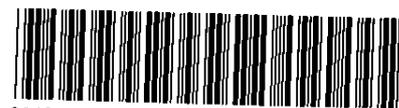


HONG KONG ARTS CENTRE

Report and Consolidated Financial Statements
For the year ended 30 June 2021

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HONG KONG ARTS CENTRE

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

<u>CONTENTS</u>	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4 & 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6 & 7
CONSOLIDATED STATEMENT OF CHANGES IN RESERVE FUNDS	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9 & 10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	11 - 54

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF HONG KONG ARTS CENTRE
(incorporated in Hong Kong under the Hong Kong Arts Centre Ordinance 1974)

Opinion

We have audited the consolidated financial statements of Hong Kong Arts Centre (the "Centre") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 54, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in reserve funds and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Arts Centre Ordinance 1986.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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.

Responsibilities of Governors and Those Charged with Governance for the Consolidated Financial Statements

The governors of the Centre are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Arts Centre Ordinance 1986, and for such internal control as governors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the governors are responsible for assessing the Group'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 governors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF HONG KONG ARTS CENTRE - continued
(incorporated in Hong Kong under the Hong Kong Arts Centre Ordinance 1974)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 consolidated financial statements.

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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governors.
- Conclude on the appropriateness of the governors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF HONG KONG ARTS CENTRE - continued
(incorporated in Hong Kong under the Hong Kong Arts Centre Ordinance 1974)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

6 December 2021

HONG KONG ARTS CENTRE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
INCOME			
Auditoria and facilities hire income		4,404,563	4,710,882
Box office commission income	5	242,468	509,119
Dividend income from financial asset at fair value through profit or loss ("FVTPL")		60,910	123,492
Donation income		15,534,947	15,354,415
Income from courses	5	14,644,495	13,382,710
Income from projects	5	1,233,375	1,605,459
Interest income		874,347	955,349
Gain on disposal of debt instruments at fair value through other comprehensive income ("FVTOCI")		58,300	55,573
Gain on fair value change of financial asset at FVTPL		511,700	-
Other income	5	1,905,580	1,701,067
Programme grants		23,287,380	18,676,190
Grants from Home Affairs Bureau - Arts and Culture Sector Subsidy Scheme	7	80,000	160,000
Grants from The Hong Kong Jockey Club Charities Trust	8	15,354,614	8,217,555
Programme sponsorships		4,674,805	4,113,227
Property rental and related income	5	22,617,726	23,221,848
Reversal of impairment loss allowance		122,823	-
Other gains	6	218,460	435,420
		<u>105,826,493</u>	<u>93,222,306</u>
EXPENDITURE			
Impairment loss allowance		-	37,295
Loss on fair value change of financial asset at FVTPL		-	1,403,950
Auditor's remuneration		263,000	273,600
Box office commission charges		355,247	630,355
Cleaning, repairs and maintenance		4,987,660	4,484,675
Depreciation of property, plant and equipment		17,332,265	16,519,469
Depreciation of right-of-use assets		1,375,321	1,372,230
Electricity and water		2,262,031	2,696,657
Estate management expenses		4,776,127	5,011,635
Expenditure on courses		9,962,541	10,011,394
Expenditure on projects and programme		17,990,818	9,039,180
Other finance costs		121,800	139,053
Interest on lease liabilities		140,108	187,281
Interest expense		-	1,530
Hospitality and travelling		211,148	632,787
Insurance		544,989	370,479
Printing and stationery		209,169	261,201
Professional fees		702,051	210,090
Publicity		7,790,872	5,133,767
External premises operating costs		592,796	1,659,199
Salaries and allowances		34,323,859	34,534,925
Staff recruitment expenses		14,473	42,119
Sundry expenses		318,084	372,496
Telephone and postage		221,891	209,326
Transportation		634,095	496,718
		<u>105,130,345</u>	<u>95,731,411</u>

HONG KONG ARTS CENTRE

	<u>2021</u> HK\$	<u>2020</u> HK\$
SURPLUS (DEFICIT) FOR THE YEAR	<u>696,148</u>	<u>(2,509,105)</u>
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments measured at FVTOCI	(184,609)	(125,230)
Reclassification adjustment for the cumulative losses to profit or loss upon disposal of debt instruments measured at FVTOCI	<u>(58,300)</u>	<u>(55,573)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(242,909)</u>	<u>(180,803)</u>
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR	<u><u>453,239</u></u>	<u><u>(2,689,908)</u></u>

HONG KONG ARTS CENTRE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<u>NOTES</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Non-current assets			
Property, plant and equipment	9	36,312,791	53,113,472
Right-of-use assets	10	2,030,496	3,405,817
Financial asset at FVTPL	11	3,235,750	2,724,050
Debt instruments at FVTOCI	11	-	18,815,809
Deposits	12	462,323	462,323
		<u>42,041,360</u>	<u>78,521,471</u>
Current assets			
Trade and other receivables, deposits and prepayments	12	21,164,811	18,456,769
Contract assets	13	22,805	105,335
Tax recoverable		500,000	-
Short term bank deposits	14	-	3,615,288
Bank balances and cash	14	42,618,392	16,906,130
		<u>64,306,008</u>	<u>39,083,522</u>
Current liabilities			
Trade and other payables and accrued liabilities	15	17,032,748	10,548,436
Government loans	16	1,000,000	1,000,000
Hire charges, sponsorships and other advanced receipts		9,035,640	10,726,368
Rental deposits received		881,096	1,937,620
Advance lease payments		62,315	110,019
Deferred income	17	14,860,340	14,860,340
Lease liabilities	18	1,047,639	1,135,651
Contract liabilities	13	5,655,113	4,842,451
		<u>49,574,891</u>	<u>45,160,885</u>
Net current assets (liabilities)		<u>14,731,117</u>	<u>(6,077,363)</u>
Total assets less current liabilities		<u>56,772,477</u>	<u>72,444,108</u>
Non-current liabilities			
Rental deposits received		943,315	950,342
Advance lease payments		33,618	25,482
Deferred income	17	14,418,815	29,279,155
Lease liabilities	18	861,476	2,127,115
Debentures	19	160,000	160,000
		<u>16,417,224</u>	<u>32,542,094</u>
Net assets		<u>40,355,253</u>	<u>39,902,014</u>

