
Director

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30TH JUNE, 2020

#### 1. LIMITED BY GUARANTEE

The principal activity of Hong Kong Arts Administrators Association Limited ("the Company") is promoting and supporting the development of arts administration in Hong Kong.

Under the provision of the Company's Articles of Association, every member shall, in the event of the Company being wound up, contribute such an amount as may be required to meet the liabilities of the Company but not exceeding the sum of HK\$100 each. The Company is a non-profit making organisation incorporated on 14th June, 1985. The address of its registered office is Unit 704, 7/F., Hua Fu Commercial Building, No. 111 Queen's Road West, Sheung Wan, Hong Kong.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company qualifies for the reporting exemption as a small guarantee company under Section 359(1)(a) of the Hong Kong Companies Ordinance (Cap. 622). The Company is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Company is a going concern.

The measurement base adopted is the historical cost convention.

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

##### (a) Revenue

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

(i) Project and advertising income are recognised when services have been rendered.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(iii) Subscription income is recognised on a straight line basis over the subscription period.

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30TH JUNE, 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES - continued

### (b) Government grants and subvention

Government grants and subvention are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period on those expenses are charged in the income statement and are deducted in the related expense.

### (c) Taxation

Income tax expense represents current tax expense. The income tax payable represents the amounts expected to be paid to the taxation authority, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax is not provided.

### (d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an items of property, plant an equipment is allocated on a systematic basis over its estimated useful life using the straight-line method, at the rate of 33% per annum.

### (e) Impairment of assets

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

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30TH JUNE, 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES - continued

### (f) Accounts and other receivables

Accounts and other receivables are stated at estimated realisable value after each debt has been considered individually. Where the payment of a debt becomes doubtful a provision is made and charged to the income statement.

### (g) Retirement benefit costs

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong ( the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Company’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

### (h) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Company are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30TH JUNE, 2020

### 3. REVENUE

An analysis of the Company's revenue is as follows:

	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
Grants received from		
- Hong Kong Arts Development Council	1,165,868.45	1,250,682.14
- Public Affairs Office, AmConGen, Hong Kong	13,950.00	-
Partnership fee income	-	200,000.00
Sponsorship income	-	612,000.00
Project income	7,170.00	381,775.00
Advertising income	135,320.00	230,536.00
Donations received	3,600.00	14,700.00
Subscription income	56,225.80	50,592.00
Bank interest income	258.39	52.85
Sales of tickets	11,350.00	130,730.00
Anti-epidemic Fund subsidy	108,500.00	-
Other income	5,348.65	2,712.00
	<u>1,507,591.29</u>	<u>2,873,779.99</u>

### 4. SURPLUS BEFORE TAXATION

	<u>2020</u>	<u>2019</u>
	HK\$	HK\$
Surplus before taxation is arrived at		
after charging:		
Depreciation	2,962.00	5,796.46
Staff costs	984,748.95	1,087,532.59
Rental payment under operating lease in respect of premise	148,200.00	155,200.00
	<u>148,200.00</u>	<u>155,200.00</u>

### 5. DIRECTORS' REMUNERATION

None of the directors received or will receive any fees or emoluments in respect of their service to the Company during the year (2019: Nil).

## HONG KONG ARTS ADMINISTRATORS ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30TH JUNE, 2020

#### 6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company incurred a tax loss for the year.

No tax was payable on the surplus for prior year arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward.

The taxation can be reconciled to the surplus per income statement as follows:

		<u>2020</u>		<u>2019</u>	
	HK\$	%		HK\$	%
Surplus before taxation	<u>5,830.72</u>			<u>35,487.12</u>	
Tax at Hong Kong Profits					
Tax rate of 16.5%					
(2019: 16.5%)	962.00	16.5%		5,855.00	16.5%
Tax effect of expenses that are not deductible in determining taxable profit	489.00	8.4%		956.00	2.7%
Tax effect of incomes that are not taxable in determining taxable profit	(17,973.00)	(308.2%)		(104.00)	(0.3%)
Tax effect of utilisation of tax losses not previously recognised	-	0.0%		(6,707.00)	(18.9%)
Tax effect of estimated tax loss for which deferred tax assets have not been recognised	<u>16,522.00</u>	<u>283.4%</u>		<u>-</u>	<u>0.0%</u>
Tax effect for the year	<u>-</u>	<u>0.0%</u>		<u>-</u>	<u>0.0%</u>

The Company has unused tax losses of HK\$385,235.00 (2019: HK\$285,100.00) which do not expire under the current tax legislation.