HONG KONG ARTS CENTRE

	<u>2021</u> HK\$	<u>2020</u> HK\$
Reserve funds		
Accumulated surplus	1,903,856	353,484
Building reserve	5,226,322	5,959,591
Programme reserve	17,409,446	17,409,446
HKAS Development Fund	3,930,877	4,099,717
Angel Fund	79,907	79,907
HKAC Bee Fund	84,380	106,960
Mrs. Sandra Walters Prize Fund	70,465	-
Investment revaluation reserve	-	242,909
	<hr/>	<hr/>
	28,705,253	28,252,014
Hong Kong Arts Centre Trust Fund	11,650,000	11,650,000
	<hr/>	<hr/>
Total reserve funds	<u>40,355,253</u>	<u>39,902,014</u>

The financial statements on pages 4 to 54 were approved and authorised for issue by the Board of Governors on 6 December 2021 and are signed on its behalf by:



DOMINICA YANG
(CHAIRMAN, BOARD OF GOVERNORS)



PATRICK HO
(CHAIRMAN, FINANCE COMMITTEE)

HONG KONG ARTS CENTRE

CONSOLIDATED STATEMENT OF CHANGES IN RESERVE FUNDS FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated surplus HK\$ (Note a)	Building reserve HK\$ (Note b)	Programme reserve HK\$ (Note c)	HKAS Development Fund HK\$ (Note d)	Angel Fund HK\$ (Note e)	HKAC Bee Fund HK\$ (Note g)	Mrs. Sandra Walters Prize Fund HK\$ (Note h)	Investment revaluation reserve HK\$	Hong Kong Arts Centre Trust Fund HK\$ (Note f)	Total HK\$
At 1 July 2019	2,071,079	6,500,860	17,409,446	4,411,834	79,907	45,084	-	423,712	11,650,000	42,591,922
Transfer	791,510	(541,269)	-	(312,117)	-	61,876	-	-	-	-
Deficit for the year	(2,509,105)	-	-	-	-	-	-	-	-	(2,509,105)
Other comprehensive expense for the year	-	-	-	-	-	-	-	(180,803)	-	(180,803)
Total comprehensive expense for the year	(2,509,105)	-	-	-	-	-	-	(180,803)	-	(2,689,908)
At 30 June 2020	353,484	5,959,591	17,409,446	4,099,717	79,907	106,960	-	242,909	11,650,000	39,902,014
Transfer	854,224	(733,269)	-	(168,840)	-	(22,580)	70,465	-	-	-
Surplus for the year	696,148	-	-	-	-	-	-	-	-	696,148
Other comprehensive expense for the year	-	-	-	-	-	-	-	(242,909)	-	(242,909)
Total comprehensive income (expense) for the year	696,148	-	-	-	-	-	-	(242,909)	-	453,239
At 30 June 2021	1,903,856	5,226,322	17,409,446	3,930,877	79,907	84,380	70,465	-	11,650,000	40,355,253

Notes:

- (a) Accumulated surplus - Subject to the requirements of the Hong Kong Arts Centre Ordinance 1986, the Board of Governors can freely determine the use of the accumulated fund if any.
- (b) Building reserve - The Board of Governors approved the set-up of a building reserve to allow for amounts to be set aside for funding the capital maintenance and upkeep expenditure of the Arts Centre building.
- (c) Programme reserve - The Board of Governors approved the set-up of a programme reserve to allow for amounts to be set aside for funding of programmes. The balance included an amount of HK\$1 million set aside for funding of programmes executed for Public Art Hong Kong (previously known as Public Art Hong Kong Limited), a company which is engaged in promoting arts programming activities, until 31 July 2018 which is the date of cessation of business of Public Art Hong Kong.
- (d) HKAS Development Fund - The Board of Governors approved the set-up of a development fund to allow for amounts to be set aside for funding of activities held by Hong Kong Art School of the Centre.
- (e) Angel Fund - The Friends of the Hong Kong Arts Centre (the "Friends of the Centre") was established in June 2010 to support the Centre and reinforce the Centre's mission which include fund raising, arts education, audience building, brand building and community reach out.

The capital of the Angel Fund is donated by the founding members of the Friends of the Centre to bring art to the community through sponsoring the scholarships of the Hong Kong Art School and the art education programmes of the Centre. The spending of Angel Fund has to be approved by the Friends of the Centre. New members of the Friends of the Centre should be appointed onto the Board of the Centre.
- (f) Hong Kong Arts Centre Trust Fund - The Hong Kong Arts Centre Trust Fund (the "Trust Fund") was set up in January 1992 to raise a target sum of HK\$50 million for the Centre, the investment income from which is used to develop the Centre's arts programming activities.

The capital of the Trust Fund is built up from donations from the Trust Fund members and from allocations from the Centre's accumulated fund. There was no movement in the Trust Fund in both years.
- (g) HKAC Bee Fund - The HKAC Bee Fund was established in March 2018 with the purpose of engaging the community in the appreciation and creation of the arts through art education and various activities.

The capital of the HKAC Bee Fund is donated by donors to support its activities. The spending of the HKAC Bee Fund has to be approved by the governing body of HKAC Bee.
- (h) Mrs. Sandra Walters Prize Fund - The Mrs. Sandra Walters Prize Fund was established in March 2021 with the purpose of recognising Higher Diploma in Fine Art students' artistic achievements in the course of study.

HONG KONG ARTS CENTRE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	<u>2021</u> HK\$	<u>2020</u> HK\$
OPERATING ACTIVITIES		
Surplus (deficit) for the year	696,148	(2,509,105)
Adjustments for:		
(Reversal of) impairment loss allowance	(122,823)	37,295
Depreciation of property, plant and equipment	17,332,265	16,519,469
Depreciation of right-of-use assets	1,375,321	1,372,230
Dividend income from financial asset at FVTPL	(60,910)	(123,492)
Interest on lease liabilities	140,108	187,281
Gain on rent concessions	(218,000)	(433,360)
Other finance costs	121,800	139,053
Interest income	(874,347)	(955,349)
(Gain) loss on fair value change of financial asset at FVTPL	(511,700)	1,403,950
Gain on disposal of property, plant and equipment	(460)	(2,060)
Gain on disposal of debt instruments at FVTOCI	(58,300)	(55,573)
Donation of debentures	-	(10,000)
Grants recognised in consolidated statement of profit or loss and other comprehensive income	(14,860,340)	(14,860,340)
Operating cash flows before movements in working capital	2,958,762	709,999
(Increase) decrease in trade and other receivables, deposits and prepayments	(2,585,219)	2,785,623
Increase (decrease) in trade and other payables and accrued liabilities	6,834,312	(5,364,565)
Decrease in hire charges, sponsorships and other advanced receipts	(1,690,728)	(1,050,774)
Decrease in contract assets	82,530	720,629
Increase (decrease) in contract liabilities	812,662	(4,586,556)
Decrease in advance lease payments	(39,568)	(109,634)
Decrease in rental deposits received	(1,185,351)	-
Cash generated from operations	5,187,400	(6,895,278)
Purchase of tax reserve certificate	(500,000)	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>4,687,400</u>	<u>(6,895,278)</u>
INVESTING ACTIVITIES		
Proceeds on disposal of debt instruments at FVTOCI	18,631,200	1,622,840
Interest received	874,347	112,481
Dividends received from financial asset at FVTPL	60,910	123,492
Purchase of property, plant and equipment	(881,584)	(6,421,742)
Proceeds on disposal of property, plant and equipment	460	2,060
Placement of short term bank deposits with original maturity over 3 months	-	(6,598,200)
Withdrawal of short term bank deposits with original maturity over 3 months	3,615,288	6,611,850
Grants from The Hong Kong Jockey Club Charities Trust	-	4,413,215
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>22,300,621</u>	<u>(134,004)</u>

HONG KONG ARTS CENTRE

	<u>2021</u> HK\$	<u>2020</u> HK\$
FINANCING ACTIVITIES		
Repayment of Government loans	-	(800,000)
Repayment of lease liabilities	(1,135,651)	(1,081,921)
Interest on lease liabilities paid	(140,108)	(187,281)
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,275,759)</u>	<u>(2,069,202)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,712,262	(9,098,484)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,906,130</u>	<u>26,004,614</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash	<u>42,618,392</u>	<u>16,906,130</u>

1. GENERAL

Hong Kong Arts Centre (the "Centre") is a body corporate with perpetual succession established by the Hong Kong Arts Centre Ordinance 1974. This ordinance was repealed in 1986 and was replaced by the Hong Kong Arts Centre Ordinance 1986.

The principal activities of the Centre are to promote, sponsor, encourage, provide for the appreciation of and participation in the visual, literary, musical and performing arts. Details of the Centre's subsidiaries are set out in note 27. Hereinafter, the Centre and its subsidiaries are collectively referred to as the "Group". The address of both the registered office and principal place of operation of the Centre is 2 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Centre and its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs that are mandatorily effective for the current year
- continued

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" ("HKFRS 16") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated surplus at 1 July 2020. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$218,000, which has been recognised as variable lease payments in profit or loss for the current year.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the governors of the Centre anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective - continued

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 30 June 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Arts Centre Ordinance 1986.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values at the end of the reporting period, as explained in accounting policies set out below.

Historical cost is generally based on fair value of the consideration given in exchange for services.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Centre and entities controlled by the Centre and its subsidiaries. Control is achieved when the Centre:

- has power over the investee;
- has exposure, or rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of storage space that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term lease are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee - continued

Right-of-use assets - continued

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19- related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee - continued

Lease liabilities - continued

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee - continued

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the supply of services, or for administrative purpose. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss and other comprehensive income.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment on property, plant and equipment and right-of-use assets - continued

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group recognises income from the following major sources which arise from contracts with customers:

- Box office commission income
- Income from courses
- Income from projects
- Books and souvenirs sales (included in other income)
- Property management services (included in property rental and related income)

Box office commission income

The Group receives commission from the Government of the Hong Kong Special Administrative Region ("the HKSAR Government") for providing ticketing services through Urban Ticketing System sales units operated in the Group's venue. Income from box office commission is recognised at the point in time when such ticketing services are provided.

Income from courses

The Group receives fees from students for courses provided by the Group. Income from courses is recognised over time as the students simultaneously receive and consume the benefits provided by the Group's performance as the Group performs throughout the course period. The Group also determines that the students' benefits from the Group's services evenly throughout the course period. The Group recognises the income from courses on a straight-line basis throughout the course period of each student.

For certain courses, the Group requires students to provide advance payments of course fee. When the Group receives the advance payments, it will give rise to contract liabilities as the Group has obligation to provide courses to students.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

Principal versus agent - continued

Income from projects

The Group provides project management services to customers and receives fixed fees for providing such services. Income from projects are recognised over time as the Group's performance creates and enhances an asset that the customer controls as the Group performs.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

For certain projects, the Group receives advance payments from customers. When the Group receives the advance payments, it will give rise to contract liabilities as the Group has obligation to provide services to customers.

Books and souvenirs sales

Income from the books and souvenirs sales is recognised at the point in time when books and souvenirs are delivered and control has been passed to customers.

Property management services

The Group provides property management services to tenants and receives management fees for providing such services. Income from property management services are recognised over time as the tenants simultaneously receive and consume the benefits provided by the Group's performance throughout the lease term. The Group also determines that the tenants' benefits from the Group's services evenly throughout the lease term. The Group recognises the income from property management services on a straight-line basis throughout the lease term.

Income from other sources

Auditoria and facilities hire income and other income are recognised on an accrual basis.

Donation income is recognised as income when the Group's rights to receive payment have been established and the amount has been received or is receivable from the donors. Grants intended for particular projects, expenditure or capital expenditure are deferred and recognised in current liabilities in the consolidated statement of financial position when the amounts are received or receivable. In respect of grants intended for particular projects or expenditure, amounts equivalent to the expenditure incurred during the year are transferred to the consolidated statement of profit or loss and other comprehensive income. In respect of grants intended for capital expenditure, an amount equivalent to the depreciation charges of the related property, plant and equipment are transferred to the consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Income from other sources - continued

Programme grants and sponsorships are recognised when the related programme has been held.

Property rental and related income are recognised on a straight-line basis over the relevant lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss and other comprehensive income for the period.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated surplus.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, deposits, short term bank deposits and bank balances and cash and contract assets) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

The Group always assesses lifetime ECL for trade receivables and contract assets and are assessed individually for each debtor.

For all other instruments, the Group assesses the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(i) Significant increase in credit risk - continued

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Centre are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, government loans and debentures are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated surplus.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition - continued

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Grants and government grants

Grants and government grants not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Grants and government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as expenditure when employees have rendered service entitling them to the contributions.

Taxation

The Centre is a charitable institution and is exempted from Hong Kong taxation by virtue of Section 88 of the Inland Revenue Ordinance.

Income tax expense represents the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Current tax is recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY AND CONTINGENT LIABILITIES

In the application of the Group's accounting policies, which are described in note 3, the governors of the Centre are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the governors of the Centre have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Taxation

On 10 March 2021, the Hong Kong Inland Revenue Department (the "IRD") issued estimated assessment ("EA") for the year of assessment 2014/15 in respect of certain property rental and related income of the Centre with tax demanded of HK\$1,613,500. The EA was of a protective nature and was issued to keep the relevant year of assessment technically open as the year of assessment 2014/15 would be statutorily time-barred on after 31 March 2021.

During the year ended 30 June 2021, the Centre lodged objection against the EA and the Centre has purchased tax reserve certificate in the amount of HK\$500,000.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY AND CONTINGENT LIABILITIES - continued

Critical judgements in applying accounting policies - continued

Taxation - continued

As the Centre is still under negotiation with the IRD and the final outcome of the tax dispute is still uncertain, the governors are of the view that there is no reliable basis for estimating or making provision for potential tax liabilities, if any, and the corresponding penalty and interest, if any, as at 30 June 2021, which may arise from tax adjustments made as a result of the above review. Accordingly, no tax payable is recognised in the Group's consolidated financial statements for the year ended 30 June 2021. In case actual future payments of tax to the IRD is demanded, the related tax provision would be recognised in profit or loss for the period in which agreement with the IRD is reached.

Key sources of estimation uncertainty

The following are key sources of estimation uncertainty at the end of the reporting period that have a significant of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss allowance for trade receivables and contract assets

The governors of the Centre estimate the amount of lifetime ECL of the trade receivables and contract assets on individual debtor basis. The credit loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables and contract assets involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in note 26.

Depreciation of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over their estimated useful lives and the lease terms, respectively. The Group assesses annually the useful life of the property, plant and equipment and right-of-use assets and if the expectation differs from the original estimate, such difference will affect the depreciation in the year in which such estimate has been changed.

HONG KONG ARTS CENTRE

5. INCOME FROM CONTRACTS WITH CUSTOMERS

- (i) Disaggregation of income from contracts with customers under HKFRS 15 are disclosed as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Types of goods and services		
Box office commission income	242,468	509,119
Income from courses	14,644,495	13,382,710
Income from projects	1,233,375	1,605,459
Books and souvenirs sales (included in other income)	675,628	914,234
Property management services (included in property rental and related income)	4,140,849	4,076,019
	<u>20,936,815</u>	<u>20,487,541</u>
Geographical market		
Hong Kong	<u>20,936,815</u>	<u>20,487,541</u>
Timing of revenue recognition		
Over time	20,018,719	19,064,188
A point in time	918,096	1,423,353
	<u>20,936,815</u>	<u>20,487,541</u>

- (ii) Transaction price allocated to the remaining performance obligation for contracts with customers

At the end of the reporting period, contracts with customers with unsatisfied performance obligations have original expected durations of one year or less. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied performance obligations are not disclosed.

6. OTHER GAINS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Gain on rent concessions	218,000	433,360
Gain on disposal of property, plant and equipment	460	2,060
	<u>218,460</u>	<u>435,420</u>

HONG KONG ARTS CENTRE

7. GRANTS FROM HOME AFFAIRS BUREAU

The grants represent anti-epidemic funds received or receivable from Home Affairs Bureau under the following schemes:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Arts and Culture Sector Subsidy Scheme	80,000	80,000
Arts and Culture Sector Subsidy Scheme (Additional)	-	80,000
	<u>80,000</u>	<u>160,000</u>

8. GRANTS FROM THE HONG KONG JOCKEY CLUB CHARITIES TRUST

The grants represent funds received or receivable from The Hong Kong Jockey Club Charities Trust for organising following projects:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Ifva Everywhere	6,971,338	3,698,209
Heritage of Pride: Intangible Cultural Heritage Education	3,754,726	3,103,502
"Shall We Play" Public Art Project on Mental Wellbeing	4,628,550	1,415,844
	<u>15,354,614</u>	<u>8,217,555</u>

HONG KONG ARTS CENTRE

9. PROPERTY, PLANT AND EQUIPMENT

	Arts Centre building HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
COST				
At 1 July 2019	1	95,232,848	20,626,231	115,859,080
Additions	-	5,899,395	522,347	6,421,742
Disposals	-	(878,826)	(206,820)	(1,085,646)
At 30 June 2020	1	100,253,417	20,941,758	121,195,176
Additions	-	159,300	722,284	881,584
Disposals	-	-	(734,989)	(734,989)
Write-off	-	(350,000)	-	(350,000)
At 30 June 2021	1	100,062,717	20,929,053	120,991,771
DEPRECIATION				
At 1 July 2019	-	34,924,132	17,723,749	52,647,881
Provided for the year	-	15,433,035	1,086,434	16,519,469
Eliminated on disposals	-	(878,826)	(206,820)	(1,085,646)
At 30 June 2020	-	49,478,341	18,603,363	68,081,704
Provided for the year	-	16,186,208	1,146,057	17,332,265
Eliminated on disposals	-	-	(734,989)	(734,989)
At 30 June 2021	-	65,664,549	19,014,431	84,678,980
CARRYING VALUES				
At 30 June 2021	1	34,398,168	1,914,622	36,312,791
At 30 June 2020	1	50,775,076	2,338,395	53,113,472

The above items of property, plant and equipment are depreciated on a straight-line basis at following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and equipment	20% - 33%

Hong Kong Arts Centre building is situated on land in Hong Kong under a medium-term lease which was granted by The Government of the Hong Kong Special Administrative Region ("the HKSAR Government") without payment of premium. Under the conditions of grant, the Centre is required to maintain the building erected thereon as an arts and cultural centre and is restricted from disposing of the property other than reversion to the HKSAR Government.

HONG KONG ARTS CENTRE

10. RIGHT-OF-USE ASSETS

	Leasehold buildings HK\$
As at 30 June 2021	
Carrying amount	2,030,496
As at 30 June 2020	
Carrying amount	3,405,817
For the year ended 30 June 2021	
Depreciation charge	1,375,321
For the year ended 30 June 2020	
Depreciation charge	1,372,230

	<u>2021</u> HK\$	<u>2020</u> HK\$
Expense relating to short-term leases	9,000	18,012
Total cash outflow for leases	<u>1,284,758</u>	<u>1,287,214</u>

For both years, the Group leases offices, warehouses and school campuses for its operations. Lease contracts are entered into for fixed term of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

11. FINANCIAL ASSET AT FVTPL/DEBT INSTRUMENTS AT FVTOCI

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial asset at FVTPL:		
Financial asset mandatorily measured at FVTPL:		
Real estate investment trust listed in Hong Kong	<u>3,235,750</u>	<u>2,724,050</u>
Debt instruments at FVTOCI:		
Debt instruments listed in Hong Kong (Note):		
Listed bond with fixed interest rate of 4.45% and perpetual	<u>-</u>	<u>18,815,809</u>

Note: The Group recognised interest income of HK\$414,544 (2020: HK\$842,868) in profit or loss during the year ended 30 June 2021. As at 30 June 2020, the Group's investment in debt instruments of HK\$18,815,809 were denominated in United States Dollar ("USD"), the currency which was not the functional currency of the Centre.

HONG KONG ARTS CENTRE

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Trade receivables	6,004,616	2,100,125
Other receivables	12,454,538	14,188,063
Less: Allowance for credit losses	(5,246)	(128,069)
	<u>18,453,908</u>	<u>16,160,119</u>
Deposits	1,554,774	1,610,274
Prepayments	1,618,452	1,148,699
	<u>21,627,134</u>	<u>18,919,092</u>
Analysed as:		
Current	21,164,811	18,456,769
Non-current	462,323	462,323
	<u>21,627,134</u>	<u>18,919,092</u>

As at 30 June 2021, 30 June 2020 and 1 July 2019, trade receivables from contracts with customers amounted to HK\$6,004,616, HK\$2,100,125 and HK\$4,762,984 respectively.

The Group allows an average credit period of 90 days to its customers.

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$6,512 (2020: HK\$95,993) which are past due at the end of the reporting period. Out of the past due balances, HK\$455 (2020: HK\$46,795) has been past due 90 days or more and is not considered as in default as these balances are either from debtors with long term business relationship or are individually insignificant. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables, other receivables and deposits as at 30 June 2021 and 2020 are set out in note 26.

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Contract assets	<u>22,805</u>	<u>105,335</u>
Contract liabilities	<u>5,655,113</u>	<u>4,842,451</u>

As at 1 July 2019, contract assets and contract liabilities amounted to HK\$825,964 and HK\$9,429,007 respectively.

13. CONTRACT ASSETS AND CONTRACT LIABILITIES - continued

For income from projects, the Group has rights to considerations from customers for providing project management services for projects. Contract assets arise when the Group has right to consideration for completion of these services but not yet billed under the relevant contracts, and their right is conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability.

For income from courses, if the course fees received by the Group exceeds the income recognised to date, the Group recognises a contract liability for the difference.

For the contract liabilities as at 30 June 2021, 2020 and 2019, the entire balances will be/were recognised as income in profit or loss during the years ending/ended 30 June 2022, 2021 and 2020 respectively.

Details of impairment assessment of contract assets as at 30 June 2021 and 2020 are set out in note 26.

14. OTHER CURRENT FINANCIAL ASSETS

As at 30 June 2021, bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate at 0.10% (2020: 0.10%) per annum.

As at 30 June 2020, short term bank deposits comprise bank deposits of fixed interest rate at 4.30% per annum with an original maturity between three months and twelve months. The short term bank deposits as at 30 June 2020 were denominated in Renminbi ("RMB").

As at 30 June 2021, the Group had bank balances and cash in foreign currencies of HK\$14,581 (2020: HK\$7,927), HK\$2,952 (2020: HK\$2,696) and HK\$2,808,544 (2020: HK\$1,458), which were denominated in USD, Australian dollars ("AUD") and RMB respectively.

15. TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

Trade and other payables principally comprise amounts outstanding for ongoing costs.

16. GOVERNMENT LOANS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Carrying amount (shown under current liabilities) that contains a repayment on demand clause based on scheduled repayment terms:		
Within one year	-	-
More than one year but not exceeding two years	250,000	250,000
More than two years but not more than five years	750,000	750,000
	<u>1,000,000</u>	<u>1,000,000</u>

HONG KONG ARTS CENTRE

16. GOVERNMENT LOANS - continued

The government loans are interest-free and secured by way of an assignment of all incomes, revenues, school fees and other fees, payments, entitlements, proceeds, donations, subsidies, charges, interest and/or additional sources of income in whatever nature receivable or received or to be received by the Centre in its own right derived and generated from operation and management of all courses and programmes conducted by the Centre.

During the year ended 30 June 2020, the Centre accepted a one-off interest-free deferral of loan repayment for a period of two years offered by the HKSAR Government, in view of latest development of the COVID-19 epidemic.

17. DEFERRED INCOME

	<u>2021</u> HK\$	<u>2020</u> HK\$
The Hong Kong Jockey Club Charities Trust	26,705,368	39,999,031
The Ronald and Rita McAulay Foundation	914,966	1,476,201
FIL Foundation	397,517	600,673
Sir Y K Pao Foundation	1,261,304	2,063,590
	<u>29,279,155</u>	<u>44,139,495</u>
Analysed as:		
Current	14,860,340	14,860,340
Non-current	14,418,815	29,279,155
	<u>29,279,155</u>	<u>44,139,495</u>

Deferred income represents grants received from The Hong Kong Jockey Club Charities Trust, The Ronald and Rita McAulay Foundation, FIL Foundation and Sir Y K Pao Foundation for capital expenditure and is recognised as income on a systematic and rational basis over the useful life of the property, plant and equipment.

The Hong Kong Jockey Club Charities Trust

	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year	39,999,031	48,879,479
Grants received during the year	-	4,413,215
Recognised in consolidated statement of profit or loss and other comprehensive income	<u>(13,293,663)</u>	<u>(13,293,663)</u>
At the end of the year	<u>26,705,368</u>	<u>39,999,031</u>

HONG KONG ARTS CENTRE

17. DEFERRED INCOME - continued

The Ronald and Rita McAulay Foundation

	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year	1,476,201	2,037,436
Recognised in consolidated statement of profit or loss and other comprehensive income	<u>(561,235)</u>	<u>(561,235)</u>
At the end of the year	<u>914,966</u>	<u>1,476,201</u>

FIL Foundation

	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year	600,673	803,829
Recognised in consolidated statement of profit or loss and other comprehensive income	<u>(203,156)</u>	<u>(203,156)</u>
At the end of the year	<u>397,517</u>	<u>600,673</u>

Sir Y K Pao Foundation

	<u>2021</u> HK\$	<u>2020</u> HK\$
At the beginning of the year	2,063,590	2,865,876
Recognised in consolidated statement of profit or loss and other comprehensive income	<u>(802,286)</u>	<u>(802,286)</u>
At the end of the year	<u>1,261,304</u>	<u>2,063,590</u>

18. LEASE LIABILITIES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Lease liabilities payable:		
Within one year	1,047,639	1,135,651
Within a period of more than one year but not more than two years	861,476	1,265,639
Within a period of more than two years but not more than five years	-	861,476
	<u>1,909,115</u>	<u>3,262,766</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(1,047,639)</u>	<u>(1,135,651)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>861,476</u>	<u>2,127,115</u>

HONG KONG ARTS CENTRE

19. DEBENTURES

	<u>Number of debentures issued</u>	<u>Value HK\$</u>
At 1 July 2019	17	170,000
Redeemed during the year	<u>(1)</u>	<u>(10,000)</u>
At 30 June 2020 and 2021	<u>16</u>	<u>160,000</u>

The debentures are unsecured, interest-free and are redeemable at any time specified by the governors of the Centre.

20. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' salaries with a cap of HK\$1,500 per month per employee and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. No forfeited contribution is available to reduce the contribution payable in the future years as at 30 June 2021 and 2020.

During the year ended 30 June 2021, the total costs charged to profit or loss are HK\$1,471,442 (2020: HK\$1,494,192), representing contributions paid/payable to the above defined contribution retirement benefits schemes.

21. CONTINGENT LIABILITIES

On 21 November 1984, an amount of HK\$27,988,318 was advanced by the HKSAR Government to the Centre from the Gold Coin Issue Fund to repay in full the syndicated loan and the mortgage loan originally granted to the Centre for financing the construction of the Arts Centre building. The advance was not recorded as a liability of the Centre. Should the Centre go into liquidation or be wound up, the HKSAR Government shall rank as a secured creditor for the entire amount previously advanced from the Gold Coin Issue Fund.

HONG KONG ARTS CENTRE

22. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Rental income earned under operating leases during the year was HK\$16,670,761 (2020: HK\$18,564,336) for the year ended 30 June 2021. All of the properties held have committed tenants for the next one to three years.

Undiscounted lease payments receivable on leases are as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within one year	9,807,197	13,969,479
In the second year	2,132,786	1,888,839
In the third year	-	147,315
	<u>11,939,983</u>	<u>16,005,633</u>

23. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties during the year:

<u>Name of related party</u>	<u>Nature of transaction</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Mrs. Dominica Yang (Note i)	Donations	-	49,000
Mr. Kwan Kin Kei (Note ii)	Donations	10,000	-
Mrs. Jackie Ma (Note iii)	Donations	10,000	-
Mrs. Janice Choi (Note iv)	Donations	100,000	-
Mr. Evan Chow (Note iv)	Donations	100,000	-
Ms. Anne Witt (Note iv)	Donations	<u>1,000</u>	<u>-</u>

Notes:

- (i) Being the Chairman of the Board of Governors.
- (ii) Being a member of the Building Committee.
- (iii) Being the Vice Chairman of the Arts Programme Committee.
- (iv) Being a member of the Board of Governors.

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below shows details changes in the Group's liabilities arising from financing activities including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<u>Lease</u> <u>liabilities</u> HK\$	<u>Government</u> <u>loans</u> HK\$	<u>Total</u> HK\$
At 1 July 2019	4,187,649	1,800,000	5,987,649
Financing cash flows	(1,269,202)	(800,000)	(2,069,202)
Interest on lease liabilities	187,281	-	187,281
Other non-cash changes:			
Rent concession	(433,360)	-	(433,360)
Modification of lease term	590,398	-	590,398
At 30 June 2020	3,262,766	1,000,000	4,262,766
Financing cash flows	(1,275,759)	-	(1,275,759)
Interest on lease liabilities	140,108	-	140,108
Other non-cash changes:			
Rent concessions	(218,000)	-	(218,000)
At 30 June 2021	<u>1,909,115</u>	<u>1,000,000</u>	<u>2,909,115</u>

25. RESERVE FUNDS RISK MANAGEMENT

The Group manages its reserve funds to ensure that the Centre and entities in the Group will be able to continue as a going concern. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of accumulated surplus and debts, which includes government loans and debentures as disclosed in notes 16 and 19 respectively and cash and cash equivalents. The governors of the Centre review the capital structure on a regular basis. As part of this review, the governors of the Centre consider the cost of capital and the risks associated with reserve funds. Based on recommendations of the governors of the Centre, the Group will balance its overall fund structure through the raising of new funds, redemption of debentures and repayment of loans.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets		
Financial asset at FVTPL	3,235,750	2,724,050
Debt instruments at FVTOCI	-	18,815,809
Financial assets at amortised cost	<u>62,589,774</u>	<u>37,829,488</u>
Financial liabilities		
Amortised cost	<u>18,660,896</u>	<u>13,156,267</u>

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, deposits, short term bank deposits, bank balances, financial asset at FVTPL, debt instruments at FVTOCI, trade and other payables, government loans and debentures. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and fixed-rate bank deposits as at 30 June 2021 (2020: in relation to lease liabilities and fixed-rate bank deposits). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at 30 June 2021 and 2020. As the fixed-rate bank deposits are matured within one year, management considers the fair value interest rate risk exposure is limited.

Moreover, management considers the cash flow interest rate risk is insignificant. No interest rate risk sensitivity analysis is disclosed as in the opinion of management, the interest rate risk sensitivity analysis does not give additional value in view of insignificant movement in the interest rates. The Group does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risks - continued

Foreign currency risk

Certain short term bank deposits, bank balances and cash and debt instruments at FVTOCI of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and debt instruments at FVTOCI at the end of the reporting period denominated not in HK\$ are as follows:

	<u>2021</u> HK\$	<u>2020</u> HK\$
USD	14,581	18,823,736
AUD	2,952	2,696
RMB	<u>2,808,544</u>	<u>3,616,746</u>

Sensitivity analysis

As HK\$ is pegged to USD, management does not expect any significant movements in the USD/HK\$ exchange rates. The Group is mainly exposed to AUD and RMB.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in HK\$ against AUD or RMB. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary assets which are denominated in AUD and RMB and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A positive number below indicates an approximate decrease in surplus (2020: increase in deficit) for the year where HK\$ strengthen 5% (2020: 5%) against AUD or RMB. For a 5% (2020: 5%) weakening of HK\$ against AUD or RMB, there would be an equal and opposite impact on the surplus (2020: deficit) for the year and the balance below would be negative.

	<u>2021</u> HK\$	<u>2020</u> HK\$
Decrease in surplus for the year	<u>141,000</u>	<u>181,000</u>

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Price risk

The Group is exposed to price risk through its financial asset at FVTPL and debt instruments at FVTOCI. Management manages this exposure by seeking advice from financial consultant on the investment portfolio held by the Group, if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks at the end of the reporting period.

As at 30 June 2021, if the prices of the respective instruments had been 5% higher/lower, investment revaluation reserve would increase/decrease by approximately nil (2020: HK\$941,000) as a result of the changes in fair value of debt instruments at FVTOCI and surplus for the year would increase/decrease by approximately HK\$162,000 (2020: deficit for the year would decrease/increase by approximately HK\$136,000) as a result of the changes in fair value of financial asset at FVTPL.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management closely monitors the utilisation of government loans and ensures compliance with the loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, government loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the HKSAR Government choosing to exercise their rights. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 1 year HK\$	1 - 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at the end of the reporting period HK\$
2021						
Non-derivatives financial liabilities						
Trade and other payables	N/A	15,642,884	-	-	15,642,884	15,642,884
Government loans	N/A	1,000,000	-	-	1,000,000	1,000,000
Other advanced receipts	N/A	33,601	-	-	33,601	33,601
Rental deposits received	5	895,738	1,026,001	-	1,921,738	1,824,411
Debentures	N/A	-	20,000	140,000	160,000	160,000
		<u>17,761,559</u>	<u>856,664</u>	<u>140,000</u>	<u>18,758,223</u>	<u>18,660,896</u>
Lease liabilities	5	<u>1,122,159</u>	<u>879,120</u>	-	<u>2,001,279</u>	<u>1,909,115</u>

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity and interest risk tables - continued

	Weighted average effective interest rate %	On demand or less than 1 year HK\$	1 - 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at the end of the reporting period HK\$
<u>2020</u>						
Non-derivatives financial liabilities						
Trade and other payables	N/A	9,078,305	-	-	9,078,305	9,078,305
Government loans	N/A	1,000,000	-	-	1,000,000	1,000,000
Other advanced receipts	N/A	30,000	-	-	30,000	30,000
Rental deposits received	5	2,001,106	1,025,729	-	3,026,835	2,887,962
Debentures	N/A	-	20,000	140,000	160,000	160,000
		<u>12,109,411</u>	<u>1,045,729</u>	<u>140,000</u>	<u>13,295,140</u>	<u>13,156,267</u>
Lease liabilities	5	<u>1,275,759</u>	<u>1,340,160</u>	<u>879,120</u>	<u>3,495,039</u>	<u>3,262,766</u>

Government loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 30 June 2021, the undiscounted principal amount of the government loans for the Group amounted to HK\$1,000,000 (2020: HK\$1,000,000). Taking into account the Group's financial position, the governors of the Centre do not believe that it is probable that the HKSAR Government will exercise its discretionary rights to demand immediate repayment. The governors of the Centre believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement (see details in note 16).

Credit risk

The Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk is primarily attributable to trade receivables, contract assets, other receivables, deposits, short term bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with these financial assets and contract assets.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk - continued

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, management has implemented monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. ECL on trade receivables and contract assets are assessed individually. The assessment is based on the internal credit ratings, aging, repayment history and/or past due status of the respective customers. As part of the Group's credit risk management, the Group applied internal credit rating for its customers and applying the estimated loss rate ranging from 0.10% to 2.00% (2020: 0.10% to 2.14%) over the gross carrying amounts. In this regard, the governors of the Centre consider that the credit risk on trade receivables and contract assets is significantly reduced.

Other receivables and deposits

For other receivables and deposits, the governors of the Centre make periodic individual assessment on the recoverability of significant balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The governors of the Centre believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables and deposits. Based on assessment by the governors of the Centre, the ECL for other receivables and deposits as at 30 June 2021 and 2020 is insignificant.

Short term bank deposits and bank balances

The governors of the Centre consider that the credit risks on short term bank deposits and bank balances are limited because the banks are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies and concluded that the ECL for short term bank deposits and bank balances as at 30 June 2021 and 2020 is insignificant.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk - continued

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

<u>At 30 June</u>	<u>Notes</u>	<u>External credit rating</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amounts</u>	
					<u>2021</u> HK\$	<u>2020</u> HK\$
Financial assets at amortised cost						
Trade receivables	12	N/A	Note a	Lifetime ECL	6,004,616	2,100,125
Other receivables and deposits	12	N/A	Note b	12m ECL	14,009,312	15,798,337
Short term bank deposits	14	A3 - Aa2	N/A	12m ECL	-	3,615,288
Bank balances	14	A3 - Aa2	N/A	12m ECL	42,581,092	16,868,829
Other assets						
Contract assets	13	N/A	Note a	Lifetime ECL	22,805	105,335

Notes:

- (a) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the impairment loss allowance at lifetime ECL. ECL on trade receivables and contract assets are assessed individually. The assessment is based on the internal credit ratings, aging, repayment history and/or past due status of the respective customers.
- (b) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. All of these balances are not past due at 30 June 2021 and 2020.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	<u>Lifetime ECL</u> (not credit-impaired) <u>trade receivables</u> HK\$	<u>Lifetime ECL</u> (credit-impaired) <u>trade receivables</u> HK\$	<u>Total</u> HK\$
As at 1 July 2019	78,157	12,617	90,774
Impairment loss recognised	37,295	-	37,295
At 30 June 2020	115,452	12,617	128,069
Impairment loss reversed	(110,206)	(12,617)	(122,823)
At 30 June 2021	5,246	-	5,246

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

HONG KONG ARTS CENTRE

26. FINANCIAL INSTRUMENTS - continued

Fair values measurements of financial instruments

The governors of the Centre consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used).

<u>Financial instruments</u>	<u>Fair value as at 30 June 2021</u>	<u>Fair value as at 30 June 2020</u>	<u>Fair value hierarchy</u>	<u>Valuation techniques and key inputs</u>
Financial asset at FVTPL	Real estate investment trust listed in Hong Kong - HK\$3,235,750	Real estate investment trust listed in Hong Kong - HK\$2,724,050	Level 1	By reference to quote prices in active market
Debt instruments at FVTOCI	Listed debt securities - nil	Listed debt securities - HK\$18,815,809	Level 1	By reference to quote prices in active market

There were no transfer between Level 1 and 2 for both years.

27. PARTICULARS OF SUBSIDIARIES OF THE CENTRE

Details of the Centre's subsidiaries as at 30 June 2021 and 2020 are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Class of share held</u>	<u>Proportion of nominal value of issued capital directly held by the Centre</u>		<u>Principal activity</u>
			<u>2021</u>	<u>2020</u>	
The Hong Kong Art School Limited 香港藝術學院有限公司	Hong Kong	Ordinary	100%	100%	Inactive
Hong Kong Arts Centre Holdings Limited	Hong Kong	Ordinary	100%	100%	Inactive

None of the subsidiaries had any debt securities at the end of the year or at any time during the year.

HONG KONG ARTS CENTRE

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE CENTRE

	<u>2021</u> HK\$	<u>2020</u> HK\$
Non-current assets		
Property, plant and equipment	36,312,791	53,113,472
Right-of-use assets	2,030,496	3,405,817
Investments in subsidiaries	10,100	10,100
Financial asset at FVTPL	3,235,750	2,724,050
Debt instruments at FVTOCI	-	18,815,809
Deposits	462,323	462,323
	<u>42,051,460</u>	<u>78,531,571</u>
Current assets		
Trade and other receivables, deposits and prepayments	21,164,811	18,456,769
Contract assets	22,805	105,335
Tax recoverable	500,000	-
Short term bank deposits	-	3,615,288
Bank balances and cash	42,618,392	16,906,130
	<u>64,306,008</u>	<u>39,083,522</u>
Current liabilities		
Trade and other payables and accrued liabilities	17,032,748	10,548,436
Government loans	1,000,000	1,000,000
Hire charges, sponsorships and other advanced receipts	9,035,640	10,726,368
Rental deposits received	881,096	1,937,620
Advance lease payments	62,315	110,019
Deferred income	14,860,340	14,860,340
Lease liabilities	1,047,639	1,135,651
Contract liabilities	5,655,113	4,842,451
	<u>49,574,891</u>	<u>45,160,885</u>
Net current assets (liabilities)	<u>14,731,117</u>	<u>(6,077,363)</u>
Total assets less current liabilities	<u>56,782,577</u>	<u>72,454,208</u>
Non-current liabilities		
Rental deposits received	943,315	950,342
Advance lease payments	33,618	25,482
Deferred income	14,418,815	29,279,155
Lease liabilities	861,476	2,127,115
Debentures	160,000	160,000
	<u>16,417,224</u>	<u>32,542,094</u>
Net assets	<u>40,365,353</u>	<u>39,912,114</u>

HONG KONG ARTS CENTRE

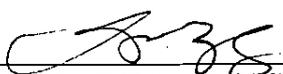
28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE CENTRE - continued

	<u>2021</u> HK\$	<u>2020</u> HK\$
Reserve funds		
Accumulated surplus (Note)	1,913,956	363,584
Building reserve (Note)	5,226,322	5,959,591
Programme reserve (Note)	17,409,446	17,409,446
HKAS Development Fund (Note)	3,930,877	4,099,717
Angel Fund (Note)	79,907	79,907
HKAC Bee Fund	84,380	106,960
Mrs. Sandra Walters Prize Fund	70,465	-
Investment revaluation reserve (Note)	-	242,909
	<u>28,715,353</u>	<u>28,262,114</u>
Hong Kong Arts Centre Trust Fund (Note)	<u>11,650,000</u>	<u>11,650,000</u>
Total reserve funds	<u>40,365,353</u>	<u>39,912,114</u>

Note:

	Accumulated surplus HK\$	Building reserve HK\$	Programme reserve HK\$	HKAS Development Fund HK\$	Angel Fund HK\$	HKAC Bee Fund HK\$	Mrs. Sandra Walters Prize Fund HK\$	Investment revaluation reserve HK\$	Hong Kong Arts Centre Trust Fund HK\$	Total HK\$
At 1 July 2019	2,081,179	6,500,860	17,409,446	4,411,834	79,907	45,084	-	423,712	11,650,000	42,602,022
Transfer	791,510	(541,269)	-	(312,117)	-	61,876	-	-	-	-
Deficit for the year	(2,509,105)	-	-	-	-	-	-	-	-	(2,509,105)
Other comprehensive expense for the year	-	-	-	-	-	-	-	(180,803)	-	(180,803)
Total comprehensive expense for the year	(2,509,105)	-	-	-	-	-	-	(180,803)	-	(2,689,908)
At 30 June 2020	363,584	5,959,591	17,409,446	4,099,717	79,907	106,960	-	242,909	11,650,000	39,912,114
Transfer	854,224	(733,269)	-	(168,840)	-	(22,580)	70,465	-	-	-
Surplus for the year	696,148	-	-	-	-	-	-	-	-	696,148
Other comprehensive expense for the year	-	-	-	-	-	-	-	(242,909)	-	(242,909)
Total comprehensive income (expense) for the year	696,148	-	-	-	-	-	-	(242,909)	-	453,239
At 30 June 2021	<u>1,913,956</u>	<u>5,226,322</u>	<u>17,409,446</u>	<u>3,930,877</u>	<u>79,907</u>	<u>84,380</u>	<u>70,465</u>	<u>-</u>	<u>11,650,000</u>	<u>40,365,353</u>

The statement of financial position of the Centre was approved and authorised for issue by the Board of Governors on 6 December 2021 and are signed on its behalf by:


DOMINICA YANG
(CHAIRMAN, BOARD OF GOVERNORS)


PATRICK HO
(CHAIRMAN, FINANCE COMMITTEE)